



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

12300 W. Dakota Ave., Suite 340
Lakewood, CO 80228

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

VIA ELECTRONIC MAIL TO: dax_sanders@kindermorgan.com

November 17, 2025

Mr. Dax Sanders
President and CEO
SFPP, LP
1001 Louisiana Street, Suite 1001
Houston, TX 77002

CPF 5-2025-028-NOPV

Dear Mr. Sanders:

From April through November 2024, 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.) investigated the circumstances around several tank bottom failures and associated releases of refined petroleum product from Tank W-15 and Tank W-14 at SFPP LP's (SFPP) Watson Station and Tank CC-10 at SFPP's Concord Station, which occurred in 2021, 2022, and 2023, respectively.^{1,2}

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

¹ Tank W-15 had a release of 22.8 barrels (bbl.) on February 11, 2021; Tank W14 had a release of 10 bbl. on July 8, 2022; and Tank CC-10 had a release of 21.7 bbl. on August 17, 2023.

² SFPP, LP is a subsidiary of Kinder Morgan.

1. § 195.432 Inspection of in-service breakout tanks.

(a) ...

(b) Each operator must inspect the physical integrity of in-service atmospheric and low-pressure steel above-ground breakout tanks according to API Std 653 (except section 6.4.3, *Alternative Internal Inspection Interval*) (incorporated by reference, see § 195.3). However, if structural conditions prevent access to the tank bottom, its integrity may be assessed according to a plan included in the operations and maintenance manual under § 195.402(c)(3). The risk-based internal inspection procedures in API Std 653, section 6.4.3 cannot be used to determine the internal inspection interval.

SFPP failed to inspect the physical integrity of its in-service atmospheric pressure breakout tanks in accordance with API Std 653, as required. Specifically, SFPP failed to establish and follow a schedule for conducting internal inspections for tanks at their Watson and Concord facilities with intervals based on the factors described in Chapter 6 of API Std 653 and SFPP's operations and maintenance manual.³ API Std 653, Section 6.2.1, identifies factors that "must be considered to determine inspection intervals" for breakout tanks. The factors include, but are not limited to, nature of product stored, methods and materials of construction and repair, corrosion rates, and changes in operating mode, such as "frequent grounding of floating roof support legs." In addition, Section 6.2.2 states that the interval between inspections of a tank should be determined by the history of service of the tank or tanks in similar service. Finally, Section 6.4.2.1 requires intervals between inspections to be determined by the corrosion rates measured during previous inspections or anticipated based on experience with tanks in similar service.

Regarding Watson Station, on February 11, 2021, the bottom plate of SFPP's Tank W-15 failed due to bottom-side corrosion, approximately 11 years after its last internal inspection in 2010. Following this accident, PHMSA conducted an investigation at Watson Station on February 1 and 2, 2022. PHMSA's investigation of SFPP's tank inspection and corrosion testing records showed that Tank W-15 was not receiving adequate cathodic protection in the middle of the tank bottom, leading to uncontrolled bottom-side corrosion and ultimately the tank bottom failure.

During the same February 2022 investigation, PHMSA found that Tanks W-15 and W-14 at Watson Station were built around the same time (1989), by the same manufacturer, using the same materials and geometry. Based on this information, PHMSA issued a Letter of Concern to SFPP on April 19, 2022. The Letter of Concern noted that in accordance with API Std 653, Section 6.4.2.1, internal inspection intervals must be determined by the corrosion rates measured "or anticipated based on experience with tanks in similar service." The Letter of Concern advised that SFPP should advance Tank W-14's inspection schedule and investigate whether similarly inadequate cathodic protection existed for Tank W-14 because of its similarity to Tank W-15.⁴

³ See API Standard 653, 3rd Ed Dec. 2001, including addendum 1 and 2 and errata; See also SFPP's tank inspection procedure (L-O&M 2101 dated 3/19/19, section 3.3).

⁴ SFPP planned a 20-year inspection schedule for both Tanks W-14 and W-15 prior to their failures.

On July 8, 2022, 11 years after its last internal inspection in 2011 and over two months after PHMSA's Letter of Concern, Tank W-14's bottom plate also failed due to inadequate cathodic protection and bottom-side corrosion. PHMSA conducted an investigation at Watson Station in November 2024 and found that SFPP did not inspect Tank W-14 following Tank W-15's failure. In addition, as part of the November 2024 investigation, PHMSA reviewed Tank W-14's 2011 internal inspection reports and found widespread soil-side corrosion had been identified by SFPP in 2011.

Based on experience with tanks in similar service, SFPP was required to inspect Tank W-14 after the February 2021 release involving Tank W-15 to minimize the possibility of recurrence but SFPP failed to do so, which directly contributed Tank W-14's July 8, 2022 tank bottom failure and release.⁵ Despite SFPP having ample information that Tank W-14 was receiving inadequate cathodic protection and experiencing bottom-side corrosion prior to the July 2022 failure, SFPP failed to inspect the tank in accordance with API Std 653.

Regarding Concord Station, SFPP also failed to establish and follow a schedule for conducting internal inspections for Tanks CC-8 and CC-9 after the failure of Tank CC-10 on August 17, 2023.

According to the SFPP Accident Report, SFPP determined on December 13, 2023 that petroleum hydrocarbons were leaking into contaminant at the Concord facility from a crack in the floor of Tank CC-10. Following this accident, PHMSA conducted an investigation in November 2024. A review of SFPP's failure investigation records found that Tank CC-10's floor failed due to fatigue and repeated mechanical stresses resulting in a through-crack near a fillet-welded, square-cornered reinforcing pad (repad) striker plate. During the November 2024 investigation, PHMSA reviewed prior inspection records and tank nameplate information and found that Tanks CC-8, CC-9, and CC-10 were all built by the same manufacturer, using the same materials and were equipped with the same striker plate repads. In addition, SFPP stated that all three tanks were used to store refined petroleum products and had their floating roof support legs grounded frequently (more than once a week).

According to API Std 653 Section 6.2.1, SFPP must consider, among other factors, the methods and materials of tank construction and repair and the change in operating mode such as frequency of fill cycling and frequency of grounding the floating roof support legs to determine the inspection interval for a tank. In addition, according to API Std 653, Section 6.2.2, SFPP should, in establishing an inspection interval, consider whether "special reasons indicate that an earlier inspection must be made" when determining an inspection interval based on the service history of the tank or a tank in similar service. Experience with tanks in similar service required SFPP to inspect and, if needed, replace repads on Tanks CC-8 and CC-9 after the Tank CC-10's

⁵ After the February 2021 release, SFPP was required to investigate the pipeline accidents to determine the causes and minimize the possibility of recurrence of those accidents pursuant to § 195.402(c)(5) and (6). On February 11, 2021, 49 CFR § 195.402(c)(5) and (6) stated "The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations...(5) Analyzing pipeline accidents to determine their causes. (6) Minimizing the potential for hazards identified under paragraph (c)(4) of this section and the possibility of recurrence of accidents analyzed under paragraph (c)(5) of this section."

release to minimize the possibility of recurrence.⁶ However, as of the November 2024 on-site investigation, SFPP had not conducted the required API Std 653 internal inspection for Tanks CC-8 and CC-9.

Despite SFPP having information that Tanks CC-8 and CC-9 were of the same methods and materials of construction and repair as CC-10 and had been used in the same operational mode (including frequent grounding of the floating roof support legs) SFPP failed to inspect Tanks CC-8 and CC-9 in accordance with API Std 653. In conclusion, SFPP failed to establish and follow a schedule for conducting internal inspections of the physical integrity of its in-service atmospheric pressure breakout tanks Tank W-14 at Watson Station, and Tanks CC-8 and CC-9 at Concord Station, in accordance with API Std 653, as required.

Proposed Civil Penalty

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$272,926 per violation per day the violation persists, up to a maximum of \$2,729,245 for a related series of violations. For violation occurring on or after December 28, 2023 and before December 30, 2024, the maximum penalty may not exceed \$266,015 per violation per day the violation persists, up to a maximum of \$2,660,135 for a related series of violations. For violation occurring on or after January 6, 2023 and before December 28, 2023, the maximum penalty may not 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.

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 \$ 276,400 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$ 276,400

⁶ After the December 2023 accident, SFPP was required to have and follow a procedure for “investigating and analyzing pipeline accidents and failures...to determine the cause(s) and contributing factors of the failure and to minimize the possibility of a recurrence” per 49 CFR § 195.402(c)(5).

Proposed Compliance Order

With respect to Item 1 pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to SFPP, 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 5-2025-028-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 J. Gano (24-298503)

PROPOSED COMPLIANCE ORDER

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

- A. In regard to Item 1 of the Notice pertaining to Tanks CC-8 and CC-9 at Concord Station, SFPP, LP inspect and must replace, if necessary, the striker plate repads on Tanks CC-8 and CC-9 at their Concord Station Facility within **90** days of receipt of the Final Order. SFPP, LP must submit to the Director of the Western Region photographs and a record of the inspection and repairs, signed by an API Std 653 certified inspector, within **90** days of completing the repairs.
- B. It is requested (not mandated) that SFPP LP 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.