

U.S. DEPARTMENT OF TRANSPORTATION

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION (PHMSA)

Special Permit Analysis and Findings**Purpose:**

This information is provided to describe the relevant facts of the special permit petition described below, the engineering and safety analysis completed by the Pipeline and Hazardous Materials Safety Administration (PHMSA), and the findings resulting in the denial of a special permit to Plains Pipeline, L.P.

Special Permit Information:

Docket Number: PHMSA-2009-0043
Pipeline Operator: Plains Pipeline, L.P.
Date Requested: January 20 & 27, 2009
Code Section(s): 49 CFR § 195.432(d)

Pipeline System Affected: The special permit request involved thirty-three (33) above ground storage tanks located in Texas (25), Oklahoma (4), New Mexico (2), Louisiana (1), Alabama (1), and Mississippi (1).

Special Permit Request

Plains Pipeline, L.P. (Plains), petitioned PHMSA on January 20, 2009, for a special permit seeking relief from the Federal pipeline safety regulations in 49 CFR § 192.432(d) for thirty-three above ground tanks. Plains petitioned PHMSA for a special permit for an 18 month extension of the requirement to perform API 653 Out Of Service (OOS) inspections on thirty-three above ground storage tanks. Plains stated that pursuant to 49 CFR 195.432(d), these tanks must have their OOS completed by May 3, 2009. The tanks are located in Texas (25), Oklahoma (4), New Mexico (1), Louisiana (1), Alabama (1), and Mississippi (1).

On January 27, 2009, Plains also requested a stay of enforcement addressed to the PHMSA Regional Directors of the Southwest and Southern Regions. Plains requested that PHMSA stay enforcement on API 653 OOS inspection requirements pursuant to 49 CFR 195.432(d) on the 33 tanks listed pending approval of the Petition for Limited-Term Special Permit.

Public Notice:

On Monday, March 9, 2009, PHMSA posted a notice of this special permit request in the Federal Register (74 FR 10125). In the same Federal Register notice, we informed the public that we have changed the name granting such a request to a special permit. We did not receive any comments for or against this special permit request as a result of this notice. The request letter, Federal Register notice and all other pertinent documents are available for review in Docket No. PHMSA-2009-0043 in the Federal Docket Management System (FDMS) located on the internet at www.Regulations.gov.

Review and Analysis:

PHMSA Field Audit of Facilities: After receiving the special permit request, PHMSA personnel conducted an on-site inspection of the subject tanks. During the field inspection, PHMSA's inspectors identified a number of concerns with the condition of the tanks. These concerns included:

- atmospheric corrosion of tank metal;
- broken foundations;
- poorly supported tank bottoms;
- product under new soil;
- leaking mixers; and
- tank rivets seeping crude at the terminals on many tanks.

During the field inspections, there were many areas where new soil had been pushed up around the tank bottoms. Plains personnel said that the soil work had been completed one to two days prior to the inspection. Much of the soil had not been compacted and the inspectors sank up to mid-calf in some areas. Insufficiently compacted soil may not provide tank support or dike integrity, as well as masking previous or ongoing integrity concerns. At one tank, PHMSA's inspectors could not determine if the tank had recently leaked or if it was poor maintenance, or both. One dike showed new soil movement, as if the whole barrier had been rebuilt or just constructed higher.

In addition to the dike and tank support concerns, one tank repair showed the use of what appeared to be FBE coating repair material to prevent rivets from leaking. Manifold piping

attached to the tanks, valves and other appurtenances on the tanks did not have adequate coating to protect from atmospheric corrosion, although some of the piping had been completed three years prior to the inspection. Two tanks in Monahans, TX (1718 & 1719), were disconnected from their grounding rods. Monthly records indicate that this condition existed from May 5, 2007 through February 18, 2009.

PHMSA's inspectors also identified insufficient security at the facilities at Cimarron, OK and Wheeler, TX, where a total of seven of the tanks in question are located. Loose barbed-wire fencing provides security, and one side of the Cimarron, OK facility is open to the river with no fence. Plains personnel stated that due to the remoteness of the facility at Wheeler, TX, there was no need for security. One tank at Wheeler, TX had what appeared to be shotgun shot patterns in the side of the tank, indicating that unauthorized individuals probably made entry into the facility. There were also unlocked valves and unsecured access to roofs of the tanks at the Wheeler, TX terminal.

API 653 Records Review: PHMSA requested the tank records required under 195.432(d) which states "*The intervals of inspection specified by documents referenced in paragraphs (b) and (c) of this section begin on May 3, 1999, or on the operator's last recorded date of the inspection, whichever is earlier*". However, Plains did not have any records demonstrating that the previous owners had performed API 653 OOS inspections prior to Plains' acquisition of any of the tanks. Plains has not performed any OOS inspections on the thirty-three tanks since their acquisition.

Section 6.4.2 of API 653 Inspection Interval states "*Intervals between internal inspections shall be determined by the corrosion rates measured during previous inspections or anticipated based on experience with tanks in similar service. Normally, bottom corrosion rates will control and the inspection interval will be governed by the measured or anticipated corrosion rates and the calculations for minimum required thickness of tank bottoms. The actual inspection interval shall be set to ensure that the bottom plate minimum thicknesses at the next inspection are less than the values listed in Table 6-1. In no case, however, shall the internal inspection interval exceed 20 years.*" Plains was unable to provide information that the tanks in question have not exceeded the 20 years interval. Plains did not provide information that any OOS inspections had been performed to determine corrosion rates on similar tanks in the facility.

Monthly Inspection Records: There were a number of concerns identified from PHMSA's review of the monthly tank inspections provided to PHMSA's inspectors:

- There were a number of the tanks' records where all the conditions of the tank addressed on the inspection form were checked satisfactorily. However, our field inspection noted rivet leaks, broken foundations, atmospheric corrosion, missing support under tank bottoms and other issues too numerous to catalog.
- There were records for nine (9) tanks where the monthly inspections had not been performed, missing two (2) to 12 months on each tank.
- There were five (5) records where unsatisfactory conditions existed from 12 to 24 months after first report. These include alarms on tanks, grounding cables, leaking mixers and leaking rivets.
- Notations found on certain monthly maintenance records indicated that the tanks were disconnected, empty, and idled. One stated that the tank was to be demolished.
- The recordkeeping methodology did not follow Plains' procedure for addressing satisfactory and unsatisfactory issues, as discovered in the recent PHMSA Integrated Inspection of Plains in 2008.
- The records indicated that Hendrick, TX, Tanks 257 and 259 were empty and idle as late as February 28, 2009, and that Wink, TX, Tanks 1644 and 1653, were empty as of the last Plains inspection on September 30, 2008.

Cathodic Protection Records: The records were reviewed and although the protection levels were adequate, it could not be determined that the cathodic protection was effectively protecting the center of the tanks. In those areas where there was missing foundation or support, cathodic protection would not be present. In some cases the missing ground support appeared to have been made from badgers, ground hogs and other types of burrowing animals.

API 653 External Inspections: The records provided indicated that one tank 41085, located in Cimarron, OK, should have been inspected in October 2008 (almost six months overdue). Previous tank inspections indicated that a number of the tanks did not meet API 653 requirements and should be addressed by Plains or the previous operator. These issues ranged from tank distortion to grounding of the tanks.

Maintenance Records: Plains could not provide any maintenance records to indicate that any repair or reconditioning work was ever performed on the tanks.

Additional Information: On March 17, 2009, Plains called PHMSA Southwest Regional Office to address the PHMSA Inspectors concerns of why no API 653 OOS inspections had been performed during the time that Plains had owned the tanks. Plains emphasized that at the time of acquisition and even as late as 2006, Plains did not plan to use these tanks due to the fact that the inspections and the repair would probably cost in excess of one million dollars per tank. Plains emphasized that it was a business decision to not inspect these tanks. In December, 2008, with the change in the energy market, Plains determined that they needed the 33 tanks in question, but saw they could not inspect the tanks within the inspection interval.

Findings:

The API 653 standard states that 20 years must not pass before an inspection is made on tanks. Plains does not have documentation that these tanks have ever had an API 653 inspection. Based on the lack of repair and maintenance, it appears that Plains never intended to use the tanks. The records review provides a picture that Plains did not plan to use the 33 tanks in question. The field inspection confirmed that the tanks were not maintained in a condition that would permit their safe and environmentally sound use.

After a technical review of the records and physical condition of the subject tanks in Texas, Oklahoma, and New Mexico, PHMSA finds that Plains' special permit request for an 18 month extension for complying with 49 CFR § 195.432 and API 653 OOS inspection requirements for these tanks would be inconsistent with pipeline safety. Accordingly, PHMSA denies both the Request for a Limited-Term Special Permit and the Request for Stay of Enforcement dated January 20 and January 27, 2009, respectively.

MAY 1 2009

Completed in Washington DC on: _____



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

1200 New Jersey Ave., S.E.
Washington, DC 20590

MAY 1 2009

Mr. Mark J. Gorman
Senior Vice President
Operations & Business Development
Plains Pipeline, L.P.
P. O. Box 4648
Houston, Texas 77210-4648

Dear Mr. Gorman:

On January 20, 2009, you wrote to the Pipeline and Hazardous Materials Safety Administration (PHMSA) requesting a special permit to waive compliance from PHMSA's tank inspection requirements in 49 CFR § 195.432. Specifically, you requested an 18-month extension to the requirement to perform API 653 Out Of Service (OOS) inspections on thirty-three (33) above ground storage tanks, located in Texas (25), Oklahoma (4), New Mexico (1), Louisiana (1), Alabama (1), and Mississippi (1). These storage tanks operating under PHMSA Operator ID No. 00300, must have their OOS inspections completed by May 3, 2009.

On January 27, 2009, Plains Pipeline, L.P. (Plains) requested a stay of enforcement from the PHMSA Regional Directors of the Southwest and Southern Regions. Plains requested that PHMSA stay the enforcement on API 653 OOS inspection requirements pursuant to 49 CFR § 195.432(d) on the 33 listed tanks pending PHMSA's decision on the above referenced special permit request.

Upon careful consideration, we are declining to grant a special permit or stay of enforcement to Plains Pipeline, L.P., for the reasons set forth in the *Special Permit Analysis and Findings* document enclosed and posted in Docket No. PHMSA-2009-0043, in the Federal Docket Management System (FDMS) located at www.Regulations.gov.

Because the subject tanks are out of compliance with applicable inspection and maintenance requirements, to the extent Plains continues to operate these tanks as breakout tanks Plains is potentially subject to enforcement action. Accordingly, we propose that Plains initiate the following actions:

1. If a tank is empty, do not put product in the tank. If a tank is not empty, do not put additional product in the tank.
2. Plains should not take any more nominations for these tanks.
3. Empty all of the tanks within 30 days. Provide the Director, Southwest Region with documentation that they have been emptied.

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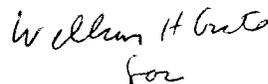
Mr. Mark J. Gorman
Plains Pipeline, L.P.

4. For any tanks that Plains intends to bring into compliance and return to service, submit a proposed plan and schedule to the Director, Southwest Region, within 60 days of receipt of this letter.
5. For any tanks that will be taken out of service permanently, submit a proposed plan and schedule for isolation from the operational system and complete removal of the potential for contamination to the Director, Southwest Region, within 90 days of receipt of this letter.

If you intend to initiate these actions as proposed, we request that you provide a written response to the Director, Southwest Region, confirming your intent no later than 30 days following your receipt of this letter. If for any reason Plains believes that these proposed steps or the proposed completion times are not feasible, Plains may propose an alternative plan to PHMSA in its response.

If you have any questions regarding this special permit denial, my staff would be pleased to discuss this or any other regulatory matter with you. John Gale, Director of Regulations (202-366-0434), may be contacted on regulatory matters and Alan Mayberry, Director of Engineering and Emergency Support (202-366-5124), may be contacted on technical matters specific to this special permit.

Sincerely,



Jeffrey D. Wiese
Associate Administrator for Pipeline Safety

Enclosure