



U.S. Department
of Transportation

Pipeline and Hazardous Materials
Safety Administration

SEP 07 2018

1200 New Jersey Avenue SE
Washington DC 20590

Mr. Grant E. Sims
Chief Executive Officer
Genesis Energy, LP
919 Milam Street
Houston, TX 77002

Re: CPF No. 4-2017-7007

Dear Mr. Sims:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation and assesses a civil penalty of \$39,300 against your subsidiary, Genesis Offshore Holdings, LLC. This is to acknowledge receipt of payment of the full penalty amount, by wire transfer, dated April 24, 2018. It further finds that your subsidiary, Genesis Offshore Holdings, LLC, has completed the actions specified in the Notice to comply with the pipeline safety regulations. This enforcement action is now closed. Service of the Final Order by certified mail is effective upon the date of mailing as provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Enclosure

cc: Ms. Mary McDaniel, Director, Southwest Region, Office of Pipeline Safety, PHMSA
Mr. Jeffrey W. Gifford, Vice President, Health, Safety, Security, Environment, Genesis
Energy, LP 919 Milam Street, Suite 2100, Houston, TX 77002

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

**U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, D.C. 20590**

In the Matter of

**Genesis Offshore Holdings, LLC,
a subsidiary of Genesis Energy, LP,
Respondent.**

CPF No. 4-2017-7007

FINAL ORDER

From January 23 through August 25, 2017, pursuant to 49 U.S.C. § 60117, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), conducted an on-site pipeline safety inspection of the facilities and records of Genesis Offshore Holdings, LLC (Genesis or Respondent), in Houston, Texas, and Houma, Louisiana. Genesis is a subsidiary of Genesis Energy, LP.¹ Genesis' pipeline transportation division consists of approximately 2,600 miles of pipeline in the Gulf of Mexico and provides infrastructure to move oil and natural gas produced in the Gulf to onshore refining centers.²

As a result of the inspection, the Director, Southwest Region, OPS (Director), issued to Respondent, by letter dated November 22, 2017, a Notice of Probable Violation, Proposed Civil Penalty, and Proposed Compliance Order (Notice), which also included a warning pursuant to 49 C.F.R. § 190.205. In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Genesis had committed three violations of 49 C.F.R. Part 195 and proposed assessing a civil penalty of \$39,300 for two of the alleged violations. The Notice also proposed ordering Respondent to take certain measures to correct the alleged violations. The warning items required no further action but warned the operator to correct the probable violations or face possible future enforcement action.

After requesting and receiving an extension of time, Genesis Energy, LP, responded to the Notice on behalf of Respondent, by letter dated January 15, 2018 (Response). The company did not contest the allegations of violation but requested that the proposed civil penalty for two of the alleged violations be reduced or eliminated. Respondent also provided information concerning

¹ Securities and Exchange Commission website, *available at* <https://www.sec.gov/Archives/edgar/data/1022321/000102232118000024/gel12312017exhibit211.htm> (last accessed July 10, 2018).

² Pipeline Safety Violation Report (Violation Report), (November 21, 2017), (on file with PHMSA), at 1.

the corrective actions it had taken. Subsequently, on April 24, 2018, Genesis paid the proposed administrative civil penalty of \$39,300 by wire transfer, as provided under 49 C.F.R. § 190.227. In accordance with 49 C.F.R. § 190.208(a)(1), such payment authorizes the Associate Administrator to make findings of violation and to issue this final order without further proceedings. Respondent did not request a hearing and therefore has waived its right to one.

FINDINGS OF VIOLATION

In its Response, Genesis did not contest the allegations in the Notice that it violated 49 C.F.R. Part 195, as follows:

Item 1: The Notice alleged that Respondent violated 49 C.F.R. § 195.402(a), which states:

§ 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.

The Notice alleged that Respondent violated 49 C.F.R. § 195.402(a) by failing to follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. Specifically, the Notice alleged that Genesis failed to follow its own *Deficiency Reporting and Remedial Action Development Procedure (GEN CP 09), Section 2.5*, which requires that identified deficiencies be corrected prior to the next required inspection cycle, as specified in the applicable regulatory guidance. Genesis failed to follow its *Atmospheric Corrosion Inspection Procedure (GEN CP 39), Section 4*, which required that surface rust graded between 6-G and 3-S on the legend be repaired before the next inspection cycle, which took place once every year, but with intervals not exceeding 15 months. According to the Notice, Asset ID 11968 at Milepost (MP) 40.1402 was graded 4-G in 2015 and 4-S in 2016, but the company's remedial action form showed that the company did not complete remediation until June 4, 2017. Asset ID 10597 at MP 71.3701, asset ID 12508 at MP 0.0000, and asset ID 14077 at MPs 113.3000 and 113.4000 were all graded 5-S in 2015 and 2016, but no remediation occurred before the next inspection cycle. Thus, at all five locations listed above, Genesis failed to remediate atmospheric corrosion within the time period called for under its own procedures.³

Respondent did not contest this allegation of violation. Accordingly, based upon a review of all

³ Violation Report, at 5-6.

of the evidence, I find that Respondent violated 49 C.F.R. § 195.402(a) by failing to follow for each pipeline system its own manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies.

Item 2: The Notice alleged that Respondent violated 49 C.F.R. § 195.452(b)(5), which states:

§ 195.452 Pipeline integrity management in high consequence areas.

(a)

(b) *What program and practices must operators use to manage pipeline integrity?* Each operator of a pipeline covered by this section must:

(1) Develop a written integrity management program that addresses the risks on each segment of pipeline in the first column of the following table not later than the date in the second column:

Pipeline	Date
Category 1	March 31, 2002.
Category 2	February 18, 2003.
Category 3	1 year after the date the pipeline begins operation.

(2)

(5) Implement and follow the program.

The Notice alleged that Respondent violated 49 C.F.R. § 195.452(b)(5) by failing to implement and follow its own written integrity management (IM) program. Specifically, the Notice alleged that Genesis failed to complete the information analysis (IA) and periodic evaluation for the Poseidon Pipeline, as required under § 195.452(g) and Genesis's *IM Procedure 601L*, "Information Analysis – Line Pipe," Sections 1.1.2 – 1.2.2. This procedure required that the IA be completed within three years of the completion of a segment's integrity assessment. Genesis's records showed the IA for the Poseidon Pipeline had not been completed even though the last assessment date for the line was August 2014. The required periodic evaluation of the line's integrity three years after the last assessment had also not been completed.

Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.452(b)(5) by failing to implement and follow its own written integrity management program.

Item 3: The Notice alleged that Respondent violated 49 C.F.R. § 195.452(b)(5), as quoted above, by failing to implement and follow its own written IM program. Specifically, the Notice alleged that Genesis failed to follow its *IM Process 600*, "Determining Preventive and Mitigative Measures Process," Section 6.1.1, which required that the company's IA process be utilized in identifying when preventive and mitigative measures are appropriate to consider and which measures to consider. According to the Notice, "cleaning pigs" were run monthly on Respondent's pipelines to remove water and biocides were also injected into the lines. Genesis had allegedly been performing these activities as preventive and mitigative measures, yet the September 27, 2017 IA record was incomplete and could not be utilized to substantiate these measures, pursuant to *IM Process 600*, Section 6.1.1.

Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.452(b)(5) by failing to implement and follow its own written IM program.

These findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent.

ASSESSMENT OF PENALTY

Under 49 U.S.C. § 60122, Respondent is subject to an administrative civil penalty not to exceed \$200,000 per violation for each day of the violation, up to a maximum of \$2,000,000 for any related series of violations.⁴ In determining the amount of a civil penalty under 49 U.S.C. § 60122 and 49 C.F.R. § 190.225, I must consider the following criteria: the nature, circumstances, and gravity of the violation, including adverse impact on the environment; the degree of Respondent's culpability; the history of Respondent's prior offenses; and any effect that the penalty may have on its ability to continue doing business; and the good faith of Respondent in attempting to comply with the pipeline safety regulations. In addition, I may consider the economic benefit gained from the violation without any reduction because of subsequent damages, and such other matters as justice may require. The Notice proposed a total civil penalty of \$39,300 for the violations cited above.

Item 1: The Notice proposed a civil penalty of \$20,300 for Respondent's violation of 49 C.F.R. § 195.402(a), for failing to follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. In its Response, Genesis did not contest the allegation of violation but requested that the penalty be reduced. Subsequently, on April 24, 2018, Genesis paid the proposed civil penalty in full. Under 49 C.F.R. § 190.208(a)(1), such payment waives Genesis' opportunity to contest the penalty amount. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$20,300 for violation of 49 C.F.R. § 195.402(a).

Item 2: The Notice proposed a civil penalty of \$19,000 for Respondent's violation of 49 C.F.R. § 195.452(b), for failing to implement and follow its own written IM program. In its Response, Genesis did not contest the allegation of violation but requested that the penalty be eliminated. Subsequently, on April 24, 2018, Genesis paid the proposed civil penalty in full. Under 49 C.F.R. § 190.208(a)(1), such payment waives the company's opportunity to contest the penalty amount. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$19,000 for violation of 49 C.F.R. § 195.452(b)(5).

In summary, having reviewed the record and considered the assessment criteria for each of the Items cited above, I assess Respondent a total civil penalty of **\$39,300**, which amount was paid

⁴ These amounts are adjusted annually for inflation. See, e.g., Pipeline Safety: Inflation Adjustment of Maximum Civil Penalties, 82 Fed. Reg. 19325 (April 27, 2017).

in full by wire transfer on April 24, 2018.

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to Item 3 in the Notice for violation of 49 C.F.R. § 195.452(b)(5). Under 49 U.S.C. § 60118(a), each person who engages in the transportation of hazardous liquids or who owns or operates a pipeline facility is required to comply with the applicable safety standards established under chapter 601. The Director indicates that Respondent has taken the following actions specified in the proposed compliance order:

1. With respect to the violation of § 195.452(b)(5) (**Item 3**), Respondent has completed its Information Analysis report and utilized the findings to identify the appropriateness and adequacy of the preventive and mitigative measures in place. Respondent has also implemented additional measures identified through this process.

Accordingly, I find that compliance has been achieved with respect to this violation. Therefore, the compliance terms proposed in the Notice are not included in this Order.

WARNING ITEMS

With respect to Items 4, 5, 6, and 7, the Notice alleged probable violations of Part 195 but did not propose a civil penalty or compliance order for these items. Therefore, these are considered to be warning items. The warnings were for:

49 C.F.R. § 195.561(b) (**Item 4**) — Respondent's alleged failure to repair coating damage discovered on the pipeline after it had been exposed to allow a hot tap to the line;

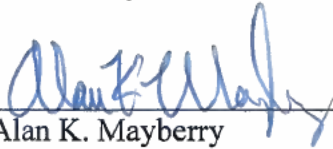
49 C.F.R. § 195.452(b)(5) (**Item 5**) — Respondent's alleged failure to follow its own written IM program, specifically, *IM Procedure 601L, sections 1.1.2 and 1.1.3*;

49 C.F.R. § 195.452(j)(2) (**Item 6**) — Respondent's alleged failure to conduct a periodic evaluation as frequently as needed to assure pipeline integrity; and

49 C.F.R. § 195.452(k) (**Item 7**) — Respondent's alleged failure to include in its IM program methods to measure whether the program is effective in assessing and evaluating the integrity of each pipeline segment and in protecting the high consequence areas.

Genesis presented information in its Response showing that it had taken certain actions to address the cited items. If OPS finds a violation of any of these items in a subsequent inspection, Respondent may be subject to future enforcement action.

The terms and conditions of this Final Order are effective upon service in accordance with 49 C.F.R. § 190.5.

A handwritten signature in blue ink, appearing to read "Alan K. Mayberry", is written over a horizontal line.

Alan K. Mayberry
Associate Administrator
for Pipeline Safety

SEP 07 2018

Date Issued