

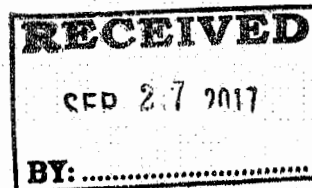


SUNOCO PIPELINE
An ENERGY TRANSFER Partnership

September 22, 2017

VIA: Electronic Mail & FedEx

Mr. Jon Manning
Acting Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration
U.S. Department of Transportation
8701 South Gessner Rd.
Suite 1110
Houston, TX 77074



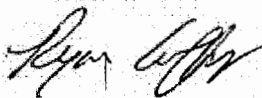
Re: **CPF No. 4-2017-5021**
Notice of Probable Violation, Proposed Civil Penalty and Proposed Compliance Order

Dear Mr. Manning:

The Notice of Probable Violation which includes Proposed Civil Penalties and a Proposed Compliance Order (NOPV) referenced above and dated August 14, 2017 was received by Sunoco Pipeline L.P. (SPLP) on August 18, 2017. SPLP is a subsidiary of Energy Transfer Partners. This NOPV provided SPLP 30 days to respond. On September 7, 2017 SPLP requested a short extension of time to respond until September 22, 2017. PHMSA approved this extension via electronic mail dated September 13, 2017. Attached to this letter is the SPLP response.

Should you have any questions or require further information, please contact Todd Nardozzi of our Sugar Land, TX office at 281-637-6576 or via email at toddnardozzi@energytransfer.com

Sincerely,



Ryan Coffey
Executive VP of Operations
Energy Transfer Partners

Cc: Joe Perez
Danny Nichols
Todd Stamm



PHMSA NOPV Alleged Violation 1

1. §195.56 Filing safety-related condition reports.

- (a) **Each report of a safety-related condition under § 195.55(a) must be filed (received by the Administrator) in writing within 5 working days (not including Saturdays, Sundays, or Federal holidays) after the day a representative of the operator first determines that the condition exists, but not later than 10 working conditions may be described in a single report if they are closely related. To file a report by facsimile (fax), dial (202) 366- 7128.**

Sunoco failed to file safety-related condition reports with PHMSA within five working days after determining conditions existed that met the criteria of a safety-related condition as per 195.55(a)(6). Sunoco issued two 20% operating pressure reductions on the Goodrich to Longview segment due to identification of a safety related condition. In both instances no safety-related condition report was filed with PHMSA.

On April 29, 2014, and May 13, 2014 Sunoco performed an integrity assessment on the 10" Goodrich to Longview segment using a deformation and magnetic flux leakage (MFL) inline inspection tool. On October 27, 2014 Sunoco received a final report from an inline inspection performed by a third party which detailed multiple anomalies in the "immediate repair" category. On October 29, 2014 Sunoco issued a 20% operating pressure reduction on this segment via MOC- 7673. On February 19, 2016 Sunoco again issued a 20% operating pressure reduction via MOC- 10204 to repair an overlooked 180-day anomaly. In both cases Sunoco failed to file a safety- related condition with PHMSA.

SPLP Response

SPLP does not contest this alleged Probable Violation and agrees that a Safety Related Condition (SRC) report should have been filed for the immediate conditions once the timeframe for evaluation and repair had expired from the time of determination. The In-Line-Inspection (ILI) assessment of the Goodrich to Douglass segment took place on April 29, 2014 and the ILI of the Douglass to Longview segment took place on May 13, 2014. At the time of the assessments the entire segment from Goodrich to Longview was not in active service transporting Hazardous Liquid. The line had been purged of hazardous liquid and was under a low pressure nitrogen blanket and remained so until July 27, 2015. Several immediate conditions were discovered via the Final ILI reports received on October 27, 2014 and November 17, 2014. Although the pipeline was not in service at the time of discovery, SPLP implemented a 20% reduction in operating pressure via MOC 7673 as a precaution in case of product being reintroduced and the pipeline restarted prior to these conditions being evaluated and repaired. All repairs were completed prior to July 27, 2015, the date product was reintroduced to this pipeline. Despite the SRC report not being filed for these conditions SPLP believes that the shutdown of the pipeline provided an additional measure of safety, and pipeline safety and integrity were minimally affected.

The 180 day condition (DOUG-MDVL-14-32) associated with the 20% reduction in prior operating pressure taken on February 19, 2016 via MOC 10204 was not repaired within the required timeframe and prior to the reintroduction of product to this segment on July 27, 2015. During a reevaluation of the remaining digs on the Douglass to Longview segment the feature was identified on February 19, 2016 and was repaired on February 26, 2016. SPLP also notes that this particular feature was approximately 128 miles downstream of the pump station, and under normal operating conditions did not experience pressure in excess of 150 psig, and therefore pipeline safety and integrity were minimally affected.

SPLP will submit payment of Proposed Civil Penalty in the amount of \$35,500.



PHMSA NOPV Alleged Violation 2

2 §195.401 General requirements.

- (b) **An operator must make repairs on its pipeline system according to the following requirements:**
 - (1) **Non Integrity management repairs. Whenever an operator discovers any condition that could adversely affect the safe operation of its pipeline system, it must correct the condition within a reasonable time. However, if the condition is of such a nature that it presents an immediate hazard to persons or property, the operator may not operate the affected part of the system until it has corrected the unsafe condition.**

Sunoco failed to take action to repair a section of buried pipe that was exposed and sagging due to wash out. This condition existed for more than five years.

During a valve inspection on October 12, 2016 PHMSA inspectors noticed a section of pipeline located near a river bend that was exposed and noticeably sagging due to washout. Operator personnel stated that it must have been underwater for a long time. This section is approximately 180 feet from the valve station which was inspected by operator on September 21, 2016. Aerial patrol reports for the preceding three months did not indicate any observation or notes regarding the exposed section. PHMSA reviewed Google Earth maps for this location and found photographs showing that the pipe has been exposed since at least 2009.

SPLP Response

While SPLP does not contest this alleged Probable Violation, SPLP is concerned with PHMSA's conclusion that "this condition existed for more than five years" based solely on the Google Earth images. While SPLP does not dispute that the photographs captured during the PHMSA field inspection indicate the washout and sagging noted in the pipe span, the Google Earth images do not consistently indicate the exposure and certainly cannot conclusively support PHMSA's contention that such condition existed for more than five years.

As of November 14, 2016, SPLP has permanently repaired this exposed section of pipe. Attached to this response is the Maintenance Record, corresponding sketches and photographs of this repair.

PHMSA NOPV Alleged Violation 3

3 §195.452 Pipeline integrity management in high consequence areas.

- (h) **What actions must an operator take to address integrity issues?**
 - (1) **General requirements. An operator must take prompt action to address all anomalous conditions the operator discovers through the integrity assessment or information analysis. In addressing all conditions, an operator must evaluate all anomalous conditions and remediate those that could reduce a pipeline's integrity. An operator must be able to demonstrate that the remediation of the condition will ensure the condition is unlikely to pose a threat to the long-term integrity of the pipeline. An operator must comply with §195.422 when making a repair.**
 - (i) **Temporary pressure reduction. An operator must notify PHMSA, in accordance with paragraph (m) of this section, if the operator cannot meet the schedule for evaluation and remediation required under paragraph (h)(3) of this section and cannot provide safety through a temporary reduction in operating pressure.**



Sunoco failed notify PHMSA that they did not meet the schedule for evaluation and remediation as required by §195.452 (h)(4)(iii) for a 180 day anomaly identified on the Douglass to Longview segment. Safety was not provided by a temporary pressure reduction between July 27, 2015 and February 19, 2016.

During inspection Sunoco provided a dig sheet showing that a 180 day anomaly on the Goodrich to Longview segment had not been remediated within the required timeframe. Sunoco operated this line without providing safety through a pressure restriction until MOC-10204 was issued on February 19, 2016. No notification was made to PHMSA.

SPLP Response

SPLP does not contest this alleged Probable Violation. The 180 day condition (DOUG-MDVL-14-32) associated with the 20% reduction in prior operating pressure taken on February 19, 2016 via MOC 10204 was not repaired within the required timeframe and prior to the reintroduction of product to this segment on July 27, 2015. During a reevaluation of the remaining digs on the Douglass to Longview segment the feature was identified on February 19, 2016 and was repaired on February 26, 2016. SPLP also notes that this particular feature was approximately 128 miles downstream of the pump station and under normal operating conditions did not experience pressure in excess of 150 psig and therefore pipeline safety and integrity were minimally affected.

PHMSA NOPV Alleged Violation 4

- 4 §195.452 Pipeline integrity management in high consequence areas**
 - (h) What actions must an operator take to address integrity issues?**
 - (4) Special requirements for scheduling remediation**
 - (ii) 60-day conditions. Except for conditions listed in paragraph (h)(4)(i) of this section, an operator must schedule evaluation and remediation of the following conditions within 60 days of discovery of condition.**

Sunoco failed to schedule and remediate seven 60 day conditions identified within the time frames required by §195.452 (h)(4)(ii).

Sunoco performed an ILI on the 10" Douglass to Longview segment and discovered the seven conditions on 10/27/2014. The repairs on these identified 60 day conditions were not completed within the time frame as required.

SPLP Response

SPLP contests this alleged Probable Violation. The following 60 day conditions were discovered on October 27, 2014 and repaired by the dates indicated.

Dig Number	Date of Repair
DOUG-MDVL-14-23	February 16, 2015
DOUG-MDVL-14-26	July 23, 2015
DOUG-MDVL-14-27	July 23, 2015
DOUG-MDVL-14-29	July 23, 2015
DOUG-MDVL-14-31	January 29, 2015
DOUG-MDVL-14-33	February 3, 2015
DOUG-MDVL-14-36	January 12, 2015



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Although the dates of repair for these seven (7) conditions are outside of the 60 day time frame required by 195.452(h)(4)(ii) all were repaired prior to July 27, 2015 which is the date product was reintroduced to this pipeline. As stated in response to alleged Probable Violation 1 above the pipeline was not in service transporting Hazardous Liquid 1) at the time of the ILI assessment, 2) at the time of discovery of the conditions, nor 3) at the time of repair of any of the 60 day conditions listed above.

While 195.452(h)(4)(ii) requires that certain conditions meeting the criteria defined under this regulation must be scheduled for evaluation and remediation within 60 days of discovery, 195.452(h)(1)(i) requires an operator notify PHMSA if the operator cannot meet the schedule for evaluation and remediation required under 195.452(h)(3) and cannot provide safety through a temporary reduction in operating pressure. As such, exceeding the schedule for evaluation and remediation defined in paragraph 195.452(h)(4) is within the allowable limitations of the regulatory requirements so long as an additional measure of safety can be provided via a temporary reduction in operating pressure. In this case the pipeline was not in service, or in other words was shutdown, which by definition is a "cessation or suspension of an operation or activity". Additionally, the pipeline had been purged of Hazardous Liquid and was under a low pressure nitrogen blanket. SPLP believes that a shutdown of the pipeline certainly meets and exceeds the additional measure of safety and protection a temporary reduction in operating pressure affords in instances when the schedule for evaluation and remediation cannot be met. Since the pipeline was shutdown there was no notification to PHMSA required by 195.452(h)(1)(i).

For these reasons, SPLP respectfully requests that the alleged Probable Violation of 195.452(h)(4)(ii) be rescinded in conjunction with the associated Proposed Civil Penalty in the full amount of \$32,100.

PHMSA NOPV Alleged Violation 5

- 5 §195.452 Pipeline integrity management in high consequence areas**
- (h) What actions must an operator take to address integrity issues?**
 - (4) Special requirements/or scheduling remediation**
 - (iii) 180-day conditions. Except for conditions listed in paragraph (h)(4)(i) or (ii) of this section, an operator must schedule evaluation and remediation of the following within 180 days of discovery of the condition.**

Sunoco failed to schedule and remediate four 180 day conditions identified within the time frame required by §195.452 (h)(4)(iii).

Sunoco performed an ILI on the 10' Douglass to OTI segment and discovered three of these conditions on 12/18/2012. Another ILI was performed on the 10' Douglas to Longview segment and discovered the fourth condition on 10/27/2014. The repairs on these identified 180 day conditions were not completed within the time frame as required.

SPLP Response

SPLP does not contest this alleged Probable Violation. However, dig no. GOOD-OTI1-12-47A does not meet the criteria of a 180 day condition described in 195.452(h)(4)(iii) and therefore SPLP is requesting a commensurate reduction in the Proposed Civil Penalty amount of \$62,200 because the instances of violation are three (3) and not four (4) as indicated in the Violation Report and Proposed Civil Penalty Worksheet.



This particular condition was utilized as a tool validation dig and the as called ILI data for this condition and as found in field data for this condition is presented in the table below. PHMSA will note that the data for this condition does not meet that of a 180 day condition as described in 195.452(h)(4)(iii).

Dig Number	Condition	As Called by ILI	As Found in Field
GOOD-OT11-12-47A	Deformation	Depth %: 2.2 Depth inches.: 0.237 at 11:13	Depth %: 2.5 Depth inches.: 0.215 at 11:15

*Dent must be at least 0.250" in depth for a pipeline diameter less than NPS 12

PHMSA NOPV Alleged Violation 6

6 §195.505 Qualification Program

(g) Identify those covered tasks and the intervals at which evaluation of the individual's qualifications is needed.

Sunoco's written procedure titled *Sunoco Pipeline L.P. & Affiliates Operator Qualification Plan rev 15* (OQ Plan) failed to require justification for the interval established for review of each of the covered tasks. Sunoco's OQ Plan sets a standard 36 month evaluation interval for all non-welding covered tasks. Procedure only requires justification to extend interval beyond 36 months, and fails to consider intervals shorter than 36 months.

Sunoco's OQ Plan includes requalification frequency in section 5.3 on page 11. Plan provides neither a requirement to justify each task's interval nor a provision to shorten interval lengths from the 36-month standard should a task require it. Appendix C of the OQ plan includes a list of covered tasks. Each non-welding task uses a 36-month interval and no task has a documented justification for its interval.

SPLP Response

SPLP contests this alleged Probable Violation. SPLP has adopted the Consortium on Operator Qualification (COOQ) recommendation, and established a standard, 36-month (not to exceed 39 months) frequency for conducting the required periodic re-evaluations. This is consistent with API RP 1161 'Recommended Practice for Operator Qualification', 3rd Edition, January 2014 which under Section 9.2 discusses that an operator has the option of utilizing evaluation intervals established by an industry association or other entity or developing their own intervals but that an evaluation interval of 36 months is recommended based on current practice. The COOQ dedicated considerable time in reviewing and attempting to find an acceptable methodology to meet the needs of a nationwide standardized program applicable to both Operator and Contract work force. Ultimately, the COOQ employed a form of SME Consensus to identify the set frequency. SPLP agrees that the need for national consistency, including the ability of contractor employees to work for different pipeline operators makes the standard three year frequency necessary.

If SPLP determines that the frequency should be greater than 36 months (not to exceed 39 months), justification for the interval must be established. Qualification frequencies greater than 36 months (not to exceed 39 months) may be determined by utilizing a difficulty and importance analysis, or a difficulty, importance, and frequency analysis. For qualification frequency intervals greater than 5 years, data must be documented to establish a rational basis for the longer interval.



PHMSA NOPV Alleged Violation 7

- 7. §195.573 What must I do to monitor external corrosion control?**
(a) Protected pipelines. You must do the following to determine whether cathodic protection required by this subpart complies with §195.571:
(1) Conduct tests on the protected pipeline at least once each calendar year, but with intervals not exceeding 15 months. However, if tests at those intervals are impractical for separately protected short sections of bare or ineffectively coated pipelines, testing may be done at least once every 3 calendar years, but with intervals not exceeding 39 months.

Sunoco failed to conduct tests on their Goodrich to OTI cathodically protected pipeline at the required interval as required by §195.573(a)(1). On three separate occasions, Sunoco completed their cathodic protection surveys outside the once each calendar year, not to exceed fifteen month intervals as required.

At the time of the inspection, Sunoco provided PHMSA inspectors with corrosion control records showing dates of pipe-to-soil readings taken on the pipeline. PHMSA noted three instances did not meet the criteria where two instances had 17 month gaps between inspections, and one instance of a 21 month gap.

SPLP Response

SPLP does not contest this alleged Probable Violation. SPLP disclosed during the course of the inspection that the corrosion control records required to meet the requirements of 195.573(a)(1) reviewed by PHMSA were previously prepared by personnel assigned to the operational area of the Goodrich to OTI segment and that in some cases data did not meet required regulatory timelines or could not be located. These particular personnel had been subject to an internal investigation which was conducted in advance and independent of the PHMSA inspection and they were found to not be meeting the expectations of the organization and their job requirements. Subsequent to this investigation these individuals were dismissed from employment with the organization.

PHMSA NOPV Alleged Violation 8

- 8. §195.589 What corrosion control information do I have to maintain?**
(c) You must maintain a record of each analysis, check, demonstration, examination, inspection, investigation, review, survey, and test required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that corrosion requiring control measures does not exist. You must retain these records for at least 5 years, except that records related to §195.569, 195.573(a) and (b), and 195.579(b)(3) and (c) must be retained for as long as the pipeline remains in service.

Sunoco failed to maintain records of atmospheric corrosion inspections required by §195.583(a) for the year 2013 on the section of pipeline south of Goodrich, TX.

Operator produced records of atmospheric corrosion inspections performed in 2016 and 2010 on the section, but were unable to produce the 2013 records. During the inspection Sunoco personnel told PHMSA inspectors that the inspections were assigned to a former employee. They believed the inspections were completed but they were unable to locate the records.



SPLP Response

SPLP does not contest this alleged Probable Violation. SPLP disclosed during the course of the inspection that the corrosion control records required to meet the requirements of 195.589(c) reviewed by PHMSA were previously prepared by personnel assigned to the operational area of the Goodrich to OTI segment and that in some cases data did not meet required regulatory timelines or could not be located. These particular personnel had been subject to an internal investigation which was conducted in advance and independent of the PHMSA inspection and they were found to not be meeting the expectations of the organization and their job requirements. Subsequent to this investigation these individuals were dismissed from employment with the organization.

PHMSA PROPOSED COMPLIANCE ORDER

1. In regard to Item Number 2 of the Notice pertaining to failure to repair exposed section of pipe, Sunoco must shut down this section of pipe or make permanent repairs to restore it to a safe condition. Sunoco must also put in place a 20% reduction in maximum operating pressure on this section until these repairs are completed.

SPLP Response

SPLP does not object to this Proposed Compliance Order item and has already completed actions to fulfill this item. As discussed in the response to the alleged Probable Violation (Item Number 2) SPLP has implemented permanent repair of this exposed section of pipe as of November 14, 2016. Attached to this response is the Maintenance Record, corresponding sketches and photographs of this repair. As such, SPLP will not shut down this section of pipe nor implement a 20% reduction in maximum operating pressure on this section.

2. In regard to Item Number 6 of the Notice pertaining to the Operator Qualification procedures, Sunoco must amend its procedure *Sunoco Pipeline L.P. & Affiliates Operator Qualification Plan* to require justification of each covered tasks' requalification interval based on an analysis of its difficulty, importance and frequency. Sunoco must also perform this analysis for each currently identified covered task.

SPLP Response

SPLP objects to and contests this Proposed Compliance Order item. Please refer to the SPLP response to alleged Probable Violation under Item 6 above for reason(s) and substantiation of this objection and contesting of this Item.