

**NOTICE OF PROBABLE VIOLATION
and
PROPOSED COMPLIANCE ORDER**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

May 10, 2012

Mr. Troy Valenzuela
Vice President of Environmental Health and Safety
Plains Pipeline, L.P.
333 Clay St
Suite 1600
Houston, TX 77002

CPF 4-2012-5020

Dear Mr. Valenzuela:

On multiple occasion from June 27 to December 2, 2011, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code was onsite and inspected records and facilities associated with Plains Pipeline Company's (Plains) interstate liquid pipeline system. PHMSA staff reviewed compliance records and procedures in Longview, Midland, and Houston, TX, and Belle Chase, LA. PHMSA staff also inspected physical facilities in Texas New Mexico and Louisiana.

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violation(s) are:

1. §195.428 Overpressure safety devices and overfill protection systems.

(d) After October 2, 2000, the requirements of paragraphs (a) and (b) of this section for inspection and testing of pressure control equipment apply to the inspection and testing of overfill protection systems.

Plains did not perform the required inspections and tests required by the regulations. Plains utilizes tanks owned by others at the Alliance and Murphy refineries to relieve surges from the Plains pipelines. Thus, these tanks meet the definition of a breakout tank in service to Plains and they are required to perform the necessary inspections and tests.

When asked during the inspection Plains could not demonstrate nor provide records of inspections or tests of overfill protection systems of these in-service atmospheric and low-pressure steel aboveground breakout tanks.

The evidence demonstrates that the operator violated § 195.428(d) by failing to inspect and test these devices at the required interval. In the event that such inspections were, in fact, performed, the evidence demonstrates the operator violated §195.404(c)(3) by failing to maintain a record of each inspection and test required by this subpart for at least 2 years or until the next inspection or test is performed, whichever is longer.

2. §195.432 Breakout tanks.

(b) Each operator shall inspect the physical integrity of in-service atmospheric and low-pressure steel aboveground 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).

Plains did not perform the required inspections of the physical integrity of in-service atmospheric and low-pressure steel aboveground breakout tanks according to section 4 of API Standard 653. Plains utilizes tanks owned by others at the Alliance and Murphy refineries to relieve surges from the Plains pipelines. Thus, these tanks meet the definition of a breakout tank in service to Plains and they are required to perform the necessary inspections and tests. When asked during the inspection Plains could not demonstrate nor provide records of inspections or tests of the breakout tanks associated with Plains pipelines.

The evidence demonstrates that the operator violated §195.432 by failing to inspect the tanks as required. In the event that such inspections were, in fact, performed, the evidence demonstrates the operator violated §195.404(c)(3) by failing to maintain a record of each inspection and test required by this subpart for at least 2 years or until the next inspection or test is performed, whichever is longer.

3. §195.579 What must I do to mitigate internal corrosion?

(b) Inhibitors. If you use corrosion inhibitors to mitigate internal corrosion, you must--

- (1) Use inhibitors in sufficient quantity to protect the entire part of the pipeline system that the inhibitors are designed to protect;**
- (2) Use coupons or other monitoring equipment to determine the effectiveness of the inhibitors in mitigating internal corrosion; and**
- (3) Examine the coupons or other monitoring equipment at least twice each calendar year, but with intervals not exceeding 7 1/2 months.**

Plains failed to examine the coupons at the required intervals. Plains has determined that they transport a hazardous liquid that could corrode the pipeline so they must inject corrosion inhibitor. In conjunction with this program they are required to install coupons to monitor the effectiveness of the inhibitors. The only coupon location directly associated with this pipeline at the time of the audit was the Calumet coupon (end of the line). Plains did not provide records at the inspection that demonstrated that Plains had examined the coupon at least twice each calendar year, but with intervals not exceeding 7 1/2 months.

Proposed Compliance Order

With respect to items 1 through 3 above pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Plains Pipeline Company, LP. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Response to this Notice

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.

In your correspondence on this matter, please refer to **CPF 4-2012-5020** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

R. M. Seeley
Director, Southwest Region
Pipeline and Hazardous
Materials Safety Administration

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Compliance Proceedings

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Plains Pipeline Company, LP a Compliance Order incorporating the following remedial requirements to ensure the compliance of Plains Pipeline Company, LP with the pipeline safety regulations:

1. In regard to Items Number 1 and 2 of the Notice pertaining to failure of Plains to inspect or provide records of inspections of the physical integrity of certain in-service atmospheric and low-pressure steel aboveground breakout tanks according to section 4 of API Standard 653, and the testing of overfill protection systems. Plains should obtain records of inspections of breakout tanks performed in accordance with the requirements and associated with Plains pipelines and owned and operated by others at the Alliance and Murphy refineries, or if records are unobtainable Plains should arrange for such inspections to occur.

3. In regard to Item Number 3 of the Notice pertaining to internal corrosion, Plains shall review the adequacy of its program to monitor and mitigate internal corrosion. Plains shall investigate and determine the need for additional coupon monitoring locations. Plains shall review its pigging procedures and the implementation of those procedures to ensure the highest likelihood of collecting liquid and solid samples for laboratory examination. Plains shall determine the need to monitor acid producing bacteria as well as sulfate reducing bacteria. Plains shall implement a policy to obtain and hold duplicate records as they are generated of coupon monitoring separately from the chemical contractor which generates the records.

4. Plains Pipeline Company, LP should complete items 1 through 3 above within 90 days of receipt of a Final Order.

5. It is requested (not mandated) that Plains Pipeline Company, LP should maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to R. M. Seeley, Director, Southwest Region, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.