

## WARNING LETTER

### CERTIFIED MAIL - RETURN RECEIPT REQUESTED

January 13, 2014

Mr. Mark Rauch  
President  
Pipeline & Terminal Management Corporation  
4635 Southwest Freeway, Suite 910  
Houston, TX 77277-0415

**CPF 2-2014-6001W**

Dear Mr. Rauch:

From March 7, 2013, to September 30, 2013, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Southern Region, Office of Pipeline Safety (OPS) conducted a failure investigation of the McCain Pipeline Company (McCain) 4-inch jet fuel pipeline pursuant to Chapter 601 of 49 United States Code. OPS undertook the investigation due to a leak discovered on the McCain pipeline on March 7, 2013, at the Naval Air Station Meridian, Mississippi (NAS Meridian).

As a result of our investigation, it appears that McCain has committed a probable violation of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The item inspected and the probable violation is as follows:

- 1. §195.402 Procedural manual for operations, maintenance, and emergencies.**
  - (a) *General.* Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline system commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.**

On March 6, 2013, McCain failed to follow its written operations and maintenance (O&M) procedures contained in its manual titled, *McCain Pipeline Company 4-inch Jet Fuel Pipeline Standard Operating Procedures and Maintenance Manual, October 1, 2012* (i.e. the McCain O&M manual).

McCain's O&M manual, *Section IV - Reporting Accidents and Safety Related Conditions (B)(2)(g)(ii)*, required McCain personnel to gauge its jet fuel delivery tank hourly and to compare the readings with NAS Meridian's hourly gauging of its receipt tank to verify the delivery and receipt volumes. If the hourly tank gauging results between the McCain delivery tank and the NAS Meridian receipt tank did not fall within an "acceptable level of tolerance," the procedures required McCain personnel to undertake actions outlined in *Section IV*, which included stopping the pumping operation.

An email from McCain to the OPS Southern Region on August 14, 2013, stated that the "acceptable level of tolerance" was 100 barrels.

On March 6, 2013, at 4:00 pm Central Standard Time (CST), McCain's personnel recorded an hourly tank gauge difference between its delivery tank and NAS Meridian's receipt tank of 116 barrels. Yet, McCain continued to transfer jet fuel to NAS Meridian and did not shut down its pipeline, or execute other safety measures described in its written O&M procedures.

Under 49 United States Code, §60122, McCain Pipeline Company is subject to a civil penalty not to exceed \$200,000 per violation per day the violation persists up to a maximum of \$2,000,000 for a related series of violations. For violations occurring prior to March 6, 2013, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a 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 items identified in this letter. Failure to do so will result in McCain Pipeline Company 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 2-2014-6001W**. 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,

Wayne T. Lemoi  
Director, Office of Pipeline Safety  
PHMSA Southern Region