

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 22, 2017

Jeffrey W. Gifford
Vice President Health,Safety,Security, Environmental
Genesis Offshore Holdings,LLC
919 Milam Street
Houston TX, 77002

CPF 4-2017-7007

Dear Mr. Gifford:

On January 23, 2017 through August 25, 2017, 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 (U.S.C.) inspected your procedures for operations and maintenance in Houston, Texas and Houma, Louisiana.

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

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.

Genesis Offshore Holdings, LLC (Genesis) failed to follow its written Procedures on corrosion prevention titled ‘Deficiency reporting and remedial action development’ (GEN CP 09) which requires in section 2.5 that identified deficiencies be corrected prior to the next required inspection cycle, as specified by the applicable regulatory guidance.

Genesis’s atmospheric corrosion inspection procedure (GEN CP 39) in section 4 requires that surface rust graded between 6-G and 3-S on the legend be repaired. However, the atmospheric inspection records show that no remediation was carried out between inspection cycles on the Poseidon system.

Asset ID 11968 at milepost 40.1402 that was graded a 4G in 2015 and 4S in 2016. Remediation was not completed until June 4, 2017 as indicated on the remedial action form provided for this asset.

Asset ID 10597 at milepost 71.3701 was graded a 5S in 2015 and 5S in 2016, Asset ID12508 at milepost 0.0000 was graded a 5S in 2015 and 5S in 2016. Also, for CHOPS Asset ID 14077 at mileposts 113.3000 and 113.4000 that were graded 5S in both 2015 and 2016.

For 5 locations identified here from the atmospheric corrosion inspection records provided during the inspection, they all exceeded the inspection cycles without being remediated.

2. **195.452(b) – What program and practices must operators use to manage pipeline integrity?**

(1) Develop a written integrity management program that addresses the risks on each segment of pipeline in the first column of the following table not later than the date in the second column:

(5) Implement and follow the program

Genesis Offshore Holdings, LLC (Genesis) failed to complete the information analysis and periodic evaluation for the poseidon pipeline integrity required under 195.452(g) of CFR title 49 and section 1.1.2 – 1.2.2 of its Integrity management procedure 601L. The procedure requires that the information analysis be completed within 3 years of the completion of a segment’s integrity assessment. Records show that the Information

Analysis for the Poseidon line is yet to be completed even when the last assessment date for the line was in August 2014. This has also led to the non-completion of the required periodic evaluation of the lines integrity 3 years after the last assessment.

Genesis Offshore Holding's representative stated that the periodic evaluation had not been conducted as it is dependent on the data from the information analysis which was still pending at the time of this inspection. The information analysis form submitted for review on 09/27/2017 was not complete. Also, the record submitted to PHMSA on 09/27/2017 shows the periodic evaluation to be pending the information analysis.

3. 195.452(b) – What program and practices must operators use to manage pipeline integrity?

(1) Develop a written integrity management program that addresses the risks on each segment of pipeline in the first column of the following table not later than the date in the second column:

(5) Implement and follow the program

(i) what preventive and mitigative measures must an operator take to protect the high consequence area?

Genesis Offshore Holdings, LLC (Genesis) failed to follow its written procedure with regards to the IMP process 600 which is titled "determining preventive and mitigative measures process". The procedure requires both in the introduction and section 6.1.1 that the information analysis processes would be utilized in identifying what preventive and mitigative measures and also when such measures may be appropriate. However, cleaning pigs are being run on these pipelines monthly as a measure to remove water and also biocides are being injected into the lines. Both activities are being carried out as preventive and mitigative measures even when there's been no informational analysis carried out that would form the basis for the measures.

The record of Information analysis submitted to PHMSA on September 27, 2017 is incomplete and cannot be utilized to substantiate the preventive measures in place.

4. 195.561– When must I inspect pipe coating used for external corrosion control?

(a) You must inspect all external pipe coating required by 195.557 just prior to lowering the pipe into the ditch or submerging the pipe.

(b) You must repair any coating damage discovered

Genesis Offshore Holdings, LLC (Genesis) failed to properly repair coating damage discovered on the pipeline after it had been exposed to allow a hot tap to the line. A review

of the Maintenance reports from September 27, 2016 and October 10, 2016 both concur with the picture of the line from a post coating repair carried out showing visible holidays on the line. No other records showing the complete repair of the holidays after the October 10, 2016 date were presented during the inspection.

Form 140 maintenance report used to document all maintenance activities and repairs on the pipeline from September 29, 2016 and October 10, 2016 both indicate that the coating was “fully bonded to the pipe but had visible holidays”. These reports concur with the picture from September 12, 2016 showing the “Post coating” on the Poseidon line. All three records show that a post coating repair was carried out on the pipeline but still had visible holidays. While Genesis personnel stated the coatings were repaired there’s been no record presented to substantiate the statement. Genesis failed to repair the visible holidays on the pipeline coating.

5. 195.452(b) – What program and practices must operators use to manage pipeline integrity?

(1) Develop a written integrity management program that addresses the risks on each segment of pipeline in the first column of the following table not later than the date in the second column:

(5) Implement and follow the program

Genesis Offshore Holdings, LLC (Genesis) is yet to complete an Information analysis required in section 1.1.2 and 1.1.3 of its Integrity management procedure 601L. The procedure requires that the information analysis be completed within 3 years of the completion of a segment’s integrity assessment. Records show that the CHOPS 24” line with ID 13972 was assessed in June, August, and October 2014 while the segment with line ID 13987 was assessed between July and November 2014. The operator’s representative stated that the informational analysis had not been completed. Also an incomplete form for the information analysis was provided on September 27, 2017.

Results of the in-line inspection carried out on the CHOPS 24” line with ID 13972 show the assessment was conducted in June, August, and October of 2014 while the assessment for the line segment with ID 13987 was completed between July and November 2014. While some segments of this line have met the 3 years’ deadline some are yet to meet the deadline in a matter of weeks. However, no record of any Information analysis was presented during the inspection as the operator’s representative stated that it had not been completed. Also an incomplete form for the information analysis was provided on September 27, 2017.

6. **195.452(j) – What is a continual process of evaluation and assessment to maintain a pipeline’s integrity?**

(2) Evaluation: An operator must conduct a periodic evaluation as frequently as needed to assure pipeline integrity. An operator must base the frequency of evaluation on risk factors specific to its pipeline, including the factors specified in paragraph (e) of this section. The evaluation must consider the results of the baseline and periodic integrity assessments, information analysis (paragraph (g) of this section), and decisions about remediation and preventive and mitigative actions (paragraphs (h) and (i) of this section).

Genesis Offshore Holdings, LLC (Genesis) is yet to complete the evaluation of the pipeline integrity for its pipelines as required under 195.452(j) and section 1.2.2 of Genesis Integrity management procedure (IMP) 601L due to the non-completion of the information analysis. The evaluation required in section 1.2.2 of the IMP procedure 601L is dependent on the results from the information analysis. At the time of this inspection no records were presented showing any completed periodic evaluation for the pipelines as the operator’s representative stated that it had not been completed. A response from the operator on September 27, 2017 to the post inspection verbal briefing confirmed that the evaluation was still pending.

Operator’s representative stated that the periodic evaluation had not been conducted as it is dependent on the data from the information analysis which was still pending at the time of this inspection.

7. **195.452(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.

A review of the IMP performance measures forms completed and dated January 30, 2017 for 2016 does not provide any information concerning the effectiveness of the program for which it is intended to measure. Omitted from the forms are 7 corrosion selected activity measures as required in section 1.2.1 of Genesis IM Procedure 701L. The review also does not include any data or reports for the ongoing preventive and mitigative measures as required in section 1.2.2.12.1 of the same procedure nor is the safety performance goal identified or stated in the report.

Since most of the data required on this form is unavailable at this time and may not be for some time as the lines were recently acquired in 2015 consideration needs to be made to temporarily change the evaluation from just a system level to a program level that would incorporate all the systems within the Genesis Energy group program and provide a more

meaningful result.

The IMP performance measures forms presented shows the pipeline and HCA mileages and also the results from the last ILI results. Every other data required to be included such as the selected activity measures and failure measures all had a zero-value inputted. Some required corrosion activity data within the selected activity measures as required in the “IM Procedure 701L – measure IMP effectiveness procedure” and evaluation of preventive and mitigative measures were not included in the report. The report does not convey any information on the effectiveness of the integrity program.

Proposed Civil Penalty

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$209,002 per violation per day the violation persists up to a maximum of \$2,090,022 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 **\$39,300** as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$20,300
2	\$19,000

Warning Items

With respect to items 4,5,6 and 7 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 these items. Failure to do so may result in additional enforcement action.

Proposed Compliance Order

With respect to Item 3, pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Genesis Offshore Holdings,LLC. 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).

Following the receipt of this Notice, you have 30 days to submit written comments, or request a hearing under 49 CFR § 190.211. 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. If you are responding to this Notice, we propose that you submit your correspondence to my office within 30 days from receipt of this Notice. This period may be extended by written request for good cause.

In your correspondence on this matter, please refer to **CPF 4-2017-7007** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Frank Causey
Acting Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration

Enclosures: *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 Genesis Offshore Holdings,LLC a Compliance Order incorporating the following remedial requirements to ensure the compliance of Genesis Offshore Holdings,LLC (Genesis) with the pipeline safety regulations:

1. In regard to Item Number 3 of the Notice pertaining to the preventive and mitigative measures already being implemented, Genesis shall complete it's Information Analysis report and utilize the findings to identify the appropriateness and adequacy of the preventive and mitigative measures in place. Also any additional measures identified through this process shall be implemented.
2. Item 1 shall be completed within 60 days of this notice and all pertinent records submitted to PHMSA no later than 90 days from the date on this notice.
4. It is requested (not mandated) that Genesis Offshore Holdings,LLC maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Terri J Binns, Acting Director, Southwest 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.