

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

ELECTRONIC MAIL - RETURN RECEIPT REQUESTED

September 18, 2020

Michael Pearson
Senior Vice President, Technical Services
Magellan Pipeline Company, LP
One William Center, OTC-9
P.O. Box 22186
Tulsa, Oklahoma 74172

CPF 4-2020-5012

Dear Mr. Pearson:

From September 20, 2019 through February 14, 2020, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected Magellan Pipeline Company, LP's (Magellan) Orion West Pipeline Construction project at various field locations in Texas and records at your headquarters in Tulsa, Oklahoma.

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:

1. §195.202 Compliance with specifications or standards.

Each pipeline system must be constructed in accordance with comprehensive written specifications or standards that are consistent with the requirements of this part.

Magellan failed to construct its Orion West pipeline in accordance with comprehensive written specifications or standards consistent with the requirements of Part 195. First, Magellan failed to follow its written construction specification for welding on its pipeline. Section 8.7.1.7.1 of Magellan Specification 100 – Construction and Fabrication of Pipelines and Related Piping Systems, Revision 13 dated 03/08/2019, states *“At a minimum, but no less than once per day volts, amps, heat input, travel speed, etc. shall be monitored on welders randomly and documented to ensure welding is performed within*

the parameters of the welding procedure.” The procedure further requires that the actual observed welding parameters be recorded on Magellan Welding Report 07-FORM-0722. Magellan did not record the actual parameters used to weld the Orion West pipeline in accordance with its written procedures.

On January 8, 2020, while onsite, the PHMSA inspector requested Magellan’s record documenting the measured welding parameters as required by Specification 100. The welding inspector was unable to provide the record of this information for January 8, 2020, (or any of the previous days of the same week). The information provided by the welding inspector did not show that the welding parameters had been documented once per day nor had the information been recorded on 07-FORM-0722, as required by the Operators written specification.

Second, Magellan also failed to follow its written construction specification when Magellan’s Welding inspector was found to be using an incorrect version of the Magellan Specification 100. The version of the procedure that was current at the time of the PHMSA inspection was WE-ADM-003, Revision 13, dated 03/08/2019. When asked for the version being used, the Magellan welding inspector provided the PHMSA inspector WE-ADM-003, Revision 5, dated 03/09/2011.

Not only did Magellan fail to verify and document the welding parameters as required by their specification, its welding inspector was not using the correct version of the written construction specification.

2. **§195.202 Compliance with specifications or standards.**

Each pipeline system must be constructed in accordance with comprehensive written specifications or standards that are consistent with the requirements of this part.

Magellan failed to construct its Orion West pipeline in accordance with comprehensive written specifications or standards consistent with the requirements of Part 195. Specifically, Magellan failed to follow its written specification for hydrostatic testing to require the review and approval of hydrostatic test documentation by the Project Engineer, Test Supervisor, and Test Inspector. Section 3.9.4.5 of Magellan Specification 7.07 - ADM-001 – Pressure Testing Specification, Revision 4 dated 11/02/2016, requires the Hydrostatic Test Form 07-FORM-0013 be completed and signed by the specified project personnel.

During the inspection week of February 10, 2020, PHMSA identified that page 4 of the Hydrostatic Test forms (07-FORM-0013) was not signed by the Magellan Project Manager for the pressure test records for all three construction spreads of the Orion West expansion project. After PHMSA communicated this inspection finding to Magellan, the Operator subsequently signed the forms and provided copies to PHMSA via email.

3. §195.202 Compliance with specifications or standards.

Each pipeline system must be constructed in accordance with comprehensive written specifications or standards that are consistent with the requirements of this part.

§195.246 Installation of pipe in a ditch.

(a) All pipe installed in a ditch must be installed in a manner that minimized the introduction of secondary stresses and the possibility of damage to the pipe

§195.252 Backfilling.

When a ditch for a pipeline is backfilled, it must be backfilled in a manner that:

- (a) Provides firm support under the pipe; and**
- (b) Prevents damage to the pipe and pipe coating from equipment or from the backfill material.**

Magellan failed to construct its Orion West pipeline in accordance with comprehensive written specifications or standards consistent with the requirements of Part 195. Specifically, Magellan failed to install its newly constructed Orion West pipeline in the ditch consistent with the requirements of §195.246 and §195.252. Moreover, Section 6.0 of Magellan's Specification 'Padding, Backfill, and Ditch Breakers, Revision 2, dated 05/20/2015,' written specification requires the installation of rock shield or the use of padding to protect the pipeline from damage in rocky areas.

On September 19, 2019, at the CR 209 in Callahan County, Texas, PHMSA observed that the pipe had been lowered into the ditch in a rocky area with no rock shield or padding. In addition, the rocks in the spoil from trenching had not been segregated from the material to be used for backfilling. Magellan failed to follow its written procedure to ensure construction of its pipeline in accordance with the specifications or standards related to installation of pipe in the ditch along with the proper backfilling.

4. §195.228 Welds and welding inspection: Standards of acceptability.

(a) Each weld and welding must be inspected to insure compliance with the requirements of this subpart. Visual inspection must be supplemented by nondestructive testing.

Magellan's welding inspector failed to perform visual inspections of production welds as required by §195.228(a). On January 8, 2020, at the De Leon pump station, PHMSA observed that several welds were completed without the welding inspector performing any visual inspections. Additionally, at the time of the inspection, the welding inspector was unable to provide records showing that visual inspections had been performed on previously completed welds.

Proposed Civil Penalty

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$218,647 per violation per day the violation persists, up to a maximum of \$2,186,465 for a related series of violations. For violation occurring on or after November 27, 2018 and before July 31, 2019, the maximum penalty may not exceed \$213,268 per violation per day, with a maximum penalty not to exceed \$2,132,679. For violation occurring on or after November 2, 2015 and before November 27, 2018, the maximum penalty may not exceed \$209,002 per violation per day, with a maximum penalty not to exceed \$2,090,022. For violations occurring prior to November 2, 2015, the maximum penalty may not exceed \$200,000 per violation per day, with a maximum penalty not to exceed \$2,000,000 for a related series of violations. We have reviewed the circumstances and supporting documentation involved for the above probable violations and recommend that you be preliminarily assessed a civil penalty of \$50,100 as follows:

<u>Item number</u>	<u>PENALTY</u>
3	\$50,100

Warning Items

With respect to items 2 and 4, 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 items 1 and 3 pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Magellan Pipeline Company, L.P. 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 Enforcement 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 4-2020-5012** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Mary L. McDaniel, P.E.
Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Enforcement Proceedings

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Magellan Pipeline Company, L.P. a Compliance Order incorporating the following remedial requirements to ensure the compliance of Magellan Pipeline Company, L.P. with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to failure to follow its written specification to record the welding parameters, Magellan Pipeline Company, L.P. must show that the welding inspectors recorded the welding parameters for all welding activities at the De Leon pump station during the Orion West Expansion project.
2. In regard to Item Number 3 of the Notice pertaining to installation of pipe in a rocky ditch without padding or rock shield, Magellan Pipeline Company, L.P. must perform a coating survey (ACVG - Alternating Current Voltage Gradient Survey or DCVG - Direct Current Voltage Gradient Survey) to locate any holidays and evaluate the coating conditions of the buried pipeline.
3. For Item 1, Magellan must submit to the Director within thirty (30) days of receipt of the Final Order documentation that the review documents were completed and that the required information was recorded. If Magellan is unable to meet the above-mentioned requirement, then Magellan must submit a proposed alternative to the Director to verify the strength and mechanical properties of the welds.
4. For Item 2, the coating survey must be performed within ninety (90) days of receipt of the Final Order. Results of the survey must be provided to the Director within thirty (30) days of completion, and if any coating issues are detected, Magellan must submit a Repair Plan to the Director for review and approval within thirty (30) days of confirming coating damage. Coating repairs must be completed within 180 days of approval of the Repair Plan.
5. It is requested (not mandated) that Magellan Pipeline Company, L.P. maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Mary L. McDaniel, 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.