

September 12, 2023

VIA ELECTRONIC MAIL TO: robert.jamieson@hollyenergy.com

Robert Jamieson
Senior Vice President and Chief Operating Officer
Holly Energy Partners – Operating, L.P.
2828 N. Harwood Street
Suite 1300
Dallas Texas 75201

CPF No. 4-2023-041-NOPV

Dear Mr. Jamieson:

Enclosed please find a Consent Order incorporating the terms of the Consent Agreement between the Pipeline and Hazardous Materials Safety Administration (PHMSA) and Holly Energy Partners – Operating, L.P., which was executed on August 31, 2023. Service of the Consent Order and Consent Agreement by electronic mail is deemed effective upon the date of transmission and acknowledgement of receipt, or as otherwise provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Enclosure: Consent Order and Consent Agreement

cc: Mr. Bryan Lethcoe, Director, Southwest Region, Office of Pipeline Safety, PHMSA
Mr. Michael Jennings, President, Holly Energy Partners, L.P.,
 michael.jennings@hfsinclair.com
Ms. Lori Coupland, Vice President, Compliance and EHS, Holly Energy Partners, L.P.,
 lori.coupland@hollyenergy.com

Mr. James B. Curry, Counsel for Holly Energy Partners, L.P., Babst Calland,
jcurry@babstcalland.com
Mr. Lee Banse, Counsel for Holly Energy Partners, L.P., Babst Calland,
lbanse@babstcalland.com

CONFIRMATION OF RECEIPT REQUESTED

**U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, D.C. 20590**

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In the Matter of)	
)	
Holly Energy Partners – Operating, L.P.,)	CPF No. 4-2023-041-NOPV
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Respondent.)	
)	

CONSENT ORDER

By letter dated March 24, 2023, the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), issued a Notice of Probable Violation, Proposed Civil Penalty and Proposed Compliance Order (Notice) to Holly Energy Partners – Operating, L.P. (Holly, HEP, or Respondent).

In response to the Notice, Respondent requested a hearing on Item 1, contesting the underlying violation, the proposed civil penalty, and the proposed compliance (Response). Holly also asked for the opportunity to meet informally with PHMSA to discuss Item 1 in the Notice. Respondent and PHMSA (the Parties) subsequently met to discuss the issues raised in the Response. As a result of those discussions, as explained in more detail below, the Parties have agreed to a Consent Agreement which revises the compliance order and reduces the penalty to **\$86,000**.

Accordingly, the Consent Agreement is hereby approved and incorporated by reference into this Consent Order. Holly is hereby ordered to comply with the terms of the Consent Agreement pursuant to its terms. Pursuant to 49 U.S.C. § 60101, *et seq.*, failure to comply with this Consent Order may result in the assessment of civil penalties as set forth in 49 U.S.C. § 60122 and 49 C.F.R. § 190.223, or in referral to the Attorney General for appropriate relief in a district court of the United States.

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

September 12, 2023

Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Date Issued

**U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, D.C. 20590**

_____)
In the Matter of)

Holly Energy Partners – Operating, L.P.,)

CPF No. 4-2023-041-NOPV

Respondent.)
_____)

CONSENT AGREEMENT

From February 28 to December 7, 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 the following Holly Energy Partners – Operating, L.P. (Holly, HEP, or Respondent) assets: Osage Pipeline Company, LLC in Oklahoma, and Kansas; El Dorado Tanks in Kansas; and UNEV Pipeline, LLC in Nevada, and Utah. Holly, through its subsidiaries and joint ventures, provides petroleum product and crude oil transportation, terminalling, storage, and throughput services to the petroleum industry and owns and/or operates onshore petroleum product and crude oil pipelines, tankage and terminals in Colorado, Idaho, Iowa, Kansas, Missouri, Nevada, New Mexico, Oklahoma, Texas, Utah, Washington, and Wyoming.

As a result of the inspection, the Director, Southwest Region, OPS (Director), issued to Respondent, by letter dated March 24, 2023, a Notice of Probable Violation, Proposed Civil Penalty and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Holly violated 49 C.F.R. § 195.583(a) (Item 1), and proposed ordering Respondent to take certain measures to correct the alleged violation and a civil penalty of \$108,700.

Holly responded to the Notice by letter dated April 17, 2023 (Response). The company contested the underlying violation, the proposed civil penalty, and the proposed compliance order.

PHMSA and Respondent (the Parties) subsequently met to discuss the issues raised in the Response. As a result of those discussions and as explained in more detail below, the Parties have agreed to a Consent Agreement which revises the compliance order and reduces the penalty to **\$86,000**.

Having agreed that settlement of this proceeding will avoid further administrative proceedings or litigation and will serve the public interest by promoting safety and protection of the environment, pursuant to 49 U.S.C. § 60101, *et seq.* and 49 C.F.R. Part 190, and upon consent and agreement, the Parties hereby agree as follows:

I. General Provisions

1. Respondent acknowledges that as the operator of the pipeline facilities subject to the Notice, Respondent and its referenced pipeline facilities are subject to the jurisdiction of the Federal pipeline safety laws, 49 U.S.C. § 60101, *et seq.*, and the regulations and administrative orders issued thereunder. For purposes of this Consent Agreement (Agreement), Respondent acknowledges that it received proper notice of PHMSA's action in this proceeding and that the Notice states claims upon which relief may be granted pursuant to 49 U.S.C. § 60101, *et seq.*, and the regulations and orders issued thereunder.

2. After Respondent returns this signed Agreement to PHMSA, the Agency's representative will present it to the Associate Administrator for Pipeline Safety, recommending that the Associate Administrator adopt the terms of this Agreement by issuing an administrative order (Consent Order) incorporating the terms of this Agreement. The terms of this Agreement constitute an offer of settlement until accepted by the Associate Administrator. Once accepted, the Associate Administrator will issue a Consent Order incorporating the terms of this Agreement.

3. Respondent consents to the issuance of the Consent Order, and hereby waives any further procedural requirements with respect to its issuance. Respondent waives all rights to contest the adequacy of notice, or the validity of the Consent Order or this Agreement, including all rights to administrative or judicial hearings or appeals, except for the Dispute Resolution provisions set forth herein. Respondent agrees to withdraw its request for an administrative hearing regarding the Notice.

4. This Agreement shall apply to and be binding upon PHMSA and Respondent, its officers, directors, and employees, and its successors, assigns, or other entities or persons otherwise bound by law. Respondent agrees to provide a copy of this Agreement and any incorporated work plans and schedules to all of Respondent's officers, employees, and agents whose duties might reasonably include compliance with this Agreement.

5. This Agreement constitutes the final, complete and exclusive agreement and understanding between the Parties with respect to the settlement embodied in this Agreement. The Parties acknowledge that there are no representations, agreements or understandings relating to settlement other than those expressly contained in this Agreement, except that the terms of this Agreement may be construed by reference to the Notice.

6. Nothing in this Agreement affects or relieves Respondent of its responsibility to comply with all applicable requirements of the Federal pipeline safety laws, 49 U.S.C. § 60101, *et seq.*, and the regulations and orders issued thereunder. Nothing in this Agreement alters PHMSA's right of access, entry, inspection, and information gathering or PHMSA's authority to

bring enforcement actions against Respondent pursuant to the Federal pipeline safety laws, the regulations and orders issued thereunder, or any other provision of Federal or State law.

7. For all transfers of ownership or operating responsibility of Respondent's pipeline system referenced herein, Respondent will provide a copy of this Agreement to the prospective transferee at least 30 days prior to such transfer. Respondent will provide written notice of the transfer to the Director no later than 60 days after the transfer occurs.

8. This Agreement does not waive or modify any Federal, State, or local laws or regulations that are applicable to Respondent's pipeline systems. This Agreement is not a permit, or a modification of any permit, under any Federal, State, or local laws or regulations. Respondent remains responsible for achieving and maintaining compliance with all applicable Federal, State, and local laws, regulations and permits.

9. This Agreement does not create rights in, or grant any cause of action to, any third party not party to this Agreement. The U.S. Department of Transportation is not liable for any injuries or damages to persons or property arising from acts or omissions of Respondent or its officers, employees, or agents carrying out the work required by this Agreement. Respondent agrees to hold harmless the U.S. Department of Transportation, its officers, employees, agents, and representatives from any and all causes of action arising from any acts or omissions of Respondent or its contractors in carrying out any work required by this Agreement.

10. Except as set forth herein, this Agreement does not constitute a finding of violation of any other federal law or regulation and may not be used in any civil proceeding of any kind as evidence or proof of any fact, fault or liability, or as evidence of a violation of any law, rule, regulation, or requirement, except in a proceeding to enforce the provisions of this Agreement or in future PHMSA enforcement actions.

II. Finding of Violation:

11. *Item 1 - 49 C.F.R. § 195.583(a) & (b)*: The Notice alleged that Holly failed to inspect each pipeline or portion of the pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion at least once every 3 calendar years, but with intervals not exceeding 39 months, paying particular attention to pipe under thermal insulation. Specifically, the Notice alleged that Holly failed at a receiver at HEP's facilities in El Dorado, Kansas to conduct adequate atmospheric corrosion control inspections in 2017 and 2020 for corrosion monitoring locations and failed to remove the thermal insulation to conduct its inspections. Therefore, PHMSA finds that Holly violated 49 C.F.R. § 195.583(a) & (b).

12. Item 1 will be considered by PHMSA as a prior offense in any future PHMSA enforcement action taken against Respondent for the five (5)-year period following the Effective Date of this Agreement.

III. Civil Penalty:

13. *Item 1*: The Notice proposed assessing a civil penalty in the amount of \$108,700 for Item 1. Respondent requested a reduction of the proposed civil penalty and PHMSA agrees

to reduce the civil penalty. With respect to gravity, PHMSA agrees to reduce the penalty because Holly agreed to ensure that the pipe under thermal insulation is inspected and promptly remediated. Respondent agrees to pay a reduced civil penalty in the amount of **\$86,000** for the violation in Item 1.

14. Respondent shall pay an adjusted civil penalty in the amount of **\$86,000**, pursuant to the payment instructions at 49 C.F.R. § 190.227(a), to be paid in full no later than 20 days from the Effective Date of this Agreement.

IV. Compliance Order:

15. *Item 1:* The Notice proposed certain compliance order actions to address the non-compliance alleged in the Notice. Respondent contested the Proposed Compliance Order and suggested alternative corrective measures to resolve the violation. PHMSA agrees with Respondent's request to revise the Proposed Compliance Order because it requires Holly to inspect pipe under thermal insulation and promptly remediate corrosion. As such, Respondent agrees to undertake the following corrective measures:

- a. HEP agrees to complete an insulation survey of its Part 195-regulated pipeline systems and submit a copy of the survey to the Director within three (3) months of the Effective Date.
- b. Within twelve (12) months following the Effective Date, HEP will (i) complete the removal of insulation HEP deems unnecessary, (ii) deploy removable, seasonal insulation where HEP determines it is needed, and (iii) install Access Plug Flanges (APF) on any remaining permanent insulation pursuant to HEP's EP 21-7-1 Atmospheric Corrosion Monitoring, and Mitigation Procedure. HEP will provide updates to the Director every other month on the progress of these actions.
- c. HEP will remediate any atmospheric corrosion discovered following the completion of the insulation survey described in paragraph (a) and inform the Director of all remediations within twelve (12) months of the Effective Date.
- d. HEP will conduct a pilot study to determine the feasibility of using certain screening tools, which may include, but are not limited to, eddy current or guided wave technology, to locate optimal APF placements on pipe that will remain permanently insulated after completion of the survey and submit a copy of the study to the Director within eighteen (18) months of the Effective Date.
- e. If HEP determines that using certain screening tools described in paragraph (d) is feasible and provides actionable data, HEP will incorporate a program based on the study into its procedures within 60 days of conducting the pilot study and submit the updated procedures to the Director. HEP will measure the effectiveness of the pilot program based on whether the tools used can reliably locate corrosion under insulation. If the tools are ineffective, HEP will locate APFs on the bottom of insulated pipe segments, where external corrosion generally appears.

f. HEP will utilize its Pipeline Safety Management System to implement the above corrective measures.

g. The Director may grant an extension of time to comply with any of the required actions in Section IV upon a written request submitted by HEP demonstrating good cause for an extension at least 30 days before the applicable deadline.

V. Enforcement:

16. This Agreement is subject to all enforcement authorities available to PHMSA under 49 U.S.C. § 60101, *et seq.*, and 49 C.F.R. Part 190, including administrative civil penalties under 49 U.S.C. § 60122, of up to \$257,664 per violation for each day the violation continues and referral of the case to the Attorney General for judicial enforcement, if PHMSA determines that Respondent is not complying with the terms of this Agreement in accordance with the determinations made by the Director, or in accordance with decisions of the Associate Administrator if resolved pursuant to the Dispute Resolution process herein. The maximum civil penalty amounts are adjusted annually for inflation. *See* 49 C.F.R. § 190.223. All work plans and associated schedules set forth or referenced in Section IV are automatically incorporated into this Agreement and are enforceable in the same manner.

VI. Review and Approval Process:

17. With respect to any submission under Section IV (Compliance Order) of this Agreement that requires the approval of the Director, the Director may: (a) approve, in whole or in part, the submission; (b) approve the submission on specified, reasonable conditions; (c) disapprove, in whole or in part, the submission; or (d) any combination of the foregoing. If the Director approves, approves in part, or approves with conditions, Respondent will take all actions as approved by the Director, subject to Respondent's right to invoke the dispute resolution procedures with respect to any conditions the Director identifies. If the Director disapproves all or any portion of the submission, the Director will provide Respondent a written notice of the deficiencies. Respondent will correct all deficiencies within the time specified by the Director and resubmit it for approval.

VII. Dispute Resolution:

18. The Director and Respondent will informally attempt to resolve any disputes arising under this Agreement, including any decision of the Director under the terms of Section IV. If Respondent and the Director are unable to informally resolve the dispute within 15 calendar days after the dispute is first raised, in writing, to the Director, Respondent may submit a written request for a determination resolving the dispute from the Associate Administrator for Pipeline Safety, PHMSA. Such request must be made in writing and provided to the Director, counsel for the Southwest Region, and to the Associate Administrator for Pipeline Safety, no later than 10 calendar days from the 15-day deadline for informal resolution referenced in this paragraph. Along with its request, Respondent must provide the Associate Administrator with all information Respondent believes is relevant to the dispute. Decisions of the Associate Administrator under this paragraph will constitute final agency action. The existence of a

dispute and PHMSA's consideration of matters placed in dispute will not excuse, toll, or suspend any term or timeframe for completion of any work to be performed under this Agreement during the pendency of the dispute resolution process except as agreed by the Director or Associate Administrator in writing.

VIII. Effective Date:

19. The term "Effective Date," as used herein, is the date on which the Consent Order is issued by the Associate Administrator, PHMSA, incorporating the terms of this Agreement.

IX. Recordkeeping and Information Disclosure:

20. Unless otherwise required in this Agreement, Respondent agrees to maintain records demonstrating compliance with all requirements of this Agreement for a period of at least five (5) years following completion of all work to be performed. For any reports, plans, or other deliverables required to be submitted to PHMSA pursuant to this Agreement, Respondent may assert a claim of business confidentiality or other protections applicable to the release of information by PHMSA, covering part or all of the information required to be submitted to PHMSA pursuant to this Agreement in accordance with 49 C.F.R. Part 7. Respondent must mark the claim of confidentiality in writing on each page, and include a statement specifying the grounds for each claim of confidentiality. PHMSA determines release of any information submitted pursuant to this Agreement in accordance with 49 C.F.R. Part 7, the Freedom of Information Act, 5 U.S.C. § 552, DOT and PHMSA policies, and other applicable regulations and Executive Orders.

X. Modification:

21. The terms of this Agreement may be modified by mutual agreement of the Parties. Such modifications must be in writing and signed by both parties.

XI. Termination:

22. This Agreement will remain in effect until the Civil Penalty is paid in full and the Compliance Order in Section IV is satisfied, as determined by the Director. The Agreement shall not terminate until the Director confirms, in writing, that the Agreement is terminated in accordance with this paragraph. Nothing in this Agreement prevents Respondent from completing any of the obligations earlier than the deadlines provided for in this Agreement.

XII. Ratification:

23. The Parties' undersigned representatives certify that they are fully authorized to enter into the terms and conditions of this Agreement and to execute and legally bind such party to this document.

24. The Parties hereby agree to all findings, conditions, and terms of this Agreement.

For Holly Energy Partners – Operating, L.P.:

Robert Jamieson
Senior Vice President and Chief Operating Officer

Date

For PHMSA:

Bryan Lethcoe
Director, Southwest Region, Office of Pipeline Safety

Date