

April 18, 2017

Mr. Michael N. Mears
Chairman of the Board, President and Chief Executive Officer
Magellan Terminals Holdings, LP
One Williams Center, Mail Drop 27
Tulsa, OK 74172

Re: CPF No. 1-2016-6001M

Dear Mr. Mears:

Enclosed please find the Order Directing Amendment issued in the above-referenced case. It makes a finding of inadequate procedures and requires that Magellan amend certain of its operating and maintenance procedures. In addition, it finds that Magellan has addressed certain inadequacies in its procedures that were cited in the Notice of Amendment. When the amendment of procedures is completed, as determined by the Director, Eastern Region, this enforcement action will be closed. Service of the Final Order is deemed effective as 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

cc: Mr. Robert Burrough, Acting Director, Eastern Region, OPS
Mr. Michael Pearson, VP, Technical Services, Magellan Terminals Holdings, LP

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

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

)	
In the Matter of)	
)	
Magellan Terminals Holdings, LP, a subsidiary of Magellan Midstream Partners, LP,)	CPF No. 1-2016-6001M
)	
Respondent.)	
)	

ORDER DIRECTING AMENDMENT

From May 18, 2015, through May 22, 2015, pursuant to 49 U.S.C. § 60117, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), conducted an on-site pipeline safety inspection of the procedures of Magellan Terminals Holdings, LP (Magellan or Respondent), in New Haven, Connecticut. Respondent is a subsidiary of Magellan Midstream Partners, LP, which operates a 9,700-mile refined-products pipeline system with 53 connected terminals and 27 independent terminals, as well as a 1,100-mile ammonia pipeline system.¹ Magellan Midstream Partners, LP, also owns 2,100 miles of crude-oil pipelines and storage facilities, and operates five marine terminals.²

As a result of the inspection, the Director, Eastern Region, OPS (Director), issued to Respondent, by letter dated December 15, 2016, a Notice of Amendment (Notice). The Notice alleged certain inadequacies in Magellan’s procedures for operations, maintenance and emergencies, and proposed, in accordance with 49 C.F.R. § 190.206, that Respondent amend its procedures.

Magellan responded to the Notice by letter dated January 13, 2017 (Response). Respondent contested Item 1 in the Notice and submitted amended procedures for Items 2 and 3 in the Notice. Respondent did not request a hearing and therefore has waived its right to one. The Director has reviewed the amended procedures submitted by Respondent on January 13, 2017. Based on the result of this review, I find that Respondent’s procedures were inadequate but that its amendments adequately address Items 2 and 3 in the Notice. For the reasons discussed below, I find that the procedures in Item 1 are inadequate and must be amended.

¹ Magellan Midstream Partners, LP website, *available at* <http://www.magellanlp.com/AboutUs/Default.aspx> (last accessed February 21, 2017).

² *Id.*

FINDING OF INADEQUATE PROCEDURES

The Notice alleged certain inadequacies in Respondent's procedures. Respondent contested the allegation with respect to Item 1 in the Notice. I have reviewed the procedure and considered the following factors: relevant available pipeline safety data; whether the plan is adequate for Respondent's unique facilities and for the facilities' particular location; the reasonableness of the procedure; and the extent to which the procedure contributes to public safety. Upon review of the procedure under 49 C.F.R. § 190.206, I find the following procedure to be inadequate, as follows:

Item 1: The Notice alleged that Respondent's procedures are inadequate to assure safe operation of its pipeline facilities with respect to 49 C.F.R. § 195.310(b), which states:

§ 195.310 Records.

- (a) A record must be made of each pressure test required by this subpart
- (b) The record required by paragraph (a) of this section must include:
 - (1) The pressure recording charts;
 - (2) Test instrument calibration data;
 - (3) The name of the operator, the name of the person responsible for making the test, and the name of the test company used, if any;
 - (4) The date and time of the test;
 - (5) The minimum test pressure;
 - (6) The test medium;
 - (7) A description of the facility tested and the test apparatus;
 - (8) An explanation of any pressure discontinuities, including test failures, that appear on the pressure recording charts;
 - (9) Where elevation differences in the section under test exceed 100 feet (30 meters), a profile of the pipeline that shows the elevation and test sites over the entire length of the test section; and
 - (10) Temperature of the test medium or pipe during the test period.

The Notice alleged that Respondent's procedure, *7.10-ADM-007 – Aboveground Storage Tank Hydrostatic Testing Procedure*, failed to include sufficient guidance on documenting hydrostatic testing of breakout tanks when tested in accordance with § 195.432.³ Section 2.4 of *7.10-ADM-007* entitled *Documentation* states, in part, that “[h]ydrostatic test results shall be recorded on the Hydrostatic Test Form . . .” However, neither the procedure nor the form addresses certain records of the test. For example, when performing a hydrostatic test, § 195.310(b) lists records that must be kept, including: pressure-recording charts; test instrument-calibration data; minimum test pressure; an explanation of any pressure discontinuities, including test failures, that appear on the pressure-recording charts; and, where elevation differences in the section under test exceed 100 feet (30 meters), a profile of the pipeline showing the elevation and test sites over the entire length of the test section.

In its Response, Magellan stated that according to 49 C.F.R. §195.432, operators must inspect in-

³ Section 195.432 requires operators to inspect their breakout tanks in accordance with American Petroleum Institute Standard 653 (API Std 653) (incorporated by reference, *see* § 195.3).

service atmospheric breakout tanks according to API Std 653, which does not include specific documentation requirements. Additionally, Magellan stated its *Hydrostatic Test Form – 07-FORM-0053* – is used to document parameters applicable to an atmospheric storage tank. Finally, Magellan argued that, according to a separate Notice of Amendment issued to a different operator in 2012 (CPF No. 4-2012-5008M), the requirements of § 195.310(b) are specific for hydrostatically testing pipelines.

I disagree. First, even if API Std 653 does not include records requirements, PHMSA's regulations in Part 195 do contain such records requirements in § 195.310(b). There are important safety reasons to keep records documenting a hydrostatic test. For example, a pressure-recording chart documents the test pressure maintained over the entire test period. Test instrument calibration data assures pressure readings observed during the test are accurate. These and other vital records are necessary to validate the test and determine the integrity of the breakout tank. Since Respondent's hydrostatic test procedures do not require keeping these records, I find that the company's procedures are inadequate to assure safe operation.

With respect to the 2012 matter in CPF No. 4-2012-5008M, Respondent cited to the Notice of Amendment in that case but not the Final Order Directing Amendment. *In the Matter of Enterprise Crude Pipelines, LLC (Enterprise)*, Order Directing Amendment, C.P.F. No. 4-2012-5008M (August 1, 2013)⁴ stated that the documentation and records-retention requirements of § 195.310 apply to hydrostatic testing records for breakout tanks. In that case, the operator was ordered to revise its procedures to include the record-retention requirements of § 195.310(b) for testing its aboveground storage tanks.

Accordingly, I find that Magellan's procedures for aboveground storage tank hydrostatic testing are inadequate to ensure safe operation of its pipeline system. Respondent must revise *7.10-ADM-007 – Aboveground Storage Tank Hydrostatic Testing Procedure* to include all of the records listed in 49 C.F.R. § 195.310(b).

Pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.206, Magellan is ordered to:

1. Submit revised procedures pursuant to Item 1 above within 30 days following receipt of this Order. All documentation demonstrating compliance with the Order must be submitted to the Director.
2. It is requested (not mandated) that Magellan maintain documentation of the safety improvement costs associated with fulfilling this Order and submit the total to Robert Burrough, Acting Director, Eastern 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.

The Director may grant an extension of time to comply with any of the required items upon a written request timely submitted by the Respondent and demonstrating good cause for an

⁴ Available at www.phmsa.dot.gov/pipeline/enforcement.

extension.

Failure to comply with this Order may result in administrative assessment of civil penalties not to exceed \$200,000 for each violation for each day the violation continues or in referral to the Attorney General for appropriate relief in a district court of the United States.

Under 49 C.F.R. § 190.243, Respondent has a right to submit a Petition for Reconsideration of this Order. The petition must be sent to: Associate Administrator, Office of Pipeline Safety, PHMSA, 1200 New Jersey Avenue, SE, East Building, 2nd Floor, Washington, DC 20590, with a copy sent to the Office of Chief Counsel, PHMSA, at the same address. PHMSA will accept petitions received no later than 20 days after receipt of service of this Final Order by the Respondent, provided they contain a brief statement of the issue(s) and meet all other requirements of 49 C.F.R. § 190.243. Unless the Associate Administrator, upon request, grants a stay, the terms and conditions of this Order are effective upon service in accordance with 49 C.F.R. § 190.5.

April 18, 2017

Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Date Issued