

U.S. Department of Transportation
Research and Special Programs Administration
400 Seventh St., S.W.
Washington, D.C. 20590

SEP 15 2004

Mr. Robert G. Gorham
Acting Chief, Pipeline Safety Division
Office of the State Fire Marshal
3950 Paramount Boulevard, Suite 210
Lakewood, CA 90712

Dear Mr. Gorham:

We received your letter of August 12, 2004, notifying us of the waiver granted by the California State Fire Marshal (CSFM) to Valero Refining Company-California (Valero). CSFM waived selected provisions of paragraph (b)(1) of 49 CFR 195.306, Test medium, for pressure testing Valero's 12-inch, #6 dock line. The waiver allows Valero to use diesel fuel as the testing medium in this 2.12 mile pipeline, which originates at a marine unloading facility and terminates on the grounds of the Valero oil refinery within the city of Benicia, California.

You state that this pipeline was successfully tested in 1993 and 1999 using diesel fuel as the test medium. Valero is requesting the waiver because, among other factors, using diesel fuel would minimize water contamination and eliminate wastewater handling and disposal.

The waiver is necessary because § 195.306(b)(1) requires that, except for offshore pipelines, liquid petroleum that does not vaporize rapidly may be used as the test medium only if, among other requirements, the entire pipeline section under test is outside of cities and other populated areas.

We agree with the conclusion of the CSFM and find that the waiver is not inconsistent with pipeline safety.

Sincerely,
Stacey L. Gerard
Associate Administrator
for Pipeline Safety

OFFICE OF THE STATE FIRE MARSHAL
Pipeline Safety Division
DEPARTMENT OF FORESTRY AND FIRE PROTECTION
3950 Paramount Boulevard, Suite 210
Lakewood, California 907t2

CERTIFIED MAIL-RETURNED RECEIPT REQUESTED

August 12, 2004

Attn: Richard Huriaux
Office of Pipeline Safety, Research and Special
Programs Administration, U.S. Department of Transportation,
400 Seventh Street, S.W., Room 7128
Washington D.C., 20590-0001

Dear Mr. Huriaux,

Request for waiver from Part 195.306(b)(1) Test Medium

Operator: Valero Refining Company-California
3400 East Second Street
Benicia, CA 94510-1097

Pipeline CSFM #0694 12" #6 Dock Line (2.12 miles)

The above operator has requested a waiver from 49 CFR 195.306(b)(1) for testing their 12" #6 Dock Line using diesel as the testing medium. The pipeline is located in Solano County, California. The pipeline safety regulations in 49 CFR 195.305(b)(1) allow for testing with liquid petroleum that does not vaporize rapidly if the entire pipeline section under test is outside of cities and other populated areas. The pipeline, which travels from the Dock #1 facility and ends within the refinery, is within the city of Benicia. The pipeline operator is requesting to test with product because using water is difficult for them to treat, uses up valuable tankage, would be costly to do. In addition, using diesel would minimize contamination to this pipeline.

California law requires each intrastate pipeline to be pressure tested every 5 years for 4 hours at 125% of MOP. It also gives the State Fire Marshal authority to authorize the use of a liquid petroleum having a flashpoint over 140 degrees Fahrenheit as the test medium.

The pipeline has been previously tested successfully using diesel as the test medium in 1993 and 1999. The flashpoint for the diesel that would be used is 180 degrees Fahrenheit.

A waiver is needed since Section 195.452 Pipeline Integrity Management requires the testing to be conducted per Subpart E, which prohibits testing with product in cities and populated areas. All other conditions under Section 195.306(b) will be met.

Description of Pipeline Systems:

CSFM #0694 #6 Dock Line — Refer to attachments for operating and line specifications.

I find that the proposed waiver is consistent with pipeline safety and is justified.

Subject to your approval, the Office of the State Fire Marshal proposes to grant Valero a waiver from compliance with 49 CFR Part 195.306(b) (1) to take effect 60 days from your receipt of this letter.

Sincerely,
Robert G. Gorham
Acting Chief
Pipeline Safety Division

OFFICE OF THE STATE FIRE MARSHAL
Pipeline Safety Division
DEPARTMENT OF FORESTRY AND FIRE PROTECTION
3950 Paramount Boulevard, Suite 210
Lakewood, California 90712

WAIVER APPROVAL

Lewis D. Richey
Valero Refining Company 3400 East Second St.
Benicia, CA 94510-1097

Dear Mr. Richey:

Waiver request to use diesel fuel as test medium Part 195.306(b)(1)

This letter is in response to your petition of June 21, 2004 requesting a waiver from 49 CFR 195.306(b)(1) for testing your pipeline using diesel fuel as the testing medium. The pipeline safety regulations in 49 CFR 195.306(b)(1) allow for testing with liquid petroleum that does not vaporize rapidly if the entire pipeline section under test is outside of cities and other populated areas. This pipeline is located entirely in the city of Benicia.

In your petition, you are requesting to test with diesel fuel to avoid generating 2000 barrels of contaminated water. In addition, using diesel would minimize contamination to this pipeline. This pipeline has been tested successfully in 1999 using diesel fuel as the test medium. Your petition is approved providing with the following conditions:

1. A testing procedure should be developed and available for review.
2. The test medium shall be diesel fuel (flashpoint > 180° F).
3. The Fire Department having jurisdiction must be notified at least three days in advance of the test.
4. During the test, communication must be maintained along the entire pipeline route by mobile telephone or radio.
5. Sufficient equipment (e.g., vacuum trucks, etc.) must be on standby in the event that they are needed should a rupture occur.

Please notify our office in Lakewood by phoning 562/497-9100 as soon as you have a confirmed test date to obtain a test ID# for the test. If you have any questions, please contact Linda Zigler, Pipeline Safety Engineer at (707) 987-2058.

Sincerely,
Robert G. Gorham
Acting Chief
Pipeline Safety Division

KANEB Terminals
90 San Pablo Ave.
Crockett, CA.

Ms. Linda Zigler
State of California
Dept. of Forestry and Fire Protection
Office of the State Fire Marshall Pipeline Safety Division
P.O. Box 518
Middletown, Ca. 95461

Re: Test Medium Waiver — CSFM line's ID #'s 634 (P-1), 635 (P-2), 0772 (P-4) and 0771 (P-5) @ Shore Terminals — Selby

Dear Ms. Zigler,

ST Services/Shore Terminals requests the use of high flash Diesel and high flash JP-5 Jet Fuel as the test mediums during the next scheduled certification of lines ID #'s 634, 635, 0772 and 0771. These are the 12" refined product pipelines (gasoline, diesel, ethanol and jet) connecting the Shore Selby terminal to the Shore Selby dock. The lines are approximately 1 mile in length and run through a rural area. Lines #634 and 635 were built in 1981. Lines # 0772 and 0771 were built in 1992. There have never been any leaks on any of the lines and they were last successfully tested on 07/21/01.

The test would be conducted during daylight hours only after the notification of local and industry fire protection. ST services local OSRO and a vacuum truck provider would also be on standby alert. Both the Diesel and the JP-5 jet fuel used for the test would have a flash point greater than 140 F.

Using JP-5 and Diesel for the tests, instead of water, is greatly desirable because it eliminates the risk of contaminating the government jet fuel system, it expedites the test procedure which minimizes the pipeline downtime and it prevents the generation of approximately 2,000 barrels of water which it would be very costly and burdensome for Shore terminals — Selby to treat and dispose of given limited available tankage for water and water treatment systems.

Thank you for your assistance in this matter.

Best Regards,
Chuck Sivil
Terminal Manager
St Services — Selby facility
KANEB TERMINALS

NARRATIVE FOR REPORT #20040706LMZ1

On 6 July 2004 I met Chuck Sivil, Terminal Manager for ST Services, at his office in Crockett. The reason I went there was to obtain some information in response to a letter he wrote requesting a waiver to use diesel and jet fuel in lieu of water for four upcoming "hydrostatic" pressure tests. Specifically, he is requesting that lines P1 (CSFM #0875A-0634) and P2 (CSFM #0875A-0635) be tested using diesel and lines P4 (CSFM #0875A-0772) and P5 (CSFM #0875A0771) be tested using JP-5 jet fuel. These four pipelines are about 97% belowground (the remaining 3% is when they travel over the water to the loading arms at the Shore "Selby" dock).

P1 and P2 are both 12-inch products lines that were built in 1981. They are both underground lines that extend about 1.1 mile from the ST Services terminal tank manifold to the Shore "Selby" dock. On 8 August 2003, after each pipeline underwent about 1400 feet of relocation due to a Union Pacific Railroad project, an eight-hour pressure test using water was conducted with the two new sections connected (CSFM Test ID #03-098). The test was completed using independent testing firm Petroleum & Refractory, Inc., who monitored the test at a pressure of 348 psig. Prior to this, the entire P1 and P2 pipelines were successfully pressure tested at 220 psig on 11 November 1999 using JP-5 with Performance Mechanical as the Third Party Witness. P1 and P2 were also tested on 23 March 1994 at 225 psig using diesel with Contra Costa Inspection as the Third Party Witness.

P4 and P5 are also 12-inch products lines, but they were built in 1992. They, too, are both underground lines that extend about 1.1 miles from the ST Services terminal tank manifold to the Shore "Selby" dock, but they follow a slightly different route to the dock than P1 and P2 (see attached map). The last complete pressure test for lines P4 and P5 was 11 November 1999 at a test pressure of 190 psig using JP-5 with Performance Mechanical as the Third Party Witness. Prior to that, P4 and P5 were pressure tested on 22 March 1994 using diesel at a test pressure of 225 psig with Contra Costa Inspection as the Third Party Witness.

The reasons ST Services is requesting a waiver is:

- Using jet fuel would eliminate the risk of contamination from water.
- The pipeline would be "down" for less time.
- About 2000 barrels of water would be costly to treat.
- There is limited available tankage for water treatment.

After driving along the pipeline right-of-ways, I noted the following items:

All four pipelines start at the terminals' manifold, cross San Pablo Avenue, pass by the local Unified School District Office (one small building with no children) and the Union Pacific Railroad, almost to the Carquinez Strait. Then, still on land, they parallel the Strait in a northeasterly direction until they reach the dock. For about 150 feet, all four pipelines cross over the Carquinez Strait to the loading arms at the dock. This is the only time the pipelines are exposed.

Points that are in ST Services' favor include:

- None of these four pipelines has had a release.
- The test pressure would be relatively low (about 220 psi to 350 psi).
- All four lines are short in length (1.1 miles).

- There are no day care centers, playgrounds, or buildings for large assemblies (like stadiums, concert halls, churches, etc.). The pipelines' ROW goes through an area that is 90% rural and only 10% urban. The closest neighborhood is about 0.10 mile up San Pablo Road from the terminal itself.

Taking all of the information into account, I recommend granting ST Services a waiver to conduct their next pressure tests using diesel for lines P1 and P2 and using JP-5 jet fuel for line P4 and P5.