

JUNE 21, 2013

Mr. Michael N. Mears
President and Chief Executive Officer
Magellan Pipeline Company, LP
1 Williams Center
P.O. Box 22186
Tulsa, OK 74172

Re: CPF No. 4-2012-5014

Dear Mr. Mears:

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 Magellan Pipeline Company, LP, to comply with the pipeline safety regulations. When the terms of the compliance order have been completed, as determined by the Director, Southwest Region, this enforcement action will be closed. 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: Mr. Rodrick M. Seeley, Director, Southwest Region, OPS
Mr. Alan Mayberry, Deputy Associate Administrator for Field Operations, 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 Pipeline Company, LP,)	CPF No. 4-2012-5014
)	
Respondent.)	
)	

FINAL ORDER

In May 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 Pipeline Company, LP (Magellan or Respondent), in Texas and Oklahoma. Magellan operates approximately 9,600 miles of refined products pipelines and 51 terminals in 13 Midwestern states.¹

As a result of the inspection, the Director, Southwest Region, OPS (Director), issued to Respondent, by letter dated April 17, 2012, a Notice of Probable Violation and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Magellan committed various violations of 49 C.F.R. Part 195 and proposed ordering Respondent to take certain measures to correct the alleged violations.

Magellan responded to the Notice by letters dated May 22, 2012 (First Response) and May 23, 2012 (Second Response). In these responses, Magellan requested a 45-day extension to file a response and a hearing, respectively. By letter dated August 14, 2012, Respondent withdrew its request for a hearing and thereby authorized the entry of this Final Order without further notice.

FINDINGS OF VIOLATION

In its correspondence, 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. § 195.402(a), which states:

¹ Magellan Midstream Partners, LP, Home Page, *available at* <http://www.magellanlp.com>, (last accessed January 11, 2013).

§ 195.402 Procedural manual for operations, maintenance, and emergencies.

(a) *General.* Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline system commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.

The Notice alleged that Respondent violated 49 C.F.R. § 195.402(a) by failing to follow its manual of written procedures for conducting normal operations and maintenance activities. Specifically, the Notice alleged that Magellan failed to follow its valve inspection procedures,² which required company personnel to verify the security of its valves. During the site inspection, PHMSA inspectors discovered a completely unsecured valve site. The security gate chain was corroded completely through and no fence, locked gate, or other apparatus was in place to secure the site. While Magellan's records indicated that valve inspections for the site were conducted within the required intervals, the lack of proper security was not notated in the relevant inspection records.

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. § 195.402(a) by failing to follow its manual of written procedures for conducting normal operations and maintenance activities.

Item 2: The Notice alleged that Respondent violated 49 C.F.R. § 195.428(d), which states:

§ 195.428 Overpressure safety devices and overflow protection systems.

(a) . . .

(d) After October 2, 2000, the requirements of paragraphs (a) and (b) of this section for inspection and testing of pressure control equipment apply to the inspection and testing of overflow protection systems.

The Notice alleged that Respondent violated 49 C.F.R. § 195.428(d) by failing to inspect and test the overflow protection system that served as part of its pressure control equipment. Specifically, the Notice alleged that Magellan failed to inspect or test the overflow protection systems of the in-service atmospheric and low-pressure steel aboveground breakout tanks used on its pipeline. Respondent utilizes tanks owned by other entities, at both the Kinder Morgan Pasadena Terminal and the Texas City Refinery, to relieve surges from its pipelines. As a result, Magellan is required to perform inspection and testing, as specified by § 195.428(d).

Respondent did not contest this allegation of violation, but stated in its First Response and Second Response that it intended to secure the relevant inspection records and submit them to

² *Magellan Mainline Valve Inspection Procedure, 7.13-ADM-1035-3.2.2.* Pipeline Safety Violation Report (Violation Report) (April 17, 2012) (on file with PHMSA), at 39.

OPS. In its August 14, 2012 hearing withdrawal request, Magellan indicated that it had secured the agreement of the relevant operators to provide the necessary records. However, no records have been received to date.

Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.428(d) by failing to inspect and test the overfill protection system that served as part of its pressure control equipment

Item 3: The Notice alleged that Respondent violated 49 C.F.R. § 195.432(b), which states:

§ 195.432 Inspection of in-service breakout tanks.

(a) . . .

(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).

The Notice alleged that Respondent violated 49 C.F.R. § 195.432(b) by failing to inspect the physical integrity of in-service atmospheric and low-pressure steel aboveground breakout tanks according to API Standard 653 or, if prevented from accessing the tank bottom, assessing bottom integrity according to a plan included in its operations and maintenance manual. Specifically, the Notice alleged that Magellan failed to inspect breakout tanks associated with its pipeline. During the OPS inspection, Magellan was unable to provide evidence that it had inspected or maintained appropriate records for breakout tanks at the Kinder Morgan Pasadena Terminal and the Texas City Refinery.

Respondent did not contest this allegation of violation, but indicated that the relevant inspection and testing records would be provided. As of the date of the Final Order, no records have been received.

Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.432(b) by failing to inspect the physical integrity of in-service atmospheric and low-pressure steel aboveground breakout tanks according to API Standard 653 or, if prevented from accessing the tank bottom, assessing bottom integrity according to a plan included in its operations and maintenance manual.

Item 4: The Notice alleged that Respondent violated 49 C.F.R. § 195.579(a), which states:

§ 195.579 What must I do to mitigate internal corrosion?

(a) *General.* If you transport any hazardous liquid or carbon dioxide that would corrode the pipeline, you must investigate the corrosive effect of the hazardous liquid or carbon dioxide on the pipeline and take adequate steps to mitigate internal corrosion.

The Notice alleged that Respondent violated 49 C.F.R. § 195.579(a) by failing to investigate the effect of the corrosive hazardous liquid being transported on its pipeline and to take adequate steps to mitigate internal corrosion. Specifically, the Notice alleged that Magellan was unable to provide documentation that it had performed an investigation of the liquid's corrosive effects. Magellan acquired the pipelines cited during the audit in November 2010 and, since that time, has not taken adequate steps to mitigate internal corrosion. During the OPS inspection, Magellan was allegedly unable to provide any documentation that it had performed a coupon examination, water sampling, or any other corrosive-effect investigation.³

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. § 195.579(a) by failing to investigate the effect of the corrosive hazardous liquid being transported on its pipeline and to take adequate steps to mitigate internal corrosion.

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. §§ 195.402(a), 195.428(d), 195.432(b) and 195.579(a), 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. 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 § 195.402(a) (**Item 1**), Respondent must review all applicable procedures related to valve inspections (7.13-ADM-1035). Respondent must verify that all field personnel responsible for performing valve inspections are properly trained in all inspection procedures and the completion of inspection records. In addition, Respondent must inspect all mainline valves to ensure that adequate security is in place, within 90 days of receipt of the Final Order.
2. With respect to the violation of § 195.428(d) (**Items 2 and 3**), Respondent must implement a process either to inspect or provide inspection records of (1) the physical integrity of in-service atmospheric and low-pressure steel aboveground breakout tanks, according to section 4 of API Standard 653; and (2) the testing of overfill protection systems, within 90 days of receipt of the Final Order.
4. With respect to the violation of § 195.579(a) (**Item 4**), Respondent must investigate the potential corrosive effect of hazardous liquids being transported on its pipeline and implement a program to monitor and mitigate internal corrosion, within 90 days of receipt of the Final Order.

³ Violation Report, at 21.

5. Respondent is requested but not required to submit documentation of the safety improvement costs associated with fulfilling the Compliance Order and submit the total to Director, Southwest Region. Costs should be reported in two categories: (1) total cost associated with preparation and revision of plans, procedures, studies and analyses; and (2) total cost associated with replacements, additions, and other changes to the pipeline infrastructure.

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.

Failure to comply with this Order may result in the 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.

WARNING ITEM

With respect to Item 5, the Notice alleged probable violations of Part 195 but did not propose a civil penalty or compliance order for this item. Therefore, this is considered to be warning items. The warning was for:

49 C.F.R. § 195.481 (**Item 5**) — Respondent's alleged failure to protect several areas of its pipelines from atmospheric corrosion. PHMSA inspectors noted several areas in which piping had paint damage, coating damage, and surface corrosion.

Magellan presented no information in its Responses showing that it had taken certain actions to address the cited item. If OPS finds a violation of this provision in a future inspection, Respondent may be subject to possible enforcement action.

If OPS finds a violation of this provision in a future inspection, Respondent may be subject to possible enforcement action.

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