



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

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

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

VIA ELECTRONIC MAIL TO: MR.WILLIAM JOHNSON

January 10, 2024

Mr. William Johnson
President
Phillips 66 Pipeline LLC
2331 Citywest Blvd.
Houston, Texas 77042

CPF 5-2024-010-NOPV

Dear Mr. Johnson:

From April 11, 2023 to August 29, 2023 of the on-site inspection, 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 your Borger-Chicago System in Oklahoma, Texas, Kansas, Missouri and Illinois. 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. §195.402 Procedural manual for operations, maintenance, and emergencies.

(a) General. Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline system

commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.

Phillips 66 (P66) failed to follow its written procedures when conducting normal operations and maintenance activities as is required by §195.402. Specifically, P66 failed to follow its procedures for conducting atmospheric corrosion inspections. P66's written procedure: P66-MPR-6020 – *Inspections of Spans and Exposed Piping*, Section 7.3.2 states that the inspector is required to "Evaluate the condition of the Coating", with a Good, Fair, and Poor condition standard.

Section 7.5.2 of P66's procedure also requires the inspector to "Determine the percentage and severity of surface rust, if present". P66's form GPL-401 which is used to document these inspection types is inadequate for the operator to provide detailed documentation, as is required by their own procedures. This form, GPL-401, requires only a Yes, No, or NA for corrosion or paint deterioration documentation. From reviews of the records, no inspection documented the evaluation requirements called out in P66's written procedures. Therefore, P66 failed to follow its written procedures as required by §195.402(a).

2. §195.583 What must I do to monitor atmospheric corrosion control?

(a) You must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion, as follows:

If the pipeline is located:	Then the frequency of inspection is:
Onshore	At least once every 3 calendar years, but with intervals not exceeding 39 months.
Offshore	At least once each calendar year, but with intervals not exceeding 15 months.

(b) During inspections you must give particular attention to pipe at soil-to-air interfaces, under thermal insulation, under disbonded coatings, at pipe supports, in splash zones, at deck penetrations, and in spans over water.

(c) If you find atmospheric corrosion during an inspection, you must provide protection against the corrosion as required by § 195.581.

P66 failed to inspect its pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion as is required by §195.583. Specifically, P66 failed to adequately document the inspections and the condition of the pipe found during atmospheric inspections.

From the review of records, the majority of P66's atmospheric inspections, recorded on form GPL-401 "External Inspection Checklist for Terminal / Station or Valve Site Piping", failed to document beyond the date and location with all data fields marked as "No" or "N/A".

During the field inspection, there were numerous sections of pipe with observed conditions that did not match the corresponding GPL-401 inspection forms in the record. As an example, the GPL-401 dated 04/30/2021 for East St. Louis, noted there was no corrosion or paint deterioration in the entire facility and PHMSA observed extensive paint deterioration, surface rust, and corrosion throughout the facility. Similarly, the GPL-401's noted condition(s) for Wichita North recorded no corrosion or paint deterioration existed within the facility; PHMSA observed paint deterioration and rust in numerous locations within the facility.

Further demonstrating their insufficiency of records, the operator used a single form to document the inspection of 12 exposures across 71 miles. Another form documented the entire East St. Louis facility along with manifolds and transfer lines across 25 breakout tanks. Additionally, the records review indicated that multiple GPL-401 forms improperly noted the asset contained splash zones or deck penetrations. During the field inspection, no splash zones or deck penetrations were observed on the system.

Therefore, P66 failed to properly inspect its pipeline for evidence of atmospheric corrosion as required by §195.583(a).

3. §195.581 Which pipelines must I protect against atmospheric corrosion and what coating material may I use?

(a) You must clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere, except pipelines under paragraph (c) of this section.

(b) Coating material must be suitable for the prevention of atmospheric corrosion.

(c) Except portions of pipelines in offshore splash zones or soil-to-air interfaces, you need not protect against atmospheric corrosion any pipeline for which you demonstrate by test, investigation, or experience appropriate to the environment of the pipeline that corrosion will-

(1) Only be a light surface oxide; or

(2) Not affect the safe operation of the pipeline before the next scheduled inspection.

P66 failed to provide protection against atmospheric corrosion as is required by §195.581. Specifically, P66 failed to clean and coat each pipeline that is exposed to the atmosphere. During the PHMSA field inspections, it was observed and noted that there were multiple pipe segments and appurtenances installed without being cleaned and coated, in several locations. Therefore, P66 failed to comply with § 195.581(a) by not cleaning and coating each pipeline or portion of the pipeline exposed to the atmosphere.

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 documents involved in this case, and have decided not to propose a civil penalty assessment at this time.

Proposed Compliance Order

With respect to item(s) 1, 2, and 3 pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Phillips 66. 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 5-2024-010-NOPV** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Dustin Hubbard
Director, Western Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration

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

cc: PHP-60 Compliance Registry
PHP-500 Z. Wynkoop (#23-264168)

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Phillips 66 a Compliance Order incorporating the following remedial requirements to ensure the compliance of Phillips 66 with the pipeline safety regulations:

- A. In regard to item numbers 1 and 2 of the Notice pertaining to failure to properly inspect each pipeline for atmospheric corrosion, Phillips 66 must follow its procedure to inspect each portion of pipe exposed to the atmosphere for evidence of atmospheric corrosion, document the findings, and remediate any deficiencies within **180** days of receipt of the Final Order.
- B. In regard to item number 3 of the Notice pertaining to the failure to clean and coat each portion of pipeline that is exposed to the atmosphere, Phillips 66 must clean and coat each unprotected portion of pipeline within **180** days of receipt of the Final Order.
- C. It is requested (not mandated) that Phillips 66 maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Dustin Hubbard, Director, Western 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.