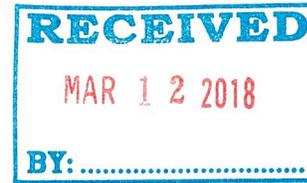


PHMSA February 7, 2018 Compliance Order
Delek's Response:

March 7, 2018

Mr. Frank Causey
Acting Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration
U.S. Department of Transportation
8701 S. Gessner, Suite 630
Houston, Texas 77074



RE: CPF 4-2018-5001 - Delek Logistics Operating LLC

Dear Mr. Causey:

This letter is in response to your Notice of Probable Violation Proposed, Civil Penalty and Proposed Compliance Order dated February 7, 2018 ("Notice") and received by Delek Logistics Operating, LLC ("Delek Logistics") on February 12, 2018.

Delek Logistics has reviewed the alleged violations outlined in the Notice and, while neither admitting nor denying that the allegations are violations of the cited PHMSA regulations, has chosen not to contest the proposed civil penalty or remedial requirements of the Proposed Compliance Order ("Proposed Order") attached to the Notice.

The numbered items below correspond to first seven items in the Proposed Order; Delek Logistics' response is set forth immediately after each item. In addition, please be advised that Delek Logistics is now the operator of the facilities previously listed under "Lion" or "Lion Oil Trading & Transportation", OP ID #11551.

- 1. In regard to Item Number 2 of the Notice pertaining to Lion's failure to perform external inspection for breakout tank # 2002 within the maximum 5 year interval, Lion must perform an external inspection in accordance with API 653 Section 6.3.2.1.**

Delek has performed both external and internal API 653 inspections on Tank 2002 since PHMSA's 2016 inspection. An in-service external inspection was performed on April 25, 2016 and the inspection report has been reviewed by David York and/or Eke Malachy of PHMSA. An internal and external out-of-service inspection was performed on July 7, 2017 and a repair list was generated based upon the inspection findings. The tank was repaired and placed back into service on January 3, 2018. These records have also been made available to PHMSA. A copy of the inspection cover letters are attached to this letter as Exhibit A (external inspection) and Exhibit B (internal and external inspection). Remedial action required by the Proposed Order is complete.

- 2. In regard to Item Number 3 of the Notice pertaining to Lion's failure to verify the tank and roof are properly electrically bonded (grounded) to assure there is no static potential between the roof and shell, Lion must inspect their Breakout Tanks for electrical bond and revise their Floating Roof Seal Inspection Seal Checklist to include the inspection of electric bond to assure**

there is no static potential between the roof and shell during operation and maintenance activities.

Tanks 2002 & 437 referred to in the Notice did not have bond wires when they were built. Both tanks had bonding shunts on their seals which can only be properly inspected from the roof. Bonding cables have been added to both tanks. Checking the bonding cables prior to entry has been added to the entry permits as a priority item at the top of the entry form. Delek Logistics is organizing training sessions with its personnel and regular inspection contractors to highlight the importance of checking the bond. Anyone entering the roof of on an EFR tank will be trained prior to entry, and general training for all employees will be complete by the end of March 2018. A copy of the entry permit and roof entry procedure are attached with this letter as Exhibit C (entry permit) and Exhibit D (safety manual 18.5.7.3 & Floating Roof Access LTP-OP-110.00). Remedial action required by the Proposed Order is complete.

- 3. In regard to Item Number 4 of the Notice pertaining to Lion's failure to provide the records which indicates welding was performed by a qualified welder in accordance with welding procedure qualified under section 5 of API 1104, Lion must develop a process to capture this information. Also, Lion must develop a form for the visual inspection of weld.**

Delek Logistics is modifying its standard weld inspection report to make sure all welds have a record of proper visual examination in accordance with Section 5 of API 1104. Weld non-destructive examination procedures are being modified so that welders will indicate their unique ID on each weld and that unique ID will be recorded beside each weld examined by NDE, radiographic examinations or other approved NDE methods. Procedures will be updated with the new requirement by March 30, 2018. A copy of the examination form and the weld examination procedure will be forwarded to PHMSA by March 30, 2018. The welding examination procedure and visual examination report are also attached as Exhibit E.

- 4. In regard to Item Number 5 of the Notice pertaining to Lion's failure to take measures to prevent and mitigate the consequences of a pipeline failure that could affect high consequence area, Lion must conduct an adequate risk analysis to determine measures to prevent and mitigate the consequence of a pipeline failure that could affect a high consequence area.**

The implementation of the systematic review of system for determining measures to prevent and mitigate consequences of pipeline failures relies on modification of Delek Logistics' risk assessment program as detailed in Response Number 6 below. Delek respectfully requests the deadline for this item to be extended to 180 days from the date of its receipt of the Notice, since Item Number 6 must be complete and fully functioning before P&M measures can be accurately assessed. Delek Logistics intends to engage a third party contractor/consultant specializing in integrity management practices to assist it in implementing this requirement. Remedial action for this item is will be completed by September 30, 2018.

- 5. In regard to Item Number 6 of the Notice pertaining to Lion's failure to review the program effectiveness of the integrity management program during the calendar year 2011, 2013, and 2015. Lion must establish the methods to measures program effectiveness to assess the integrity management program is effective in assessing and evaluating the integrity of each of their pipeline segment and in protecting the high consequence areas annually.**

Delek Logistics has chosen to engage a third party contractor/consultant to assemble the appropriate data and KPIs for Delek Logistics' Integrity Review Board/Team. The contractor/consultant's report will be due by the first week in March for the previous calendar year's activities. The report will not be the annual review itself but will be a major building block towards evaluating the overall effectiveness. Using a third party that performs similar services for other similarly situated operators will help Delek Logistics be assured that it is tracking appropriate performance indicators to meet industry standards and required regulations. Delek Logistics will forward the latest program effectiveness report to PHMSA by March 30, 2018.

6. **In regard to Item Number 7 of the Notice pertaining to Lion's failure to correctly analyze and integrate all available information about the integrity of its covered pipeline segment and consequence of failure, Lion must consider all relevant risk categories and operating conditions and evaluate individual pipeline segment risks.**

In order to properly evaluate risk to its pipeline facilities Delek Logistics has licensed a third party software application that is based upon the latest PHMSA guidelines and has received the first round of training in its use. Delek Logistics is now applying resources to gather the required information, download from PODS and import to the risk analysis software. Delek Logistics' entire regulated system will be ranked by the new ranking system within 60 days of full database population and thereafter by the end of the first quarter of each year. Rankings for segments experiencing major changes will be updated as soon as is reasonable to do so after any changes are implemented. Delek Logistics respectfully requests the deadline for this item to be extended to 120 days or July 31, 2018.

7. **In regard to Item Number 10 of the Notice pertaining to Lion's failure to inspect the physical integrity of in-service Breakout Tank # 2002 within timeframe specified by API 653 section 6.4.2.1, Lion must perform an internal inspection. Also, Lion must incorporate the correct edition of API 653 listed in §195.3**

Delek has performed the API 653 Internal inspection on Tank 2002 and made repairs as noted in Response Number 1 above and the inspection cover is shown in Exhibit B. Delek has updated its inspection schedule to include the new dates on the inspection schedule so that future inspections are properly updated on schedule. Remedial action required by the Proposed Order is complete.

Delek Logistics considers the requirements for Item Number 1 of the Notice (which is not addressed in the Proposed Order) and Items Number 2, 3 and 10 of the Notice as being complete. Remedial action for Items Number 4 and 6 of the Notice are well underway and will be completed by the end of March 2018.

Delek Logistics hereby requests a longer time to complete implementation for Items Number 5 and 7 of the Notice. Delek Logistics needs 120 days (to July 31, 2018) to complete its implementation of the Risk Assessment software and verify the database as outlined above in response to Item Number 7 of the Notice. Delek Logistics will use the data generated from the Risk Assessment software to accurately assess P&M measures. Delek requests the deadline to address Item Number 5 of the Notice (P&M measures) be extended to 180 days (September 30, 2018).

Should you have any questions or wish to discuss our response please contact [Glenn Green 870.864.1372 or Roy Johnston 214.846.8062].

Sincerely,

A handwritten signature in blue ink, appearing to read "John H. Warren". The signature is fluid and cursive, with the first name "John" being the most prominent.

John H. Warren

Vice President, Operations

Delek Logistics Operating, LLC

J CHRISTY CONSTRUCTION COMPANY, INC.	API 653 IN-SERVICE INSPECTION REPORT 2002 TANK DELEK LOGISTICS MAGNOLIA, AR	DATE:
		APRIL 25, 2016



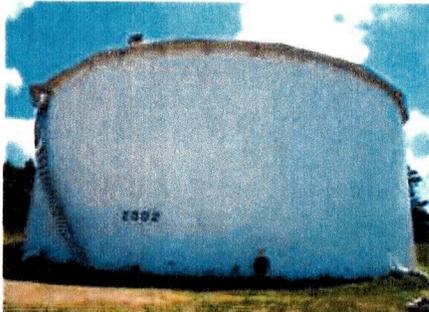
TANK #2002

DELEK LOGISTICS FACILITY

MAGNOLIA, AR

APRIL 25, 2016

**ATMOSPHERIC STORAGE TANK
API 653 INTERNAL / EXTERNAL & ULTRASONIC
OUT-OF-SERVICE INSPECTION REPORT**



DELEK LOGISTICS

TANK NO. 2002

MAGNOLIA TERMINAL

MAGNOLIA, AR

JULY 6 - 7, 2017



Prepared by:

HMT Inspection
A Division of HMT LLC
611 E Sam Houston Pkwy S, Suite 800
Pasadena, TX 77503
713.676.6150

Exhibit B



CONFINED SPACE ENTRY PERMIT

No Confined Space Entry may begin until permit restriction requirements are met, approval signatures are obtained, and the permit is posted at the job site. After the job is complete, return permit to the DKL EHS Department for recordkeeping.

Date Issued:	Issued to:	Permit No:
Location:	Product:	
Work to be Done	Equipment to be used	
<input type="checkbox"/> NON-PERMIT REQUIRED <input type="checkbox"/> FORCED AIR VENTILATION <input type="checkbox"/> PERMIT REQUIRED ENTRY		

PREPARATION OF SPACE	Yes	N/A	Yes	N/A
Atmospheric Monitoring is being recorded	<input type="checkbox"/>	<input type="checkbox"/>	Exposed energized electrical part covered	<input type="checkbox"/>
General Ventilation Equipment Operating	<input type="checkbox"/>	<input type="checkbox"/>	Local exhaust ventilation located as near as practical	<input type="checkbox"/>
Confined Space Purged and drained vacuumed	<input type="checkbox"/>	<input type="checkbox"/>	Equipment Out of Service	<input type="checkbox"/>
Ignition sources eliminated	<input type="checkbox"/>	<input type="checkbox"/>	Lock-out / Tag-out Confirmed	<input type="checkbox"/>
All Surrounding conditions inspected and found permissible for doing the work safely.	<input type="checkbox"/>	<input type="checkbox"/>	All Vehicles and gasoline engine driven equipment located at a safe distance from opening.	<input type="checkbox"/>
Fire Equipment been provided	<input type="checkbox"/>	<input type="checkbox"/>	FOR EFR TANK ENTRY: Is EFR bonded to tank? Verify	<input type="checkbox"/>

PPE & SAFETY CONTROLS	PPE and Equipment Required for entry work:				Communication & Alarm			
	<input type="checkbox"/> Gloves	<input type="checkbox"/> Boots	<input type="checkbox"/> Fire Ext.: Size:___Type:___ No:___	<input type="checkbox"/> Goggles	<input type="checkbox"/> Pre-Work Inspection complete	<input type="checkbox"/> Voice	<input type="checkbox"/> Whistle	<input type="checkbox"/> Hand
<input type="checkbox"/> Welding Hood	<input type="checkbox"/> Tyvek	<input type="checkbox"/> Hearing Protection	<input type="checkbox"/> Personal Monitor	<input type="checkbox"/> Tailgate Safety Meeting	<input type="checkbox"/> Work Procedures Reviews	<input type="checkbox"/> Other: _____	<input type="checkbox"/> Communication Established	
<input type="checkbox"/> Face Shield	<input type="checkbox"/> Ploy Tyvek	<input type="checkbox"/> Fall Protection	<input type="checkbox"/> Respirator					
<input type="checkbox"/> FR Clothing	<input type="checkbox"/> Hand Protection	<input type="checkbox"/> Other: _____						

MONITORING	Manufacture:		Calibration Date:				Bump Tested: <input type="checkbox"/> Yes <input type="checkbox"/> NO		
	Monitoring Results	Limits	: am/pm	: am/pm	: am/pm	: am/pm	: am/pm	: am/pm	: am/pm
	Oxygen	19.5-23.5%							
	LEL	<10%							
	H2S	<10ppm							
Toxic	PEL								

EMERGENCY	RESCUE PLAN		
	<input type="checkbox"/> Non-Entry Rescue	<input type="checkbox"/> Entry Rescue Team – Third Party Provider:	
	Rescue Equipment Required to be on Site		
	<input type="checkbox"/> SCBA <input type="checkbox"/> Safety Harness <input type="checkbox"/> Lifeline <input type="checkbox"/> Tripod <input type="checkbox"/> Retrieval System <input type="checkbox"/> Other: _____		
Emergency Contacts			
ER:	Ambulance	Fire	Police

ENTRANTS	Authorized Entrants	Date	Authorized Entrants	Date

APPROVALS	Approval Signatures		Duration/Cancellation	
	Entry Supervisor	Print Name	Permit Start Time: _____ Permit Valid Until _____	
	Entry Attendant	Print Name	This permit is valid for twelve hours, end of current shift, end of job, or whichever event occurs first. Any unscheduled work stoppage and or emergency condition nullify this permit.	
	Safety Representative	Print Name	<input type="checkbox"/> Work has been terminated Date/Time: _____ <input type="checkbox"/> Work has been completed Date/Time: _____ <input type="checkbox"/> Work site Clean and Safe	

Exhibit C



CONFINED SPACE ENTRY PERMIT

No Confined Space Entry may begin until permit restriction requirements are met, approval signatures are obtained, and the permit is posted at the job site. After the job is complete, return permit to the DKL EHS Department for recordkeeping.

Date Issued:	Issued to:	Permit No:
Location:	Product:	
Work to be Done		Equipment to be used
<input type="checkbox"/> NON-PERMIT REQUIRED		<input type="checkbox"/> FORCED AIR VENTILATION
<input type="checkbox"/> PERMIT REQUIRED ENTRY		

PREPARATION OF SPACE	Yes	N/A	Yes	N/A
Atmospheric Monitoring is being recorded	<input type="checkbox"/>	<input type="checkbox"/>	Exposed energized electrical part covered	<input type="checkbox"/>
General Ventilation Equipment Operating	<input type="checkbox"/>	<input type="checkbox"/>	Local exhaust ventilation located as near as practical	<input type="checkbox"/>
Confined Space Purged and drained vacuumed	<input type="checkbox"/>	<input type="checkbox"/>	Equipment Out of Service	<input type="checkbox"/>
Ignition sources eliminated	<input type="checkbox"/>	<input type="checkbox"/>	Lock-out / Tag-out Confirmed	<input type="checkbox"/>
All Surrounding conditions inspected and found permissible for doing the work safely.	<input type="checkbox"/>	<input type="checkbox"/>	All Vehicles and gasoline engine driven equipment located at a safe distance from opening.	<input type="checkbox"/>
Fire Equipment been provided	<input type="checkbox"/>	<input type="checkbox"/>	FOR EFR TANK ENTRY: Is EFR bonded to tank? Verify	

PPE & SAFETY CONTROLS	PPE and Equipment Required for entry work:				Communication & Alarm			
	<input type="checkbox"/> Gloves	<input type="checkbox"/> Boots	<input type="checkbox"/> Fire Ext.: Size:___Type:___ No:___ Goggles		<input type="checkbox"/> Pre-Work Inspection complete	<input type="checkbox"/> Voice		
	<input type="checkbox"/> Welding Hood	<input type="checkbox"/> Tyvek	<input type="checkbox"/> Hearing Protection		<input type="checkbox"/> All Personnel Trained	<input type="checkbox"/> Whistle		
	<input type="checkbox"/> Face Shield	<input type="checkbox"/> Ploy Tyvek	<input type="checkbox"/> Fall Protection		<input type="checkbox"/> Tailgate Safety Meeting	<input type="checkbox"/> Hand		
	<input type="checkbox"/> FR Clothing	<input type="checkbox"/> Hand Protection	<input type="checkbox"/> Other:		<input type="checkbox"/> Work Procedures Reviews	<input type="checkbox"/> Other: _____		

MONITORING	Manufacture:		Calibration Date:				Bump Tested: <input type="checkbox"/> Yes <input type="checkbox"/> NO		
	Monitoring Results	Limits	am/pm	am/pm	am/pm	am/pm	am/pm	am/pm	am/pm
Oxygen	19.5-23.5%								
LEL	<10%								
H2S	<10ppm								
Toxic	PEL								

EMERGENCY	RESCUE PLAN			
	<input type="checkbox"/> Non-Entry Rescue		<input type="checkbox"/> Entry Rescue Team – Third Party Provider:	
	Rescue Equipment Required to be on Site			
	<input type="checkbox"/> SCBA <input type="checkbox"/> Safety Harness <input type="checkbox"/> Lifeline <input type="checkbox"/> Tripod <input type="checkbox"/> Retrieval System <input type="checkbox"/> Other:			
Emergency Contacts				
ER:		Ambulance	Fire	Police

ENTRANTS	Authorized Entrants	Date	Authorized Entrants	Date

APPROVALS	Approval Signatures		Duration/Cancellation	
	Entry Supervisor	Print Name	Permit Start Time: _____ Permit Valid Until _____	
	Entry Attendant	Print Name	This permit is valid for twelve hours, end of current shift, end of job, or whichever event occurs first. Any unscheduled work stoppage and or emergency condition nullify this permit.	
	Safety Representative	Print Name	<input type="checkbox"/> Work has been terminated Date/Time _____ <input type="checkbox"/> Work has been completed Date/Time _____ <input type="checkbox"/> Work site Clean and Safe	

Exhibit C

18.5.7.3

The Supervisor assures that the following additional requirements are in place:

1. Before entering the floating roof area, the shell to roof bonding must be verified. There must be continuity/electrical connection between the shell and roof to prevent the static discharge or sparking.
2. The floating roof is in the High Roof Position. Once the tank has reached the high level, a minimum of 24-28 hours must be allowed for dissipations of vapors before the roof will be allowed.
3. Only non-sparking, air powered or hand tools will be used.
4. Special precautions must be implemented to prevent falling through the roof any time a tank roof is suspected to be weak.
5. Ensure that the tank valves that would allow movement of product in or out of the tank are chained closed and tagged. Motorized valves are de-energized and the hand wheel chained closed and tagged. No product movement into or out of the tank during the confined space entry.
6. Ensure that any piping connected to the shell above the level of the floating roof is blanked, except any sample taps and out overflow piping
7. Ensure all electrical equipment such as mixers, motorized valves, circulating pumps have been de-energized.

18.5.7.4

Atmospheric Testing of the roof area shall be performed prior to descent onto the floating roof. The Tank level must be held static for a minimum one hour prior to Atmospheric Testing

If work is to be performed near roof seals or other openings, additional tests must be performed to identify any potential hazards and assure that the atmosphere in the work area is not in the flammable range.

18.5.7.5

Appropriate PPE shall be utilized while evaluating the atmosphere of the work area. The person conducting the atmospheric test must be protected as if performing work.

Continuous atmospheric testing must be worn by the entrants.

NO ENTRY IS TO BE ALLOWED IF THE LEL LEVELS IS GREATER THAN 10%

18.5.7.6

The Supervisor reviews the permit conditions and Air Monitoring results, approves the permit by signing on the appropriate line in the Approval Signatures section of the Safe Work Permit. The approved permit must be posted at the entrance to the space before work may begin.

18.5.7.7

All electrical equipment to be used on the floating roof must be rated for use in Class I, Div. II atmospheres.

Only cold work will be authorized on the roofs of floating roof tanks in hydrocarbon service. Task may include but not limited to:

- Adjustment of roof legs
- Adjustment of vacuum breaker
- Adjustment or repair of level gauge
- Inspection of floating roof, pontoons, seals, and fire protection system
- Unplugging of water drains
- Removing liquid or debris
- Adjustment or repair of anti-rotation guides
- UT Thickness of roof and pontoons
- Mechanical repair of roof components



Floating Roof Safety, Access/Ignition 195.405

6.0 Procedures

- 6.1 The Entry Supervisor shall contact the EHS Safety Technician, Operations Supervisor, and OCC upon arrival at the tank location.
- 6.2 The Entry Supervisor shall designate the entrants and the attendant for obtaining the Entry Permit.
- 6.3 The Entry Supervisor shall obtain an Entry Permit & a Hot Work Permit.
- 6.4 The Entry Supervisor shall conduct/document a tailgate safety meeting.
- 6.5 Upon accessing the roof (Entry), one of the first actions shall be to verify that the tank and roof are properly electrically bonded ("Grounded") to assure there is no static potential between the roof and shell. Normally there will be a bond wire between the tank shell and roof that may also be bonded to or through the rolling stairs. Roof seal ground/bond strips should also be inspected to make sure the seal, roof, and shell are all electrically bonded (at the same static voltage).

Note:

Leave the roof immediately if it is determined the roof is not properly bonded to the shell.

- 6.6 Exit roof when work is completed or if required by the Entry Attendant or Supervisor.
- 6.7 Properly complete/close permits & notify Operations, OCC, & also EHS (if requested).

Exhibit D



Welds Nondestructive Testing 195.234

1.0 Document Type

Regulatory

2.0 Purpose

The purpose of this document is to define the procedure for use of nondestructive testing on welds to determine their acceptability.

3.0 Key Safety and Environmental Points

4.0 Equipment Required

5.0 Critical Points / Key Factors

6.0 Procedures

- 6.1 Welds can be nondestructively tested by any process that will clearly indicate any defects that affect the integrity of the weld.
- 6.2 Any nondestructive testing of welds, including maintenance and construction activities must be performed -
 - 6.2.1 In accordance with a written set of procedures for nondestructive testing that Delek will review and approve prior to use
 - 6.2.2 With personnel trained in the established procedures approved by Delek and in the use of the equipment employed in the testing.
 - 1. NDT (X-ray) personnel utilized by Delek must have a current Level II or greater NDE certification in accordance with ASNT SNT-TC-1A. Only Level II or III personnel shall interpret test results. NDT Personnel shall also be qualified to the Delek OQ task 207 and submit current (within 12 months) evidence of satisfactory near visual acuity (Jaeger J1 or equivalent) and color perception.
- 6.3 Visual Inspection of welds and welding shall be performed by personnel qualified to the Delek OQ task 203. Welds shall be evaluated on the basis of either Section 9 or Annex A of API Std 1104 (incorporated by reference). Procedures for the proper interpretation of each weld inspection will be established by the contracted X-ray Company to ensure the acceptability of the weld. Delek will review the procedures for proper interpretation prior to use.
- 6.4 During construction, at least 10 percent of the girth welds made by each welder during each welding day must be nondestructively tested over the entire circumference of the weld.
- 6.5 All girth welds installed each day in the following locations must be nondestructively tested over their entire circumference. (Exception: When nondestructive testing is impracticable for a girth weld it need not be tested if the number of girth welds, for which testing is impracticable, does not exceed 10 percent of the girth welds installed that day.)
 - 6.5.1 At any onshore location where a loss of hazardous liquid could reasonably be expected to pollute any stream, river, lake reservoir or any body of water and any offshore area



Construction Inspection 195.204

1.0 Document Type

Regulatory

2.0 Purpose

The purpose of this document is to define the guidelines for inspection of construction for Delek pipelines and facilities.

3.0 Key Safety and Environmental Points

NA

4.0 Equipment Required

NA

5.0 Critical Points / Key Factors

- Inspection must be provided to ensure that the installation of pipe or pipeline systems is in accordance with requirements of 195 subpart D.
- No person may be used to perform inspections unless that person has been trained and is qualified in the phase of construction to be inspected.

6.0 Procedures

Any operator personnel used to perform inspection of construction on Delek pipelines or facilities must be trained and qualified in the phase of construction to be inspected under the OQ training program. The operator performing the construction requiring inspection cannot be the inspector of his/her own work. Although the operator can inspect construction tasks of other operators performing tasks.

Exhibit E