

TRANSMONTAIGNE OPERATING COMPANY LP



*James F. Dugan
Executive Vice President*

January 30, 2020

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

RE: CPF 4-2019-5024

Dear Ms. McDaniel:

TransMontaigne is in receipt of your correspondence dated December 30, 2019, which for your convenience is attached hereto. Regarding Item 1 TransMontaigne has chosen to respond following Option 3 of your letter.

1. **§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

(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:

(E) An area of general corrosion with a predicted metal loss greater than 50% of nominal wall.

We respectfully request the removal of the warning associated with Item 1 and submit the following explanation:

Incorrect Classification of Anomaly as 180-day Dig:

Anomaly Investigation Process:

The anomaly in question is on the 8" Diamondback Line. It was reported by the Enduro in-line inspection (ILI) run of April 21, 2011 as a 43% external metal loss anomaly. The report is available upon request.

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It was located, measured and appropriately repaired on May 4, 2011 as a 22% external metal loss anomaly. The repair consisted of surface preparation and recoating.

A Rosen ILI run of April 26, 2016 identified this same anomaly as a 59% external metal loss anomaly. The anomaly was initially mischaracterized as a 180-day condition.

TransMontaigne requested that Rosen and Enduro each generate a “magnetogram” (as part of the analytical and grading process) of this anomaly and the girth weld downstream of it. The “magnetograms” prepared by each were a match illustrating that the location, shape and dimensions had basically not changed, allowing TransMontaigne to reach the conclusion that this was the same anomaly and that it had not grown in size. The same anomaly was graded, and graded conservatively, by the ILI service providers. This was further validated by Rosen communicating that the sharp, well-defined edges of this anomaly caused the pointed amplitude on the “magnetogram”, which can subsequently result in conservative grading of the depth of the anomaly. Since it had been properly repaired in 2011 the evidence illustrates it did not continue to grow. Accordingly, TransMontaigne concluded that it was not necessary to investigate this anomaly again as part of its’ 2016 8” Dig Program. The “magnetograms” are provided below as Figures 1 (Enduro) and Figure 2 (Rosen).

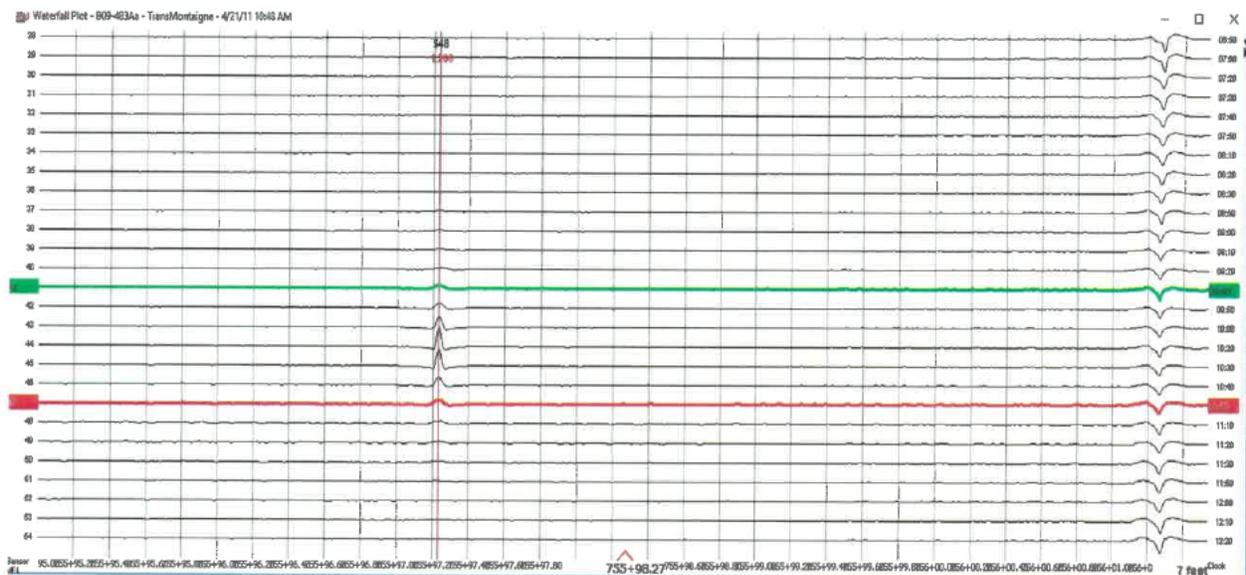


Figure 1: Enduro 2011 ILI Magnetogram

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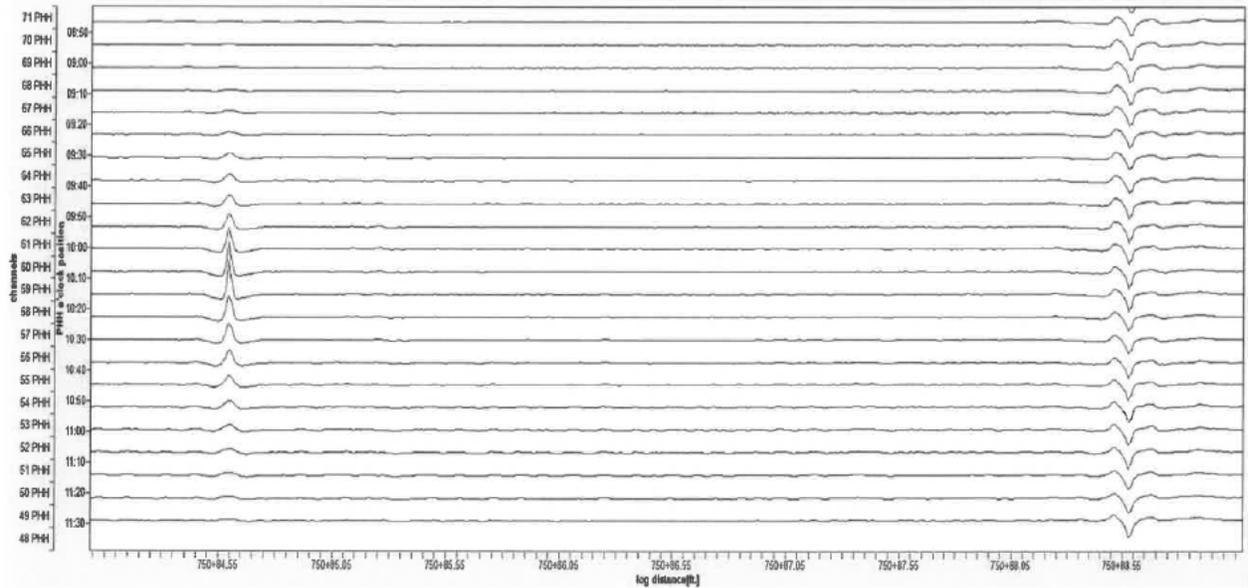


Figure 2: Rosen ILI Run 2106 Magnetogram

The anomaly in question was initially reported by the Rosen 2016 ILI as a 59% wall loss anomaly. The anomaly was initially mischaracterized by Integrity Solutions as a 180-day condition. After additional analysis by both Rosen and Enduro, TransMontaigne was able to determine it was not a 180-day condition, but was an **isolated corrosion pit**. It should be noted that because it was **NOT** generalized corrosion as TransMontaigne's May 4, 2011 investigative dig previously confirmed, but rather an isolated corrosion pit, the anomaly was not, by definition, classified in the DOT 195 regulations as a 180-day condition, and therefore not required to be investigated. The actual definition of a 180-day condition from DOT 195.452 is as follows:

(i) *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:

(A) A dent with a depth greater than 2% of the pipeline's diameter (0.250 inches in depth for a pipeline diameter less than NPS 12) that affects pipe curvature at a girth weld or a longitudinal seam weld.

(B) A dent located on the top of the pipeline (above 4 and 8 o'clock position) with a depth greater than 2% of the pipeline's diameter (0.250 inches in depth for a pipeline diameter less than NPS 12).

(C) A dent located on the bottom of the pipeline with a depth greater than 6% of the pipeline's diameter.

(D) A calculation of the remaining strength of the pipe shows an operating pressure that is less than the current established maximum operating pressure at the location of the

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anomaly. Suitable remaining strength calculation methods include, but are not limited to, ASME/ANSI B31G and PRCI PR-3-805 (R-STRENG).

(E) An area of general corrosion with a predicted metal loss greater than 50% of nominal wall.

(F) Predicted metal loss greater than 50% of nominal wall that is located at a crossing of another pipeline, or is in an area with widespread circumferential corrosion, or is in an area that could affect a girth weld.

(G) A potential crack indication that when excavated is determined to be a crack.

(H) Corrosion of or along a longitudinal seam weld.

(I) A gouge or groove greater than 12.5% of nominal wall.

The accepted industry definition of generalized corrosion is also known as uniform attack corrosion. Uniform attack corrosion is the most common type of corrosion and caused by a chemical or electrochemical reaction; possibly resulting in the deterioration of the entire exposed surface of a metal. Ultimately, the metal may deteriorate to the point of failure.

Uniform attack corrosion accounts for the greatest amount of metal destruction by corrosion, but is considered as a “safe” form of corrosion, due to the fact that it is predictable, manageable and often preventable. Examples of uniform (or Generalized) attack corrosion are depicted below:



Isolated (or localized) corrosion is generally recognized as Pitting. Pitting results when a small hole, or cavity, forms in the metal, usually as a result of de-passivation of a small area. This area becomes anodic, while part of the remaining metal becomes cathodic, producing a localized galvanic reaction. The deterioration of this small area penetrates the metal and can lead to failure. This form of corrosion is often difficult to detect due to the fact that it is usually relatively small and may be covered or hidden by corrosion-produced compounds.

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Based on accepted industry definition, we believe the identified anomaly to be an instance of an **isolated corrosion pit** as opposed to **generalized corrosion**.



Field Investigation and Repair: 2019

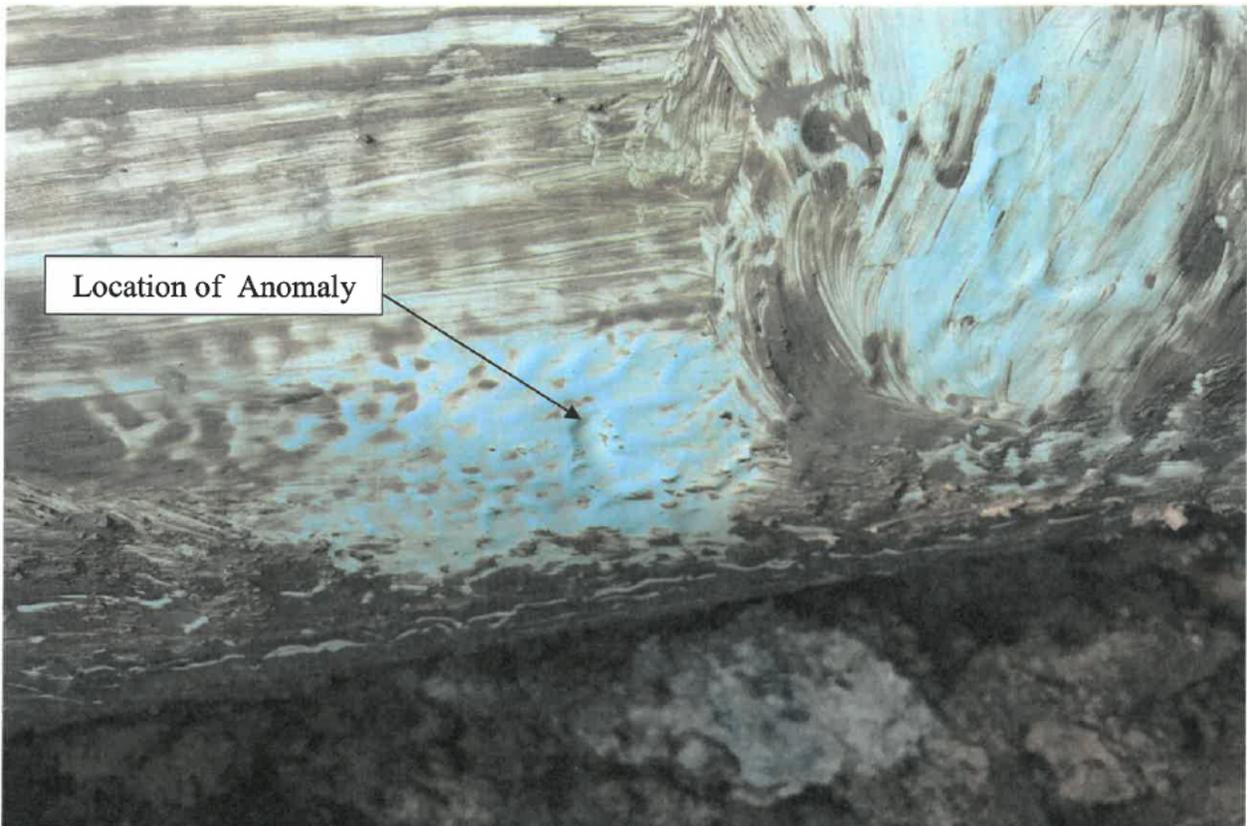
During September 2019, TransMontaigne took the opportunity, due to being in the same location with other integrity dig activity (Dig 11; as part of the 2019 6" Diamondback Pipeline Dig Program), to excavate and investigate the same defect a second time. Following is a summary of the significant findings:

1. The coating applied in 2011 was intact and in excellent condition.
2. There was no evidence of any corrosion having taken place at the location of the anomaly.
3. The depth of the anomaly was measured as 29% wall loss.

Photographs 1, 2, 3, and 4 of the anomaly taken in 2019 during excavation and initial exposure, with its' 2011 coating still intact, thorough investigation and recoating are provided below.

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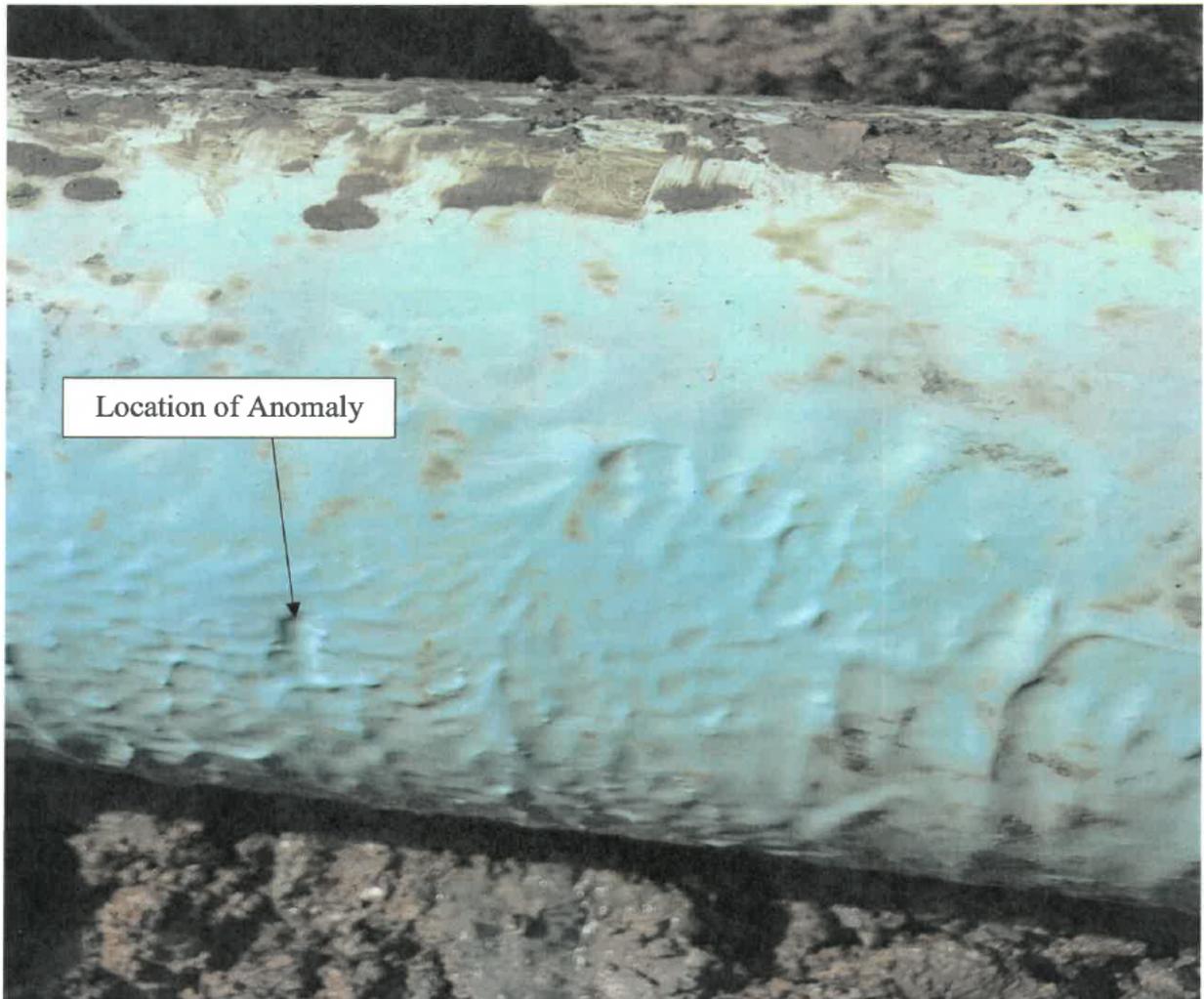
Photograph 1: Anomaly Following 2019 Excavation and Initial Exposure with 2011 Coating Intact

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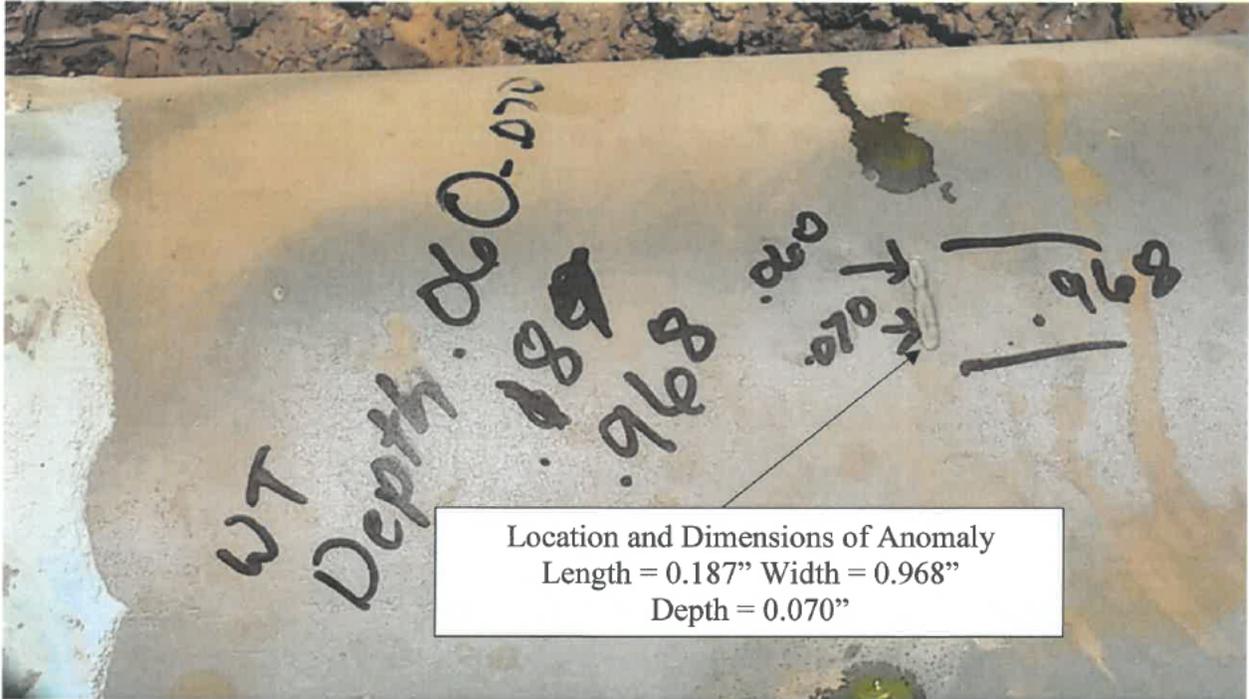
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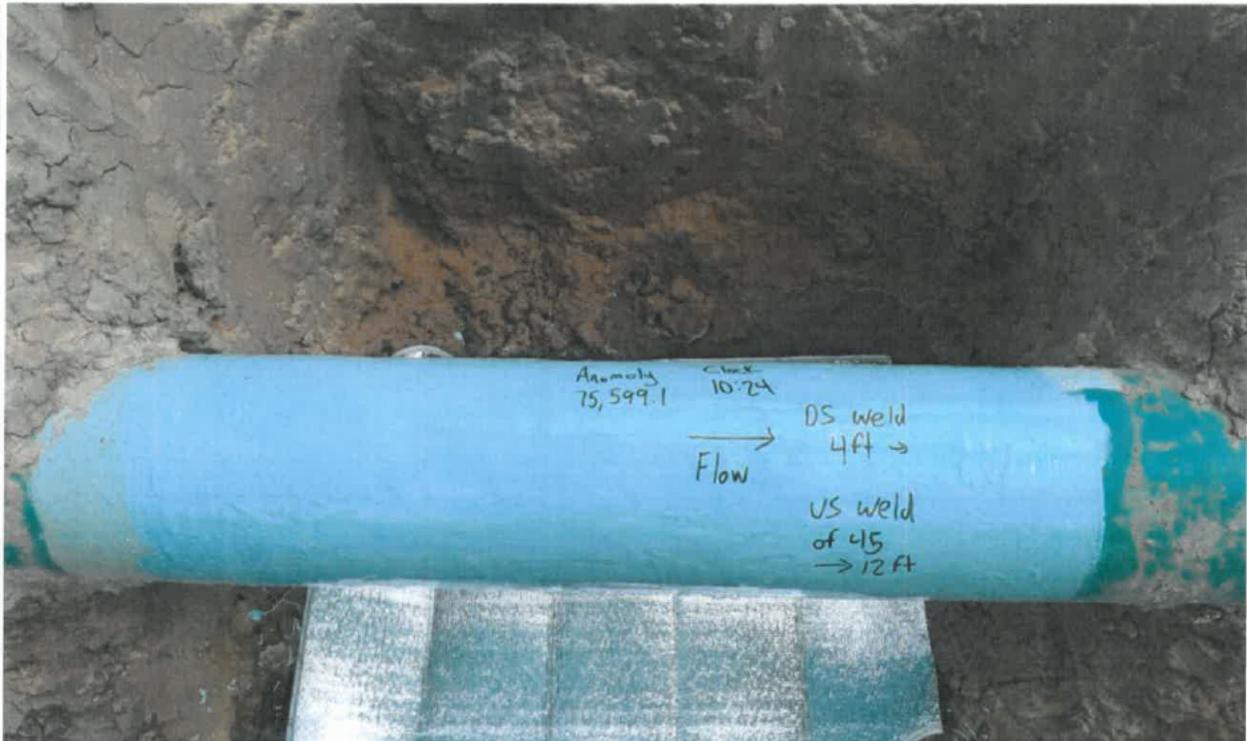
Photograph 2: Anomaly Following 2019 Excavation and Initial Exposure with 2011 Coating Intact

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Photograph 3: Anomaly 2019 with Existing 2011 Coating Removed and Labeled



Photograph 4: Anomaly 2019 Repaired with Reference Measurements and Other Labeling

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Conclusions

1. The anomaly, as graded by each ILI vendor, and confirmed with field verification, represents localized corrosion. Also, the use of “magnetograms” by ILI data analysts is part of the typical analytical and grading process of ILI vendors.
2. The application of comparison of the “magnetograms” resulted in a correct assessment of the anomaly.
3. The anomaly was conservatively graded at 43% and 59% by Enduro and Rosen, respectively.
4. A second excavation, investigation, and repair activity associated with this anomaly implemented in 2019 confirmed a proper high quality repair had been completed in 2011, no corrosion was present, the coating was intact, and the condition of the anomaly itself was unchanged.
5. The anomaly as verified during the September 2019 dig program remains well under 50% wall loss (29% -2019) is not generalized corrosion and hence did not place the pipeline at increased risk with continued operation with the anomaly present.

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Referencing your correspondence dated December 30, 2019 - Regarding Item 2 TransMontaigne has chosen to respond following Option 3 of your letter.

1. §195.452 Pipeline integrity management in high consequence areas.

(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).

We do not contest the finding but respectfully request your consideration of the following:

TransMontaigne conducts, on an annual basis, a 2-3-day training meeting with its senior management, pipeline operations personnel, engineers, technicians, corrosion professionals and the assistance a third party contractor for the purpose of discussing and evaluating the effectiveness of our programs, changes to operational risk factors based on data obtained over the course of the last year, etc. One of the key objectives of the meeting is to conduct productive discussion and analysis to formulate a current and comprehensive understanding of risks/threats specific to each pipeline segment to reach decision about remediation, identify preventive and mitigative measures, and update the risk ranking of all our pipelines. Projects, such as the installation of additional EFRDs, are given consideration during these discussions. While we have conducted these meetings on an annual basis for the last seventeen years, we cannot provide documentation that we specifically addressed EFRD's for the Diamondback pipeline system.

However, as a result of these meetings, we have implemented a multitude of improvements around these pipelines that are indicative of our approach to the integrity management of all of our pipeline systems, and specific to improvements that deemed necessary as a result of our risk analysis.

Action Installing Additional EFRDs on Diamondback 6" and 8" Pipelines

During 2013, TransMontaigne implemented the installation of one (1) each mainline block valve on the Mexico-side of the Rio Grande River. Each valve included a piping configuration providing for metering to be installed. While not supported by an actual EFRD Study, this action represents a logical, prudent, and proactive step by TransMontaigne to improve the leak detection and mitigation capability of the pipeline.

In 2018, TransMontaigne took a second action to improve leak detection and mitigation by relocating the Highway 281 Block Valves to a more accessible location and automating the location to further enhance leak detection and mitigation capability.

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Photograph 5 of the completed 8" valve installation in Mexico, with date and time stamp, is provided below.



Photograph 5: Completed 2013 Additional Block Valve Installation on the 8" Line

Conclusions

1. The installation by TransMontaigne of the two (2) block valves in Mexico and relocation and enhancement of the Highway 281 Block Valve has demonstrated logical, prudent, and proactive actions regarding the installation of ERFDs.
2. TransMontaigne has already actioned an HCA and EFRD Analysis of this system as required by our Pipeline Integrity Assessment and Management Manual. We will re-evaluate the need for additional EFRD's and we will clearly document our efforts. We anticipate that we will have the draft results of the EFRD study in hand by the end of January, 2020.
3. TransMontaigne will provide PHMSA Southwest Region documentation that we have completed the EFRD compliance.

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The above noted actions represent not only past and ongoing, but a sustained future commitment by TransMontaigne to safe and environmentally conscious operations.

TransMontaigne respectfully requests that the foregoing historic measures demonstrating our commitment to integrity management and safe operation of the Diamondback Pipeline, and the future process improvements identified herein, be considered and the proposed civil penalty set forth in the December 30, 2019 communication waived or reduced accordingly.

TransMontaigne Operating Company L.P. is committed to operating our terminal and pipeline systems safely and in compliance with all applicable regulations. If you have further questions, please feel free to contact our Vice President of Pipe Line Operations, Ed Luebke, at 770-518-3586.

Sincerely,



James F. Dugan, Executive Vice President
TransMontaigne Operating Company LP

cc: Michael Hammell, General Counsel & Secretary
Edward J. Luebke, Vice President of Pipeline Operations
Shawn L. Mongold, Senior Vice President, Engineering

Attachment: *CPF 4-2019-5024 – TransMontaigne Operating Company*

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