

**NOTICE OF PROBABLE VIOLATION
and
PROPOSED COMPLIANCE ORDER**

ELECTRONIC MAIL - RETURN RECEIPT REQUESTED

April 8, 2022

Jeffrey W. Gifford
Vice President
Genesis Offshore Holdings, LLC
919 Milam Street, Suite 2100
Houston, Texas 77002

CPF 4-2022-028-NOPV

Dear Mr. Gifford:

From March 3, 2021 to October 28, 2021, representatives 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.), inspected Genesis Offshore Holdings, LLC's (Genesis) Cameron Highway Oil Pipeline (CHOPS) and Poseidon Offshore Liquid Pipeline in the Gulf of Mexico, Louisiana and Texas.

As a result of the inspection, it is alleged that Genesis has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (CFR). The items inspected and the probable violations are:

1. § 195.452 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;

Genesis failed to include in its preventive and mitigative measure informational risk analysis the likelihood of a pipeline release and how a release could affect high consequence areas (HCAs) as required by § 195.452(i)(2).

During the inspection, PHMSA reviewed Genesis information analyses to support preventive and mitigative action identification and evaluation for the following four pipeline segments: Line 201-2 Valero Lateral, date: 08/12/2019; Line 12470 SS332 (Platform) to south Timbalier to Houma, date: 11/14/2017 and 8/12/2019; Line 13972 High Island A5 (Platform) to Texas City, date: 11/14/2017 and 9/6/2019; and Line 13987 High Island A5 (Platform) to Port Neches, date: 11/14/2017 and 8/12/2019. PHMSA's review found that the risk assessment section of the information analysis only presented the total risk score, and not the probability or consequence score for each threat associated with the pipeline segment. The recorded information does not demonstrate how the likelihood of pipeline release and consequence of pipeline release is being considered in the identification and evaluation of preventive and mitigative actions for the threats associated with each pipeline segment.

2. § 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.

Genesis failed to periodically evaluate the integrity of each pipeline segment that could affect HCAs. Additionally, Genesis failed to have a procedure that set forth a process for conducting periodic evaluations in accordance with § 195.452(j)(1).

During the inspection, Genesis claimed that it written *Integrity Management Program, IM Process 700, IM Evaluation Process* (Revision Date: 8/14/2020) and *Integrity Management Program, IM Procedure 701L, Liquid-Measure IMP Effectiveness Procedure* (Revision Date: 8/14/2020) covered the periodic evaluation required in § 195.452(j)(1). Genesis further claimed that the evaluation is completed annually and documented in its *Liquid - IMP Performance Measure Form (IM Form 702L)*. PHMSA reviewed Genesis' Integrity Management Plan and found that it did not include a procedure to conduct a periodic evaluation of pipeline segments that could affect HCAs after completing its integrity assessments. Instead, Genesis' *IM Process 700* and *IM Procedure 701L* addressed the program effectiveness reviews required under § 195.452(k) and not the periodic evaluations required in § 195.452(j)(1).

Proposed Compliance Order

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to 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 violation occurring on or after November 2, 2015 and before November 27, 2018, the maximum penalty may not exceed \$209,002 per violation per day, with a maximum penalty not to exceed \$2,090,022.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to propose a civil penalty assessment at this time.

With respect to items 1 and 2 pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Genesis Offshore Holdings, LLC. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

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. 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, or request a hearing under 49 CFR § 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 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. This period may be extended by written request for good cause.

In your correspondence on this matter, please refer to **CPF 4-2022-028-NOPV** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Mary L. McDaniel, P.E.
Director, Southwest Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Enforcement Proceedings

cc: John Jewett, Manager – Regulatory Compliance, John.jewett@genlp.com

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Genesis Offshore Holdings, LLC (Genesis) a Compliance Order incorporating the following remedial requirements to ensure compliance of Genesis:

- A. In regard to Item 1 of the Notice pertaining to Genesis' failure to evaluate the likelihood of a pipeline release occurring and how a release could affect the high consequence area in its risk analysis, Genesis 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 preventive and mitigative actions. Genesis must provide documentation of such within **60** days of receipt of the Final Order.
- B. In regard to Item 2 of the Notice pertaining to Genesis' failure to establish a procedure to complete periodic evaluations of each pipeline segment, Genesis 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 High Consequence Areas (HCAs). Genesis must provide documentation of such within **120** days of receipt of the Final Order.

It is requested (not mandated) that Genesis maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Mary L. McDaniel, Director, Southwest Region, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs be reported in two categories: 1) total cost associated with the preparation/revision of plans, procedures, studies, and analyses, and 2) the total cost associated with replacements, additions, and other changes to pipeline infrastructure.