

**NOTICE OF PROBABLE VIOLATION
PROPOSED CIVIL PENALTY
and
PROPOSED COMPLIANCE ORDER**

VIA ELECTRONIC MAIL TO: aaron.milford@magellanlp.com;
katie.mccullough@magellanlp.com

November 10, 2022

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

CPF 3-2022-052-NOPV

Dear Mr. Milford:

From March 21, 2021, 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) petroleum pipeline facilities in Tulsa and Shinn Pence, Oklahoma, and Cheyenne, Wyoming.

As a result of the inspection, it is alleged that Magellan has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (CFR). The items inspected and the probable violations are:

1. § 194.105 Worst case discharge

(a) Each operator shall determine the worst case discharge for each of its response zones and provide the methodology, including calculations, used to arrive at the volume.

(b) The worst-case discharge is the largest volume, in barrels (cubic meters), of the following:

(1)

(4) Operators may claim prevention credits for breakout tank secondary containment and other specific spill prevention measures as follows:

Prevention measure	Standard	Credit (percent)
Secondary containment > 100%	NFPA 30	50
Built/repaired to API standards	API RP 620/650/653	10
Overfill protection standards	API RP 2350	5
Testing/cathodic protection	API STD 650/651/653	5
Tertiary containment/drainage/treatment	NFPA 30	5
Maximum allowable credit	-	75

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. The Western District Response Plan last revised May 3, 2019, states, "All of the breakout tanks in the pipeline system are within adequate secondary containment, therefore, the discharge volumes for the largest tank were determined by adjusting the total tank volume downward by 50% per the company guidelines." The Facility Risk Assessments conducted in 2020 documented that Magellan did not have calculations on record showing that the secondary containment was adequate for the Cheyenne, Oklahoma City (Reno Ave), and the Central Cushing Terminals. Magellan responded to PHMSA's findings by stating that the Facility Risk Assessments conducted in 2020 did not incorporate the Spill Prevention, Control, and Countermeasures (SPCC) plan which contained the containment calculations greater than 100 percent, as required by NFPA 30. However, after PHMSA reviewed the SPCC plan, the secondary containment calculations were not provided. Magellan only presented the total containment of the diking certified by a third-party Professional Engineer, which did not verify secondary containment capacity.

2. § 195.406 Maximum operating pressure.

(a)

(b) No operator may permit the pressure in a pipeline during surges or other variations from normal operations to exceed 110 percent of the operating pressure limit established under paragraph (a) of this section. Each operator must provide adequate controls and protective equipment to control the pressure within this limit.

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. PHMSA reviewed the Abnormal Operation

documentation of the Maximum Operating Pressure (MOP) exceedance that occurred at MPC - Glenpool OK West. On June 9, 2020, the pipeline was documented to exceed 400 psig which exceeded 110 percent of the 275 psig MOP. The Abnormal Operation report documented the following: *“This relief event occurred upon startup of the Explorer Pipeline Delivery into Glenpool West and pressure was SCADA indicated at 30 psi. The LPMR was inspected and tested per 7.13-ADM-006 - Maintain/Repair Pressure Limiting Valves (LPMR, MSR) Procedure. The LPMR set point was verified per 9.02-ADM-031 - Overpressure Protection Settings, and the verification/test was documented on 07-FORM-0741 - PCD Inspection Record Excel.*

An analog gauge installed on the pipe at the relief point captured >400 psi when the LPMR valve relieved. Due to the exceedance of MOP, a project was initiated by AI to install an engineered solution. This relief occurred due to a slack line condition when Explorer switched back in. An existing 1/2" line that equalizes receiving pressure to tank head pressure, was replaced with a 1" line. This 1" line was designed to increase equalization to prevent a slack line occurrence on future deliveries.”

This violation is a repeat of violations found in CPF # 3-2021-5001, Item # 1

3. § 195.452 Pipeline integrity management in high consequence areas

(i) What preventive and mitigative measures must an operator take to protect the high consequence area?

(1)

(2) Risk analysis criteria. In identifying the need for additional preventive and mitigative measures, an operator must evaluate the likelihood of a pipeline release occurring and how a release could affect the high consequence area. This determination must consider all relevant risk factors, including, but not limited to:

(i)

(vi) Ditches alongside a roadway the pipeline crosses;

Magellan failed to consider all relevant risk factors while identifying the need for additional preventative and mitigative measures where it did not consider the relevant risk factor of ditches alongside a roadway the pipeline crosses.

On December 4, 2020, a release occurred at approximately Mile Post 0.2 of the Commerce City to Russellville six-inch pipeline. The leak traveled along a roadside ditch to a drain that led to an offsite pond. This pipeline runs through the highly populated urban area of Denver and directly down the center of the roadway from Mile Post 11-23 and again from Mile Post 26-32. However, the July 2021 Commerce City to Russellville 6" Risk Analysis Worksheet did not identify this relevant risk factor even after the release occurred and traveled in a ditch alongside a roadway.

In the July 2021 Commerce City to Russellville 6" Risk Analysis Worksheet document, under the Additional Risk Factors/Controls section, the following question was asked:

“Are there any specific areas along the pipeline where additional measures should be considered to mitigate the consequence of a spill such as in a farm field following the drain tile into a waterway or ditches alongside the roadway that the pipeline crosses?” The GIS coordinator documented the answer to the question as the following, *“No GIS data is currently available for the specific area mentioned.”* The Field Personnel documented the answer the question as, *“No.”*

4. §195.583 What must I do to monitor atmospheric corrosion control?

(a) You must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion, as follows:

If the pipeline is located:	Then the frequency of inspection is:
Onshore	At least once every 3 calendar years, but with intervals not exceeding 39 months.
Offshore	At least once each calendar year, but with intervals not exceeding 15 months.

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. The Rapid City Lateral 6-inch line, Mile Post (MP) 186.23 gravitometer location did not receive an atmospheric corrosion inspection in its history, prior to July 15, 2021. Corrosion technicians did not enter the location to inspect the pipeline facility for atmospheric corrosion because of the radioactive placard associated with the instrumentation and the assumption that the technicians did not have the proper training to enter the site. On July 15, 2021, after PHMSA identified the issue Magellan inspected the MP 186.23 gravitometer location and ranked the pipe as bare with light surface rust.

5. §195.583 What must I do to monitor atmospheric corrosion control?

(a)

(b) During inspections you must give particular attention to pipe at soil-to-air interfaces, under thermal insulation, under disbanded coatings, at pipe supports, in splash zones, at deck penetrations, and in spans over water.

Magellan failed to give particular attention to pipe under thermal insulation during inspections to monitor for atmospheric corrosion at three locations. Magellan's 7.04-ADM-002 Atmospheric Corrosion Inspections Procedure defines the following grading system:

1. Localized pitting, General Corrosion >12.5% in depth of the pipe wall, Dent, Gouge, stress corrosion cracking (SCC).
2. Locations with an indication of active corrosion including, but not limited to: Pipe on pipe support contact points, under insulation, span over/in water including splash zones, external floating tank roof, tank bottom extension, and areas of disbanded coating.
3. General Corrosion < 12.5% in depth off the pipe wall.
4. No Rust and/or Light Surface Rust.
5. Not Exposed – under water, silted in, covered.

PHMSA inspectors observed at the Strouds Station a type of thermal insulation over the temperature sensor on the pipe that was not removable to allow for monitoring of atmospheric corrosion under the insulation. Magellan originally graded this location a 4 for no rust and/or light surface rust on August 21, 2020. The location was then regraded a “2” after the PHMSA observation on July 16, 2021, which indicates a location with an indication of active corrosion including, but not limited to: pipe on pipe support contact points, under insulation, span over/in water including splash zones, external floating tank roof, tank bottom extension, and areas of disbanded coating.

PHMSA inspectors observed that there was noticeable rust occurring at the Douglas Junction location, under the thermal insulation jacket for temperature sensor TT-CX. Magellan graded this location as a “4” for no rust and/or light surface rust on August 31, 2020, during the last atmospheric corrosion inspection. The location was then regraded after the PHMSA observation on July 15, 2021, as a “2” for locations with an indication of active corrosion including, but not limited to: pipe on pipe support contact points, under insulation, span over/in water including splash zones, external floating tank roof, tank bottom extension, and areas of disbanded coating.

PHMSA inspectors observed at Rapid City Station corrosion under the thermal insulation jacket for the temperature sensor. Magellan originally graded this location as a “4” for no rust and/or light surface rust on August 31, 2020, on the atmospheric corrosion inspection. The location was then regraded a “2” after the PHMSA observation on July 13, 2021, for a location with an indication of active corrosion including, but not limited to: pipe on pipe support contact points, under insulation, span over/in water including splash zones, external floating tank roof, tank bottom extension, and areas of disbanded coating. Following PHMSA inspection, Magellan personnel responded that their inspection process requires refining so that all thermal insulations are identified and inspected.

All these locations were remediated as of February 11, 2022.

Proposed Civil Penalty

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$239,142 per violation per day the violation persists, up to a maximum of \$2,391,412 for a related series of violations. For violation occurring on or after May 3, 2021 and before March 21, 2022, the maximum penalty may not exceed \$225,134 per violation per day the violation

persists, up to a maximum of \$2,251,334 for a related series of violations. For violation occurring on or after January 11, 2021 and before May 3, 2021, the maximum penalty may not exceed \$222,504 per violation per day the violation persists, up to a maximum of \$2,225,034 for a related series of violations. For violation occurring on or after July 31, 2019 and before January 11, 2021, the maximum penalty may not exceed \$218,647 per violation per day the violation persists, up to a maximum of \$2,186,465 for a related series of violations. For violation occurring on or after November 27, 2018 and before July 31, 2019, the maximum penalty may not exceed \$213,268 per violation per day, with a maximum penalty not to exceed \$2,132,679. For violation occurring on or after November 2, 2015, and before November 27, 2018, the maximum penalty may not exceed \$209,002 per violation per day, with a maximum penalty not to exceed \$2,090,022.

We have reviewed the circumstances and supporting documentation involved for the above probable violations and recommend that you be preliminarily assessed a civil penalty of \$122,600 as follows:

<u>Item number</u>	<u>PENALTY</u>
2	\$103,600
4	\$ 19,000

Warning Item

With respect to item 5, 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 promptly correct this item. Failure to do so may result in additional enforcement action.

Proposed Compliance Order

With respect to items 1, 2, and 3, pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Magellan Midstream Partners, LP. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Response to this Notice

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Enforcement Proceedings*. Please refer to this document and note the response options. All material you submit in response to this enforcement action may be 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).

Following the receipt of this Notice, you have 30 days to submit written comments, or request a hearing under 49 CFR § 190.211. If you do not respond within 30 days of receipt of this Notice, this constitutes a waiver of your right to contest the allegations in this Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in this Notice without further notice to you and to issue a Final Order. If you are responding to this Notice, we propose that you submit your correspondence to my office within 30 days from receipt of this Notice. This period may be extended by written request for good cause.

In your correspondence on this matter, please refer to **CPF 3-2022-052-NOPV** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Gregory A. Ochs
Director, Central Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Enforcement Proceedings

cc: Katie McCullough, P.E. Manager, Integrity Management and Regulatory Compliance,
Katie.McCullough@MagellanLP.com

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Magellan Midstream Partners, LP, a Compliance Order incorporating the following remedial requirements to ensure the compliance of Magellan Midstream Partners, LP, with the pipeline safety regulations:

- A. In regard to Item 1 of the Notice pertaining to failing 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, Magellan Midstream Partners, LP must ensure Cheyenne, Oklahoma City (Reno Avenue), and the Central Cushing Terminals have calculations on record showing that the secondary containment was adequate within **90** days of receipt of the Final Order and provide those records to PHMSA, or forgo the prevention credits within their Western District Response Plan.
- B. In regard to Item 2 of the Notice pertaining to failing to prevent pressure in a pipeline during surges or other variations from normal operations to exceed 110 percent of the operating pressure limit established under paragraph (a) of this section, Magellan Midstream Partners, LP must provide, within **90** days of receipt of the Final 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.
- C. In regard to Item 3 of the Notice pertaining to failing to consider all relevant risk factors while identifying the need for additional preventative and mitigative measures by not evaluating the likelihood of a pipeline release and how it would affect a high consequence area, within **30** days of receipt of the Final Order Magellan Midstream Partners, LP, must amend its Risk Analysis procedure and Worksheets to identify ditches alongside roadways that the pipeline crosses, and consider the need for additional preventative and mitigative measures for the Commerce City to Russellville six-inch pipeline resulting therefrom.
- D. It is requested that Magellan Midstream Partners, LP, maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Gregory A. Ochs, Director, Central Region, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions, and other changes to pipeline infrastructure.