

FEB 17 2011

Ms. Rebecca B. Roberts
President
Chevron Pipe Line Company
4800 Fournace Place
Bellaire, TX 77401-2324

Re: CPF No. 5-2010-5028

Dear Ms. Roberts:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation, assesses a civil penalty of \$423,600, and specifies actions that need to be taken by Chevron Pipe Line Company to comply with the pipeline safety regulations. This is to acknowledge receipt of payment of the full penalty amount, by wire transfer, dated December 2, 2010. When the terms of the compliance order are completed, as determined by the Director, Western Region, this enforcement action will be closed. Service of the Final Order by certified mail is deemed effective upon the date of mailing, or as otherwise provided 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: Mr. Chris Hoidal, Director, Western Region, PHMSA

CERTIFIED MAIL - RETURN RECEIPT REQUESTED [7005 1160 0001 0041 3566]

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

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| In the Matter of |) | |
| |) | |
| Chevron Pipe Line Company, |) | CPF No. 5-2010-5028 |
| |) | |
| Respondent. |) | |
| |) | |

FINAL ORDER

On June 12, 2010, pursuant to 49 U.S.C. § 60117, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), conducted an investigation of an incident involving the pipeline system operated by Chevron Pipe Line Company (Chevron or Respondent) in Salt Lake City, Utah. Chevron is the operator of a 182.5-mile hazardous liquid pipeline system that transports crude oil from a terminal in Rangely, Colorado, to a refinery in Salt Lake City, Utah (Salt Lake City Refinery). There are two 10-inch pipelines in that system: the Number 1 Line, an inactive line built in 1948, and the Number 2 Line, an active line built in 1952.¹

The investigation arose out of a failure that occurred on the Number 2 Line on June 11, 2010, near Milepost (MP) 174.5, resulting in the release of 800 barrels of crude oil onto public property² and into the Red Butte Creek. Chevron did not detect or respond to that failure for more than 10 hours.

As a result of the investigation, the Director, Western Region, OPS (Director), issued to Respondent, by letter dated November 1, 2010, a Notice of Probable Violation and Proposed Civil Penalty and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Chevron had committed various violations of 49 C.F.R. Part 195, proposed ordering Chevron to take certain measures to correct the alleged violations, and proposed assessing a civil penalty of \$423,600 for the alleged violations.

¹ The Number 2 Line receives crude oil in Rangely from a hazardous liquid gathering line system and at three additional downstream injection points. It has an elevation profile that ranges from 4,234 feet at the Salt Lake City Refinery to 8,450 feet at Wolf Creek Pass and traverses several high consequence areas, particularly in the 50-mile segment that runs from Park City, Utah, to Salt Lake City.

² MP 174.5 is located on property that is owned by the University of Utah. Several public buildings, including an arboretum, auditorium, and dormitories, are in the immediate area.

Chevron responded to the Notice by letter dated December 2, 2010 (Response). The company did not contest the allegations of violation but provided information concerning the corrective actions it had taken. Later that day, Respondent paid the full amount of the civil penalty by wire transfer as provided in 49 C.F.R. § 190.227. Respondent did not request a hearing and therefore has waived its right to one.

FINDINGS OF VIOLATION

In its Response, Chevron did not contest the allegations in the Notice that it violated 49 C.F.R. Part 195, as follows:

Item 1: The Notice alleged that Respondent violated 49 C.F.R. § 195.402, which states in relevant part:

§ 195.402 Procedural manual for operations, maintenance, and emergencies.

(a) *General.* Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies....

(b) *Maintenance and normal operations.* The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

(1)

(3) Operating, maintaining, and repairing the pipeline system in accordance with each of the requirements of this subpart and subpart H of this part.

The Notice alleged that Respondent violated 49 C.F.R. § 195.402 by failing to follow its manual of written procedures for conducting normal operations and maintenance activities. Specifically, the Notice alleged that Chevron failed to properly implement the provisions of its right-of-way inspection procedure, CPL-MIP 205 Pipeline Patrol, in the vicinity of MP 174.5. The Notice further alleged that Chevron failed to implement its procedures for controlling corrosion on its pipeline systems as detailed in its Core Liquids Pipeline Operations and Maintenance Manual in Section 10.3.6.

Respondent did not contest these allegations. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.402 by failing to follow its manual of written procedures for conducting normal operations and maintenance activities.

Item 2: The Notice alleged that Respondent violated 49 C.F.R. § 195.575(e), which states:

§ 195.575 Which facilities must I electrically isolate and what inspections, tests, and safeguards are required?

(e) If a pipeline is in close proximity to electrical transmission tower footings, ground cables, or counterpoise, or in other areas where it is reasonable to foresee fault currents or an unusual risk of lightning, you must protect the pipeline against damage from fault currents or lightning and take protective measures at insulating devices.

The Notice alleged that Respondent violated 49 C.F.R. § 195.575(e) by failing to protect the pipeline against damage from fault currents or lightning and take protective measures at insulating devices. Specifically, the Notice alleged that several high-voltage electric transmission lines, an aboveground-to-belowground electric transfer station, and a security fence are located in the vicinity of MP 174.5, and that Chevron had not protected that portion of the Number 2 Line against damage from fault currents and had not taken protective measures at insulating devices.

Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.575(e) by failing to protect the pipeline against damage from fault currents or lightning and failing to take protective measures at insulating devices.

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

§ 195.452 Pipeline integrity management in high consequence areas.

(i) What preventive and mitigative measures must an operator take to protect the high consequence area?

(3) Leak detection. An operator must have a means to detect leaks on its pipeline system. An operator must evaluate the capability of its leak detection means and modify, as necessary, to protect the high consequence area. An operator's evaluation must, at least, consider, the following factors – length and size of the pipeline, type of product carried, the pipeline's proximity to the high consequence area, the swiftness of leak detection, location of nearest response personnel, leak history, and risk assessment results.

The Notice alleged that Respondent violated 49 C.F.R. § 195.452 by failing to have an adequate means for detecting leaks on its pipeline system. Specifically, the Notice alleged that Chevron did not detect the June 11, 2010 failure on the Number 2 Line for more than 10 hours, and that Respondent first became aware of the release when it received a phone call from the local fire department. The Notice further alleged that the failure occurred in a high-consequence area and resulted in the release of approximately 800 barrels of crude oil into the Red Butte Creek and surrounding soils.

Respondent did not contest this allegation of violation.³ Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.452 by failing to have an adequate means for detecting leaks on its pipeline system.

³ OPS's accident investigation report indicates that Chevron knew that the elevation profile and operational characteristics of the Number 2 Line rendered its leak detection inadequate. Indeed, in an August 13, 2010 response to a request for specific information, Chevron admitted that it had performed a leak detection capability evaluation study of the Number 2 Line in 2007, and that this report concluded that the leak detection capabilities on that line needed to be improved. However, Chevron did not implement that recommendation until after the June 11, 2010 failure.

ASSESSMENT OF PENALTY

Under 49 U.S.C. § 60122, Respondent is subject to an administrative civil penalty not to exceed \$100,000 per violation for each day of the violation, up to a maximum of \$1,000,000 for any related series of violations. In determining the amount of a civil penalty under 49 U.S.C. § 60122 and 49 C.F.R. § 190.225, I must consider the following criteria: the nature, circumstances, and gravity of the violation, including adverse impact on the environment; the degree of Respondent's culpability; the history of Respondent's prior offenses; the Respondent's ability to pay the penalty and any effect that the penalty may have on its ability to continue doing business; and the good faith of Respondent in attempting to comply with the pipeline safety regulations. In addition, I may consider the economic benefit gained from the violation without any reduction because of subsequent damages, and such other matters as justice may require. The Notice proposed a total civil penalty of \$423,600 for the violations cited above.

Item 1: The Notice proposed a civil penalty of \$45,400 for Respondent's violation of 49 C.F.R. § 195.402, for failing to follow its manual of written procedures for conducting normal operations and maintenance activities. Chevron neither contested the allegation nor presented any evidence or argument justifying a reduction in the proposed penalty. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$45,400 for violation of 49 C.F.R. § 195.402.

Item 2: The Notice proposed a civil penalty of \$316,600 for Respondent's violation of 49 C.F.R. § 195.575, for failing to protect its pipeline against damage from fault currents or lightning and failing to take protective measures at insulating devices. Chevron neither contested the allegation nor presented any evidence or argument justifying a reduction in the proposed penalty. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$316,600 for violation of 49 C.F.R. § 195.575.

Item 3: The Notice proposed a civil penalty of \$61,600 for Respondent's violation of 49 C.F.R. § 195.452, for failing to have an adequate means to detect leaks on its pipeline system. Chevron neither contested the allegation nor presented any evidence or argument justifying a reduction in the proposed penalty. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$61,600 for violation of 49 C.F.R. § 195.452.

Chevron paid the full civil penalty amount of \$423,600 for these violations by wire transfer dated December 2, 2010. Accordingly, the case is hereby closed with prejudice to the Respondent under 49 C.F.R. § 190.209(a)(1).

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to Items 1, 2, and 3 in the Notice for violations of 49 C.F.R. §§ 195.402, 195.575, and 195.452, respectively. 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. Pursuant to the authority of 49 U.S.C. § 60118(b) and 49 C.F.R. § 190.217, Respondent is ordered to take the following actions to ensure compliance with the pipeline safety regulations applicable to its operations:

1. With respect to the violation of § 195.402 (**Item 1**), Respondent must clear the ROW for the Rangely, Colorado, to Salt Lake City, Utah pipeline system to continue using aerial patrols to perform the inspections required under 49 C.F.R. § 195.412. In areas where vegetation or other obstructions cannot be removed, Respondent must use other methods of patrolling, such as walking or driving, to allow for direct observation of the ROW's condition.
2. With respect to the violation of § 195.575 (**Item 2**), Respondent must inspect the Rangely, Colorado, to Salt Lake City, Utah pipeline system for areas where damage to those facilities could occur from electrical sources. Specifically, if the pipeline is found to be in close proximity to electrical transmission tower footings, ground cables, or counterpoise, or in other areas where it is reasonable to foresee fault currents or an unusual risk of lightning, Chevron must protect the pipeline system against damage from those forces and take protective measures at insulating devices.
3. With respect to the violation of § 195.452 (**Item 3**), Respondent must reevaluate and modify its leak detection system for the Rangely, Colorado, to Salt Lake City, Utah pipeline system to increase the swiftness and sensitivity of leak detection in order to minimize impacts to high consequence areas.
4. Chevron must complete Items 1, 2, and 3 within 365 days of receipt of this Final Order.
5. Upon completion of Items 1, 2, and 3, Chevron must submit documentation of all actions taken on the pipeline system, including a summary report detailing the remedial actions taken to improve public safety. This report must be submitted to Chris Hoidal, Director, Western Region, PHMSA, within 6 months of completing Items 1, 2, and 3.
6. It is requested that Chevron maintain documentation of the safety-improvement costs associated with fulfilling the terms of this Compliance Order and submit the total to Chris Hoidal, Director, Western Region, PHMSA. It is requested that 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.

The Director may grant an extension of time to comply with any of the required items upon a written request timely submitted by the Respondent and demonstrating good cause for an extension.

Failure to comply with this Order may result in the administrative assessment of civil penalties not to exceed \$100,000 for each violation for each day the violation continues or in referral to the Attorney General for appropriate relief in a district court of the United States.

WARNING ITEM

With respect to Item 4, the Notice alleged a probable violation of Part 195 but did not propose a civil penalty or compliance order for this item. Therefore, this is considered to be a warning item. The warning was for:

49 C.F.R. § 195.250 (**Item 4**) — Respondent's alleged failure to ensure that any pipe installed underground have at least 12 inches (305 millimeters) of clearance between the outside of the pipe and the extremity of any other underground structure.

Chevron presented information in its Response showing that it had taken certain actions to address the cited item. Accordingly, having considered such information, I find, pursuant to 49 C.F.R. § 190.205, that a probable violation of 49 C.F.R. § 195.250 (Notice Item 4) has occurred and Respondent has corrected such conditions. If OPS finds a violation of this provision in a subsequent inspection, Respondent may be subject to future enforcement action.

The terms and conditions of this Final Order are effective upon service in accordance with 49 C.F.R. § 190.5.

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Date Issued