NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 20, 2018

Mr. Mark Cunningham
Sr. Vice President, Engineering & Technical Services
Holly Energy Partners- Operating, L.P.
2828 N Hardwood, Suite 1300
Dallas, TX 75201

CPF 4-2018-5006M

Dear Mr. Cunningham:

During the month of March 2017, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected Holly Energy Partners- Operating, L.P (HEP) Operating and Maintenance (O&M) procedures in the city of Carlsbad, NM.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within Holly Energy Partners- Operating, L.P. plans or procedures, as described below:

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

(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

(3) Operating, maintaining, and repairing the pipeline system in accordance with each of the requirements of this subpart and subpart H of this part.

HEP did not have a written procedure to perform calibration of reference half cells used to determine the adequacy of cathodic protection of their pipeline system as required by §195.571.

During the field inspection, PHMSA asked the corrosion technicians performing the pipe to soil potential surveys if the reference half cell was calibrated or not. HEP's corrosion technician responded that HEP does not have any procedure on reference cell calibration.

The M.C. Miller (reference cell manufacturer) technical manual, MAN270 clearly explains in detail about the short-term maintenance, long term maintenance and testing electrodes for accuracy.

HEP must amend its procedure to reflect the reference half cell calibration process. HEP must include a time frame detailing how often or under what situation, the reference cell must be calibrated or replaced. In the procedure, HEP must explain how corrosion personnel will document the calibration date or replacement date of the reference cell..

2. **§195.402 Procedural manual for operations, maintenance, and emergencies**

(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

(3) Operating, maintaining, and repairing the pipeline system in accordance with each of the requirements of this subpart and subpart H of this part.

The HEP- O&M procedure, O&M-195.571, is inadequate and does not comply with the cathodic protection criteria contained in paragraphs 6.2.2, 6.2.3, 6.2.4, 6.2.5 and 6.3 in NACE SP 0169 referenced by §195. 571.

During the procedure review, PHMSA noted HEP is considering a -850 mVdc "ON" reading as an indication of adequate cathodic protection on their pipeline.

The HEP-O&M-195.571 Cathodic Protection Criteria states: -
"It as commonly accepted throughout the industry that a steel structure is under cathodic protection when the potential, as referred to a copper sulfate electrode, is -.85 volt current applied (ON) or more negative with respect to the soil".

"HEP's Cathodic Protection Criteria complies with NACE SP-0169
If -.85-volt current applied (ON) measurement is not achieved, further follow-up action will be taken to achieve adequate protection. 100mv Polarization criterion may be used to determine adequate Cathodic Protection."

According to NACE SP 0169, paragraph 6.2.2, "*Voltage drops other than those across the structure-to-electrolyte boundary must be considered for valid interpretation of this voltage Measurement*".

HEP must amend their procedure to reflect a -850 mV "ON" read with the consideration of IR drop for valid interpretation of the voltage measurement.

3. §195.402 Procedural manual for operations, maintenance, and emergencies

(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

(3) Operating, maintaining, and repairing the pipeline system in accordance with each of the requirements of this subpart and subpart H of this part.

HEP did not have an adequate written procedure to reflect the criteria used to determine the adequacy of cathodic protection of their pipeline system as required by §195.571.

During the field inspection of the Wichita Falls Tank terminal, PHMSA came across several above ground storage tanks that have the double tank bottom. PHMSA asked HEP to explain how they maintain cathodic protection on those tank bottoms. HEP responded by providing the records of VCI (vapor corrosion inhibitor) injection and ER corrosion probes. Upon request, HEP also provided the procedure for VCI and ER corrosion probes.

After reviewing the procedures and the records, PHMSA noted the authenticity of the procedure does not indicate whether it is officially approved or not by HEP. The procedure lacks procedure #, revision dates, etc. PHMSA also noted a lack of details such as engineering analysis and /or benefits about using the VCI (vapor corrosion inhibitor) in the double tank bottom

HEP must amend its procedure, "AST Corrosion Control Procedures." HEP must establish an engineering analysis and/ or the benefits from using the VCI (vapor corrosion inhibitor) in the double tank bottom. HEP must explain in detail the injection and re-injection criteria/requirements of VCI (vapor corrosion inhibitor) based on the ER corrosion probes rate.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.206. 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).

Following the receipt of this Notice, you have 30 days to submit written comments, revised procedures, or a request for a hearing under §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 an Order Directing Amendment. If your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.206). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within [number of days] days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

It is requested (not mandated) that Holly Energy Partners- Operating, L.P. maintain documentation of the safety improvement costs associated with fulfilling this Notice of Amendment (preparation/revision of plans, procedures) and submit the total to Mary McDaniel, Director, SW Region, Pipeline and Hazardous Materials Safety Administration. In correspondence concerning this matter, please refer to **CPF 4-2018-5006M** 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

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*