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

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NOTICE OF AMENDMENT

OVERNIGHT EXPRESS DELIVERY

February 27, 2017

Mr. Russ Maroney
Vice President, Operations
Ergon Terminaling, Inc.
2829 Lakeland Drive
Jackson, MS 39215

CPF #1-2017-5005M

Dear Mr. Maroney:

From September 14 to September 18, 2015 a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected Ergon Terminaling, Inc. (Ergon) pipeline facility in Magnolia, Ohio.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within Ergon's plans or procedures, as described below:

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. . .

Ergon's written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies for each pipeline system were inadequate. Specifically, Ergon failed to provide sufficient guidance for reviewing the manual at intervals not exceeding 15 months, but at least once each calendar year, and for changing the manual as necessary to ensure that the manual is effective.

During the inspection, the PHMSA Inspector reviewed Ergon's Magnolia Operations Manual Ergon Terminaling Inc, January 2015, Section 9.0. The procedure states, "A review of this manual will be conducted at least annually to ensure up-to-date and safe operation of the system as well as minimize hazards in an emergency." The procedure does not include details such as:

1. Required interval for review of the manual
2. Process and responsibility for:
    a. documenting manual review and changes
    b. determining the effectiveness of the manual
3. Record retention requirements

2. §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. . .

Ergon's written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies for each pipeline system were inadequate. Specifically, Ergon's procedures failed to include sufficient guidance for establishing the MOP in accordance with §195.406(a).

§195.406 Maximum operating pressure states in part that:

a) Except for surge pressures and other variations from normal operations, no operator may operate a pipeline at a pressure that exceeds any of the following:

(1) The internal design pressure of the pipe determined in accordance with §195.106. . .

(2) The design pressure of any other component of the pipeline.

(3) Eighty percent of the test pressure for any part of the pipeline which has been pressure tested under Subpart E of this part.

(4) Eighty percent of the factory test pressure or of the prototype test pressure for any individually installed component which is excepted from testing under §195.305.

(5) For pipelines under §§195.302(b)(1) and (b)(2)(i), that have not been pressure tested under Subpart E of this part, 80 percent of the test pressure or highest operating pressure to which the pipeline was subjected for 4 or more continuous hours that can be demonstrated by recording charts or logs made at the time the test or operations were conducted.

During the inspection, the PHMSA inspector reviewed Ergon's Magnolia Operations Manual Ergon Terminaling, Inc, Sec. 3.1, January 2015.

The procedure, Section 3.1, states in part that:

"ETI - MAG has established the maximum operating pressure (MOP) in accordance with the requirements of 49 CFR 195.106. The formula used is as follows:

P= (2St/D) (E) (F)...

Using this formula, the calculated MOP for the pipeline is 1,423 psi.

NOTE: The weakest component in the system is the pipe."

The procedure does not include details on how to establish the MOP in accordance with §195.406 such as:

1. Identification of pipeline components that must be assessed
2. Methodology for determining the design pressure of each component of the pipeline
3. Responsibility for performing the calculations.
4. Documentation requirements

3. §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. . .

Ergon's written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies for each pipeline system were inadequate. Specifically, Ergon's procedures failed to reference the documents that provided guidance for making a record of a pressure test in accordance with §195.310(b).

During the inspection the PHMSA inspector reviewed, Ergon's Magnolia Operations Manual Ergon Terminaling Inc, January 2015, Section 3.1 and Hydrostatic Testing Procedure, revised November, 2005.

Ergon's Hydrostatic Testing Procedure, Section 8.0 provides requirements for record keeping, however, it was not referenced in Ergon's O&M manual, nor was it revised and updated with the O&M manual.

4. § 195.402(c)(3)

(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations.

(3) Operating, maintaining and repairing the pipeline system in accordance with each of the requirements of this subpart and subpart H of this part.

Ergon's procedures for operating, maintaining and repairing the pipeline system in accordance with each of the requirements of this subpart were inadequate. Specifically, Ergon's procedures did not provide sufficient guidance on how to inspect the surface conditions on or adjacent to each pipeline right-of-way in accordance with §195.412(a).

During the inspection, the PHMSA inspector reviewed Ergon's Magnolia Operations Manual Ergon Terminaling, Inc, January 2015, Section 3.11. The procedure stated that "The complete right-of-way is inspected by a contracted air patrol every 12 days, at intervals not exceeding 14 days. Visual land inspection of the right-of-way is carried out by field personnel on a regular basis and/or as conditions require. Underwater crossing (Ohio River crossing) inspections are conducted every five (5) years by a certified diving contractor, in accordance with the IMP plan. Inspection records are maintained at the ETI-MAG office."

The procedure does not include details such as:

1. Responsibility for inspection report review
2. Process for follow-up / remedial work e.g. prioritization, scheduling, responsibility
3. Documentation requirements
4. Process for ROW inspections when conditions do not permit an aerial inspection
5. Record retention requirements
6. Definition of "on a regular basis" or "as conditions require."

5. § 195.402(c)(3)

(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations.

(3) Operating, maintaining and repairing the pipeline system in accordance with each of the requirements of this subpart and subpart H of this part.

Ergon's procedures for operating, maintaining and repairing the pipeline system in accordance with each of the requirements of this subpart were inadequate. Specifically, Ergon's procedures did not provide sufficient guidance on how to inspect and document inspections conducted on overpressure safety devices and overfill protection systems in accordance with §195.428.

During the inspection the PHMSA inspector reviewed Ergon's Magnolia Operations Manual Ergon Terminaling Inc, January 2015, Section 3.8. The procedure states that "Overpressure safety control is installed at the ETI - MAG terminal on the discharge side of the pump. Each pressure limiting device, relief valve, and pressure regulator, as well as any other pressure control equipment, is inspected and tested at least once each calendar year, at intervals not exceeding 15 months, to ensure that the equipment is functioning properly, is in good mechanical condition, has adequate capacity, and is reliable. The crude oil at the facility is not a highly volatile liquid due to vapor pressure and flammability. Inspection and testing records are maintained at the ETI – MAG office."

The procedure does not include details such as:

1. Criteria used to determine an acceptable "as-found" relief pressure.
2. Actions required if the relief valve "as-found" pressure does not meet the criteria.
3. Criteria used to determine "pass" and "fail."
4. Responsibility for inspection report review
5. Process for managing remedial work e.g. prioritization, scheduling, responsibility
6. Record retention requirements
7. Documentation requirements e.g. what data must be captured and where is it recorded

6. § 195.402(c)(3)

(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations.

(3) Operating, maintaining and repairing the pipeline system in accordance with each of the requirements of this subpart and subpart H of this part.

Ergon's procedures for operating, maintaining and repairing the pipeline system in accordance with each of the requirements of this subpart were inadequate. Specifically, Ergon's procedures did not provide sufficient guidance on how to inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion in accordance with §195.583(a).

During the inspection, the PHMSA inspector reviewed Ergon's Magnolia Operations Manual Ergon Terminaling Inc, Section 3.2, January 2015. The procedure states, "Portions of pipeline that are exposed to the atmosphere shall be cleaned, primed, and painted with an acceptable outdoor metallic paint product. These portions of pipeline shall be inspected at least once every

three (3) calendar years, but with intervals not exceeding 39 months. Particular attention shall be given 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. If atmospheric corrosion is found during an inspection, protection shall be provided against corrosion by cleaning, priming, and applying an acceptable outdoor metallic paint product."

The procedure does not include details such as:

1. Classification and assessment of atmospheric corrosion
2. Responsibility for:
    a. conducting the inspection
    b. inspection report review
3. Process for managing remedial work e.g. prioritization, scheduling, responsibility
4. Record retention requirements
5. Documentation requirements

7. § 195.402(c)(3)

(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations.

(3) Operating, maintaining and repairing the pipeline system in accordance with each of the requirements of this subpart and subpart H of this part.

Ergon's procedures for operating, maintaining and repairing the pipeline system in accordance with each of the requirements of this subpart were inadequate. Specifically, Ergon's procedures did not provide sufficient guidance on how to give particular attention to pipe at soil-to-air interfaces, under thermal insulation, under disbonded coatings, at pipe supports, in splash zones, at deck penetrations and in spans over water in accordance with §195.583(b).

During the inspection, the PHMSA inspector reviewed Ergon's Magnolia Operations Manual Ergon Terminaling Inc, January 2015, Section 3.2. The procedure states, "Portions of pipeline that are exposed to the atmosphere shall be cleaned, primed, and painted with an acceptable outdoor metallic paint product. These portions of pipeline shall be inspected at least once every three (3) calendar years, but with intervals not exceeding 39 months. Particular attention shall be given 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. If atmospheric corrosion is found during an inspection, protection shall be provided against corrosion by cleaning, priming, and applying an acceptable outdoor metallic paint product."

Ergon's procedure was a copy of the regulation as stated in 195.583(b). The procedure does not include details such as:

1. Methodology for:
    a. paying particular attention to each of the stated items.
    b. assessing the integrity of the underground portion of the soil-to-air interface when the visual inspection of the aboveground portion indicates bare pipe or damaged or disbonded coating
2. Responsibility for:

   a. conducting the inspection
   b. inspection report review
3. Process for managing remedial work e.g. prioritization, scheduling, responsibility
4. Record retention requirements
5. Documentation requirements

8. § 195.402(c)(3)

(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations.

(3) Operating, maintaining and repairing the pipeline system in accordance with each of the requirements of this subpart and subpart H of this part.

Ergon's procedures for operating, maintaining and repairing the pipeline system in accordance with each of the requirements of this subpart were inadequate. Specifically, Ergon's procedures did not provide sufficient guidance on monitoring atmospheric corrosion in accordance with §195.583(c).

During the inspection, the PHMSA inspector reviewed Ergon's Magnolia Operations Manual Ergon Terminaling Inc, January 2015, Section 3.2. The procedure states in part that, "Portions of pipeline that are exposed to the atmosphere shall be cleaned, primed, and painted with an acceptable outdoor metallic paint product. . .. If atmospheric corrosion is found during an inspection, protection shall be provided against corrosion by cleaning, priming, and applying an acceptable outdoor metallic paint product."

The procedure does not include details such as:

1. Process for managing remedial work e.g. prioritization, scheduling, responsibility
2. Methodology for:
   a. cleaning, priming, and applying an acceptable outdoor metallic paint product
   b. selecting an acceptable paint product
3. Record retention requirements
4. Documentation requirements

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.206. Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Compliance Proceedings*. Please refer to this document and note the response options. 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).

Following the receipt of this Notice, you have 30 days to submit written comments, revised procedures, or a request for a hearing under §190.211. Failure to respond within 30 days of receipt of this Notice 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 an Order Directing Amendment. If your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.206). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 30 days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

It is requested (not mandated) that Ergon Terminaling, Inc. maintain documentation of the safety improvement costs associated with fulfilling this Notice of Amendment (preparation/revision of plans, procedures) and submit the total to Robert Burrough, Acting Director, Eastern Region, Pipeline and Hazardous Materials Safety Administration. In correspondence concerning this matter, please refer to **CPF# 1-2017-5005M** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

(GLIEBE) for R Burrough

Robert Burrough
Acting Director, Eastern Region
Pipeline and Hazardous Materials Safety Administration

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*