U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

233 Peachtree Street Ste. 600
Atlanta, GA 30303

NOTICE OF PROBABLE VIOLATION
and
PROPOSED COMPLIANCE ORDER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 5, 2013

Mr. Mark Rauch
President
Pipeline & Terminal Management Corporation
4635 Southwest Freeway, Suite 910
Houston, TX 77277-0415

CPF 2-2013-6004

Dear Mr. Rauch:

On January 23, 2013, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Southern Region, Office of Pipeline Safety, pursuant to Chapter 601 of 49 United States Code, inspected McCain Pipeline Company (MPC) facilities in Mississippi. MPC is a subsidiary of Pipeline & Terminal Management Corporation.

As a result of the inspection, it appears that MPC has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are as follows:

1. **§195.410 Line Markers.**
   (a) Except as provided in paragraph (b) of this section, each operator shall place and maintain line markers over each buried pipeline in accordance with the following:
   (1) Markers must be located at each public road crossing, at each railroad crossing, and in sufficient number along the remainder of each buried line so that its location is accurately known

   At the time of the inspection, there were not a sufficient number of line markers along MPC's buried pipeline so that its location was accurately known.

   The PHMSA inspectors observed and photographed several pipeline segments system wide where right-of-way (ROW) markers were missing or inadequate. For example, there were not sufficient line markers to accurately locate the pipeline upstream of the Mississippi State Route 45 crossing or downstream of the Old Route 45 crossing where the MPC line parallels the road.

2. **§195.402 Procedural manual for operations, maintenance, and emergencies.**
(a) General. 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.

   MPC's *Standard Operating Procedures and Maintenance Manual* (i.e. O&M manual) did not include procedures for the safe operation and maintenance of the regulated breakout tank located at the MPC Bulk Fuel Storage Facility.

   The MPC system receives jet fuel from Plantation Pipeline at the MPC Bulk Fuel Storage Facility. The fuel passes through MPC operated piping and filters before being delivered into a tank. Product is drawn out of the tank and pressurized by booster pumps for delivery by pipeline to MPC's sole customer.

   PHMSA has confirmed the tank to be a regulated breakout tank. That said, prior to PHMSA's inspection of the MPC system, MPC did not identify the tank as a regulated breakout tank, and did not include any procedures detailing the tank's maintenance and operations in the above-referenced O&M manual.

3. **§195.406 Maximum Operating Pressure (MOP).**
(a) Except for surge pressures and other variations from normal operations, no operator may operate a pipeline at a pressure that exceeds any of the following:
...(2) The design pressure of any other component on the pipeline.
(b) No operator may permit the pressure in a pipeline during surges or other variations from normal operations to exceed 110 percent of the operating pressure limit established under paragraph (a) of this section. Each operator must provide adequate controls and protective equipment to control the pressure within this limit.

   MPC did not properly establish the maximum operating pressure (MOP) for the pipeline segment upstream of the breakout tank at the Bulk Fuel Storage Facility because the MOP established and recorded by MPC exceeded the design pressure of installed pipeline components.

   MPC established an MOP of 225 psig for its entire pipeline system, including the Bulk Fuel Storage Facility where it receives product from Plantation Pipeline. Two of the four filters at the facility were designed with a pressure rating of only 150 psig.

   According to MPC's procedure, the two 150 psig pressure rated filters are in service only during operations before pressurization by the MPC booster pumps, however, these filters were installed in a portion of the system which could be subject to operational pressures both before and after the increases provided by the MPC booster pumps. That is, these filters could be subject to pressures up to 225 psig.

4. **§195.406 Maximum Operating Pressure (MOP).**
...(b) No operator may permit the pressure in a pipeline during surges or other variations from normal operations to exceed 110 percent of the operating pressure limit established under paragraph (a) of this section. Each operator must provide adequate controls and protective equipment to control the pressure within this limit.

   MPC did not provide adequate controls and protective equipment to control the pressure within 110 percent of the operating pressure limit established under paragraph (a) of this section (i.e. MOP).

   The MPC pipeline system receives jet fuel from Plantation Pipeline at the MPC Bulk Fuel Storage Facility. There is no over-pressure protection device installed on the MPC side of the custody transfer nor did MPC monitor or record delivery pressures. Moreover, while the MPC system relies solely on Plantation's delivery pressures to ensure its facilities upstream of the storage tank are not over-pressured, MPC did not provide any records or other documentation to demonstrate that Plantation is aware of the over-pressurization potential or that Plantation would provide over-pressure protection for the MPC piping.

5. **§195.406 Maximum Operating Pressure (MOP).**
...(b) No operator may permit the pressure in a pipeline during surges or other variations from normal operations to exceed 110 percent of the operating pressure limit established under paragraph (a) of this section. Each operator must provide adequate controls and protective equipment to control the pressure within this limit.

   MPC established an MOP of 225 psig for its entire pipeline system, yet at the time of the inspection, the high-pressure Mercoid switch downstream of the booster pumps was set to 250 psig, which could allow system pressures to potentially reach 111% of the established MOP.

6. **§195.404 Maps and Records.**
(a) Each operator shall maintain current maps and records of its pipeline systems that include at least the following information;
(1) Location and identification of the following pipeline facilities;
(i) Breakout tanks;
(ii) Pump stations;
(iii) Scraper and sphere facilities;
(iv) Pipeline valves;
(v) Facilities to which §195.402(c)(9) applies;
(vi) Rights-of-way; and
(vii) Safety devices to which §195.428 applies.

   MPC maps and records did not properly identify the limits of its facilities which are subject to regulation under Part 195.

   The MPC pipeline delivers jet fuel to the Meridian Naval Air Station (MNAS). There is a change of operational control inside the MNAS facility at a valve setting downstream of the MPC filter. This is the final point at which MPC has operational control, making it the limit of PHMSA's regulatory authority on the MPC system. Prior to the PHMSA

inspection, MPC had incorrectly identified the limit of PHMSA's regulatory authority as the valves just upstream of the MPC filter at the MNAS delivery facility.

Warning Items

With respect to Items 1, 2, 5, and 6 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. Be advised that failure to do so may result in McCain Pipeline Company being subject to additional enforcement action.

Proposed Compliance Order

With respect to Items 3 and 4 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to McCain Pipeline Company. 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 Compliance 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). 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.

In your correspondence on this matter, please refer to **CPF 2-2013-6004** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Wayne T. Lemoi
Director, Office of Pipeline Safety
PHMSA Southern Region

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

PROPOSED COMPLIANCE ORDER

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

1. In regard to Item Number 3 of the Notice pertaining to the failure of MPC to properly establish the maximum operating pressure (MOP) for the pipeline segment upstream of the breakout tank at the Bulk Fuel Storage Facility, MPC must properly establish the MOP of the referenced pipe line segment in accordance with §195.406.
2. In regard to Item 4 of the Notice pertaining to MPC's failure to provide adequate controls and protective equipment to control the pressure within 110 percent of the operating pressure limit established under paragraph (a) of this section (i.e. MOP), MPC must prepare a plan to ensure the MPC pipeline system will be protected from possible over-pressurization during delivery operations. The plan must meet the regulations in §195.406 and describe how MPC will control delivery pressures.
3. MPC must complete the actions required in Items 1 and 2 within 60 days of the date of issuance of the Final Order.
4. MPC must notify the Director, PHMSA Southern Region, within 90 days following the date of issuance of the Final Order that Compliance Order Items 1 and 2 have been completed. MPC must maintain records associated with Items 1 and 2 above for future review by PHMSA Southern Region.
5. It is requested (not mandated) that MPC maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Wayne T. Lemoi, Director, Southern 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.