

August 8, 2019

Mr. Grant E. Sims
Chief Operating Officer
Genesis Energy, LP
919 Milam Street, Suite 2100
Houston, Texas 77002

Re: CPF No. 2-2019-5001

Dear Mr. Sims:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation and specifies actions that need to be taken by your subsidiary, Genesis Pipeline USA, LP, to comply with the pipeline safety regulations. When the terms of the compliance order have been completed, as determined by the Director, Southern Region, this enforcement action will be closed. Service of the Final Order by certified mail is effective upon the date of mailing, 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. James Urisko, Director, Southern Region, Office of Pipeline Safety, PHMSA
Mr. Jeffrey W. Gifford, Vice President, HSSE, Genesis Pipeline USA, 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

**Genesis Pipeline USA, LP,
a subsidiary of Genesis Energy, LP,**

Respondent.

CPF No. 2-2019-5001

FINAL ORDER

From February 26 through June 8, 2018, pursuant to 49 U.S.C. § 60117, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), conducted an on-site pipeline safety inspection of the facilities and records of Genesis Pipeline USA, LP, and Genesis Pipeline Alabama, LLC, subsidiaries of Genesis Energy, LP,¹ (collectively referred to as Genesis or Respondent) in Alabama, Florida, Mississippi. Genesis Pipeline USA, LP, consists of 4-inch through 6-inch pipelines transporting crude oil in Alabama, Florida, and Mississippi. Genesis Pipeline Alabama, LLC, is a 31-mile 8-inch pipeline transporting crude oil in Alabama.

As a result of the inspection, the Director, Southern Region, OPS (Director), issued to Respondent, by letter dated January 25, 2019, a Notice of Probable Violation and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Genesis had committed four violations of 49 C.F.R. Part 195 and proposed ordering Respondent to take certain measures to correct the alleged violations.

Genesis responded to the Notice by letter dated February 25, 2019 (Response). The company did not contest the allegations of violation but provided information concerning the corrective actions it had taken. Respondent did not request a hearing and therefore has waived its right to one.

FINDINGS OF VIOLATION

In its Response, Genesis did not contest the allegations in the Notice that it violated 49 C.F.R. Part 195, as follows:

¹ US SEC Form 10-K, Ex. 21.1, Genesis Energy, LP, *available at* <https://www.sec.gov/Archives/edgar/data/1022321/000102232118000024/ge112312017exhibit211.htm> (last accessed July 17, 2019).

Item 1: The Notice alleged that Respondent violated 49 C.F.R. § 195.452(f)(1) which states, in relevant part:

§ 195.452 Pipeline integrity management in high consequence areas.

(a)

(f) *What are the elements of an integrity management program?* An integrity management program begins with the initial framework. An operator must continually change the program to reflect operating experience, conclusions drawn from results of the integrity assessments, and other maintenance and surveillance data, and evaluation of consequences of a failure on the high consequence area. An operator must include, at minimum, each of the following elements in its written integrity management program:

(1) A process for identifying which pipeline segments could affect a high consequence area...

The Notice alleged that Respondent violated 49 C.F.R. § 195.452(f)(1) by failing to include in its Integrity Management (IM) Program a process for identifying which pipeline segments could affect a high consequence area (HCA). Specifically, the Notice alleged that Genesis' IM program did not include a process for identifying facilities other than line pipe on its pipeline system that could affect a HCA.

The integrity management regulations in section §195.452 are applicable to all pipelines that meet the requirements in 195.452(a). Specifically, §195.452 (a) through (k) applies to “each hazardous liquid pipeline and carbon dioxide pipeline that could affect a high consequence area....” A “Pipeline or pipeline systems” and a “Pipeline facility” are defined in §195.2 Definitions. **Pipeline or pipeline system** means all part of a pipeline facility through which a hazardous liquid or carbon dioxide moves in transportation, including but not limited to, line pipe, valves, and other appurtenances connected to line pipe, pumping units, fabricated assemblies associated pumping units, metering and delivery stations and fabricated assemblies therein, and breakout tanks. **Pipeline facility** means new and existing pipe, rights-of-way and any equipment, facility, or building used in the transportation of hazardous liquids or carbon dioxide.

Respondent did not contest this allegation of violation. Accordingly, based upon a review of all the evidence, I find that Respondent violated 49 C.F.R. § 195.452(f)(1) by failing to include in its IM program a process for identifying facilities other than line pipe on its pipeline segment that could affect an HCA.

Item 2: The Notice alleged that Respondent violated 49 C.F.R. § 195.452(i)(1), which states:

§ 195.452 Pipeline integrity management in high consequence areas.

(a)

(i) *What preventative and mitigative measures must an operator take to protect the high consequence area?*—(1) *General requirements.* An operator must take measures to protect and mitigate the consequences of a failure that could affect a high consequence area. These measures include

conducting a risk analysis of the pipeline segment to identify additional actions to enhance public safety or environmental protection where corrosion is a concern, establishing shorter inspection intervals, installing EFRDs on the pipeline segment, modifying the systems that monitor pressure and detect leaks, providing additional training to personnel on response procedures, conducting drills with local emergency responders and adopting other management controls.

The Notice alleged that Respondent violated 49 C.F.R. § 195.452(i)(1) by failing to take measures to prevent and mitigate the consequences of a pipeline failure that could affect an HCA. Specifically, the Notice alleged that Genesis did not identify preventative and mitigative measures (P&MMs) for facilities other than line pipe on its pipeline system that could affect an HCA (See Item 1 for a definition of a *pipeline system*).

Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.452(i)(1) by failing to take measures to prevent and mitigate the consequences of a pipeline failure that could affect an HCA.

Item 3: The Notice alleged that Respondent violated 49 C.F.R. § 195.452(i)(2), which states:

§ 195.452 Pipeline integrity management in high consequence areas.

(a)

(i) *What preventative 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) Terrain surrounding the pipeline segment, including drainage systems such as small streams and other smaller waterways that could act as a conduit to the high consequence area;

(ii) Elevation profile;

(iii) Characteristics of the product transported;

(iv) Amount of product that could be released;

(v) Possibility of a spillage in a farm field following the drain tile into a waterway;

(vi) Ditches along side a roadway the pipeline crosses;

(vii) Physical support of the pipeline segment such as by a cable suspension bridge;

(viii) Exposure of the pipeline to operating pressure exceeding established maximum operating pressure.

The Notice alleged that Respondent violated 49 C.F.R. § 195.452(i)(2) by failing to perform a risk analysis evaluating the likelihood of a pipeline release occurring and how a release could

affect the high consequence area. Specifically, the Notice alleged that Genesis failed to include pipeline facilities other than line pipe in its risk analysis. (See Item 1 for a definition of a *pipeline facility*).

Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.452(i)(2) by failing to perform a risk analysis evaluating the likelihood of a pipeline release occurring from pipeline facilities other than line pipe and how a release could affect the high consequence area

Item 4: The Notice alleged that Respondent violated 49 C.F.R. § 195.452(j)(2) which states:

§ 195.452 Pipeline integrity management in high consequence areas.

(a)

(j) *What is a continual process of evaluation and assessment to maintain a pipeline's integrity?*

(1)

(2) *Evaluation.* An operator must conduct a periodic evaluation as frequently as needed to assure pipeline integrity. An operator must base the frequency of evaluation on risk factors specific to its pipeline, including the factors specified in paragraph (e) of this section. The evaluation must consider the results of the baseline and periodic integrity assessments, information analysis (paragraph (g) of this section), and decisions about remediation, preventive and mitigative actions (paragraphs (h) and (i) of this section).

The Notice alleged that Respondent violated 49 C.F.R. § 195.452(j)(2) by failing to conduct periodic evaluations as frequently as needed to assure pipeline integrity. Specifically, the Notice alleged that Genesis personnel were unable to produce any record or documentation that pipeline facilities other than line pipe had ever been evaluated to assure their integrity. (See Item 1 for a definition of a *pipeline facility*). Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.452(j)(2) by failing to conduct periodic evaluations as frequently as needed to assure pipeline integrity on pipeline facilities other than line pipe.

These findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent.

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to Items 1, 2, 3 and 4 in the Notice for violations of 49 C.F.R. §§ 195.452(a)(f)(1), 195.452(i)(1), 195.452(i)(2), and 195.452(j)(2), respectively. Under 49 U.S.C. § 60118(a), each person who engages in the transportation of hazardous liquids or who owns or operates a pipeline facility is required to comply with the applicable safety standards established under chapter 601. The Director has indicated that Respondent has taken the following actions to address some of the cited violations:

In its Response, Genesis provided updated, revised procedures to its IM program which partially addressed the issues identified in the Notice, but have not yet achieved full compliance with the terms of the Proposed Compliance Order (PCO) contained within the Notice.

Accordingly, I find that compliance has not been achieved with respect to these violations. Therefore, the compliance terms proposed in the Notice for Items 1, 2, 3, and 4 are included in this Order.

Accordingly, pursuant to the authority of 49 U.S.C. § 60118(b) and 49 C.F.R. § 190.217, Respondent is ordered to take the following actions to ensure compliance with the pipeline safety regulations applicable to its operations:

1. With respect to the violation of § 195.452(f)(1) (**Item 1**), Respondent must:
 - a. Develop procedures for identifying facilities other than line pipe on its pipeline system for inclusion in its Integrity Management (IM) program.
 - b. Submit procedures developed in accordance with 1a of this Compliance Order to the Director, Office of Pipeline Safety (OPS), PHMSA Southern Region, for approval.
 - c. Identify all facilities that could affect an HCA in accordance with the approved procedures. Genesis must maintain records and documentation of the results, and make those records available for OPS inspection.
2. With respect to the violations of §§ 195.452(i)(1), 195.452(i)(2), and 195.452(j)(2) (**Items 2, 3, and 4**), Respondent must:
 - a. Develop procedures for identifying preventative and mitigative measures (P&MMs) for facilities other than line pipe on its pipeline system that could affect an HCA for inclusion in its IM program.
 - b. Develop risk analysis procedures for facilities other than line pipe for inclusion in its IM program.
 - c. Develop procedures to conduct periodic evaluations of pipeline facilities other than line pipe on its pipeline system that could affect an HCA for inclusion in its IM program.
 - d. Submit procedures developed in accordance with 2a, 2b, and 2c of this Compliance Order to the Director, OPS, PHMSA Southern Region, for approval.
 - e. Identify P&MMs, perform risk analysis, and conduct evaluations of facilities other than line pipe on its pipeline system that could affect an HCA, in accordance with the approved procedure. Genesis must maintain all records and documentation of the results, and make those records available for OPS

inspection, upon request.

3. Genesis must complete the above items within the following time requirements:
 - a. Within 30 days of receipt of the Final Order, Genesis must complete the requirements of Items 1a, 2a, and 2c of this Compliance Order.
 - b. Within 90 days of receipt of the Final Order Genesis must complete the requirements of Items 1b and 2d of this Compliance Order.
 - c. Within 150 days of receipt of the Final Order, Genesis must provide written documentation summarizing the results of Items 1c and 2e of this Compliance Order to the Director, OPS, PHMSA Southern Region, for approval.

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 extension.

It is requested (not mandated) that Respondent maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to the Director. 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.

Failure to comply with this Order may result in administrative assessment of civil penalties not to exceed \$200,000, as adjusted for inflation (49 C.F.R. § 190.223), 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 may submit a Petition for Reconsideration of this Final Order to the 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, no later than 20 days after receipt of service of this Final Order by Respondent. Any petition submitted must contain a statement of the issue(s) and meet all other requirements of 49 C.F.R. § 190.243. The terms of the order, including corrective action, remain in effect unless the Associate Administrator, upon request, grants a stay.

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

August 8, 2019

Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Date Issued