U.S. Department
of Transportation
**Pipeline and Hazardous
Materials Safety**

901 Locust Street, Suite 480
Kansas City, MO 64106

NOTICE OF PROBABLE VIOLATION
PROPOSED CIVIL PENALTY
and
PROPOSED COMPLIANCE ORDER

VIA ELECTRONIC MAIL TO: Jeff.pinter@nglep.com, eric.colman@nglep.com

May 8, 2024

Mr. Jeff Pinter
President and CEO
NGL Supply Terminal Company, LLC
6120 South Yale Avenue, Suite 1300
Tulsa, OK 74136

CPF 3-2024-022-NOPV

Dear Mr. Pinter:

From June 5 to June 9, 2023, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code (U.S.C.), virtually inspected NGL Supply Terminal Company, LLC's (NGL Supply) Control Room Management (CRM) procedures in Cushing, 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. § 195.446 Control room management.

> **(a) *General*. This section applies to each operator of a pipeline facility with a controller working in a control room who monitors and controls all or part of a pipeline facility through a SCADA system. Each operator must have and follow written control room management procedures that implement the requirements of this section….**
> **(b) ….**
> **(c) *Provide adequate information.* Each operator must provide its controllers with the information, tools, processes and procedures necessary for the controllers to carry out the roles and responsibilities the operator has defined by performing each of the following:**

(1) Implement API RP 1165 (incorporated by reference, *see* § 195.3) whenever a SCADA system is added, expanded or replaced, unless the operator demonstrates that certain provisions of API RP 1165 are not practical for the SCADA system used.

NGL Supply failed to verify that API RP 1165 had been implemented in the SCADA system and its Style Guide/SCADA Design Manual when it added the 225-mile Michigan Ambassador Pipeline to their SCADA system in September 2022, per the requirement of § 195.446(c)(1).

2. § 195.446 Control room management.

(a) *General*. This section applies to each operator of a pipeline facility with a controller working in a control room who monitors and controls all or part of a pipeline facility through a SCADA system. Each operator must have and follow written control room management procedures that implement the requirements of this section….
(b) ….
(c) *Provide adequate information.* Each operator must provide its controllers with the information, tools, processes and procedures necessary for the controllers to carry out the roles and responsibilities the operator has defined by performing each of the following:
(1) ….
(4) Test any backup SCADA systems at least once each calendar year, but at intervals not to exceed 15 months; and

NGL Supply failed to follow its procedure, CRM Plan section 3.5.4.2, when it tested its backup SCADA systems at least once each calendar year, but at intervals not to exceed 15 months, per the requirements of § 195.446(c)(4). Specifically, CRM Plan section 3.5.4.2 required a test period of 30 minutes. While NGL Supply's controllers conducted a test monthly (more frequent than the procedure required), 7 out of 15 tests reviewed did not last the full 30 minutes.

This failure to follow procedures was identified before the inspection and corrected by NGL Supply. No further action required.

3. § 195.446 Control room management.

(a) *General*. This section applies to each operator of a pipeline facility with a controller working in a control room who monitors and controls all or part of a pipeline facility through a SCADA system. Each operator must have and follow written control room management procedures that implement the requirements of this section….
(b) ….
(e) *Alarm management.* Each operator using a SCADA system must have a written alarm management plan to provide for effective controller response to alarms. An operator's plan must include provisions to:

(1) Review SCADA safety-related alarm operations using a process that ensures alarms are accurate and support safe pipeline operations.

NGL Supply's SCADA Safety-Related Alarm List failed to ensure alarms were accurate and supported safe pipeline operations by failing to define and implement safety related points and alarms, per the requirements of § 195.446(e)(1). Specifically, three alarms were not considered safety related points/alarms: rate of change, mass balance, and communication alarms. CRM Plan section 5.2.8 provided a table with a listing of safety related alarms and noted that, "these alarms will have the highest alarm priority and will generate the most critical alarm level." Section 5.4.4 defined the Alarm Priorities as Critical (C), High (H), Medium (M), Low (L), and section 5.4.4.1.4 stated, "Critical Priority alarms are considered Safety Related Alarms for NGL Control Centers." Rate of change (ROC) and mass balance alarms were used in SCADA for Leak Detection but were not defined in the Table of section 5.2.8 as safety related alarms. NGL Supply's ROC pressure and flow alarms for its Ambassador Pipeline were classified low priority in the data base. This was done to reduce the number of false alarms to the controller. NGL Supply was in the process of refining these alarm set points to improve alarming for Leak Detection. The mass balance, which can be an indication of leaks, was set to high priority and not critical, so it was not included in the safety related category when it should have been. These actions resulted in under reporting of safety related alarms related to leak detection. Also, communication failures were not considered safety related. By not including these alarms in section 5.2.8 and implementing them as lower priorities in the data base than defined through procedure, NGL Supply did not support safe pipeline operations.

A review of the SCADA master database identified that some points were indicated with a critical priority but not included in Table 5.2.8. These alarms were (1) "Gas Detect High High," (2) "Temp Transmitter High High," (3) "Density High High," and (4) "Meter Temp High High." NGL Supply also incorrectly identified multiple pressure information transmitters (PIT) as High rather than critical. These included PID-120, PIT 1201, PIT 1202, PID 2701, and PIT 2702. Additionally, there were rapid rate of change alarms listed as low priority and most communication outages were labeled as low priority. PHMSA determined during the inspection that there were gaps between the CRM Plan that defined safety related alarms and NGL Supply's implementation of safety related alarms and points. Thus, NGL Supply's CRM Plan failed to have an alarm management plan with sufficient review of SCADA safety-related alarm operations, in violation of § 195.446(e)(1).

4. § 195.446 Control room management.

(a) *General*. This section applies to each operator of a pipeline facility with a controller working in a control room who monitors and controls all or part of a pipeline facility through a SCADA system. Each operator must have and follow written control room management procedures that implement the requirements of this section….
(b) ….
(e) *Alarm management.* Each operator using a SCADA system must have a written alarm management plan to provide for effective controller response to alarms. An

operator's plan must include provisions to:
(1) ….
(2) Identify at least once each calendar month points affecting safety that have been taken off scan in the SCADA host, have had alarms inhibited, generated false alarms, or that have had forced or manual values for periods of time exceeding that required for associated maintenance or operating activities.

NGL Supply failed to complete the monthly review of points affecting safety that have been taken off scan in the SCADA host, have had alarms inhibited, generated false alarms, or that have had forced or manual values for periods of time exceeding that required for associated maintenance or operating activities, per the requirements of § 195.446(e)(2). PHMSA reviewed records for the months of December 2020, April 2021, March 2022, and March 2023. These records identified that while NGL Supply reviewed several important factors related to operating alarms, it failed to review and document those points affecting safety that have been taken off scan in the SCADA host, have had alarms inhibited, generated false alarms, or that have had forced or manual values for periods of time exceeding that required for associated maintenance or operating activities. Thus, NGL Supply was not in compliance with § 195. 446(e)(2).

Furthermore, the CRM Plan section 5.1.2.16 detailed the requirement for the monthly review by only restating the regulation. The CRM Plan referenced a review of nuisance alarms under procedure "Nuisance Alarm Resolution Procedure." False alarms are gathered under nuisance alarms. CRM Plan section 11.8 also restated the regulation and offered guidance on review of nuisance alarms. A review of the records identified four areas of review: (1) Key Performance Indicators (KPIs), (2) "Top 10 All Alarm Review," (3) "Critical Alarm Review," and (4) "Stale Alarm Review." These reviews were not defined in a procedure in the CRM Plan. Therefore, NGL Supply failed to have, in practice, procedures to identify points affecting safety that have been taken off scan in the SCADA host, have had alarms inhibited, generated false alarms, or that have had forced or manual values for periods of time exceeding that required for associated maintenance or operating activities, in violation of § 195.446(e)(2).

Proposed Civil Penalty

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed $266,015 per violation per day the violation persists, up to a maximum of $2,660,135 for a related series of violations. For violation occurring on or after January 6, 2023, and before December 28, 2023, the maximum penalty may not exceed $257,664 per violation per day the violation persists, up to a maximum of $2,576,627 for a related series of violations. For violation occurring on or after March 21, 2022, and before January 6, 2023, the maximum penalty may not exceed $239,142 per violation per day the violation persists, up to a maximum of $2,391,412 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 each violation involving LNG facilities, an additional penalty of not more than $79,875 occurring on or after July 31, 2019, and before January 11, 2021, may be imposed. For each violation involving LNG facilities, an additional penalty of not more than $77,910 occurring on or after November 27, 2018, and before July 31, 2019, may be imposed.

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 $ 21,200 as follows:

Item number	PENALTY
4	$ 21,200

Proposed Compliance Order

With respect to Items 1, 3, and 4, pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to NGL Supply. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Warning Item

With respect to Item 2, 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 this item. Failure to do so may result in additional enforcement action.

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 your receipt of this Notice, you have 30 days to respond as described in the enclosed *Response Options*. 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. The Region Director may extend the period for responding upon a written request timely submitted demonstrating good cause for an extension.

In your correspondence on this matter, please refer to **CPF 3-2024-022-NOPV** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

GREGORY ALAN OCHS Digitally signed by GREGORY ALAN OCHS
Date: 2024.05.08 08:29:24 -05'00'

Gregory A. Ochs
Director, Central Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration

cc: Eric Coleman, Director Operations-Compliance **eric.colman@nglep.com**

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 NGL Supply a Compliance Order incorporating the following remedial requirements to ensure the compliance of NGL Supply with the pipeline safety regulations:

A. In regard to Item 1 of the Notice, pertaining to NGL Supply's failure to verify that API RP 1165 had been implemented in the SCADA system or the Style Guide/SCADA Design Manual, NGL Supply must conduct an audit of SCADA screens and system as well as the Style Guide/SCADA Design Manual against API 1165 (incorporated by reference) within **90 days** of receipt of the Final Order.

B. In regard to Item 3 of the Notice, pertaining to NGL Supply's failure to define safety related points and alarms, NGL Supply must amend its procedure to include all categories identified in the SCADA master data base as safety related and correctly implement in the SCADA data base all categories identified in the data base. This also includes the considerations of alarms related to Leak Detection and training controllers on the procedure and safety related points within **90 days** of receipt of the Final Order.

C. In regard to Item 4 of the Notice, pertaining to NGL Supply's failure to complete the monthly review of points affecting safety that have been taken off scan in the SCADA host, have had alarms inhibited, generated false alarms, or that have had forced or manual values for periods of time exceeding that required for associated maintenance or operating activities, NGL Supply must amend its procedure to identify and review all points affecting safety that have been taken off scan in the SCADA host, have had alarms inhibited, generated false alarms, or that have had forced or manual values for periods of time exceeding that required for associated maintenance or operating activities within **90 days** of receipt of the Final Order. NGL Supply must also conduct two consecutive month reviews using the new process within **90 days** of receipt of the Final Order

D. It is requested that NGL Supply maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Gregory Ochs, Director, Central 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.