U.S. Department
of Transportation

Pipeline and Hazardous Materials
Safety Administration

12300 W. Dakota Ave., Suite 110
Lakewood, CO 80228

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 21, 2017

Mr. Mark Plake
President
Holly Energy Partners
2828 N. Harwood, Suite 1300
Dallas, TX 75201

CPF 5-2017-6022W

Dear Mr. Plake:

On October 3 through October 5, 2016, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your Salt Lake Refinery System in North Salt Lake, Utah. I was one of those representatives.

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. The items inspected and the probable violations are:

1. **§195.452 Pipeline integrity management in high consequence areas.**
(g) *What is an information analysis?* In periodically evaluating the integrity of each pipeline segment (paragraph (j) of this section), an operator must analyze all available information about the integrity of the entire pipeline and the consequences of a failure. This information includes:
(2) Data gathered through the integrity assessment required under this section;

At this time, Holly continues to conduct the data/information analysis manually. Holly is currently migrating the data into the GIS/PODS. In the future, the data integration will be part of GIS/PODS. Meanwhile, Holly continues to collect the data from the anomaly digs, i.e. Long seam orientation. However, Holly had not performed a re-evaluation of the data to identify any potential repair conditions, i.e. §195.452(h)(4)(iii)(H).

2. **§195.452 Pipeline integrity management in high consequence areas.**
(h) ***What actions must an operator take to address integrity issues?***
(2) ***Discovery of condition.*** **Discovery of a condition occurs when an operator has adequate information about the condition to determine that the condition presents a potential threat to the integrity of the pipeline. An operator must promptly, but no later than 180 days after an integrity assessment, obtain sufficient information about a condition to make that determination, unless the operator can demonstrate that the 180-day period is impracticable.**

Holly did not declare the discovery for their 10-inch pipeline within 180 days after an integrity assessment. It was noted that an integrity assessment for the 10-inch was assessed on December 18, 2012 and the date for discovery of condition for the 10-inch was declared on November 20, 2013.

3. **§195.452 Pipeline integrity management in high consequence areas.**
(h) ***What actions must an operator take to address integrity issues?***
(1) General Requirements. An operator must take prompt action to address all anomalous conditions the operator discovers through the integrity assessment or information analysis. In addressing all conditions, an operator must evaluate those that could reduce a pipeline's integrity. An operator must be able to demonstrate that the remediation of the condition will ensure the conditions is unlikely to pose a threat to the long-term integrity of the pipeline An operator must comply with 195.422 when making a repair.
(i) ***Temporary pressure reduction.*** **An operator must notify PHMSA, in accordance with paragraph (m) of this section, if the operator cannot meet the schedule for evaluation and remediation required under paragraph (h)(3) of this section and cannot provide safety through a temporary reduction in operating pressure.**

Holly failed to notify PHMSA for their 10-inch pipeline when the schedule could not be met for evaluation and remediation and a temporary pressure reduction could not be reduced.

4. **§195.452 Pipeline integrity management in high consequence areas.**
(h) What actions must an operator take to address integrity issues?
(4) ***Special requirements for scheduling remediation***
(i) ***Immediate repair conditions.*** **An operator's evaluation and remediation schedule must provide for immediate repair conditions. To maintain safety, an**

operator must temporarily reduce the operating pressure or shut down the pipeline until the operator completes the repair of these conditions. An operator must calculate the temporary reduction in operating pressure using the formulas referenced in paragraph (h)(4)(i)(B) of this section. If no suitable remaining strength calculation method can be identified, an operator must implement a minimum 20 percent or greater operating pressure reduction, based on actual operating pressure for two months prior to the date of inspection, until the anomaly is repaired.

Holly did not remediate the four (4) anomalies promptly for their 10-inch pipeline. The repairs for the four (4) immediate repair conditions were completed between August 23, 2013 and August 29, 2013.

5. **§195.452 Pipeline integrity management in high consequence areas.**
(j) ***What is a continual process of evaluation and assessment to maintain a pipeline's integrity?***
(2) ***Evaluation.*** **An operator must conduct a periodic evaluation as frequently as needed to assure pipeline integrity. An operator must base the frequency of evaluation on risk factors specific to its pipeline, including the factors specified in paragraph (e) of this section. The evaluation must consider the results of the baseline and periodic integrity assessments, information analysis (paragraph (g) of this section), and decisions about remediation, and preventive and mitigative actions (paragraphs (h) and (i) of this section).**

There was no formal documentation that the periodic evaluation had been performed.

6. **§195.452 Pipeline integrity management in high consequence areas.**
(j) ***What is a continual process of evaluation and assessment to maintain a pipeline's integrity?***
(3) ***Assessment intervals.*** **An operator must establish five-year intervals, not to exceed 68 months, for continually assessing the line pipe's integrity. An operator must base the assessment intervals on the risk the line pipe poses to the high consequence area to determine the priority for assessing the pipeline segments. An operator must establish the assessment intervals based on the factors specified in paragraph (e) of this section, the analysis of the results from the last integrity assessment, and the information analysis required by paragraph (g) of this section.**

Integrity Assessment records indicated that Holly used 68 months to establish the re-assessment interval. In addition, Section 3.5.1 of the IMP Manual states, "An acceptable integrity assessment method is 5 years (68 months). The IM Rule requires a nominal five-year interval while recognizing that unexpected contingencies can arise." At the time of the inspection, it was noted that Holly did not encounter any unexpected events from their

integrity assessment(s). Therefore, Holly did not comply with the Rule as required by Section 195.452(j)(3), i.e. 12-inch Woods Cross-Chevron (The second assessment was conducted on 3/24/2014 and the latest assessment was conducted on 8/31/2015) and 8-inch Woods Cross-Chevron (The second assessment was conducted on 6/29/2009 and the latest assessment was conducted on 2/26/2015).

7. **§195.452 Pipeline integrity management in high consequence areas.**
(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.**

There was no formal documentation to demonstrate that additional preventive and mitigative measures had been considered and implemented.

8. **§195.452 Pipeline integrity management in high consequence areas.**
(i) ***What preventive and mitigative measures must an operator take to protect the high consequence area?***
(3) ***Leak detection.*** **An operator must evaluate the capability of its leak detection means and modify, as necessary, to protect the high consequence area. An operator's evaluation must, at least, consider, the following factors – length and size of the pipeline, the type of product carried, the pipeline's proximity to the high consequence area, the swiftness of leak detection, location of nearest response personnel, leak history, and risk assessment results.**

There was no formal documentation to demonstrate that leak detection for the 8-inch, 10-inch, and 12-inch pipelines had been evaluated or modified.

9. **§195.452 Pipeline integrity management in high consequence areas.**
(k) ***What methods to measure program effectiveness must be used?*** **An operator's program must include methods to measure whether the program is effective in assessing and evaluating the integrity of each pipeline segment and in protecting the high consequence area. See Appendix C of this part for guidance on methods that can be used to evaluate a program's effectiveness.**

There was no formal documentation available to demonstrate that performance metrics were employed in order to evaluate the effectiveness of the assessment and evaluation of the integrity of each pipeline segment in order to protect the high consequence area.

10. §195.404 ***Maps and records.***
(b) ***Each operator shall maintain for at least 3 years daily operating records that indicate-***
(2) Any emergency or abnormal operation to which the procedures under §195.402 apply.

No records were available to document the post-event review of an abnormal operation involving loss of communications for the control center.

As of April 27, 2017, under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed $209,002 per violation per day the violation persists up to a maximum of $2,090,022 for a related series of violations. 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 correct the item(s) identified in this letter. Failure to do so will result in Holly Energy Partners being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 5-2017-6022W.** 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).

Sincerely,

Huy Nguyen
Acting Director, Western Region
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry
PHP-500 J. Stahoviak (#152652)