

NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

May 22, 2012

Mr. Randy L. Curry, President
Chevron Pipeline Company
400 Fournace Place,
Bellaire, TX 77401

CPF 5-2012-0013M

Dear Mr. Curry:

On May 2 through 5, 2011, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, conducted an Integrity Management Program (IMP) inspection for Chevron Pipeline Company at your offices in Bakersfield, California.

As a result of the inspection, it appears that you have committed probable violation, as noted below, of pipeline safety regulations, Title 49, Code of Federal Regulations, Part 192. The probable violation is as follows:

1. §192.917 How does an operator identify potential threats to pipeline integrity and use the threat identification in its integrity program?

(c) Risk assessment. An operator must conduct a risk assessment that follows ASME/ANSI B31.8S, section 5, and considers the identified threats for each covered segment. An operator must use the risk assessment to prioritize the covered segments for the baseline and continual reassessments (§ § 192.919, 192.921, 192.937), and to determine what additional preventive and mitigative measures are needed (§ 192.935) for the covered segment.

Chevron Pipeline Company's (Chevron) risk assessment procedures do not meet ASME/ANSI B31.8S, section 5. The identified threats are included but the risk assessment procedures do not properly utilize data from internal pipe inspections and time dependent threats such as one call information to update the risk assessment in the Integrity Management Plan.

Chevron has considered all threats and evaluated their potential as high, medium, low, and not applicable. The threat values are the same for all segments in all locations and new data is not used to update the risk assessment:

- Chevron internally inspected its Cross Valley Pipeline on August 22, 2007 for 54.1 miles and found 160 anomalies (10-49% wall loss), and 2 months later inspected Northern CA gas system for 4.6 miles and found 452 anomalies (1-59% wall loss). The inspection results indicate an average of 3 anomalies per mile for the Cross Valley line vs. 98 anomalies per mile for the Northern CA gas line. However, these two lines are carrying the same corrosion risk value of LOW.
- Further, within 60 day period in 2010, Chevron received 1845 one call ticket for 269 miles of the Cross Valley Pipeline vs. 512 for 14 miles of Northern CA Gas System. This is 6.8 tickets per mile for the Cross Valley line vs. 36.6 tickets per mile for Northern Ca Gas line. Yet, both lines are carrying the same potential 3rd party damage value of LOW.

The fundamental function of the operator's risk assessment is to associate threats and risk levels with specific segments on the operator's pipeline. Operators must have a means of relating the data on threats and pipeline risk factors to the correct segments on the pipeline to determine what additional preventive and mitigative measures are needed. Using a broad criteria of high, medium, or low for threat determination does not achieve the intent of ASME/ANSI B31.8S, section 5 risk assessments.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Compliance Proceedings*. Please refer to this document and note the response options. 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). 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, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 60 days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

In correspondence concerning this matter, please refer to **CPF 5-2012-0013M** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Chris Hoidal
Director, Western Region
Pipeline and Hazardous Materials Safety Administration

Enclosure: *Response Options for Pipeline Operators in Compliance*

cc: PHP-60 Compliance Registry
PHP-500 Monfared (Activity # 134500)