



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

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

NOV 7 2007

Martha A. Gilles
Refinery Manager
Chevron Products Company
Hawaii Refinery
91-480 Malakole Street
Kapolei, HI 96707

Re: CPF No. 5-2004-5017

Dear Mrs. Gilles:

Enclosed is the Final Order issued by the Associate Administrator for Pipeline Safety in the above-referenced case. It makes findings of violation and finds that you have completed the actions specified in the Notice required to comply with the pipeline safety regulations. The Final Order also finds that you have addressed the inadequacies in your procedures that were cited in the Notice of Amendment. This case is now closed. Your receipt of the Final Order constitutes service under 49 C.F.R. § 190.5.

Sincerely,

A handwritten signature in black ink, appearing to read "James Reynolds".

James Reynolds
Pipeline Compliance Registry
PHMSA-Office of Pipeline Safety

Enclosure

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, D.C. 20590**

In the Matter of)

Chevron Products Company,)

Respondent)

CPF No. 5-2004-5017

FINAL ORDER

On March 15 and 16, 2004, pursuant to 49 U.S.C. § 60117, a representative of the Pipeline and Hazardous Materials Safety Administration's (PHMSA's)¹ Office of Pipeline Safety conducted an Integrity Management Program (IMP) inspection at Respondent's offices in Kapolei, Hawaii. As a result of the inspection, the Director, Western Region, PHMSA, issued to Respondent, by letter dated April 28, 2004, a Notice of Probable Violation, Proposed Compliance Order, and Notice of Amendment (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Respondent committed certain violations of 49 C.F.R. § 195.452 and ordering Respondent to take certain measures to correct the alleged violations. In accordance with 49 C.F.R. §190.237, the Notice proposed finding that certain other provisions of Respondent's IMP plans and procedures were inadequate and ordering that they be amended. Lastly, the Notice also warned Respondent to take appropriate corrective action to address other probable violations in its IMP in order to avoid future enforcement action.

Respondent responded to the Notice by letter dated May 28, 2004 (Response). Respondent did not contest the allegations of violation, but provided information concerning the corrective actions it had taken and submitted copies of its revised procedures. Respondent did not request a hearing and therefore has waived its right to one.

FINDINGS OF VIOLATION

Item 2(a). The Notice alleged that Respondent's IMP violated 49 C.F.R. § 195.452(b)(3), which states:

¹ Effective February 20, 2005, the Pipeline and Hazardous Materials Safety Administration (PHMSA) succeeded Research and Special Programs Administration as the agency responsible for regulating safety in pipeline transportation and hazardous materials transportation. See, section 108 of the Norman Y. Mineta Research and Special Programs Improvement Act (Public Law 108-426, 118 Stat. 2423-2429 (November 30, 2004)). See also, 70 Fed. Reg. 8299 (February 18, 2005) re delegating the pipeline safety authorities and functions to the PHMSA Administrator.

49 C.F.R. § 195.452 Pipeline integrity management in high consequence areas.

- (a)
- (b) *What program and practices must operators use to manage pipeline integrity?* Each operator of a pipeline covered by this section must:...
- (3) Include in the program a plan to carry out baseline assessments of line pipe as required by paragraph (c) of this section.

The Notice alleged that the methods chosen by Chevron to evaluate the pipe's low frequency electric resistance welded (LFERW) pipe were inadequate. Respondent did not contest this allegation. Accordingly, I find that Respondent violated 49 C.F.R. § 195.452(b)(3) by having inadequate methods to evaluate the pipe's LFERW seam.

Item 3. The Notice alleged that Respondent's IMP violated 49 C.F.R. §195.452(c)(1)(i), which states:

49 C.F.R. § 195.452 Pipeline integrity management in high consequence areas.

- (a)
- (c) *What must be in the baseline assessment plan?*
- (1) An operator must include each of the following elements in its written baseline assessment plan:
 - (i) The methods selected to assess the integrity of the line pipe. An operator must assess the integrity of the line pipe by any of the following methods. The methods an operator selects to assess low frequency electric resistance welded pipe or lap welded pipe susceptible to longitudinal seam failure must be capable of assessing seam integrity and of detecting corrosion and deformation anomalies.

The Notice alleged that Respondent utilized an Ultrasonic in-line inspection (ILI) tool to evaluate the line pipe for corrosion and dents but did not investigate all of the dent indications on the ILI reported data. Respondent did not contest this allegation. Accordingly, I find that Respondent violated 49 C.F.R. §195.452(c)(1)(i) by failing to investigate all of the dents indicated on the report provided by its Ultrasonic ILI tool.

These findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent.

COMPLIANCE ORDER

The Notice proposed a Compliance Order with respect to Items 2(a) and 3 in the Notice for violations of 49 C.F.R. § 195.452(b)(3) and 49 C.F.R. § 195.452(c)(1)(i). Under 49 U.S.C.

§ 60118(a), each person who engages in the transportation of hazardous liquids or who owns or operates a pipeline facility is required to comply with the applicable safety standards established under chapter 601. The Director, Western Region, PHMSA, has indicated that Respondent has taken the following actions specified in the proposed compliance order:

With regard to Item 2(a), the Response indicated that Respondent had identified all segments of its pipeline system that contain LFERW pipe. It identified longitudinal seam corrosion as a potential threat to pipeline safety on certain lines and then installed new coalescers within the refinery, instituted a corrosion coupon program, and began a comprehensive engineering analysis, including the use of a transverse MFL tool (TranScan) specifically designed to assess longitudinal seam corrosion. Additionally, Respondent noted that it used the Long Seam Susceptibility Criteria Flowchart and procedural guidelines set forth in OSPA TTO5 – LFERW and Lap Welded Longitudinal Seam Evaluation, October 2003, and planned to schedule hydrostatic tests on selected cut-out sections. Per PHMSA Western Region review, Respondent performed an engineering analysis and did not find any pipe susceptible to failure; therefore, no hydrostatic testing was required.

With regard to Item 3, the Response indicated that Respondent had contracted with a company to perform geometry tool inspections to investigate further the anomalies detected on the line and had scheduled the inspections to begin in July of 2004. According to PHMSA Western Region review, Respondent has performed the necessary investigation and excavated all dents meeting the repair criteria in the rule. Accordingly, since compliance has been achieved with respect to these violations, the compliance terms are not included in this Order.

AMENDMENT OF PROCEDURES

With respect to Items 1a, 1b, 2b, 4, 6a, 6b, 6c, 7, 8a, and 8b, the Notice alleged certain inadequacies in Respondent's IMP plans/procedures and proposed to require Respondent to amend them in order to comply with the requirements of 49 C.F.R. § 195.452.

In its Response, Respondent submitted copies of its amended procedures, which the Director, Western Region, PHMSA, has reviewed. Based upon the results of this review, I find that Respondent's original procedures as described in the Notice were inadequate to ensure safe operation of its pipeline system, but that Respondent has corrected the identified inadequacies. Therefore, no need exists to issue an order directing amendment.

WARNING ITEMS

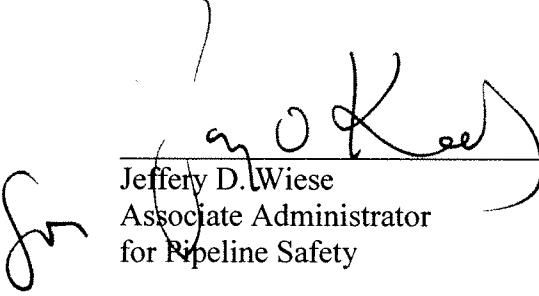
With respect to Items 2(c) and 5, the Notice alleged probable violations of Part 195 but did not propose a civil penalty or compliance order for these items. Therefore, these are considered to be warning items. The warnings were for:

Item 2(c). 49 C.F.R. § 195.452(b)(3) — Respondent's failure to have adequate baseline assessments; and

Item 5. 49 C.F.R. § 195.452(e)(1) — Respondent’s incorporation of new facilities in its IMP without conducting a risk analysis.

In the event that PHMSA finds a violation of either of these Items in a subsequent inspection, Respondent may be subject to future enforcement action.

The terms and conditions of this Final Order are effective on receipt.



Jeffery D. Wiese
Associate Administrator
for Pipeline Safety

NOV 7 2007

Date Issued