March 27, 2020

By Electronic Mail

Mary McDaniel, Director
Southwest Region
Pipeline and Hazardous Materials Safety Administration
U.S. Department of Transportation
8701 South Gessner Road, Suite 630
Houston, TX 77074

Re: Notice of Probable Violation, Proposed Civil Penalty, and Proposed Civil Penalty
CPF No. 4-2020-5005

Dear Ms. McDaniel:

NuStar Pipeline Operating Partnership L.P. (NuStar) is not requesting a hearing and respectfully requests this Notice of Probable Violation (NOPV) is converted to a Warning Letter after considering the below and attached extenuating and mitigating information. Alternatively, NuStar requests the Compliance Order is deemed complete. If you do not agree with our requests or if additional information can help in your consideration of our requests, we would greatly appreciate the opportunity to discuss this matter with you in person. Alternatively, if due to COVID-19 concerns that in person meeting is not feasible, at least over the telephone if possible.

When considering this request, we hope that you especially take into account that, ever since March 07, 2017, NuStar has been diligently and sincerely pursuing completion of the ILI assessment on the County Rd 43-Louisiana Dyno Nobel pipeline segment at issue. However, we repeatedly encountered unexpected technical issues and equipment availability issues that unfortunately lead to the prolonged completion of a successful ILI assessment, which was most recently completed in March 2020. NuStar provides this written response to (1) explain the continued technical issues associated with the ILI tools at issue, and (2) discuss the efforts that NuStar has already undertaken to resolve the unique ILI integrity assessment issues associated with this pipeline.

Summary of PHMSA NOPV

By way of background, PHMSA issued this enforcement action following an inspection of an integrity management notification that was filed by NuStar on July 19, 2019 for its 4-inch County Rd 43-Louisiana Dyno Nobel pipeline. The inspection occurred from August 9 to December 17, 2019. The NOPV alleges a single violation of 49 C.F.R. 195.452(j)(1) for failure to assess NuStar's 4-inch pipeline within the required 5-year (not to exceed 68 months) interval. In particular, PHMSA alleges that NuStar performed a complete ILI magnetic flux leakage tool (MFL) on November 19, 2013 and had not completed another assessment within 5 years (not to exceed 68 months) or by November 18, 2018 not to exceed July 19, 2019. The NOPV proposes a civil penalty of $10,300 and includes a PCO to require that NuStar complete an

assessment of the 4-inch Hermann pipeline within 90 days of issuance of a Final Order and submit documentation to PHMSA.

Pipeline Background, ILI Tool Technical Challenges, and Completed ILI

The 4-inch Hermann pipeline was originally constructed in the 1986 and transports anhydrous ammonia 14.4 miles from County Rd 43 to Dyno Nobel in Louisiana, Missouri. ILI MFL technology is a common nondestructive inspection method used to detect corrosion in pipelines. These tools have historically experienced challenges associated with small diameter pipelines, however, as the size of the pipeline limits the ability of the tools to traverse the pipeline at an optimal velocity which ensures sufficient inspection coverage and quality results.

On November 19, 2013, NuStar completed a successful ILI MFL integrity assessment of the 4-inch County Rd 43-Louisiana Dyno Nobel pipeline. There were no regulatory features reported on the final report (no immediate, 60-day, or 180-day features). NuStar scheduled a reassessment of the 4-inch County Rd 43-Louisiana Dyno Nobel pipeline consistent with its integrity management procedures and based on the results of the 2013 ILI. The Company began that assessment on March 07, 2017 well in advance of the 5-year (not to exceed 68 months) deadline. The ILI assessment consists of a series of three (3) ILI tools: a gauge tool, deformation tool, and the MFL tool. Due to technical issues associated with certain bends in the 4-inch pipeline, while the gauge and deformation tools were successfully run, the MFL tool was only able to achieve 62% coverage due to issues with bends in the pipeline and was unsuccessful. A final deformation report was received on May 9, 2017 which did not call out any regulatory features.

NuStar evaluated replacement of the bends and initiated discussions with a different ILI service provider in 2018 and ultimately scheduled a second ILI tool run on this line in June 2019. At the time of scheduling of the second ILI assessment, it was 6 months prior to the 68-month deadline and with the previous gauge tool and geometry tool results, NuStar believed that the subsequent MFL tool run would be successful and the 68-month deadline would not be exceeded.

The gauge tool was launched on April 23, 2019. The launch of the deformation tool was delayed for certain equipment that had to be sourced from Germany and plant outages. The tool was launched on June 26, 2019 but became lodged in the pipeline about 2.8 miles downstream of the launcher. After unsuccessful attempts to dislodge the tool, NuStar notified PHMSA of the delays and incomplete tool runs on July 19, 2019 just before the 68-month regulatory period expired. NuStar engaged in discussions and email communications with PHMSA regarding the status of the assessment and tool. Due to plant outages and other technical difficulties, the tool was ultimately cut out of the pipeline in November 2019 and the vendor was performing a root cause analysis on the tool. In December 2019, a root cause analysis undertaken by the ILI tool service provider determined that there was a foreign metal object on the magnet segment that was located at the weld, but the provider was unable to identify the actual cause of the failure.

At the time that NuStar received the NOPV, the Company had already launched a cleaning pig on December 10, 2019. Further, the gauge tool and the MFL tools have since been successfully completed earlier this month (see attached documentation).

Revisions to NuStar Reassessment Processes Going Forward

Due to unforeseen complications with the first MFL tool run due to bends in the small 4-inch pipeline, and ultimately when the second ILI MFL tool became stuck in the pipeline, NuStar was unable to complete its assessment of the 4-inch Rd 43-Louisiana Dyno Nobel pipeline until March 2020. When NuStar scheduled the second ILI MFL tool, the Company had successfully completed both a gauge tool and deformation tool run and did not foresee any complications that would cause the exceedance of the assessment deadline of July 19, 2019. NuStar submitted an integrity management notification when it was clear that the reassessment could not be completed, just before the 68-month regulatory reassessment period expired. NuStar subsequently communicated with PHMSA personnel concerning the recurring problems with second ILI MFL tool as well as the upcoming schedule for the third attempted ILI MFL reassessment.

Going forward, NuStar plans to engage in tool run planning and scheduling even farther in advance of the reassessment deadline which must be completed within 5 years (not to exceed 68 months). NuStar will also provide notifications of these tool technology and availability issues earlier to PHMSA and within the 180-day deadline. NuStar is updating its notifications procedures to ensure timely notice to PHMSA of these issues and implementation of interim safety measures to ensure the integrity of the pipeline should unforeseen circumstances arise again in the future with respect to tool technology and equipment availability. *See Exhibit A*, Draft Revisions to NuStar IM Variance Procedure. Interim measures may include, as appropriate, weekly aerial patrols (weather permitting), additional corrosion monitoring by close-interval surveys, and analysis of ILI data sets to identify any corrosion growth rate levels which may impact calculated time to critical wall loss. Finally, NuStar is also exploring alternative assessment methods and technologies for assessing this 4-inch pipeline, given the size constraints.

NuStar shares PHMSA's commitment to pipeline safety, public safety, and pipeline integrity and appreciates the Agency's consideration of this additional information. After considering the above and attached information, NuStar respectfully requests the NOPV is converted to a Warning Letter. Alternatively, NuStar requests the Compliance Order is deemed complete. If you do not agree with our requests or if additional information can help in your consideration of our requests, we would greatly appreciate the opportunity to discuss this matter with you in person, or if due to COVID-19 concerns that is not feasible, at least over the telephone. Please do not hesitate contact me with any questions or concerns.

Sincerely,

Gerald R Kriegebaum

Enclosures