

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

VIA E-MAIL TO MR. DAX SANDERS

May 13, 2022

Mr. Dax Sanders
President, Product Pipelines
SFPP, LP
1001 Louisiana St., Suite 1000
Houston, TX 77002

CPF 5-2022-042-NOPV

Dear Mr. Sanders:

From October 8, 2021 to November 5, 2021, a representative of the Arizona Corporation Commission, Office of Pipeline Safety (AZOPS), on behalf of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code (U.S.C.), inspected SFPP LP pipeline systems in Yuma and Phoenix, Arizona.¹

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 SFPP, LP is a subsidiary of Kinder Morgan, Inc.

1. **§ 195.402 Procedural manual for operations, maintenance, and emergencies.**

(a) Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline system commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.

SFPP failed to follow a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies in two instances:

- a) SFPP failed to follow its L-O&M 1403, *Specifications – Flanges, Flange Bolts & Gaskets*, Section 3.6.2, which requires that both nuts be completely engaged on the threaded bolt (stud) and that the bolt threads extend a minimum of 1.5 threads past the nut.² At the time of the inspection, AZOPS on behalf of PHMSA observed and photographed above-ground flanges at the launcher and receiver facility and pressure relief valve and noted that several studs were shorter than other studs and that the bolt threads did not extend a minimum of 1.5 threads past the nut pursuant to SFPP’s written procedures.³
- b) SFPP failed to follow its L-O&M 003 – *Procedure Review*, Section 3.1, “The Four Phases of the Annual Review,” which requires that supervisors/managers review the work done by their personnel within their organization to determine the procedures’ effectiveness; i.e., following the procedures produced the desired outcome, and that the review be documented.⁴ However, at the time of the inspection, SFPP could not provide records to demonstrate it had completed the effectiveness review pursuant to its written procedures.

Proposed Compliance Order

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$239,142 per violation per day the violation persists, up to a maximum of \$2,391,142 for a related series of violations. For violation occurring on or after May 3, 2021 and before March 21, 2022, the maximum penalty may not exceed \$225,134 per violation per day the violation persists, up to a maximum of \$2,251,334 for a related series of violations. For violation occurring on or after January 11, 2021 and before May 3, 2021, the maximum penalty may not exceed \$222,504 per violation per day the violation persists, up to a maximum of \$2,225,034 for a related series of violations. For violation occurring on or after July 31, 2019 and before January 11, 2021, the maximum penalty may not 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

² See Pipeline Safety Violation Report (Violation Report) at Exhibit A (on file with PHMSA).

³ See Violation Report at Exhibits B-D.

⁴ See Violation Report at Exhibit E (Section 5 Documentation).

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.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to propose a civil penalty assessment at this time.

With respect to Item 1, pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to SFPP, LP. 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. Be advised that all material you submit in response to this enforcement action is subject to being 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 5-2022-042-NOPV** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Dustin Hubbard
Director, Western Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration

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

cc: PHP-60 Compliance Registry
Eric Villa, Program Manager, Arizona Corporation Commission, Office of Pipeline Safety

PROPOSED COMPLIANCE ORDER

Pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to SFPP, LP a Compliance Order incorporating the following remedial requirements to ensure the compliance of SFPP, LP with the pipeline safety regulations:

- A. In regard to Item 1 of the Notice pertaining to not following its written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies, within 90 days of receipt of the Final Order, SFPP must:
 - 1. Follow L-O&M 1403, *Specifications – Flanges, Flange Bolts & Gaskets* and install stud bolts of the same length to the flange where different lengths of stud bolts were used.
 - 2. Amend its procedure, L-O&M 003 – *Procedure Review*, to include a specific process in Section 3.1.2 for how SFPP’s supervisors or managers will conduct the periodic review of the work done by personnel to determine the effectiveness of the procedures and take corrective action where deficiencies are found, and follow its procedure, include documenting the review.
- B. Within 90 days of the receipt of the Final Order, SFPP must submit documentation and records to PHMSA to demonstrate completion of A1 and A2 above.
- C. It is requested (not mandated) that SFPP, LP maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Dustin Hubbard, Director, Western 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.