

JUL 09 2009

Mr. Richard A. Olson
Vice President, Transportation Operations
Magellan Midstream Partners, L.P.
One Williams Center
P.O. Box 22186
Tulsa, OK 74121-2186

**Re: CPF No. 4-2006-5020
CPF No. 4-2006-5021M**

Dear Mr. Olson:

Enclosed are the Final Order and the Order Directing Amendment issued by the Pipeline and Hazardous Materials Safety Administration in the above-referenced companion cases. The Final Order makes findings of violation, assesses a civil penalty of \$147,500, and specifies certain actions that need to be taken by Magellan to comply with the pipeline safety regulations. The Order Directing Amendment makes a finding of inadequate procedures and requires that Magellan make certain amendments to its written integrity management program.

The penalty payment terms are set forth in the Final Order. When the civil penalty has been paid and the terms of the Compliance Order completed, as determined by the Director, Southwest Region, PHMSA, CPF No. 4-2006-5020 will be closed. When the terms of the Order Directing Amendment have been completed, as determined by the Director, Southwest Region, CPF No. 4-2006-5021M will be closed. Your receipt of the Final Order and Order Directing Amendment constitute service of those documents under 49 C.F.R. § 190.5.

Thank you for your cooperation in these matters.

Sincerely,

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Enclosure

cc: Paul E. Pratt, Esq., Magellan Midstream Partners, L.P.
Mr. Rod M. Seeley, Director, Southwest Region, PHMSA

CERTIFIED MAIL – RETURN RECEIPT REQUESTED [7005 0390 0005 6162 5012]

**U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, D.C. 20590**

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In the Matter of)	
)	
Magellan Midstream Partners, L.P.,)	CPF No. 4-2006-5021M
)	
Respondent.)	
_____)	

ORDER DIRECTING AMENDMENT

Between April 11-15 and May 2-6, 2005, pursuant to 49 U.S.C. § 60117, representatives of the Pipeline and Hazardous Materials Safety Administration's Office of Pipeline Safety (OPS), and its state agent, the Minnesota Office of Pipeline Safety, conducted an on-site pipeline safety inspection of the integrity management program procedures and records of Magellan Midstream Partners, L.P. (Magellan or Respondent), at the company's offices in Tulsa, Oklahoma. Magellan is a major energy supplier in the United States whose assets include an 8,500-mile petroleum products and a 1,100-mile ammonia pipeline system.

As a result of the inspection, the Director, Southwest Region, OPS (Director), issued to Respondent, by letter dated May 2, 2006, a Notice of Amendment (NOA). The NOA alleged inadequacies in Respondent's integrity management program and proposed to require the company to revise its procedures.

Respondent responded to the NOA by letter dated June 2, 2006. Respondent initially contested the allegations and requested a hearing. A joint hearing was held on September 21, 2006, in Houston, Texas, on this case and the companion Notice of Probable Violation, Proposed Civil Penalty, and Proposed Compliance Order (CPF No. 4-2006-5020). At the hearing, Magellan withdrew its request to discuss the matters involved in this case and submitted a written withdrawal of its hearing request by letter dated November 1, 2006. Respondent submitted amended procedures to the Director by letter dated November 30, 2006, and provided supplemental clarifications and amendments by emails in February and March 2007.

The Director has reviewed the amended procedures and additional materials submitted by Respondent. Based on the result of this review, I find that Respondent's amendments adequately address Items 1, 2, 4, and 5 in the NOA. For the reasons below, I find that the revised procedures still do not adequately address Item 3.

Item 3: The NOA alleged that Respondent's integrity management program procedures were inadequate with respect to 49 C.F.R. § 195.452(f)(6) and (i)(4). That regulation states:

§ 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 . . .

(6) Identification of preventive and mitigative measures to protect the high consequence area (see paragraph (i) of this section)

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

(4) *Emergency Flow Restricting Devices (EFRD).* If an operator determines that an EFRD is needed on a pipeline segment to protect a high consequence area in the event of a hazardous liquid pipeline release, an operator must install the EFRD. In making this determination, an operator must, at least, consider the following factors—the swiftness of leak detection and pipeline shutdown capabilities, the type of commodity carried, the rate of potential leakage, the volume that can be released, topography or pipeline profile, the potential for ignition, proximity to power sources, location of nearest response personnel, specific terrain between the pipeline segment and the high consequence area, and benefits expected by reducing the spill size.

Item 3 of the NOA alleged that Magellan's procedures were inadequate because the decision-making process for installing emergency flow restricting devices (EFRDs) did not include justification for the spill volume exceedance decision point and application of the 28% factor to the calculated drain-down volume. The NOA alleged that at the time of the OPS inspection, the inspection team found inadequate technical justification for Respondent's decision-making process regarding installation of EFRDs, which was based on whether or not the assumed drain-down volume exceeded the 15 minute full-flow spill volume. Additionally, the inspection team found inadequate technical justification for limiting the assumed drain-down volume to 28% of the total calculated drain-down volume. The NOA alleged that use of the 28% multiplier could result in failing to identify locations where installation of EFRDs was necessary to protect High Consequence Areas (HCAs).

The amended procedures submitted by Respondent adequately modified the EFRD installation decision-making process to include justification regarding spill volume exceedance decision points and to document the procedures on Respondent's process flowsheets. Respondent did not, however, provide adequate justification for the use of the 28% factor in determining potential spill volume.

During the inspection, Magellan represented that the 28% figure came from a report conducted by EDM Services for the California State Fire Marshal in March 1993, which is titled, "Hazardous Liquid Pipeline Risk Assessment." The report is based on 10 years (1981 through 1990) of pipeline failures and leaks in California.

For several reasons, I find that that 28% drain-down volume factor used in the California study cannot be applied universally to other pipeline systems, including Magellan's lines that were the subject of this inspection. First, the factor was based upon limited historical accident data from specific pipelines in California between 1981 and 1990. Second, specific topographical, pipeline configuration, and operational differences existed between the pipelines studied in California and those operated by Magellan. Third, the California study utilized the 28% factor as part of a totally different type of risk analysis (i.e., a "cost-benefit" analysis) than the one involved in PHMSA's integrity management program (i.e., a "could-affect" analysis). Fourth, applying the 28% factor from the California study, which had already accounted for topography, inappropriately reduced the maximum drain-down volume even further

Use of the 28% drain-down factor under these circumstances risks failing to identify locations where installation of an EFRD is necessary to protect HCAs in accordance with § 195.452(f)(6) and (i)(4).

Accordingly, based on the results of this review, I find that Respondent's integrity management program procedures are inadequate to ensure safe operation of its pipeline system in accordance with the integrity management regulations. Pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237, Respondent is ordered to make the following revisions to its integrity management program procedures. Respondent must—

1. Modify emergency flow restricting device (EFRD) installation procedures and apply a justified factor to the calculated drain-down volume, in accordance with § 195.452(f)(6) and (i)(4), performing EFRD needs analysis using justified methods.
2. Submit the amended procedures to the Director within 30 days following receipt of this Order Directing Amendment. With respect to the submission of amended procedures, the Director may notify Respondent if any or all of the procedures have been amended satisfactorily. If further modification is necessary, the Director may require Respondent to modify the submission to cure the deficiencies. If the Director finds deficiencies and orders further modification, Respondent must proceed to take all action to correct its procedures to comply with the Director's order. Respondent must correct all deficiencies within the time specified by the Director and resubmit the procedures for review.

3. If a resubmitted item is disapproved in whole or in part, the Director may again require Respondent to correct the deficiencies in accordance with the foregoing procedure, or the Director may otherwise proceed to enforce the terms of this Order.

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 demonstrating good cause for an extension.

Failure to comply with this Order may result in administrative assessment of civil penalties not to exceed \$100,000 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.

The terms and conditions of this Order Directing Amendment shall be effective upon receipt.

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Date Issued