

January 24, 2020

Mr. Grant E. Sims  
Chief Executive Officer  
Genesis Energy, LP  
919 Milam Street, Suite 2100  
Houston, Texas 77002

**Re: CPF No. 4-2019-2001**

Dear Mr. Sims:

Enclosed please find the Final Order issued in the above-referenced case to your subsidiary, Genesis Offshore Holdings, LLC (Genesis). It makes findings of violation and assesses a civil penalty of \$52,400. It further finds that Genesis has completed the actions specified in the Notice to comply with the pipeline safety regulations. Therefore, when the civil penalty has been paid, this enforcement action will be closed. Service of the Final Order by certified mail is effective upon the date of mailing, as provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Alan K. Mayberry  
Associate Administrator  
for Pipeline Safety

Enclosure

cc: Ms. Mary McDaniel, Director, Southwest Region, Office of Pipeline Safety, PHMSA  
Mr. Jeffrey W. Gifford, Vice President, HSSE, Genesis Energy, LP, 919 Milam Street,  
Suite 2100, Houston, Texas 77002

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

**U.S. DEPARTMENT OF TRANSPORTATION  
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION  
OFFICE OF PIPELINE SAFETY  
WASHINGTON, D.C. 20590**

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| <b>In the Matter of</b>                        | ) |                            |
|  | ) |                            |
| <b>Genesis Offshore Holdings, LLC,</b>         | ) | <b>CPF No. 4-2019-2001</b> |
| <b>    a subsidiary of Genesis Energy, LP,</b> | ) |                            |
|  | ) |                            |
| <b>Respondent.</b>                             | ) |                            |
|  | ) |                            |

**FINAL ORDER**

From March 6 through June 12, 2017, 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 Genesis Offshore Holdings, LLC’s (Genesis or Respondent) offshore gas pipeline systems in the Gulf of Mexico. Genesis is a subsidiary of Genesis Energy, LP, which has approximately 1,000 miles of offshore gas pipelines in the Gulf of Mexico.<sup>1</sup>

As a result of the inspection, the Director, Southwest Region, OPS (Director), issued to Respondent, by letter dated January 28, 2019, a Notice of Probable Violation, Proposed Civil Penalty, and Proposed Compliance Order (Notice), which also included a warning pursuant to 49 C.F.R. § 190.205. In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Genesis had committed two violations of 49 C.F.R. Part 192 and proposed assessing a civil penalty of \$52,400 for the alleged violations. The Notice also proposed ordering Respondent to take certain measures to correct one of the alleged violations. The warning item required no further action but warned the operator to correct the probable violation or face possible future enforcement action.

Genesis Energy, LP, on behalf of Genesis, responded to the Notice by letter dated February 26, 2019 (Response). The company did not expressly contest either of the two allegations of violation, but did offer additional information in response to the Notice. Respondent did not request a hearing and therefore has waived its right to one.

**FINDINGS OF VIOLATION**

The Notice alleged that Respondent violated 49 C.F.R. Part 192, as follows:

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<sup>1</sup> Genesis Energy, LP’s website, available at <https://www.genesisenergy.com/operations/pipeline/offshore/naturalgas/> (last accessed January 16, 2020).

**Item 2:** The Notice alleged that Respondent violated 49 C.F.R. § 192.605(a), which states:

**§ 192.605 Procedural manual for operations, maintenance, and emergencies.**

(a) *General.* Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response. For transmission lines, the manual must also include procedures for handling abnormal operations. This manual must be reviewed and updated by the operator at intervals not exceeding 15 months, but at least once each calendar year. This manual must be prepared before operations of a pipeline commence. Appropriate parts of the manual must be kept in locations where operations and maintenance activities are conducted.

The Notice alleged that Respondent violated 49 C.F.R. § 192.605(a) by failing to follow its own manual of written procedures for handling abnormal operations. Specifically, the Notice alleged that Genesis failed to follow Section 3.1 of its Operations and Maintenance (O&M) Manual, which required that the “cause, consequences, and actions taken regarding the abnormal operation shall be reported in writing to the affected Operations Area Manager(s). Where appropriate, the report shall include recommendations to prevent a recurrence.” Section 3.1 goes on to list specific information that should be included in the report, including, “at a minimum, the date and time of occurrence, description of the abnormal operation, sequence of events, personnel involved, and steps taken to rectify the situation.”<sup>2</sup> During the inspection, Genesis did not provide any records generated in accordance with Section 3.1 of its O&M Manual for two abnormal operating conditions (AOCs) shown on Console 4 in its control room. Instead, Genesis informed PHMSA that phone calls and e-mails were used to communicate this information.

In its Response, Genesis noted that its control room utilized a different reporting format for AOCs and that this information had been provided to PHMSA during the 2017 inspection.<sup>3</sup> It also noted that, since the time of the 2017 inspection, Genesis control room staff had held weekly conference calls to go over the latest AOCs, AOCs that had been corrected, and those that were outstanding.<sup>4</sup> Finally, the operator attached a copy of its *Form 810.01 Report of Abnormal Operating Conditions* to its Response.<sup>5</sup>

After reviewing *Form 810.01* and Table 1 in Genesis’s Response, I find that neither documents all of the information required to be reported in writing in Section 3.1 of Genesis’s O&M Manual. First, it is unclear whether *Form 810.01* was provided to PHMSA during the inspection, or if this is a newly-created or revised form submitted to PHMSA after the inspection. In its Region

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<sup>2</sup> Pipeline Safety Violation Report (Violation Report), (January 28, 2019) (on file with PHMSA), at Exhibit A, Violation 2, Genesis Operations and Maintenance – Section 300.

<sup>3</sup> Response, at 3 (Table 1, listing out the date, time, and location of the AOC and a narrative section).

<sup>4</sup> *Id.*

<sup>5</sup> In its Response to Item 2, the operator also made note of Section 1.3.3 of its Liquids O&M Manual that discusses reviews for effectiveness. However, this relates to Item 1 in the Notice, which was a warning item and therefore is not discussed here.

Recommendation, the Region noted that it was not provided with a copy of *Form 810.01* during the inspection. There is no date on the form, and the operator does not otherwise clarify when the document was created. Regardless, I do not believe this form captures the requirements of Section 3.1 of Genesis's O&M Manual. For example, the form does not include the consequences of an AOC. Second, the table that is included in Genesis's Response does not include sufficient information to comply with Section 3.1 of the operator's O&M Manual. For example, it does not include steps taken to rectify the AOC. Finally, the operator's weekly conference calls to discuss AOCs, while a good practice, do not comport with the requirement in Section 3.1 that these discussions "shall be reported *in writing* to the affected Operation Area Manager(s)" (emphasis added).

Accordingly, after considering all of the evidence, I find that Respondent violated 49 C.F.R. § 192.605(a) by failing to follow Section 3.1 of its manual of written procedures for recording abnormal operations.

**Item 3:** The Notice alleged that Respondent violated 49 C.F.R. § 192.479(a), which states:

**§ 192.479 Atmospheric corrosion control: General.**

(a) Each operator must clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere, except pipelines under paragraph (c) of this section.

The Notice alleged that Respondent violated 49 C.F.R. § 192.479(a) by failing to clean and coat each non-exceptioned pipeline or portion of pipeline that is exposed to the atmosphere. Specifically, the Notice alleged that Genesis failed to clean and coat the 30-inch HVLT-201D valve area and the 30-inch HVRT-304A valve area. During the inspection, the PHMSA inspector observed disbonded coating, atmospheric corrosion, and severe pitting on flanges, risers, valves and the pipeline at these locations.

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. § 192.479(a) by failing to clean and coat each non-exceptioned pipeline or portion of pipeline that is exposed to the atmosphere.

These findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent.

### **ASSESSMENT OF PENALTY**

Under 49 U.S.C. § 60122, Respondent is subject to an administrative civil penalty not to exceed \$200,000 per violation for each day of the violation, up to a maximum of \$2,000,000 for any related series of violations.<sup>6</sup> In determining the amount of a civil penalty under 49 U.S.C. § 60122 and 49 C.F.R. § 190.225, I must consider the following criteria: the nature, circumstances, and gravity of the violation, including adverse impact on the environment; the degree of Respondent's culpability; the history of Respondent's prior offenses; any effect that the penalty may have on its ability to continue doing business; and the good faith of Respondent in attempting to comply with the

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<sup>6</sup> These amounts are adjusted annually for inflation. See 49 C.F.R. § 190.223.

pipeline safety regulations. In addition, I may consider the economic benefit gained from the violation without any reduction because of subsequent damages, and such other matters as justice may require. The Notice proposed a total civil penalty of \$52,400 for the violations cited above.

**Item 2:** The Notice proposed a civil penalty of \$24,500 for Respondent's violation of 49 C.F.R. § 192.605(a), for failing to follow its manual of written procedures for handling abnormal operations. Genesis failed to comply with a requirement that was clearly applicable and did not have a reasonable justification for its non-compliance. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$24,500 for violation of 49 C.F.R. § 192.605(a).

**Item 3:** The Notice proposed a civil penalty of \$27,900 for Respondent's violation of 49 C.F.R. § 192.479(a), for failing to clean and coat each non-excepted pipeline or portion of pipeline that is exposed to the atmosphere. Genesis neither contested the allegation nor presented any evidence or argument justifying a reduction in, or elimination of, the proposed penalty. The proposed penalty amount takes into account that Genesis failed to comply with a requirement that was clearly applicable, and did not have a reasonable justification for its non-compliance. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$27,900 for violation of 49 C.F.R. § 192.479(a).

In summary, having reviewed the record and considered the assessment criteria for each of the Items cited above, I assess Respondent a total civil penalty of **\$52,400**.

Payment of the civil penalty must be made within 20 days of service. Federal regulations (49 C.F.R. § 89.21(b)(3)) require such payment to be made by wire transfer through the Federal Reserve Communications System (Fedwire), to the account of the U.S. Treasury. Detailed instructions are contained in the enclosure. Questions concerning wire transfers should be directed to: Financial Operations Division (AMK-325), Federal Aviation Administration, Mike Monroney Aeronautical Center, 6500 S MacArthur Blvd, Oklahoma City, Oklahoma 79169. The Financial Operations Division telephone number is (405) 954-8845.

Failure to pay the \$52,400 civil penalty will result in accrual of interest at the current annual rate in accordance with 31 U.S.C. § 3717, 31 C.F.R. § 901.9 and 49 C.F.R. § 89.23. Pursuant to those same authorities, a late penalty charge of six percent (6%) per annum will be charged if payment is not made within 110 days of service. Furthermore, failure to pay the civil penalty may result in referral of the matter to the Attorney General for appropriate action in a district court of the United States.

### **COMPLIANCE ORDER**

The Notice proposed a compliance order with respect to Item 3 in the Notice for violation of 49 C.F.R. § 192.479(a). Under 49 U.S.C. § 60118(a), each person who engages in the transportation of gas or who owns or operates a pipeline facility is required to comply with the applicable safety standards established under chapter 601. The Director indicates that Respondent has taken the following actions specified in the proposed compliance order:

1. With respect to the violation of § 192.479(a) (**Item 3**), Respondent has completed remedial actions and submitted documentation to PHMSA reflecting corrective actions it has taken on portions of its pipeline exposed to the atmosphere on platform HIA-573 on the HIOS gas gathering system.

Accordingly, I find that compliance has been achieved with respect to this violation. Therefore, the compliance terms proposed in the Notice are not included in this Order.

### **WARNING ITEM**

With respect to Item 1, the Notice alleged a probable violation of Part 192 but did not propose a civil penalty or compliance order for this item. Therefore, this is considered to be a warning item. The warning was for:

49 C.F.R. § 192.605(c)(4) (**Item 1**) — Respondent's alleged failure to have a manual of written procedures for periodically reviewing the response of operator personnel to determine the effectiveness of the procedures controlling abnormal operation and taking corrective action where deficiencies are found.

Genesis presented information in its Response showing that it had taken certain actions to address the cited item. If OPS finds a violation of this provision in a subsequent inspection, Respondent may be subject to future enforcement action.

Under 49 C.F.R. § 190.243, Respondent may submit a Petition for Reconsideration of this Final Order to the Associate Administrator, Office of Pipeline Safety, PHMSA, 1200 New Jersey Avenue, SE, East Building, 2<sup>nd</sup> Floor, Washington, DC 20590, with a copy sent to the Office of Chief Counsel, PHMSA, at the same address, no later than 20 days after receipt of service of the Final Order by Respondent. Any petition submitted must contain a brief statement of the issue(s) and meet all other requirements of 49 C.F.R. § 190.243. The filing of a petition automatically stays the payment of any civil penalty assessed. The other terms of the order, including any corrective action, remain in effect unless the Associate Administrator, upon request, grants a stay. If Respondent submits payment of the civil penalty, the Final Order becomes the final administrative decision and the right to petition for reconsideration is waived.

The terms and conditions of this Final Order are effective upon service in accordance with 49 C.F.R. § 190.5.

January 24, 2020

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Alan K. Mayberry  
Associate Administrator  
for Pipeline Safety

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Date Issued