

MAR 01 2011

VIA CERTIFIED MAIL AND FAX TO: (918) 574-7003 [7005 1160 0001 0040 0115]

Mr. Rick Olsen
Senior Vice President
Operations & Technical Services
Magellan Pipeline Company, LP
One Williams Center
Mail Drop 27
Tulsa, OK 74172

Re: CPF No. 4-2011-5006H

Dear Mr. Olsen:

Enclosed please find the Corrective Action Order issued in the above-referenced case. It requires Magellan Pipeline Company, LP, to take immediate corrective actions with respect to its hazardous liquid transmission pipeline running from Texas City to Pasadena, Texas, that experienced a failure on February 24, 2011. Service is being made by certified mail and facsimile. Your receipt of this Corrective Action Order constitutes service of that document under 49 C.F.R. § 190.5. The terms and conditions of this Corrective Action Order are effective upon receipt.

We look forward to a successful resolution of the concerns arising out of this recent pipeline failure and to ensure the safety of the line. Please direct any questions on this matter to Rod Seeley, Director, Southwest Region, at (713) 272-2859.

Sincerely,

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Enclosures: Corrective Action Order and Copy of 49 C.F.R. § 190.233

cc: Mr. Rod Seeley, Director, Southwest Region

**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)	
)	
Magellan Pipeline Company, LP,)	CPF No. 4-2011-5006H
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Respondent.)	
)	

CORRECTIVE ACTION ORDER

Background and Purpose

This Corrective Action Order (Order) is being issued, under authority of 49 U.S.C. § 60112, to require Magellan Pipeline Company, LP (Magellan or Respondent) to take necessary corrective action to protect the public, property, and the environment from potential hazards associated with a failure involving Respondent’s 18-inch pipeline system running from Texas City to Pasadena, Texas.

On February 24, 2011, a failure occurred on the pipeline system in Texas City, Texas, at milepost (MP) 3.0, resulting in the release of approximately 1,000 barrels of gasoline. The cause of the failure has not yet been determined, but early examinations indicate that the failure occurred on an electric resistance welded (ERW) longitudinal seam. Pursuant to 49 U.S.C. § 60117, the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), initiated an investigation of the accident. The preliminary findings of the agency’s ongoing investigation are as follows.

Preliminary Findings

- Magellan is the operator of an 18-inch pipeline which transports refined product from Texas City, Texas, to Pasadena, Texas (Affected Pipeline). On February 24, 2011, an accident occurred on the Affected Pipeline in Texas City, in the north-central section of the city (Accident). The Accident resulted in the release of approximately 1,000 barrels of gasoline in a semi-rural area.
- The Affected Pipeline originates in Texas City, parallels Highway 146, and terminates at a Kinder Morgan facility in Pasadena, Texas. Magellan describes the pipeline as

34.5 miles of 18" outside diameter, .219" wall thickness, grade X-52 pipe. The pipeline was constructed in 1962. Magellan purchased the system from BP Pipelines (North America), Inc., in 2010 and began operating the pipeline in January 2011.

- The Accident occurred on February 24, 2011, at 1:03 AM CST. At approximately 1:05 AM CST, Magellan shut down the Logan pump station and closed valves on the system, isolating all sections of the pipeline.
- There were no fires or injuries as a result of the Accident. Texas City Emergency Response evacuated approximately 30 homes and closed a section of State Highway 146 to traffic.
- PHMSA became aware of the Accident on February 24, 2011, when the agency received NRC Report #968387. The failed section of the pipeline has been removed and transported to a metallurgical laboratory for determination of the probable cause of the accident. The cause of the Accident has not yet been determined, but visual inspection of the pipe indicates that the failure is on an ERW longitudinal seam.
- The Affected Pipeline was hydrostatically pressure-tested to establish an MOP of 903 psig. The discharge pressure at the time of the Accident was 830 psig at the Logan pump station, which is 3.0 miles upstream of the failure site.
- The release occurred in a semi-rural area with a large home-improvement store located 1400 feet southwest of the site. The failure site is heavily wooded on one side of the ROW. The site is classified as a High Consequence Area (HCA) due to the possibility of runoff to surface water.
- The released product ran off into a drainage ditch affected by tidal currents. The drainage ditch allowed a small volume of gasoline to enter Bayou Pierre, which drains into Moses Lake. No product migrated into Moses Lake and only a slight sheen was reported on the Bayou. Booms were deployed and the sheen was cleared. The extent of affected soil at the failure site is still unclear at this time.
- A restart plan for the Affected Pipeline was submitted to and approved by the Director, Southwest Region, PHMSA. The pipeline was filled and restarted without incident the evening of February 28, 2011, and is being operated at a reduced pressure.
- The pipeline was last inspected with a GE Ultrasonic Crack Detection Tool on May 20, 2010. A prior integrity assessment was completed on August 28, 2009, using a Rosen AFD (axial flaw detection) and XGP (high-resolution geometry) tool. Magellan is currently reviewing the results of the metallurgical examination and will be correlating findings to tool-measured anomalies at this location.
- The Affected Pipeline's right-of-way crosses several coastal bayous and high-population HCAs. An accident causing a release of product in these areas could have a serious environmental impact or pose a hazard to human safety.

- ERW pipe manufactured prior to 1970 has a history of increased risk of seam failures. PHMSA issued two advisory bulletins (ALN-88-01 on January 28, 1988, and ALN-89-01 on March 8, 1989) regarding factors contributing to operational failures of pipelines constructed with ERW pipe manufactured prior to 1970. PHMSA identified selective corrosion of the ERW seam as a contributing cause of failure in a significant number of these accidents. Other failures have occurred due to the growth of manufacturing defects in ERW seams. The advisory bulletins recommended that operators reevaluate the potential for safety problems on their high-pressure pre-1970 ERW pipelines by hydrostatic testing on those pipelines, ensuring the effectiveness of cathodic protection systems, and taking additional safety measures.

Determination of Necessity for Corrective Action Order and Right to Hearing

Section 60112 of Title 49, United States Code, provides for the issuance of a Corrective Action Order, after reasonable notice and the opportunity for a hearing, requiring corrective action, which may include the suspended or restricted use of a pipeline facility, physical inspection, testing, repair, replacement, or other action, as appropriate. The basis for making the determination that a pipeline facility is hazardous and requiring corrective action is set forth both in the above-referenced statute and 49 C.F.R. § 190.233, a copy of which is enclosed.

Section 60112 and the regulations promulgated thereunder provide for the issuance of a Corrective Action Order without prior opportunity for notice and hearing upon a finding that failure to issue the Order expeditiously will likely result in serious harm to life, property, or the environment. In such cases, an opportunity for a hearing will be provided as soon as practicable after the issuance of the Order.

After evaluating the foregoing preliminary findings of fact, I find that continued operation of the Affected Pipeline without corrective measures would be hazardous to life, property, and the environment. Additionally, having considered the age of the pipe, the process by which the pipe was manufactured, circumstances surrounding this failure, the proximity of the pipeline to populated areas, roadways, and navigable waterways, the fact that the failure occurred in an HCA, the hazardous nature of the product being transported, the pressure required for transporting the material, the uncertainties as to the cause of the failure, and the ongoing investigation to determine the cause of the failure, I find that a failure to issue this Order expeditiously to require immediate corrective action would result in the likelihood of serious harm to life, property, or the environment.

Accordingly, this Corrective Action Order mandating immediate corrective action is issued without prior notice and opportunity for a hearing. The terms and conditions of this Order are effective upon receipt.

Within 10 days of receipt of this Order, Respondent may request a hearing, to be held as soon as practicable, by notifying the Associate Administrator for Pipeline Safety in writing, with a copy to the Director, Southwest Region, PHMSA. If a hearing is requested, it will be held telephonically or in-person in Houston, Texas.

After receiving and analyzing additional data in the course of this investigation, PHMSA may identify other corrective measures that need to be taken. In that event, Respondent will be notified of any additional measures required and amendment of this Order will be considered. To the extent consistent with safety, Respondent will be afforded notice and an opportunity for a hearing prior to the imposition of any additional corrective measures.

Required Corrective Action

Pursuant to 49 U.S.C. § 60112, I hereby order Magellan to immediately take the following corrective actions with respect to the Affected Pipeline:

1. The operating pressure on the Affected Pipeline shall be subject to a 20% pressure reduction. Specifically, the discharge pressure at Respondent's Logan Pump Station shall not exceed 664 psig, which is 80% of the actual operating pressure in effect immediately prior to the Accident. This pressure restriction will remain in effect until written approval to increase the pressure or return the pipeline to its pre-failure operating pressure is obtained from the Director, Southwest Region, PHMSA (Director) as set forth in Item 8 below. If the results of any action undertaken pursuant to this Order necessitate a further reduction in the operating pressure permitted by this Order, Respondent must further reduce the operating pressure accordingly.
2. Within 30 days of receipt of this Order, develop and submit to the Director for prior approval a protocol for complete mechanical and metallurgical testing and failure analysis of the failed pipe. Complete the testing in accordance with the approved protocol. The protocol should provide for testing and analysis to be completed as follows:
 - (A) Document the chain of custody when handling and transporting the failed pipe section and other evidence originating from the failure site;
 - (B) Utilize mechanical and metallurgical testing protocols, including selection of the testing laboratory;
 - (C) Prior to commencing the mechanical and metallurgical testing, provide the Director with the scheduled date, time, and location of the testing to allow a PHMSA representative to witness the testing; and
 - (D) Ensure that the testing laboratory distributes all resulting reports in their entirety, whether draft or final, to the Director at the same time they are made available to Respondent.
3. Within 60 days of receipt of this Order, develop and submit to the Director for prior approval a written remedial work plan that includes corrective measures. The work plan must provide for the verification of the integrity of the Affected Pipeline and must fully address all known or suspected factors that caused or contributed to the Accident, including, but not limited to:

- (A) The integration of the information developed from the actions required by Item 2 above with all relevant operating data and performance of a root cause analysis of the Accident;
 - (B) The performance of additional field testing, inspections, and evaluations to determine whether and to what extent the conditions associated with the failure, or any other integrity-threatening conditions, such as internal corrosion, dents or cracks, are present elsewhere on the Affected Pipeline. To the extent warranted by the failure analysis, include an in-line inspection with consideration for tool tolerances and confirmation excavations in the plan. In addition, should other integrity-threatening conditions be identified where hydrostatic testing is an appropriate method for integrity assessment, include such testing in the plan. Include a detailed description of the criteria to be used for the evaluation and prioritization of any integrity threats/anomalies that are identified. Make the results of the inspections, field excavations, and evaluations available to PHMSA or its representative;
 - (C) The performance of repairs or other corrective measures that fully remediate the conditions associated with the pipeline failure and any other integrity-threatening condition everywhere along the Affected Pipeline where such conditions are identified by the evaluation process. Include a detailed description of the repair criteria and methods to be used in undertaking any repairs or other remedial actions;
 - (D) Provisions for continuing long-term periodic testing and integrity verification measures to ensure the ongoing safe operation of the Affected Pipeline, considering the results of the analyses, inspections, and corrective measures undertaken pursuant to this Order; and
 - (E) A proposed schedule for completion of the actions required by paragraphs (A) through (D) of this Item.
4. The remedial work plan becomes incorporated into this Order and shall be revised as necessary to incorporate the results of actions undertaken pursuant to this Order and whenever necessary to incorporate new information obtained during the failure investigation and remedial activities. Submit any such plan revisions to the Director for prior approval. The Director may approve plan elements incrementally.
5. Implement the work plan as it is approved by the Director, including any revisions to the plan. Any actions taken by Magellan to meet the requirements of the work plan must be in accordance with the terms of that work plan, as approved by the Director, unless the actions have prior written approval from the Director before the actions are initiated. Make the results of all actions taken in accordance with the approved plan available to PHMSA or its representative.
6. Submit quarterly reports to the Director that: (1) include available data and results of the testing and evaluations required by this Order; and (2) describe the progress of the repairs and other remedial actions being undertaken. The first quarterly report shall be due March 31, 2011.

7. It is requested that Magellan maintain documentation of the costs associated with implementation of this Corrective Action Order. It is requested that Magellan include in each quarterly report submitted pursuant to Item 6 the to-date total costs associated with: (1) preparation and revision of procedures, studies and analyses; (2) physical changes to pipeline infrastructure, including repairs, replacements and other modifications; and (3) environmental remediation.
8. The Director may allow the removal or modification of the pressure restriction set forth in Item 1 upon a written request from Respondent demonstrating that the hazard has been abated and that restoring the Affected Pipeline, or portion thereof, to its pre-failure operating pressure is justified based on a reliable engineering analysis showing that the pressure increase is safe considering all known defects, anomalies, and operating parameters of the pipeline.

The Director may grant an extension of time for compliance with any of the terms of this Order upon a written request timely submitted demonstrating good cause for an extension.

With respect to each submission under this Order that requires the approval of the Director, the Director may: (a) approve, in whole or part, the submission; (b) approve the submission on specified conditions; (c) modify the submission to cure the deficiencies; (d) disapprove in whole or in part, the submission, directing that Respondent modify the submission, or (e) any combination of the above. In the event of approval, approval upon conditions, or modification by the Director, Respondent shall proceed to take all action required by the submission as approved or modified by the Director. In the event that the Director disapproves all or any portion of the submission, Respondent shall correct all deficiencies within the time specified by the Director, and resubmit it for approval. In the event that a resubmitted item is disapproved in whole or in part, the Director may again require Respondent to correct the deficiencies in accordance with the foregoing procedure, and/or the Director may otherwise proceed to enforce the terms of this Order.

Respondent may appeal any decision of the Director to the Associate Administrator for Pipeline Safety. Decisions of the Associate Administrator shall be final.

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).

In your correspondence on this matter, please refer to "CPF No. 4-2011-5006H" and for each document you submit, please provide a copy in electronic format whenever possible. The actions required by this Corrective Action Order are in addition to and do not waive any requirements that apply to Respondent's pipeline system under 49 C.F.R. Parts 190 through 199, under any other order issued to Respondent under authority of 49 U.S.C. Chapter 601, or under any other provision of Federal or State law.

Failure to comply with this Order may result in the assessment of civil penalties and in referral to the Attorney General for appropriate relief in United States District Court pursuant to 49 U.S.C. § 60120.

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

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Date Issued