

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 3, 2015

Mr. Mark Petersen
Vice President Transportation
Sinclair Transportation Company
550 East South Temple
P.O. Box 30825
Salt Lake City, Utah 84102

CPF 3-2015-5006

Dear Mr. Petersen:

On November 25-27 and December 2-6, 2013, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code inspected your records and facilities in Carrollton, Missouri.

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

- 1. §195.581 Which pipelines must I protect against atmospheric corrosion and what coating material may I use?**
 - (a) You must clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere, except pipelines under paragraph (c) of this section.**
 - (b) Coating material must be suitable for the prevention of atmospheric corrosion.**

- (c) Except portions of pipelines in offshore splash zones or soil-to-air interfaces, you need not protect against atmospheric corrosion any pipeline for which you demonstrate by test, investigation, or experience appropriate to the environment of the pipeline that corrosion will-**
- (1) Only be a light surface oxide; or**
 - (2) Not affect the safe operation of the pipeline before the next scheduled inspection.**

Sinclair did not protect its pipe spans and exposures on its Missouri Pipeline from atmospheric corrosion. Atmospheric inspection records showed that the coating on many spans was in very poor or completely bare condition with many spans exhibiting general corrosion. PHMSA observed during on-site inspection multiple exposed pipe locations exhibiting corrosion pits. Sinclair span numbers: 1, 2, 45, 63, 71, 88, 117, and 130.1 were observed on site and found to have significant pits measuring from between 0.070 inches in depth up to 0.150 inches in depth. Transition areas were also not protected by a suitable coating.

2. §195.452 Pipeline integrity management in high consequence areas.

(k) What methods to measure program effectiveness must be used? An operator's program must include methods to measure whether the program is effective in assessing and evaluating the integrity of each pipeline segment and in protecting the high consequence areas. See Appendix C of this part for guidance on methods that can be used to evaluate a program's effectiveness.

Sinclair did not have definitive methods to measure the effectiveness of integrity assessments by hydrotest. Sinclair's process and procedures for evaluation of hydrotest assessment results and subsequent repairs did not measure whether the integrity management program is effective in reducing the risk of a release due to corrosion.

Proposed Civil Penalty

Under 49 United States Code, §60122, you are subject to a civil penalty not to exceed \$200,000 per violation per day the violation persists up to a maximum of \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day with a maximum penalty not to exceed \$1,000,000 for a 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 \$34,200 as follows:

<u>Item Number</u>	<u>PENALTY</u>
1	\$34,200

Warning Items

With respect to Item 2 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 this item. Failure to do so may result in additional enforcement action.

Proposed Compliance Order

With respect to item 1 pursuant to 49 United States Code §60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Sinclair Transportation Company. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

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. All material you submit in response to this enforcement action may be 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 3-2015-5006** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Allan C. Beshore
Director, Central Region, OPS
Pipeline and Hazardous Materials Safety Administration

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Compliance Proceedings

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Sinclair Transportation Company a Compliance Order incorporating the following remedial requirements to ensure the compliance of Sinclair Transportation Company with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to deficiencies in the protection of exposed pipe from corrosion, Sinclair Transportation Company must accomplish the following:
 - a. Within 90 days of the issuance of the Final Order: assess the integrity of the Missouri Pipeline at all locations where aboveground pipe is known to exhibit corrosion, make necessary repairs, clean and recoat the pipe at each location.
 - b. Within 30 days of the issuance of the Final Order: furnish to the Director, Central Region, a plan and schedule to complete inspection and repair of aboveground pipe locations exhibiting bare soil to air transition areas.
 - i. Perform the planned repairs within 12 months.
 - ii. Furnish to the Director additional quarterly progress reports, and a final report upon completion of repairs.
2. It is requested (not mandated) that Sinclair Transportation Company maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Allan C. Beshore, Director, Central 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.