

JUNE 2, 2014

Mr. Michael N. Mears
President and Chief Executive Officer
Magellan Midstream Partners, LP
One Williams Center
Tulsa, OK 74121

Re: CPF No. 3-2013-5013

Dear Mr. Mears:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation and assesses a civil penalty of \$99,000. The penalty payment terms are set forth in the Final Order. This enforcement action closes automatically upon receipt of payment. Service of the Final Order by certified mail is deemed effective upon the date of mailing, or as otherwise provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Enclosure

cc: Ms. Linda Daugherty, Director, Central Region, OPS

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 Midstream Partners, LP,)	CPF No. 3-2013-5013
)	
Respondent.)	
_____)	

FINAL ORDER

From May 31, 2011, to June 2, 2011, 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 facilities and records of Magellan Midstream Partners, LP (Magellan or Respondent), in Kansas City, Kansas.

As a result of the inspection, the Director, Central Region, OPS (Director), issued to Respondent, by letter dated April 5, 2013, a Notice of Probable Violation and Proposed Civil Penalty (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Magellan had violated 49 C.F.R. §§ 195.55 and 195.406, and assessing a civil penalty of \$99,000 for the alleged violations.

Respondent initially responded to the Notice by letter dated May 6, 2013 (Response), requesting a hearing. Magellan contested one of the allegations and sought mitigation of the proposed penalty. By subsequent email dated January 27, 2014, Magellan withdrew its request for a hearing and indicated that it no longer wished to contest the Notice, thereby authorizing entry of this Final Order without further notice, in accordance with 49 C.F.R. § 190.208.

FINDINGS OF VIOLATION

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

Item 1: The Notice alleged that Respondent violated 49 C.F.R. § 195.406(b), which states:

§ 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.

The Notice alleged that Respondent violated 49 C.F.R. § 195.406(b) by failing to provide adequate controls and protective equipment to keep the pressure in its pipeline from exceeding 110 percent of the established operating pressure limit during surges or other variations from normal operations. Specifically, the Notice alleged that Magellan allowed its pipeline to exceed 110 percent of the maximum operating pressure, as evidenced by 16 overpressure alarms as follows:

Date	Location
10/24/2011	Bettendorf, IA
5/24/2011	Carthage, MO
4/17/2011	El Dorado, KS West Terminal
4/14/2011	El Dorado, KS West Terminal
4/8/2011	El Dorado, KS West Terminal
2/10/2011	Wichita, KS
1/20/2011	El Dorado, KS North Terminal
9/21/2009	Girard, KS
9/20/2009	Bateman, WI
8/18/2009	McCool, NE
8/13/2009	Eureka, KS
4/6/2009	Boyer, KS
11/4/2008	El Dorado, KS West Terminal
6/12/2008	Omaha, NE
5/23/2008	Bettendorf, IA
5/1/2008	Des Moines, IA.

Respondent did not contest these allegations of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.406(b) by failing to provide adequate controls and protective equipment to keep the pressure in its pipelines from exceeding 110 percent of the established operating pressure limit during surges or other variations from normal operations.

Item 2: The Notice alleged that Respondent violated 49 C.F.R. § 195.55(a)(4), which states:

§ 195.55 Reporting safety-related conditions.

(a) Except as provided in paragraph (b) of this section, each operator shall report in accordance with §195.56 the existence of any of the following safety-related conditions involving pipelines in service:

(1) . . .

(4) Any malfunction or operating error that causes the pressure of a pipeline to rise above 110 percent of its maximum operating pressure.

The Notice alleged that Respondent violated 49 C.F.R. § 195.55(a)(4) by failing to report the existence of a safety-related condition at one of its facilities. Specifically, it alleged that Magellan failed to timely report three of the instances (4/8/2011, 4/14/2011, and 4/17/2011) cited above, where the pressure on its Chase Colorado Pipeline at El Dorado, KS West Terminal exceeded 110 percent of its maximum operating pressure.

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. § 195.55(a)(4) by failing to report three instances of overpressure at its El Dorado, KS West Terminal facility in 2011.

This finding of violation will be considered a prior offense in any subsequent enforcement action taken against Respondent.

ASSESSMENT OF PENALTY

Under 49 U.S.C. § 60122, Respondent is subject to an administrative civil penalty not to exceed \$100,000 per violation for each day of the violation, up to a maximum of \$1,000,000 for any related series of violations. In determining the amount of a civil penalty under 49 U.S.C. § 60122 and 49 C.F.R. § 190.225, I must consider the following criteria: the nature, circumstances, and gravity of the violation, including adverse impact on the environment; the degree of Respondent's culpability; the history of Respondent's prior offenses; the Respondent's ability to pay the penalty and any effect that the penalty may have on its ability to continue doing business; and the good faith of Respondent in attempting to comply with the pipeline safety regulations. In addition, I may consider the economic benefit gained from the violation without any reduction because of subsequent damages, and such other matters as justice may require. The Notice proposed a total civil penalty of \$99,000 for the violations cited above.

Item 1: The Notice proposed a civil penalty of \$51,500 for Respondent's violation of 49 C.F.R. § 195.406(b), for failing to provide adequate controls and protective equipment to prevent the pressure in its pipeline from exceeding 110 percent of the established operating pressure limit. Magellan neither contested the allegation nor the proposed penalty. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$51,500 for violation of 49 C.F.R. § 195.406(b).

Item 2: The Notice proposed a civil penalty of \$47,500 for Respondent's violation of 49 C.F.R. § 195.55(a)(4), for failing to report a safety-related condition at its El Dorado, KS West Terminal facility in 2011. As discussed above, Respondent's records indicated three instances of overpressure at its El Dorado, KS West Terminal in 2011, yet Magellan failed to report them as a safety-related condition, as required under 49 CFR § 195.55(a)(4). Magellan neither contested the allegation nor the proposed penalty. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$47,500 for violation of 49 C.F.R. § 195.55(a)(4).

In summary, having reviewed the record and considered the assessment criteria for each of the Items cited above, I assess Respondent a total civil penalty of **\$99,000**.

Payment of the civil penalty must be made within 20 days of service. Federal regulations (49 C.F.R. § 89.21(b)(3)) require such payment to be made by wire transfer through the Federal Reserve Communications System (Fedwire), to the account of the U.S. Treasury. Detailed instructions are contained in the enclosure. Questions concerning wire transfers should be directed to: Financial Operations Division (AMK-325), Federal Aviation Administration, Mike Monroney Aeronautical Center, P.O. Box 269039, Oklahoma City, Oklahoma 73125. The Financial Operations Division telephone number is (405) 954-8845.

Failure to pay the \$99,000 civil penalty will result in accrual of interest at the current annual rate in accordance with 31 U.S.C. § 3717, 31 C.F.R. § 901.9 and 49 C.F.R. § 89.23. Pursuant to those same authorities, a late penalty charge of six percent (6%) per annum will be charged if payment is not made within 110 days of service. Furthermore, failure to pay the civil penalty may result in referral of the matter to the Attorney General for appropriate action in a district court of the United States.

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

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Date Issued