



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

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

FEB 05 2008

Mr. G.A. McKee
Operations Manager
Western Profit Center
Chevron Pipe Line Company
2811 Hayes Rd.
Houston, TX 77082

Re: CPF No. 5-2002-5023

Dear Mr. McKee:

Enclosed is the Final Order issued to the above-referenced case. It makes findings of violation and assesses a civil penalty of \$66,000. The Final Order also finds that you have completed the actions specified in the Notice that were required to bring Chevron into compliance with the pipeline safety regulations, and that you have addressed the inadequacies in your procedures that were cited in the Notice of Amendment. The penalty payment terms are set forth in the Final Order.

When the civil penalty has been paid, this enforcement action will be closed. Your receipt of the Final Order constitutes service of that document under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Enclosure

cc: Chris Hoidal, PE, Director, Western Region, PHMSA

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 Pipeline Company,

Respondent

CPF No. 5-2002-5023

FINAL ORDER

On August 6-7 and August 20-24, 2001, pursuant to 49 U.S.C. § 60117, a representative of the Research and Special Programs Administration (RSPA),¹ Office of Pipeline Safety (OPS) conducted an on-site pipeline safety inspection of Chevron Pipeline Co.'s (Respondent or Chevron), facilities and records in Salt Lake City, Utah and Rangely, Colorado. As a result of the inspection, the Director, Western Region, OPS, issued to Respondent, by letter dated June 26, 2002, a Notice of Probable Violation, Proposed Civil Penalty, Proposed Compliance Order, and Notice of Amendment (Notice). In accordance with 49 C.F.R. § 190.207, the Notice alleged that Respondent had violated 49 C.F.R. §§ 195.416 and 195.432, proposed assessing a civil penalty of \$76,000 for such violations, and proposed ordering Respondent to take certain measures to correct the violations. The Notice also proposed, in accordance with 49 C.F.R. § 190.237, that Respondent amend its procedures for Operations, Maintenance and Emergencies. In addition, the Notice contained a warning that Respondent had committed certain other probable violations of 49 C.F.R. § 195.416 and advised Respondent to take appropriate corrective action.

Respondent responded to the Notice by letter dated July 23, 2002. Respondent contested the allegations and requested a hearing. In a letter dated November 25, 2002, Respondent withdrew its request for a hearing and informed PHMSA that in lieu of the hearing, Respondent would like to submit documentation to demonstrate that its procedures adequately addressed each of the pipeline safety regulations cited in the Notice. On December 11, 2002, Respondent submitted its amended response (collectively, Response), which provided documentation responding to issues raised in the Notice and requested a reduction in the proposed civil penalty from \$76,000 to \$10,000.

¹ The Norman Y. Mineta Research and Special Programs Improvement Act, Pub. L. No. 108-426, 118 Stat. 2423 (2004), created the Pipeline and Hazardous Materials Safety Administration (PHMSA) and transferred the authority RSPA exercised under chapter 601 of title 49, United States Code, to the Administrator of PHMSA. See also 70 Fed. Reg. 8299, 8301-8302 (2005).

FINDINGS OF VIOLATION

The Notice alleged that Respondent violated 49 C.F.R. Part 195, as follows:

Item 3a in the Notice alleged that Respondent violated 49 C.F.R. § 195.416(a), which states:²

49 C.F.R. § 195.416 -- External Corrosion Control

- (a) Each operator shall, at intervals not exceeding 15 months, but at least once each calendar year, conduct tests on each buried, in contact with the ground, or submerged pipeline facility in its pipeline system that is under cathodic protection to determine whether the protection is adequate.

The Notice alleged that Respondent failed to take pipe-to-soil (P/S) or casing-to-soil (C/S) cathodic protection (CP) readings on Line #2 at MP 163+, Kilby Road Crossing, in 2000, 1999, and 1998.

In its Response, Respondent did not contest the allegation of violation or the proposed civil penalty for this violation. Respondent acknowledged that it had failed to repair shorted casings and install test leads that would have enabled it to test the C/S readings in the Mile Post (MP) 163 area. Respondent failed to test the P/S or C/S readings for Line #2 at MP 163+, Kilby Road Crossing, in calendar years 2000, 1999, and 1998. Accordingly, I find that Respondent violated 49 C.F.R. § 195.416(a) by failing to conduct tests at least once each calendar year on each buried, in contact with the ground, or submerged pipeline facility to determine that cathodic protection is adequate.

Item 3b in the Notice alleged that Respondent violated 49 C.F.R. § 195.416(a), as quoted above, by failing to take P/S or C/S CP readings on Line #1 at MP 163+, Kilby Road Crossing, in 2000, 1999, and 1998.

In its Response, Respondent did not contest the allegation of violation or the proposed civil penalty for this violation. Respondent acknowledged that it had failed to repair shorted casings and install test leads that would have enabled it to test the C/S readings in the MP 163 area. Respondent failed to test the P/S or C/S readings for Line #1 at MP 163+, Kilby Road Crossing, in calendar years 2000, 1999, and 1998. Accordingly, I find that Respondent violated 49 C.F.R. § 195.416(a) by failing to conduct tests at least once each calendar year on each buried, in contact with the ground, or submerged pipeline facility to determine that cathodic protection is adequate.

Item 3c in the Notice alleged that Respondent violated 49 C.F.R. § 195.416(a), as quoted above, by failing to take P/S or C/S CP readings on Line #1 at CP test station at MP 163.00, Kilby Road Crossing, in calendar year 2000.

² These requirements have since been amended and re-codified in 49 C.F.R. §§ 195.571 and 195.573.

In its Response, Respondent did not contest the allegation of violation or the proposed civil penalty for this violation. Respondent acknowledged that it had failed to repair shorted casings and install test leads that would allow it to test the C/S readings in the MP 163 area. Respondent failed to test the P/S or C/S readings for Line #1 at CP test station at MP 163.000, Kilby Road Crossing, for the calendar year 2000 annual CP survey. Accordingly, I find that Respondent violated 49 C.F.R. § 195.416(a) by failing to conduct tests at least once each calendar year on each buried, in contact with the ground, or submerged pipeline facility to determine that cathodic protection is adequate.

Item 3d in the Notice alleged that Respondent violated 49 C.F.R. § 195.416(a), as quoted above, by failing to take P/S or C/S CP readings on Line #1 at CP test station at MP 163.00, Kilby Road Crossing, in 1999 and 1998.

In its Response, Respondent did not contest the allegation of violation or the proposed civil penalty for this violation. Respondent acknowledged that it had failed to repair shorted casings and install test leads that would allow it to test the C/S readings in the MP 163 area. Respondent failed to test the P/S or C/S readings for Line #1 CP test station at MP 163.000, Kilby Road Crossing, for the calendar years 1998 and 1999 annual CP surveys. Accordingly, I find that Respondent violated 49 C.F.R. § 195.416(a) by failing to conduct tests at least once each calendar year on each buried, in contact with the ground, or submerged pipeline facility to determine that cathodic protection is adequate.

Item 3e in the Notice alleged that Respondent violated 49 C.F.R. § 195.416(a), as quoted above, by failing to take a P/S CP reading at the Raven Ridge line CP test station at MP 174.262, the F.L. pipeline crossing, in 2000.

In its Response, Respondent stated that it had attempted to collect data for this station in 2000 but that the data had not been correctly recorded. Respondent did not contest the allegation of violation or the proposed civil penalty for this violation. Respondent failed to test the P/S reading at the CP test station at MP 174.262, the F.L. pipeline crossing, for the calendar year 2000 annual CP survey. Accordingly, I find that Respondent violated 49 C.F.R. § 195.416(a) by failing to conduct tests at least once each calendar year on each buried, in contact with the ground, or submerged pipeline facility to determine that cathodic protection is adequate.

Item 6 in the Notice alleged that Respondent violated 49 C.F.R. § 195.432(b) and (d), which states:

49 C.F.R. § 195.432 -- Inspection of in-service breakout tanks.

(a)

(b) Each operator shall inspect the physical integrity of in-service atmospheric and low-pressure steel above-ground breakout tanks according to section 4 of API Standard 653. However, if structural conditions prevent access to the tank bottom, the bottom integrity may be assessed according to a plan included in the operations and maintenance manual under § 195.402(c)(3) . . .

- (d) 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.

The Notice alleged that Respondent failed to conduct monthly Routine In-Service Inspections for breakout tanks in accordance with API 653, Section 4 ("Suitability for Service"). The Notice alleged that Respondent missed 140 inspections for breakout tanks 132, 111, 510, 520, 101, 102, 103, 104, 106, and 141 from May 1999 until approximately August 2000 (10 tanks x 14 months). Additionally, the Notice alleged that Respondent missed a monthly breakout tank inspection on tank 111 and tank 520 in 2001 for a total of 142 alleged missed monthly breakout tank inspections.

In its Response, Respondent submitted records of six API Routine In-Service Inspections for breakout tanks that had not been provided during the inspection. The Respondent also stated that Tank 101 was not jurisdictional to DOT during the 14-month period of missed breakout tank inspections. Respondent provided a diagram of its facility showing that Tank 101 receives product from a non-DOT jurisdictional gathering line. Therefore, the 14 instances of missed inspections cited in the Notice related to tank 101 will be subtracted, as will the six missed inspections for which Respondent provided inspection records in its Response.

For the remaining 122 missed inspections, the Respondent conceded it had not performed the breakout tank inspections as required by § 195.432. However, Respondent submitted records of monthly volumetric integrity assessment (VMAC) inspections, Monthly High Level Alarm Reports, station checks, station Daily Log sheets, and Monthly Station Checks for the tanks in question. However, I find that only the records of the six API Routine In-Service Inspections for breakout tanks demonstrate compliance with § 195.432. The other VMAC, Monthly High Level Alarm Reports, station checks, station Daily Log sheets, and Monthly Station Checks simply do not meet the requirements for monthly inspections set forth in API 653, Section 4.

Accordingly, I find that Respondent violated 49 C.F.R. § 195.432(b) and (d) by failing to conduct 122 Routine In-Service Inspections for breakout tanks per API 653, section 4, as required by 49 C.F.R. § 195.432.

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

ASSESSMENT OF PENALTY

Under 49 U.S.C. § 60122, at the time of the inspection Respondent was subject to a civil penalty not to exceed \$25,000 per violation for each day of the violation up to a maximum of \$500,000 for any related series of violations.³ The Notice proposed a total civil penalty of \$76,000 for the violations of 49 C.F.R. §§ 195.416 and 195.432.

³ The Pipeline Safety Improvement Act of 2002, Pub. L. No. 107-355, § 8(b)(1), 116 Stat. 2992, increased the civil penalty liability for violating a pipeline safety standard to \$100,000 per violation for each day of the violation up to a maximum of \$1,000,000 for any related series of violations.

49 U.S.C. § 60122 and 49 C.F.R. § 190.225 require that, in determining the amount of the civil penalty, I consider the following criteria: nature, circumstances, and gravity of the violation; degree of Respondent's culpability; history of Respondent's prior offenses; Respondent's ability to pay the penalty; good faith by Respondent in attempting to achieve compliance; the effect on Respondent's ability to continue in business; and such other matters as justice may require.

Items 3a through 3c proposed a civil penalty of \$5,000 for the violations of 49 C.F.R. § 195.416(a). The Respondent failed to take P/S and C/S CP readings on Lines #1 and #2 at various points around MP 163 during 1998-2000 and at the Raven Ridge line CP test station at MP 174.262, the F.L. pipeline crossing, in 2000. According to an employee of Respondent who was interviewed during the inspection, the test station had been covered over by a road toe several years prior. Failure to maintain proper CP can lead to external corrosion on the pipeline, which can cause a pipeline failure. The above-listed points are located under Interstate 80 and a parallel Frontage Road. In addition, MP 163 is about five miles uphill from a drinking water reservoir. From these circumstances, it is clear that a rupture of Respondent's pipeline could pose a significant threat to public health and safety. In its Response, Respondent presented no information to mitigate the proposed civil penalty amount. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$5,000 for the violations of 49 C.F.R. § 195.416(a) (Items 3a through 3e).

Item 6 of the Notice proposed a civil penalty of \$71,000 for the multiple violations of 49 C.F.R. § 195.432(b) and (d). The Notice alleged that the Respondent failed to conduct routine in-service inspections as required by API 653, Section 4, which is incorporated by reference into 49 C.F.R. § 195.432, for 10 breakout tanks over a 14-month period from May 1999 to July 2000. The Notice alleged that Respondent missed two additional breakout tank inspections, in 2001, bringing the total number of alleged missed inspections to 142. As discussed above, Respondent submitted reports for six API Routine In-Service Inspections for breakout tanks that were not provided to the inspector during the inspection. Respondent also stated that Tank 101 was not jurisdictional to DOT at the time of the missed inspections. Therefore, the number of missed API 653 Routine In-Service Inspections is reduced from 142 to 122.

In monthly Routine In-Service Inspections for breakout tanks under API Standard 653, pipeline operators are to focus on a number of issues, including corrosion, leaks, shell distortions, pitting, signs of settlement, foundation conditions, paint coatings, appurtenances, seals, welds, etc.⁴ Respondent conceded that it did not complete the 122 Routine In-service Inspections for breakout tanks during the 14-month period from May 1999 through July 2000. However, Chevron contended that its other tank monitoring activities met the basic safety concerns addressed in 49 C.F.R. § 195.432 and therefore that such alternative actions should mitigate the extent of the violation. Therefore, Respondent requested that OPS reduce the civil penalty from \$71,000 to \$5,000 for this Item.

Respondent submitted the following evidence and information in support of its argument:

⁴ See API 653 Section 4 and Appendix C

- *A Description of Chevron's Daily Tank Monitoring Activities* - This included a description of the operator's daily tank inspections, including how its personnel climbed the breakout tanks daily to collect inventory data. During these inventory checks, pipeline operators fill out daily log sheets that record meter readings, inventory information, and pump and flow information. There was no information, however, showing that Respondent's daily monitoring activities involved any examination of tank shell integrity or the other criteria set forth in API 653.
- *Monthly VMAC Tickets* - Completion of a VMAC ticket involves verifying tank inventory close-outs, which requires shutting off mixers and climbing the tank on a monthly basis. The Respondent described VMAC as a system that "integrates and automates most task processes associated with customer nominations, scheduling, measurement, volumetric management, and delivery of business information to Chevron employees and customers for crude oil pipeline transportation." The completion of VMAC tickets appears to fulfill normal business operations. No information indicates it is specifically focused on tank shell integrity factors included in API 653 Section 4.
- *Monthly Tank High Level Alarm Reports* - These reports appear to verify that alarms to alert pipeline operators of high product levels in tanks are functional. These reports may be related to safety in the sense that they prevent overflow, but there is no information indicating that the purpose or result of such reports is tank shell integrity monitoring or analysis.
- *Records of Monthly Station Checks Completed for Tank 141* - The records Respondent submitted do not convey what monitoring activities occurred during these checks. Respondent simply argues that during these checks, its personnel examine the facilities for "abnormal conditions, such as leaks and other potential problems." Unfortunately, the regulations require documentation that the tank integrity inspection and analysis required under API Standard 653 have actually taken place. Such documentation was never provided.
- *Annual External Above-Ground Storage Tank Inspections* - Respondent submitted records showing annual external above-ground storage tank inspections for the nine breakout tanks over the 14-month period of non-compliance. Respondent's records document 14 instances of this type of inspection for breakout tanks cited in the Notice. These records fulfill a separate and distinct API requirement and a separate and distinct regulation under PHMSA.⁵ Completion of one required inspection obviously does not fulfill the need to complete another inspection designed for an altogether different purpose.

Although Respondent certainly could have found integrity problems during the above-listed activities, the regulation requires specific analysis of, and attention to, tank shell condition and integrity. If completing other routine tasks were sufficient, the API monthly Routine In-Service

⁵ See API 653 4.3.2 External Inspection; 49 U.S.C. § 195.432(a).

Inspections would be unnecessary. Based on the information submitted by Respondent, I find the violations resulting from Respondent's failure to conduct in-service inspections for breakout tanks could have had an adverse impact on pipeline safety. Although the Respondent submitted records that showed it was generally monitoring the tanks, the records have little relevance to the requirements of API Standard 653, Section 4, as incorporated into 49 C.F.R. § 195.432. Therefore, I am reducing the civil penalty on that violation from \$71,000 to \$61,000 in consideration of the 6 completed API Standard 653 Routine In-Service Inspections and because Tank 101 was not jurisdictional to DOT during the 14-month period. This reduction is proportional to PHMSA's finding that Respondent is actually liable for 122 of the 142 alleged missed monthly inspections.

Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a total civil penalty of \$66,000.

Payment of the civil penalty must be made within 20 days of service. Federal regulations (49 C.F.R. § 89.21(b)(3)) require this payment be made by wire transfer, through the Federal Reserve Communications System (Fedwire), to the account of the U.S. Treasury. Detailed instructions are contained in the enclosure. Questions concerning wire transfers should be directed to: Financial Operations Division (AMZ-341), Federal Aviation Administration, Mike Monroney Aeronautical Center, P.O. Box 25082, Oklahoma City, OK 73125; (405) 954-8893.

Failure to pay the \$66,000 civil penalty will result in accrual of interest at the current annual rate in accordance with 31 U.S.C. § 3717, 31 C.F.R. § 901.9 and 49 C.F.R. § 89.23. Pursuant to those same authorities, a late penalty charge of six percent (6%) per annum will be charged if payment is not made within 110 days of service. Furthermore, failure to pay the civil penalty may result in referral of the matter to the Attorney General for appropriate action in a United States District Court.

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to Items 1 and 4a in the Notice for violations of 49 C.F.R. §§ 195.401 and 195.416. Under 49 U.S.C. § 60118(a), each person who engages in the transportation of hazardous liquid or who owns or operates a hazardous liquid pipeline facility is required to comply with the applicable safety standards established under chapter 601. The Director, Western Region, OPS has indicated that Respondent has taken the following actions specified in the proposed compliance order:

Item 1:

49 C.F.R. §195.401 General Requirements

- (b) Whenever an operator discovers any condition that could adversely affect the safe operation of its pipeline system, it shall correct it within a reasonable time. However, if the condition is of such a nature that it that it presents an immediate hazard to persons or property, the operator may not operate the affected part of the system until it has corrected the unsafe condition.

Respondent's records showed that readings at two CP stations did not meet the minimum criteria in years 1999 and 2000. The Notice alleged that Respondent failed to take remedial action to correct the problem.

Chevron has submitted evidence that adequate CP has been restored for the test stations at MP 49.00 and MP 56.90.

Item 4a:

49 C.F.R. § 195.416 External Corrosion Control

(b) Each Operator shall maintain the test leads required for cathodic protection in such a condition that electrical measurements can be obtained to ensure adequate protection.

The Notice alleged there were no casing or pipe CP test stations in place at the time of the inspection for Line #2 at MP 163+, Kilby Road (frontage road).

At a cost of \$1.2 million, Chevron replaced all the cased crossings at MP 163 with new pipe (no casings) and CP test stations.

Accordingly, since compliance has been achieved with respect to these violations, the compliance terms are not included in this Order.

AMENDMENT OF PROCEDURES

The Notice alleged inadequacies in Respondent's Operations, Maintenance and Emergencies Manual and proposed that Respondent amend its procedures to comply with the requirements of 49 C.F.R. § 195.402.

In its Response Respondent submitted copies of its amended procedures, which the Director, Western Region, OPS has reviewed. Accordingly, based on 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 4b, 4c, 5a, 5b, and 5c, the Notice alleged probable violations of Part 195 but did not propose a civil penalty or a compliance order for these items. Therefore, these are considered to be warning items. The warnings were for:

49 C.F.R. § 195.416(b) (Notice Item 4b) — Respondent's failure to maintain test leads required for CP in such a condition that electrical measurements could be taken for Line #1 at MP 163+, Kilby Road Crossing;

49 C.F.R. § 195.416(b) (Notice Item 4c) – Respondent’s failure to maintain test leads required for CP in such a condition that electrical measurements could be taken for Line #1 at MP 163.000, Kilby Road Crossing;

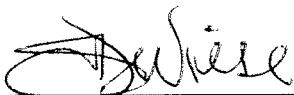
49 C.F.R. § 195.416(i) (Notice Item 5a) – Respondent’s failure to maintain coating to prevent corrosion at aboveground in-station piping and the mainline on the upstream side of the pig launcher at Rangely Pump Station;

49 C.F.R. § 195.416(i) (Notice Item 5b) – Respondent’s failure to maintain coating to prevent corrosion of the relief line to breakout tank T131 at the Myton Pump Station; and

49 C.F.R. § 195.416(i) (Notice Item 5c) – Respondent’s failure to maintain coating to prevent corrosion on the inlet/outlet fittings, transfer lines, and on the first tier of the tank wall for breakout tanks T510 and T520 at the Hanna Pump Station.

Respondent presented information in its Response showing that it had taken certain actions to address the cited items. Having considered such information, I find, pursuant to 49 C.F.R. § 190.205, that probable violations of 49 C.F.R. § 195.416(b) (Notice Items 4b and 4c) and 49 C.F.R. § 195.416 (Notice Items 5a – 5c) have occurred and Respondent is hereby advised to correct such conditions if not already addressed. In the event that OPS finds a violation for any of these items in a subsequent inspection, Respondent may be subject to future enforcement action.

Under 49 C.F.R. § 190.215, Respondent has a right to submit a Petition for Reconsideration of this Final Order. The petition must be received within 20 days of Respondent’s receipt of this Final Order and must contain a brief statement of the issue(s). The filing of the petition automatically stays the payment of any civil penalty assessed. However, if Respondent submits payment for the civil penalty, the Final Order becomes the final administrative decision and the right to petition for reconsideration is waived. The terms and conditions of this Final Order are effective on receipt.



Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

FEB 05 2008

Date Issued