

May 1, 2023

**VIA ELECTRONIC MAIL TO: aaron.milford@magellanlp.com**

Aaron L. Milford  
Chief Executive Officer  
Magellan Midstream Partners, LP  
P.O. Box 22186  
Tulsa, Oklahoma 74172

**CPF No. 3-2022-052-NOPV**

Dear Mr. Milford:

Enclosed please find a Consent Order incorporating the terms of the Consent Agreement between the Pipeline and Hazardous Materials Safety Administration (PHMSA) and Magellan Midstream Partners, LP, which was executed on April 27, 2023. Service of the Consent Order and Consent Agreement by electronic mail is deemed effective upon the date of transmission and acknowledgement of receipt, or as otherwise provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Alan K. Mayberry  
Associate Administrator  
for Pipeline Safety

Enclosure: Consent Order and Consent Agreement

cc: Mr. Gregory Ochs, Director, Central Region, Office of Pipeline Safety, PHMSA  
Mr. R. Daniel Scroggins, Senior Attorney, Magellan Midstream Partners, L.P.,  
danny.scroggins@magellanlp.com

**CONFIRMATION OF RECEIPT REQUESTED**

**U.S. DEPARTMENT OF TRANSPORTATION  
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION  
OFFICE OF PIPELINE SAFETY  
WASHINGTON, D.C. 20590**

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<b>In the Matter of</b>	)	
	)	
<b>Magellan Midstream Partners, LP,</b>	)	<b>CPF No. 3-2022-052-NOPV</b>
	)	
<b>Respondent.</b>	)	
	)	

**CONSENT ORDER**

By letter dated November 10, 2022, the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), issued a Notice of Probable Violation, Proposed Civil Penalty, and Proposed Compliance Order (Notice) to Magellan Midstream Partners, LP (Magellan or Respondent).

In response to the Notice, Respondent requested a hearing by letter dated January 23, 2023 (Response). Magellan contested the underlying violations and proposed compliance order for Items 1 and 3, and the proposed civil penalty for Item 2. Respondent did not contest Items 4 and 5. Magellan also asked for the opportunity to meet informally with PHMSA to discuss these issues. Respondent and PHMSA (the Parties) subsequently met to discuss the issues raised in the Response. As a result of those discussions, as explained in more detail below, the Parties have agreed to a Consent Agreement in which PHMSA has agreed to:

- for Item 1 find the violation as alleged and find the proposed compliance order terms are satisfied;
- for Item 2 find the violation as alleged, assess a reduced civil penalty, and issue a compliance order as proposed;
- for Item 3 withdraw the Item in its entirety, to include its associated compliance order;
- for Item 4 find the violation as alleged and assess a civil penalty as proposed; and
- for Item 5 issue a warning as proposed.

The adjusted total civil penalty is **\$53,500**.

Accordingly, the Consent Agreement is hereby approved and incorporated by reference into this Consent Order. Magellan is hereby ordered to comply with the terms of the Consent Agreement pursuant to its terms. Pursuant to 49 U.S.C. § 60101, *et seq.*, failure to comply with this Consent Order may result in the assessment of civil penalties as set forth in 49 U.S.C. § 60122 and 49 C.F.R. § 190.223.

The terms and conditions of this Consent Order are effective upon service in accordance with 49 C.F.R. § 190.5.

May 1, 2023

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Alan K. Mayberry  
Associate Administrator  
for Pipeline Safety

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Date Issued

**U.S. DEPARTMENT OF TRANSPORTATION  
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION  
OFFICE OF PIPELINE SAFETY  
WASHINGTON, D.C. 20590**

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<b>In the Matter of</b>	)	
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<b>Magellan Midstream Partners, LP,</b>	)	<b>CPF No. 3-2022-052-NOPV</b>
	)	
<b>Respondent.</b>	)	
	)	

**CONSENT AGREEMENT**

From March 21 through October 22, 2021, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code (U.S.C.), inspected Magellan Midstream Partners, LP’s (Magellan or Respondent) petroleum pipeline facilities in Tulsa and Shinn Pence, Oklahoma, and Cheyenne, Wyoming. Magellan’s refined product pipeline system is 9,800 miles with 54 connected terminals and two marine storage terminals. Its crude oil pipeline system is 2,200 miles with a condensate splitter and storage facility capacity of approximately 39 million barrels.

As a result of the inspection, the Director, Central Region, OPS (Director), issued to Respondent, by letter dated November 10, 2022, a Notice of Probable Violation, Proposed Compliance Order and Proposed Civil Penalty (Notice), which also included a warning pursuant to 49 C.F.R. § 190.205. In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Magellan committed one violation of 49 C.F.R. part 194 (Item 1) and three violations of 49 C.F.R. part 195 (Items 2-4), proposed ordering Respondent to take certain measures to correct the alleged violations, and proposed a civil penalty of \$122,600. The other probable violation (Item 5) was brought as warning, advising the operator to correct the probable violation or face potential future enforcement action.

Magellan responded to the Notice by letter dated January 23, 2023 (Response). The company contested the underlying violations and proposed compliance order for Items 1 and 3, and the proposed civil penalty for Item 2. Respondent did not contest Items 4 and 5.

PHMSA and Respondent (the Parties) subsequently met to discuss the issues raised in the Response. As a result of those discussions and as explained in more detail below, PHMSA has agreed to:

- for Item 1 find the violation as alleged and find the proposed compliance order terms are satisfied;
- for Item 2 find the violation as alleged, assess a reduced civil penalty, and issue a compliance order as proposed;

- for Item 3 withdraw the Item in its entirety, to include its associated compliance order;
- for Item 4 find the violation as alleged and assess a civil penalty as proposed; and
- for Item 5 issue a warning as proposed

The adjusted total civil penalty is **\$53,500**.

Having agreed that settlement of this proceeding will avoid further administrative proceedings or litigation and will serve the public interest by promoting safety and protection of the environment, pursuant to 49 U.S.C. § 60101, *et seq.* and 49 C.F.R. Part 190, and upon consent and agreement, the Parties hereby agree as follows:

## **I. General Provisions**

1. Respondent acknowledges that as the operator of the pipeline facilities subject to the Notice, Respondent and its referenced pipeline facilities are subject to the jurisdiction of the Federal pipeline safety laws, 49 U.S.C. § 60101, *et seq.*, and the regulations and administrative orders issued thereunder. For purposes of this Consent Agreement (Agreement), Respondent acknowledges that it received proper notice of PHMSA's action in this proceeding and that the Notice states claims upon which relief may be granted pursuant to 49 U.S.C. § 60101, *et seq.*, and the regulations and orders issued thereunder.

2. After Respondent returns this signed Agreement to PHMSA, the Agency's representative will present it to the Associate Administrator for Pipeline Safety, recommending that the Associate Administrator adopt the terms of this Agreement by issuing an administrative order (Consent Order) incorporating the terms of this Agreement. The terms of this Agreement constitute an offer of settlement until accepted by the Associate Administrator. Once accepted, the Associate Administrator will issue a Consent Order incorporating the terms of this Agreement.

3. Respondent consents to the issuance of the Consent Order, and hereby waives any further procedural requirements with respect to its issuance. Respondent waives all rights to contest the adequacy of notice, or the validity of the Consent Order or this Agreement, including all rights to administrative or judicial hearings or appeals, except for the Dispute Resolution provisions set forth herein. Respondent agrees to withdraw its request for an administrative hearing regarding the Notice.

4. This Agreement shall apply to and be binding upon PHMSA and Respondent, its officers, directors, and employees, and its successors, assigns, or other entities or persons otherwise bound by law. Respondent agrees to provide a copy of this Agreement and any incorporated work plans and schedules to all of Respondent's officers, employees, and agents whose duties might reasonably include compliance with this Agreement.

5. This Agreement constitutes the final, complete and exclusive agreement and understanding between the Parties with respect to the settlement embodied in this Agreement. The Parties acknowledge that there are no representations, agreements or understandings relating to settlement other than those expressly contained in this Agreement, except that the terms of this Agreement may be construed by reference to the Notice.

6. Nothing in this Agreement affects or relieves Respondent of its responsibility to comply with all applicable requirements of the Federal pipeline safety laws, 49 U.S.C. § 60101, *et seq.*, and the regulations and orders issued thereunder. Nothing in this Agreement alters PHMSA's right of access, entry, inspection, and information gathering or PHMSA's authority to bring enforcement actions against Respondent pursuant to the Federal pipeline safety laws, the regulations and orders issued thereunder, or any other provision of Federal or State law.

7. For all transfers of ownership or operating responsibility of Respondent's pipeline system referenced herein, Respondent will provide a copy of this Agreement to the prospective transferee at least 30 days prior to such transfer. Respondent will provide written notice of the transfer to the Director no later than 60 days after the transfer occurs.

8. This Agreement does not waive or modify any Federal, State, or local laws or regulations that are applicable to Respondent's pipeline systems. This Agreement is not a permit, or a modification of any permit, under any Federal, State, or local laws or regulations. Respondent remains responsible for achieving and maintaining compliance with all applicable Federal, State, and local laws, regulations and permits.

9. This Agreement does not create rights in, or grant any cause of action to, any third party not party to this Agreement. The U.S. Department of Transportation is not liable for any injuries or damages to persons or property arising from acts or omissions of Respondent or its officers, employees, or agents carrying out the work required by this Agreement. Respondent agrees to hold harmless the U.S. Department of Transportation, its officers, employees, agents, and representatives from any and all causes of action arising from any acts or omissions of Respondent or its contractors in carrying out any work required by this Agreement.

10. Except as set forth herein, this Agreement does not constitute a finding of violation of any other federal law or regulation and may not be used in any civil proceeding of any kind as evidence or proof of any fact, fault or liability, or as evidence of a violation of any law, rule, regulation, or requirement, except in a proceeding to enforce the provisions of this Agreement or in future PHMSA enforcement actions.

11. Upon issuance of the Consent Order, the Parties agree to the following terms.

## **II. Findings of Violation:**

12. *Item 1 – 49 C.F.R. § 194.105(b)(4)*: The Notice alleged that Magellan failed to provide the methodology, including calculations, it used to arrive at the claimed prevention credits for breakout tank secondary containment and other specific spill prevention measures when determining the worst-case discharge. Specifically, Respondent, at the time of the inspection, only presented the total containment of the diking certified by a third-party Professional Engineer, which did not verify the secondary containment capacity. Following informal discussion, Magellan no longer disputes this allegation of violation. As such, PHMSA finds a violation of 49 C.F.R. § 194.105(b)(4).

13. *Item 2 – 49 C.F.R. § 195.406(b)*: The Notice alleged that Magellan failed to provide adequate controls and protective equipment to control the operating pressure of the

pipeline system to prevent it from exceeding 110 percent of the maximum operating pressure (MOP) established under § 195.406(a) during surges or other variations from normal operations. Specifically, on June 9, 2020, the MPC – Glenpool OK West pipeline was documented to exceed 400 psig, which exceeded 110 percent of the 275 psig MOP. Respondent does not contest the allegation of violation as alleged in the Notice. As such, PHMSA finds a violation of 49 C.F.R. § 195.406(b).

14. **Item 4 – 49 C.F.R. § 195.583(a):** The Notice alleged that Magellan failed to monitor for atmospheric corrosion of onshore pipelines by inspecting each pipeline or portion of pipeline that was exposed to the atmosphere for evidence of atmospheric corrosion at least once every three calendar years, but with intervals not exceeding 39 months. Specifically, the Rapid City Lateral 6-inch line, Mile Post 186.23 gravitometer location did not receive an atmospheric corrosion inspection in its history, prior to July 15, 2021. Respondent does not contest the allegation of violation as alleged in the Notice. As such, PHMSA finds a violation of 49 C.F.R. § 195.583(a).

15. Items 1, 2, and 4, will be considered by PHMSA as prior offenses in any future PHMSA enforcement action taken against Respondent for the five (5)-year period following the *Effective Date* of this Agreement.

### **III. Warning Item:**

16. **Item 5 – 49 C.F.R. § 195.583(b):** The Notice alleged that Magellan failed to give particular attention to pipe under thermal insulation during inspections to monitor for atmospheric corrosion at three locations. Specifically, the Notice alleged that particular attention was not given to pipe at Strouds Station, Douglas Junction, and Rapid City Station. This Item was brought as a warning Item and does not constitute a finding of violation. Respondent accepts the warning as alleged in the Notice.

17. For Warning Item 5, if OPS finds a violation of this provision in a subsequent inspection, Respondent may be subject to future enforcement action.

### **IV. Items Withdrawn:**

18. **Item 3 – 49 C.F.R. § 195.452(i)(2)(vi):** With respect to Item 3 of the Notice, the Parties agree that this Item should be withdrawn in its entirety. During informal discussion, Respondent provided evidence showing it considered the roadside ditch alongside the Commerce City to Russellville six-inch pipeline near Mile Post 0.2, which shows that Magellan was not out of compliance with the regulation. Because this Item will be withdrawn, it will not constitute a finding of violation for any purpose, and no further action by Respondent is necessary to achieve compliance. As such, the allegation of violation for Item 3 and the proposed compliance order associated with this Item is withdrawn.

### **V. Civil Penalty:**

19. **Item 2 – 49 C.F.R. § 195.406(b):** The Notice proposed assessing a civil penalty in the amount of \$103,600 for Item 2. Respondent requested a reduction of the proposed civil

penalty. After consideration of additional information provided by Respondent, PHMSA agrees to reduce the civil penalty. The reduction is based on determination that the violation was not a repeat offense. Respondent agrees to pay a reduced civil penalty in the amount of **\$34,500** for the violation in Item 2.

20. **Item 4 – 49 C.F.R. § 195.583(a)**: The Notice proposed assessing a civil penalty in the amount of \$19,000 for Item 4. Respondent did not contest the proposed civil penalty for this Item. As such, Respondent shall pay a civil penalty in the amount of **\$19,000** for Item 4.

21. Respondent shall pay an adjusted civil penalty in the amount of **\$53,500**, pursuant to the payment instructions at 49 C.F.R. § 190.227(a), to be paid in full no later than 20 days from the **Effective Date** of this Agreement.

## **VI. Compliance Order:**

22. **Item 1 – 49 C.F.R. § 194.105(b)(4)**: The Notice proposed certain compliance order actions to address the non-compliance alleged in the Notice. Since issuance of the Notice, Magellan took remedial actions to address the alleged violation. As such, PHMSA finds the terms required by the proposed compliance order satisfied. Therefore, it is not necessary to include the proposed compliance terms in this Consent Agreement.

23. **Item 2 – 49 C.F.R. § 195.406(b)**: The Notice proposed certain compliance order actions to address the non-compliance alleged in the Notice. Respondent did not contest the Proposed Compliance Order. As such, Respondent agrees to perform the following corrective measures:

Magellan Midstream Partners, LP, must provide, within **90** days of receipt of the Consent Order, measures to ensure proper pressure controls and protective equipment are installed for the entire MPC – Glenpool OK West Station, especially for piping that is not equipped with pressure transmitters or pressure gauges to stop future pressure exceedances. Within **60** days of completion of the required corrective measures, Magellan Midstream Partners, L.P., must submit documentation of their completion to the Director.

24. **Item 3 – 49 C.F.R. § 195.452(i)(2)(vi)**: The Notice proposed certain compliance order actions to address the non-compliance alleged in the Notice. As discussed above, PHMSA has agreed to withdraw this allegation of violation. As such, PHMSA also withdraws the proposed compliance order associated with this Item.

## **VII. Enforcement:**

25. This Agreement is subject to all enforcement authorities available to PHMSA under 49 U.S.C. § 60101, *et seq.*, and 49 C.F.R. Part 190, including administrative civil penalties under 49 U.S.C. § 60122, of up to \$257,664 per violation for each day the violation continues and referral of the case to the Attorney General for judicial enforcement, if PHMSA determines that Respondent is not complying with the terms of this Agreement in accordance with the determinations made by the Director, or in accordance with decisions of the Associate



Administrator if resolved pursuant to the Dispute Resolution process herein. The maximum civil penalty amounts are adjusted annually for inflation. *See* 49 C.F.R. § 190.223.

**VIII. Dispute Resolution:**

26. The Director and Respondent will informally attempt to resolve any disputes arising under this Agreement, including any decision of the Director under the terms of Section VI. Compliance Order. If Respondent and the Director are unable to informally resolve the dispute within 15 calendar days after the dispute is first raised, in writing, to the Director, Respondent may submit a written request for a determination resolving the dispute from the Associate Administrator for Pipeline Safety, PHMSA. Such request must be made in writing and provided to the Director, counsel for the Central Region, and to the Associate Administrator for Pipeline Safety, no later than 10 calendar days from the 15-day deadline for informal resolution referenced in this paragraph. Along with its request, Respondent must provide the Associate Administrator with all information Respondent believes is relevant to the dispute. Decisions of the Associate Administrator under this paragraph will constitute final agency action. The existence of a dispute and PHMSA's consideration of matters placed in dispute will not excuse, toll, or suspend any term or timeframe for completion of any work to be performed under this Agreement during the pendency of the dispute resolution process.

**IX. Effective Date:**

27. The term "Effective Date," as used herein, is the date on which the Consent Order is issued by the Associate Administrator, PHMSA, incorporating the terms of this Agreement.

**X. Recordkeeping and Information Disclosure:**

28. Unless otherwise required in this Agreement, Respondent agrees to maintain records demonstrating compliance with all requirements of this Agreement for a period of at least five (5) years following completion of all work to be performed. For any reports, plans, or other deliverables required to be submitted to PHMSA pursuant to this Agreement, Respondent may assert a claim of business confidentiality or other protections applicable to the release of information by PHMSA, covering part or all of the information required to be submitted to PHMSA pursuant to this Agreement in accordance with 49 C.F.R. Part 7. Respondent must mark the claim of confidentiality in writing on each page, and include a statement specifying the grounds for each claim of confidentiality. PHMSA determines release of any information submitted pursuant to this Agreement in accordance with 49 C.F.R. Part 7, the Freedom of Information Act, 5 U.S.C. § 552, DOT and PHMSA policies, and other applicable regulations and Executive Orders.

**XI. Modification:**

29. The terms of this Agreement may be modified by mutual agreement of the Parties. Such modifications must be in writing and signed by both parties.

**XII. Termination:**

30. This Agreement will remain in effect until the Compliance Order in Section VI. is satisfied, as determined by the Director, and the Civil Penalty in Section V. is paid. The Agreement shall not terminate until the Director confirms, in writing, that the Agreement is terminated in accordance with this paragraph. Nothing in this Agreement prevents Respondent from completing any of the obligations earlier than the deadlines provided for in this Agreement.

**XIII. Ratification:**

31. The Parties' undersigned representatives certify that they are fully authorized to enter into the terms and conditions of this Agreement and to execute and legally bind such party to this document.

32. The Parties hereby agree to all findings, conditions, and terms of this Agreement.

[Signature Lines on Following Page]

**For Magellan Midstream Partners, LP:**

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Date

**For PHMSA:**

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Director, Central Region, Office of Pipeline Safety

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Date