

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

May 21, 2012

Mr. Mike Moore
Vice President Pipelines and Trucking Operations
Genesis Pipeline USA, L.P.
919 Milam, Suite 2100
Houston, Texas 77002-5417

CPF 2-2012-5004

Dear Mr. Moore:

From November 2, 2011, to February 16, 2012, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected the Genesis Pipeline USA, L.P. (Genesis) crude oil pipeline system's written operations and maintenance (O&M) procedures, facilities, and records in Alabama.

As a result of the inspection, it appears that Genesis has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

1. §195.49 Annual report.

Each operator must annually complete and submit DOT Form PHMSA F 7000-1.1 for each type of hazardous liquid pipeline facility operated at the end of the previous year. An operator must submit the annual report by June 15 each year, except that for the 2010 reporting year the report must be submitted by August 15, 2011. . . .

Genesis did not accurately complete its Annual Report for CY 2009 and 2010 as follows.

- Genesis reported the entire mileage of its pipeline system for CY 2009 and 2010 (376.29 miles) as if all the pipelines were regulated under Part 195. There were at least 25 miles of pipeline and pipeline segments located in Florida and Alabama that were not regulated by Part 195 and should not have been included in the report.

- Genesis reported the entire mileage of its pipeline system for CY 2009 and 2010 (376.29 miles) as being able to affect a High Consequence Area (HCA). However, not all of these regulated pipelines and/or pipeline segments in Florida and Alabama could affect an HCA.
- Genesis reported eleven breakout tanks. At least one of these tanks (located at the Frisco City station) was not a breakout tank.

2. §195.432 Inspection of in-service breakout tanks.

. . . (b) Each operator must inspect the physical integrity of in-service atmospheric and low-pressure steel aboveground breakout tanks according to API Standard 653 (incorporated by reference, see §195.3). However, if structural conditions prevent access to the tank bottom, the bottom integrity may be assessed according to a plan included in the operations and maintenance manual under §195.402(c)(3).

Genesis did not properly perform the required API Standard 653 (API 653) visual external inspection of a 30,000 barrel breakout tank (No. 2138) at Jay Station within five years of the previous API 653 inspection in 2006 because it did not use an “*authorized inspector.*”

API 653 Section 6.3.2.1 required visual external tank inspections to be performed by an “*authorized inspector*” at a maximum time interval of 5 years. The visual external tank inspection of tank 2138 should have been performed no later than March 27, 2011 (5 years from the March 27, 2006 date of the referenced tank’s API 653 internal out of service inspection). Although Genesis performed annual visual external inspections of tank 2138 on December 10, 2008, November 17, 2009, and December 14, 2010, (i.e. between March 27, 2006 and March 27, 2011) these inspections were not performed by an “*authorized inspector.*” An authorized inspector is defined in API 653 Section 3.6 as “*An employee of an authorized inspection agency and is certified as an Aboveground Storage Tank Inspector per Appendix D of this standard.*”

3. §195.561 When must I inspect pipe coating used for external corrosion control?

. . . (b) You must repair any coating damage discovered.

Genesis did not properly repair coating damage discovered on its pipeline because the coating repair product used was not appropriate to repair the damaged coating.

Genesis’ records included a “*Pipeline Inspection & Repair Report*” for a 6-inch diameter segment of fusion bond epoxy (FBE) coated pipeline at mile post 24.239 on the Frisco City to I-65 Jct. line. The report was dated July 22, 2011, with a repair date of July 18, 2011. Photographs in the report showed repairs had been made to non-pinhole sized coating defects that exposed bare steel and were greater than 2mm [0.08 inches] in diameter using a hot melt patch compound (i.e. patch sticks). Moreover, the report cited the use of “*3M hot melt patch sticks*” for the repair. Vendor information for 3M hot melt patch sticks states that the use of patch sticks “*...is ideal for repairing minor pinholes and abrasions ... can be used on holidays up to 2mm [0.08 inches] in diameter....*” and other non-patch stick products “*... should be used for bare steel areas larger than pinholes....*”

4. §195.579 What must I do to mitigate internal corrosion?

. . . (c) Removing pipe. Whenever you remove pipe from a pipeline, you must inspect the internal surface of the pipe for evidence of corrosion. If you find internal corrosion requiring corrective action under §195.585, you must investigate circumferentially and longitudinally beyond the removed pipe (by visual examination, indirect method, or both) to determine whether additional corrosion requiring remedial action exists in the vicinity of the removed pipe.

Genesis did not inspect the internal surface of pipe that was removed from the I-65 Junction in 2010 for internal corrosion.

Genesis did not provide any evidence that would indicate that pipe that was removed from I-65 Junction to accommodate the installation of a check meter was inspected for evidence of internal corrosion. The pipe was removed during the 4th quarter of CY 2010.

5. §195.589 What corrosion control information do I have to maintain?

. . . (c) You must maintain a record of each analysis, check, demonstration, examination, inspection, investigation, review, survey, and test required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that corrosion requiring control measures does not exist. You must retain these records for at least 5 years, except that records related to §§195.569, 195.573(a) and (b), and 195.579(b)(3) and (c) must be retained for as long as the pipeline remains in service.

Genesis did not adequately maintain corrosion control records. That is, Genesis did not have records indicating that internal corrosion coupons had been monitored during calendar year 2011 (up to November 1, 2011). Genesis subsequently obtained the records from its internal corrosion program vendor and provided them to the PHMSA inspector for review on November 11, 2011.

Proposed Civil Penalty

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$100,000 for each violation for each day the violation persists up to a maximum of \$1,000,000 for any related series of violations. The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violations and has recommended that you be preliminarily assessed a civil penalty of \$12,500 as follows:

<u>Item number</u>	<u>PENALTY</u>
3	\$12,500

Warning Items

With respect to items 1, 2, 4, and 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 these items. Be advised that failure to do so may result in Genesis Pipeline USA, L.P. being subject to additional enforcement action.

Response to this Notice

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). 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.

In your correspondence on this matter, please refer to **CPF 2-2012-5004** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

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

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