

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

VIA ELECTRONIC MAIL

June 2, 2023

Mr. Steve Ledbetter
VP Shell Midstream Partners GP LLC
Shell Pipeline Company, LP
150 North Dairy Ashford, Building A, Fourth Floor
Houston, TX 77079

CPF 4-2023-010-NOPV

Dear Mr. Ledbetter:

From May 9 through November 22, 2022, a representative 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 Shell Pipeline Company, LP's (Shell) hazardous liquid pipeline systems in Texas, Louisiana, and the Gulf of Mexico.

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

- 1. § 195.420 Valve maintenance.**
 - (a)**
 - (b) Each operator shall, at intervals not exceeding 7 1/2 months, but at least twice each calendar year, inspect each mainline valve to determine that it is functioning properly.**

Shell failed to inspect each mainline valve to determine that it is functioning properly at intervals not exceeding 7 ½ months but at least twice each calendar year in accordance with § 195.420(b). Specifically, Shell failed to inspect the following 35 mainline valves twice each calendar year and/or within 7 ½ months from 2020 to 2022 for 56 instances:

1. Crude System Valve Equipment No: 2044008, 2042012, 2064000, 2064002, 2064009, 2144098, 2131321, 1000356, 1032009, 2336005, 1020307, 1020305, 1020326, 1002011, 1002013, 1009628, 1012904, 1014255, 1014256, 1024300, 1024301, 2130495, 2404338, 2404340, 2404992, 2404993, 2404994, 2405001, 2405003, 2406171, 2410000, 2410002, 2410004, 2410015, and 2410020.

2. Highly Volatile Liquids (HVL) System Valve Equipment No: 3217501, and 3217508.

Therefore, Shell failed to conduct inspections for each mainline valve to determine that it is functioning properly at intervals not exceeding 7 ½ months but at least twice each calendar year in accordance with § 195.420(b).

2. § 195.428 Overpressure safety devices and overfill protection systems.

(a) Except as provided in paragraph (b) of this section, each operator shall, at intervals not exceeding 15 months, but at least once each calendar year, or in the case of pipelines used to carry highly volatile liquids, at intervals not to exceed 7 1/2 months, but at least twice each calendar year, inspect and test each pressure limiting device, relief valve, pressure regulator, or other item of pressure control equipment to determine that it is functioning properly, is in good mechanical condition, and is adequate from the standpoint of capacity and reliability of operation for the service in which it is used.

Shell failed to inspect and test each pressure limiting device, relief valve, pressure regulator or other item of pressure control equipment to determine that it is functioning properly at intervals not exceeding 15 months, but at least once each calendar year, or in the case of pipelines used to carry highly volatile liquids, at intervals not to exceed 7 ½ months, but at least twice each calendar year in accordance with § 195.428(a).

Shell failed to inspect the following 7 overpressure safety devices once each calendar year and/or within 15 months from 2020 to 2022 for 11 instances:

1. Crude System Valve Equipment No: 1019997, 1019998, 2131376, 1029264, 1029259, 1012490, and 1012491.

Shell failed to inspect the following 7 overpressure safety devices twice each calendar year and/or within 7 ½ months from 2020 to 2022 for 14 instances:

2. HVL System Valve Equipment No: 2194024, 1025341, 2194027, 2194025, 1025340, 3207629, 1009765.

Therefore, Shell failed to inspect and test each pressure limiting device, relief valve, pressure regulator or other item of pressure control equipment to determine that it is functioning properly at intervals not exceeding 15 months, but at least once each calendar year, or in the case of pipelines used to carry highly volatile liquids, at intervals not to exceed 7 ½ months, but at least twice each calendar year in accordance with § 195.428(a).

3. § 195.505 Qualification program.

Each operator shall have and follow a written qualification program. The program shall include provisions to:

(a)

(b) Ensure through evaluation that individuals performing covered tasks are qualified;

Shell failed to follow its written qualification program to ensure through evaluation that individuals performing covered tasks are qualified in accordance with § 195.505(b). Specifically, Shell failed to ensure that only qualified employees perform covered tasks without supervision. An unqualified employee (Employee ID: 152539) performed 37 valve inspections, a covered task (020.00) from December 2020 to July 27, 2022 without supervision of a qualified inspector. After the inspection, Shell stated it qualified this employee.

Therefore, Shell failed to follow its written qualification program to ensure through evaluation that individuals performing covered tasks are qualified in accordance with § 195.505(b).

4. § 195.573 What must I do to monitor external corrosion control?

(a)

(e) Corrective action. You must correct any identified deficiency in corrosion control as required by § 195.401(b). However, if the deficiency involves a pipeline in an integrity management program under § 195.452, you must correct the deficiency as required by § 195.452(h).

Shell failed to correct each identified deficiency in corrosion control in accordance § 195.573(e). Specifically, Shell failed to correct the identified annual cathodic protection survey deficiencies on Ship Shoal 22 Loop at MP 7.5 within a reasonable time. The pipe to soil value on Ship Shoal 22 Loop at MP 7.5 was -0.717 on March 18, 2021, and -0.706 on March 16, 2022. Shell corrected this deficiency after PHMSA's inspection.

Therefore, Shell failed to correct each identified deficiency in corrosion control in accordance § 195.573(e).

Proposed Civil Penalty

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$257,664 per violation per day the violation persists, up to a maximum of \$2,576,627 for a related series of violations. For violation occurring on or after March 21, 2022 and before January 6, 2023 the maximum penalty may not exceed \$239,142 per violation per day the violation persists, up to

a maximum of \$2,391,412 for a related series of violations. For violation occurring on or after May 3, 2021, and before March 21, 2022, the maximum penalty may not 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 documentation involved for the above probable violations and recommend that you be preliminarily assessed a civil penalty of \$176,000 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$62,900
2	\$62,900
3	\$50,200

Warning Item

With respect to Item 4, we have reviewed the circumstances and supporting documents involved in this case and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to promptly correct this item. Failure to do so may result in additional enforcement action.

Proposed Compliance Order

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 Shell Pipeline Company, LP. 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. All material you submit in response to this enforcement action may be 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 your receipt of this Notice, you have 30 days to respond as described in the enclosed *Response Options*. 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. The Region Director may extend the period for responding upon a written request timely submitted demonstrating good cause for an extension.

In your correspondence on this matter, please refer to **CPF 4-2023-010-NOPV** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Bryan Lethcoe
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: Deborah Price, Integrity and Regulatory Services Manager, Shell Pipeline Company LP,
deborah.price@shell.com

PROPOSED COMPLIANCE ORDER

Pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Shell Pipeline Company, LP a Compliance Order incorporating the following remedial requirements to ensure the compliance of Shell Pipeline Company, LP with the pipeline safety regulations:

- A. With regard to Item 1 of the Notice pertaining to Shell's failure to inspect each mainline valve to determine that it is functioning properly at intervals not exceeding 7 ½ months but at least twice each calendar year in accordance with § 195.420(b), Shell must inspect all mainline valves listed in the violation, maintain the inspection records as required by its procedure, and provide the mainline valve inspection records to the Director, Southwest Region within **90** days of issuance of the Final Order.
- B. With regard to Item 2 of the Notice pertaining to Shell's failure to inspect and test each pressure limiting device, relief valve, pressure regulator or other item of pressure control equipment to determine that it is functioning properly at intervals not exceeding 15 months, but at least once each calendar year, or in the case of pipelines used to carry highly volatile liquids, at intervals not to exceed 7 ½ months, but at least twice each calendar year in accordance with § 195.428(a), Shell must inspect and test each overpressure safety devices listed in the violation, maintain the inspection records as required by its procedure, and provide the overpressure safety device inspection records to the Director, Southwest Region within **90** days of issuance of the Final Order.
- C. It is requested (not mandated) that Shell Pipeline Company, LP maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Bryan Lethcoe, 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 preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.