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

1200 New Jersey Avenue, SE
Washington, DC 20590

February 14, 2023

VIA ELECTRONIC MAIL TO: jeff.gifford@genlp.com

Jeffrey W. Gifford
Vice President, HSSE
Genesis Energy, L.P.
919 Milam Street, Suite 2100
Houston, Texas, 77002

Re: CPF No. 4-2022-028-NOPV

Dear Mr. Gifford:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation and specifies actions that need to be taken by Genesis Offshore Holdings, LLC, a subsidiary of Genesis Energy, L.P., to comply with the pipeline safety regulations. When the terms of the compliance order have been completed, as determined by the Director, Southwest Region, this enforcement action will be 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 KRAMER MAYBERRY
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Date: 2023.02.14 11:48:19 -05'00'

Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Enclosure

cc: Mr. Bryan Lethcoe, Director, Southwest Region, Office of Pipeline Safety, PHMSA
Mr. John Jewett, Senior Manager, Regulatory and Compliance, Genesis Energy, L.P., john.jewett@genlp.com

CONFIRMATION OF 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,	)	**CPF No. 4-2022-028-NOPV**
a subsidiary of Genesis Energy, L.P.,	)	
	)	
Respondent.	)	

FINAL ORDER

From March 3 through October 28, 2021, pursuant to 49 U.S.C. § 60117, representatives 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's (Genesis or Respondent) Cameron Highway Oil Pipeline (CHOPS) and Poseidon Offshore Liquid Pipeline in the Gulf of Mexico, Louisiana, and Texas.

As a result of the inspection, the Director, Southwest Region, OPS (Director), issued to Respondent, by letter dated April 8, 2022, a Notice of Probable Violation and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Genesis had committed two violations of 49 C.F.R. Part 195 and proposed ordering Respondent to take certain measures to correct the alleged violations.

Genesis responded to the Notice by letter dated May 2, 2022 (Response). Genesis provided additional information in response to the allegations in the Notice. Respondent did not request a hearing and therefore has waived its right to one.

FINDINGS OF VIOLATION

The Notice alleged that Respondent violated 49 C.F.R. Part 195, as follows:

Item 1: The Notice alleged that Respondent violated 49 C.F.R. § 195.452(i)(2), which states:

> **§ 195.452 Pipeline integrity management in high consequence areas.**
> (a) ….
> (i) ***What preventive and mitigative measures must an operator take to protect the high consequence area?***

> (1) ***General requirements.*** An operator must take measures to prevent and mitigate the consequences of a pipeline failure that could affect a high consequence area. These measures include conducting a risk analysis of the pipeline segment to identify additional actions to enhance public safety or environmental protection. Such actions may include, but are not limited to, implementing damage prevention best practices, better monitoring of cathodic protection where corrosion is a concern, establishing shorter inspection intervals, installing EFRDs on the pipeline segment, modifying the systems that monitor pressure and detect leaks, providing additional training to personnel on response procedures, conducting drills with local emergency responders and adopting other management controls.
>
> (2) ***Risk analysis criteria.*** In identifying the need for additional preventive and mitigative measures, an operator must evaluate the likelihood of a pipeline release occurring and how a release could affect the high consequence area. This determination must consider all relevant risk factors, including, but not limited to:
>
> (i) Terrain surrounding the pipeline segment, including drainage systems such as small streams and other smaller waterways that could act as a conduit to the high consequence area;

The Notice alleged that Respondent violated 49 C.F.R. § 195.452(i)(2) by failing to include in its preventive and mitigative (P&M) risk analysis the likelihood of a pipeline release and how a release could affect high consequence areas (HCAs). Specifically, the Notice alleged that the information analyses performed by Genesis for four pipeline segments only presented a total risk score and failed to include the probability or consequence score for each threat associated with the pipeline segment.

In its Response, Respondent included its "2020 Integrity Program Risk" spreadsheet for the segments in question, as well as a risk matrix, which Genesis states can be used to explain the various risk factors and their values. Respondent also provided revised language from its Integrity Management Program Manual, which Respondent states enhances their P&M program.

After reviewing all of the materials provided, I find Respondent failed to complete the analysis required by § 195.452(i)(2). While the spreadsheet provided by Respondent aggregates an overall risk of failure score for each pipeline segment, the documents, including the risk matrix, do not reflect that Genesis carried out an evaluation of the likelihood of a pipeline release occurring and how a release could affect the HCA when determining the need for P&M measures. The documents provided do not show that Respondent's analysis considered the terrain surrounding the pipeline segment, including drainage systems such as small streams and other smaller waterways that could act as a conduit to the HCA, as required by § 195.452(i)(2).

Accordingly, after considering all of the evidence, I find that Respondent violated 49 C.F.R. § 195.452(i)(2) by failing to evaluate the likelihood of a pipeline release occurring and how a release could affect the HCA.

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

> **§ 195.452 Pipeline integrity management in high consequence areas.**
> (a) ….
> (j) ***What is a continual process of evaluation and assessment to maintain a pipeline's integrity?***
> (1) ***General***. After completing the baseline integrity assessment, an operator must continue to assess the line pipe at specified intervals and periodically evaluate the integrity of each pipeline segment that could affect a high consequence area.

The Notice alleged that Respondent violated 49 C.F.R. § 195.452(j)(1) by failing to continue to assess the line pipe at specified intervals and periodically evaluate the integrity of each pipeline segment that could affect HCAs. Specifically, the Notice alleged that Respondent did not have procedures in its Integrity Management Plan to conduct periodic integrity evaluations of pipeline segments that could affect HCAs. PHMSA alleged that Respondent's procedures addressed the program effectiveness reviews required under § 195.452(k), but not the requirements in § 195.452(j)(1).

In its Response, Respondent stated it follows the 49 C.F.R Part 195 Frequently Asked Questions (FAQs), specifically #5.10 in the Integrity Assessment Intervals Section, claiming that Genesis' risk analysis meets the definition in the FAQ.[1] Respondent also provided copies of its "IM Process 200" and "IM Procedure 201L," and stated it created a form to document the annual risk analysis and corresponding P&M measures. Lastly, Respondent stated it revised its procedures to conform with FAQ #5.10.

After reviewing all of the materials provided, I find the Respondent was not able to produce any documentation or records that reflect a process for conducting periodic evaluations of the integrity of each pipeline segment that could affect HCAs. Section 195.452(j)(1) includes two distinct requirements—continual assessments of line pipe at specified intervals and periodic evaluations of the integrity of each pipeline segment. When conducting the evaluations of the integrity of each pipeline segment, § 195.452(j)(2) requires operators to consider the results of any baseline and periodic integrity assessments, information analyses (required under § 195.452(g)), decisions about remediation (required under § 195.452(h)) and decisions about P&M actions (required under §195.452(i)). The documents provided by Respondent include risk assessment scores and corresponding P&M measures associated with several pipeline segments, and states during the annual risk assessment review, the form was used to discuss changes to Genesis' pipeline risk matrix. Respondent also provided documentation pertaining to its risk model, including factors that are integrated into the algorithm. None of the documents provided, however, reflect a process for periodically evaluating segment integrity that considers all of the information included in § 195.452(j)(2), including Respondent's information analyses or its decisions about remediation.

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[1] *See* Liquid Integrity Management Rule Frequently Asked Questions, revised Aug. 31, 2016, *available at* https://www.phmsa.dot.gov/pipeline/hazardous-liquid-integrity-management/hl-im-faqs (last accessed Feb. 2, 2023).

Respondent argues FAQ #5.10 of the Liquid Integrity Management Rule FAQs supports a finding that Genesis is in compliance with § 195.452(j)(1). I disagree. FAQ #5.10 states that "[p]eriodic evaluations are analytical reviews of a wide range of data and information regarding the pipeline integrity that includes but goes beyond simply 'assessment' results." This FAQ goes on to state that "the continual evaluation must, at a minimum, consider the results of the baseline and periodic integrity assessments, risk analysis, decisions about remediation, and preventive and mitigative actions." As discussed above, the documents provided by Respondent do not reflect an evaluation as described in the FAQ was completed.

Accordingly, after considering all of the evidence, I find that Respondent violated 49 C.F.R. § 195.452(j)(1) by failing to periodically evaluate the integrity of each pipeline segment that could affect HCAs.

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

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to Items 1 and 2 in the Notice for violations of 49 C.F.R. §§ 195.452(i)(2) and 195.452(j)(1). 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.

With regard to the violations of § 195.452(i)(2) and § 195.452(j)(1) (Items 1 and 2, respectively), Respondent argued that it was in compliance and did not provide separate argument for withdrawal or modification of the Compliance Order. For the reasons stated above, the underlying allegations of violation have not been withdrawn. Consequently, the Compliance Order for these Items is not withdrawn or modified.

Pursuant to the authority of 49 U.S.C. § 60118(b) and 49 C.F.R. § 190.217, Respondent is ordered to take the following actions to ensure compliance with the pipeline safety regulations applicable to its operations:

1. With respect to the violation of § 195.452(i)(2) (**Item 1**), Respondent must update its information analysis records to show that probability risk scores and consequence risk scores for each threat for the associated pipeline segment were considered in the identification and evaluation of P&M actions. Genesis must provide documentation of such within 60 days of receipt of the Final Order.

2. With respect to the violation of § 195.452(j)(1) (**Item 2**), Respondent must amend its integrity management plan to ensure that its procedure covers the periodic evaluation required by § 195.452(j)(1) and complete a periodic evaluation of its pipeline segments that could affect HCAs. Genesis must provide documentation of such within 120 days of receipt of the Final Order.

The Director may grant an extension of time to comply with any of the required items upon a written request timely submitted by the Respondent and demonstrating good cause for an extension.

PHMSA requests that Respondent maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to the Director. 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.

Failure to comply with this Order may result in the administrative assessment of civil penalties not to exceed $200,000, as adjusted for inflation (*see* 49 C.F.R. § 190.223), for each violation for each day the violation continues or in referral to the Attorney General for appropriate relief in a district court of the United States.

Under 49 C.F.R. § 190.243, Respondent may submit a Petition for Reconsideration of this Final Order to the Associate Administrator, Office of Pipeline Safety, PHMSA, 1200 New Jersey Avenue, SE, East Building, 2nd Floor, Washington, DC 20590, with a copy sent to the Office of Chief Counsel, PHMSA, at the same address. The written petition must be received no later than 20 days after receipt of the Final Order by Respondent. Any petition submitted must contain a statement of the issue(s) and meet all other requirements of 49 C.F.R. § 190.243. The terms of the order, including corrective action, remain in effect unless the Associate Administrator, upon request, grants a stay.

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

ALAN KRAMER MAYBERRY
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Date: 2023.02.14 11:47:33 -05'00'

February 14, 2023

Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Date Issued