



U.S. Department
Of Transportation
**Pipeline and
Hazardous Materials
Safety Administration**

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WARNING LETTER

OVERNIGHT EXPRESS MAIL

April 06, 2012

Michael C. Pearson
Vice President Technical Services
Magellan Midstream Partners, L.P.
One Williams Center
Tulsa, OK 74172

CPF 1-2012-6001W

Dear Mr. Pearson:

On October 26, 2010, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected Magellan Midstream Partners, L.P.'s asset, Magellan Terminal Holdings, L.P.'s (Magellan), in New Haven, Connecticut.

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

1. **§195.404 Maps and Records.**
 - (c) **Each operator shall maintain the following records for the periods specified;**
 - (3) **A record of each inspection and test required by this subpart shall be maintained for at least 2 years or until the next inspection or test is performed, whichever is longer.**

Magellan failed to maintain records of inspections required by §195.432(b) for at least 2 years.

Magellan's Monthly Tank Inspection records noted the general condition of paint coating on Breakout Tank # 3H was inadequate from the period 2008 to 2010.

- At the time of the PHMSA inspection, the PHMSA representative asked if the deficiencies had been remediated.
- The Magellan representative stated that the records were completed incorrectly and based on their procedures, the general condition of the paint coating should have been stated as "adequate" and therefore no remediation was required.
- Therefore, the records were incorrect.

Incorrect records do not provide an adequate basis for taking appropriate actions to ensure pipeline integrity.

2. §195.589 What corrosion control information do I have to maintain?

(c) You must maintain a record of each analysis, check, demonstration, examination, inspection, investigation, review, survey, and test required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that corrosion requiring control measures does not exist. You must retain these records for at least 5 years, except that records related to Secs. 195.569, 195.573(a) and (b), and 195.579(b)(3) and (c) must be retained for as long as the pipeline remains in service.

Magellan failed to maintain records of atmospheric corrosion inspections required by §195.583(a) in sufficient detail to demonstrate the adequacy of corrosion control measures.

At the time of the PHMSA inspection, Magellan provided the PHMSA representatives with copies of records of atmospheric corrosion inspections for the period of 2005 to 2008. According to Magellan, it used a grading system for atmospheric corrosion inspections. The records showed inconsistencies in regards to the grade and the condition of the interface areas. The following information comes from Magellan's atmospheric corrosion inspections records:

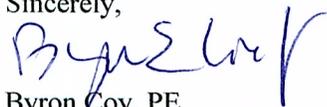
Grade -	Condition of interface area	Location	Date
1-G 50% rusted	Adequate	Tank 11H piping in Area 10.001	September 26, 2005
1-G 50% rusted	Inadequate	Station 55+84 Humphrey St. Bridge	November 11, 2008
1-G 50% rusted	Adequate	Station 77+87 Blatchley St. Bridge to Shoreline Wall	November 11, 2008
4-9G<16% rusted	Inadequate	Station 15+06 Chapel St Bridge	September 26, 2005
4-9G<16% rusted	Adequate	Humphrey St Bridge	September 26, 2005

Due to the inconsistencies in the records, Magellan did not comply with §195.589(c).

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$100,000 for each violation for each day the violation persists up to a maximum of \$1,000,000 for any related series of violations. We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to correct the item(s) identified in this letter. Failure to do so will result in Magellan being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 1-2012-6001W**. Be advised that all material you submit in response to this enforcement action is subject to being made publicly available. If you believe that any portion of your responsive material qualifies for confidential treatment under 5 U.S.C. 552(b), along with the complete original document you must provide a second copy of the document with the portions you believe qualify for confidential treatment redacted and an explanation of why you believe the redacted information qualifies for confidential treatment under 5 U.S.C. 552(b).

Sincerely,



Byron Coy, PE
 Director, Eastern Region
 Pipeline and Hazardous Materials Safety Administration