

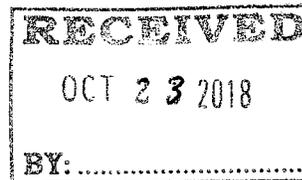


Gabe McCown

Manager - DOT Pipeline Compliance

October 19, 2018

Ms. Mary L. McDaniel, P.E.
Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration
U.S. Department of Transportation
8701 S. Gessner, Suite 630
Houston, TX 77074



RE: CPF 4-2018-5017 Notice of Probable Violation, Proposed Civil Penalty, and Proposed Compliance Order

Dear Ms. McDaniel:

BKEP Pipeline, L.L.C. (BKEP) has received your letter to Mr. Tim Moore dated September 13, 2018 and received September 28, 2018, titled "Notice of Probable Violation, Proposed Civil Penalty, and Proposed Compliance Order" that addresses findings of the PHMSA inspection which occurred February 13-16, 2017. BKEP has reviewed the contents of the NOPV letter and, by way of reply, contests the allegations as follows:

Allegation 1: 195.446 – Control Room Management

"BKEP failed to establish the controller training program to include scenarios for responding to abnormal operating conditions (AOC) likely to occur simultaneously or in sequence.

During the inspection, PHMSA requested BKEP to provide the records of the controller's training elements to ensure they are trained on multiple abnormal operating conditions likely to occur simultaneously or in sequence. BKEP provided sign-in sheets (monthly training), new controller (trainee) training sheets, and Blueknight Energy Partners Controller System Review Reports. The documentation did not include a provision for scenarios that may have occurred simultaneously or in sequence. There were no AOC training scenarios mentioned in the provided documentation."

BKEP contests this allegation on the following basis:

1. During the inspection, BKEP reviewed with PHMSA inspectors the training materials for the operation of the Red River pipeline. These materials included specific training for various AOCs that may occur either independently, sequentially, or simultaneously. In Section 7 of the BKEP control room procedures provided by BKEP, AOCs are identified as "Deviations – Consequences – Corrective Actions". These are potential deviations from normal operations, their consequences, and the actions a controller must take because of the deviation from normal operations. [However, the control room procedures must be used in conjunction with the BKEP Alarm Management Philosophy, as the latter is a critical part of the training program and contains additional procedural information.] The deviations/AOCs come in the form of various levels of alarms and are addressed in the BKEP Alarm Management process contained in the BKEP CRM, Alarm Management Philosophy. These alarms range from yellow at the lowest level of criticality

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to red and then to purple at the highest range of criticality. These various levels of alarms assist the operator in responding to alarms that are likely to occur simultaneously or in sequence. This process for prioritizing alarms and alarm responses is incorporated into the normal Controller Training for each pipeline and/or associated pumping station and addresses alarms which may occur either independently, sequentially, or simultaneously.

The Operating Procedures for each pipeline are the core training material used when training a controller. The annual training for each individual pipeline is performed in conjunction with the annual review process to ensure that all questions, modifications, or revisions are addressed together and incorporated into the training process at that time. This may not have been made sufficiently clear at the time of the audit.

The procedures also include other conditions which are not abnormal in nature that BKEP operational experience indicates a controller may encounter. These are addressed as a matter of prudence in addition to the AOC's.

Operational procedures also address leak detection processes, procedures, and responses by direct reference where applicable.

2. During the inspection, most of the records reviewed were shown to PHMSA inspectors on a projector. PHMSA inspectors were provided electronic or printed copies of all shown documents for which they requested copies at the end of the inspection. The electronic records were provided to PHMSA inspectors on a flash drive. In addition, following the on-site inspection, BKEP provided to PHMSA inspectors additional documents via e-mail which they had not requested during the audit. At no time in the audit or email exchange did the PHMSA inspectors request copies of the procedures which demonstrate the training process. BKEP encloses herewith a copy of the procedure.
3. PHMSA inspectors specifically questioned the training of BKEP controllers for leak detection. In response, BKEP provided the inspectors with a copy of the BKEP Leak Detection procedure and training material. The provided documentation addressed:
 - a. Alarm management, monitoring, and recognition during start-up, operation, and shut-down of all BKEP pipelines.
 - b. Shift turnover management and review of all relevant leak detection tools at the beginning of each new shift.
 - c. Deviations and Consequences for:
 1. Leak Detection Alerts (SCADA)
 2. Measurement Imbalance (Reporting Software)
 3. Leak Notification (Telephone)
 - d. Each potential leak detection scenario includes a detailed step by step instruction providing specific actions to be taken by the controller.
 - e. All these scenarios can occur either independently, sequentially, or simultaneously. Each has its own, independent, response per procedure and training.
 - f. This training and procedure includes emergency contacts for all relevant BKEP personnel and contractors.

Allegation 2: 195.452 – Pipeline Integrity Management in High Consequence Areas

“BKEP failed to base their integrity assessment schedule on all risk factors that reflect the risk conditions on the pipeline segment as required by 195.452(e)(1).”

During the inspection, PHMSA requested BKEP to provide the integrity assessment schedule that prioritizes pipeline segments considering all the risk factors listed in their Integrity Management Plan Section 3.7 Threat Analysis. BKEP provided risk assessment of all segments of the Red River Pipeline for 2016. Based on the provided risk assessment, only four (4) threats (3rd party damage, weather/outside force, external corrosion and internal corrosion) were considered. The remaining threats (stress corrosion cracking, manufacturing defect threats, construction threat, equipment malfunction and incorrect operation) were not included in the risk assessment. BKEP failed to provide the information or perform an integration of the data into their risk algorithm calculation to support the requirements of 195.452(e).”

BKEP Contests this allegation on the following basis:

1. During the inspection PHMSA inspectors were shown and reviewed the BKEP risk assessment model and algorithms on the projector screen. Inspectors were also shown copies of the risk model results, and the Baseline Assessment Plan. At the time of the inspection PHMSA inspectors did not request copies of these documents.
2. A detailed question-and-answer session with the BKEP integrity engineer, operations manager, DOT compliance manager, and PHMSA inspectors was held during the inspection. This discussion included a detailed explanation of the model, algorithms, and supporting documentation. It was explained and shown to the inspectors at that time that the Risk Model includes all required threats, the risk assessment results spreadsheet documents the inputs and results of the model for all required threats, and the baseline assessment plan lists the threats which were identified to directly affect the pipeline by segment. The four threats which PHMSA has acknowledged were addressed are the threats cited on the baseline assessment plan as directly relating to this line.
3. On May 3, 2017, the PHMSA inspection team sent an email to BKEP personnel requesting “BAP-IMP Documentation” be provided on or before May 17, 2017. BKEP responded via email on May 9, 2017 providing a written response and all requested documentation. PHMSA inspectors acknowledged receipt of the email on May 10, 2017. PHMSA Inspectors again emailed BKEP personnel on June 12, 2017, stating that they could not open the Excel files titled “Red River BAP 2016” and “Red River Risk Results 2016(1)”. BKEP Responded by providing an additional copy, via email, on June 12, 2017. Receipt of these files was acknowledged by PHMSA inspectors on June 12, 2017. The “Red River Risk Assessment Results 2016(1)” file demonstrates that all threats listed in the Integrity Management Plan, which are all incorporated into the Risk Model, were evaluated and those threats which are applicable to the Red River Pipeline were identified. The risk assessment results spreadsheet does contain some columns with no data, which is an indicator that the data which would be placed in that column is not applicable to the segment being evaluated. After the assessment results spreadsheet is populated, the four threats identified as applicable were then listed on the Baseline Assessment Plan as “Column M – Threats” corresponding to the segments to which they apply. Those threats are included on the

BAP to demonstrate compliance with 195.452(c)(1)(iii) which requires the BAP to include the risk factors considered in establishing the assessment schedule. The risk factors used to establish the assessment schedule are those which have been determined to apply to the listed pipe segment but do not necessarily reflect all threats considered.

4. All of the required threat considerations are addressed in the integrity management plan, risk model, and the "Red River Risk Assessment Results 2016(1)". All threats are covered in detail in our risk model as follows:
 - a. 3rd Party Damage – Addressed in section 3.7 "Third-Party Damage Probability of Failure Algorithm" beginning on page 38 running through page 45.
 - b. Weather/Outside Force – Addressed in section 3.9 "Weather Related and Outside Force Probability of Failure Algorithm" beginning on page 46 running through page 51.
 - c. External Corrosion – Addressed in section 3.1 "External Corrosion Probability of Failure Algorithm" beginning on page 6 and running through page 17.
 - d. Internal Corrosion – Addressed in section 3.2 "Internal Corrosion Probability of Failure Algorithm" beginning on page 17 running through page 23.
 - e. Stress Corrosion Cracking – Addressed in section 3.3 "Stress Corrosion Cracking Probability of Failure Algorithm" beginning on page 23 running through page 29.
 - f. Manufacturing Defect Threats – Addressed in section 3.4 "Manufacturing Threat Probability of Failure Algorithm" beginning on page 29 running through page 33.
 - g. Construction Defects – Addressed in section 3.5 "Construction Threat Probability of Failure Algorithm" beginning on page 33 running through page 36.
 - h. Equipment Malfunction – Addressed in section 3.6 "Equipment Threat Probability of Failure Algorithm" beginning on page 36 running through page 37.
 - i. Incorrect Operations - Addressed in section 3.8 "Incorrect Operations Probability of Failure Algorithm" beginning on page 45 running through page 46.
5. After providing the in-audit explanation, post-audit documentation requests, and additional aid in accessing and opening said documentation, BKEP followed up via email on July 9, 2017 to ensure that PHMSA inspectors had the contact information for both the Vice President of Terminal and Pipeline Operations and the Manager of DOT Compliance. Neither individual received additional questions, data requests, or attempts at clarification from PHMSA prior to the letter dated September 13, 2018.

BKEP has provided a copy of the risk model as Exhibit G to this letter.



Gabe McCown
Manager - Pipeline DOT Compliance

Redaction of Procedures:

All exhibits for this response were shown previously to PHMSA inspectors in unredacted versions. BKEP has included in this response redacted versions of referenced procedures and documents. The redacted areas were removed due to the security sensitive nature of the content. BKEP desires to keep information that could compromise the security of our facilities confidential. Redactions include the following:

1. Names and Phone numbers of individuals.
2. Details of equipment location (addresses, gps coordinates, driving directions).
3. Details of equipment size and capacity.
4. Details of pipeline size and capacity.
5. Details of Tank size and capacity.
6. Details of operating pressures.
7. Details of Satellite ID numbers.

Closing Remarks:

BKEP contests these allegations on the basis that they are factually incorrect with reference to the processes and procedures in place at the time of the audit, the information shown to inspectors, the information provided to inspectors, and the information requested of BKEP by PHMSA inspectors.

BKEP respectfully requests that the Notice of Probable Violation, Proposed Compliance Order, and the Proposed Civil Penalty be withdrawn. BKEP does not request a hearing at this time but will gladly meet with you at your location to address any questions or clarifications.

If you have questions or need additional information, please contact Gabe McCown via telephone at (405)590-2035 or via email at gmccown@bkep.com.

Regards,

Gabriel McCown, CHMM
Manager – Pipeline DOT Compliance