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

12300 W Dakota Ave , Suite 110
Lakewood, CO 80228

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

August 21, 2008

Ms Rebecca Roberts
Cook Inlet Pipeline / Chevron Pipeline Co.
4800 Fournace Place, Room E328F
Bellaire, TX 77401-2324

CPF 5-2008-5024W

Dear Ms Roberts.

On May 19 through 23, 2008, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your Granite Point facility and Cook Inlet Pipeline in the Kenai Peninsula Borough, Alaska

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

1. **§195.420 Valve maintenance.**

(b) Each operator shall, at intervals not exceeding 7 1/2 months, but at least twice each calendar year, inspect each mainline valve to determine that it is functioning properly.

Cook Inlet Pipeline did not conduct their valve maintenance inspections at the required frequency in 2006 and 2008 Review of the operator's records revealed that inspection/ maintenance of the mainline valves were only done one time on each valve during 2006 The valves were inspected in December of 2005, and then again in July 2006

The inspections met the 7 5 month requirement, but did not meet the requirement to maintain the valves two (2) times each year Also, a number of the valves were not inspected within the 7 5 month interval during 2008

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).

The Drift River breakout tanks are standing in ponded water created by a recently-constructed bentonite impoundment basin The basin has accumulated so much water that the tankage is frequently located in standing water. At the time of the inspection, there was standing water a few inches deep around the perimeter of the tank, however there were signs that the water has been as much as one foot deep in the past. Our Federal regulation requires compliance with API 653 API 653 does not allow standing water around a storage tank and requires that the surrounding ground surface be sloped away from each tank to facilitate drainage

3. **§195.573 What must I do to monitor external corrosion control?**

(a) Protected pipelines. You must do the following to determine whether cathodic protection required by this subpart complies with Sec. 195.571:

(2) Identify not more than 2 years after cathodic protection is installed, the circumstances in which a close-interval survey or comparable technology is practicable and necessary to accomplish the objectives of paragraph 10.1.1.3 of NACE Standard RP 0169 (incorporated by reference, see §195.3).

Cook Inlet Pipeline conducted a close interval survey (CIS) on the pipeline in 2003 Roughly 50% of the pipeline did not meet the NACE-referenced requirements. Adjustment was made to the cathodic protection systems, but no follow up CIS has been performed to ensure that the pipeline was brought into compliance.

4. **§195.579 What must I do to mitigate internal corrosion?**
(a) General. If you transport any hazardous liquid or carbon dioxide that would corrode the pipeline, you must investigate the corrosive effect of the hazardous liquid or carbon dioxide on the pipeline and take adequate steps 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.
(c) Removing pipe. Whenever you remove pipe from a pipeline, you must inspect the internal surface of the pipe for evidence of corrosion. If you find internal corrosion requiring corrective action under Sec. 195.585, you must investigate circumferentially and longitudinally beyond the removed pipe (by visual examination, indirect method, or both) to determine whether additional corrosion requiring remedial action exists in the vicinity of the removed pipe.
(d) Breakout tanks. After October 2, 2000, when you install a tank bottom lining in an aboveground breakout tank built to API Specification 12F, API Standard 620, or API Standard 650 (or its predecessor Standard 12C), you must install the lining in accordance with API Recommended Practice 652. However, installation of the lining need not comply with API Recommended Practice 652 on any tank for which you note in the corrosion control procedures established under Sec. 195.402(c)(3) why compliance with all or certain provisions of API Recommended Practice 652 is not necessary for the safety of the tank.

Cook Inlet Pipeline has not performed adequate testing, inspection, or monitoring for internal corrosion. The allowable water specification (BS&W of 0.75%) may allow internal corrosion to occur in low flow segments of the pipeline

5. **§195.583 What must I do to monitor atmospheric corrosion control?**
(a) You must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion, as follows:

If the pipeline is located:	Then the frequency of inspection is:
Onshore	At least once every 3 calendar years, but with intervals not exceeding 39 months
Offshore	At least once each calendar year, but with intervals not exceeding 15 months

(b) During inspections you must give particular attention to pipe at soil-to-air interfaces, under thermal insulation, under disbonded coatings, at pipe supports, in splash zones, at deck penetrations, and in spans over water.
(c) If you find atmospheric corrosion during an inspection, you must provide protection against the corrosion as required by Sec. 195.581.

Over the last two years, Cook Inlet Pipeline's atmospheric corrosion program identified numerous locations that need to be recoated. There are large areas of atmospheric corrosion, particularly at transitions from below to above ground that have failed coatings The operator indicated that they have an atmospheric coating program scheduled for this summer

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed $100,000 for each violation for each day the violation persists up to a maximum of $1,000,000 for any related series of violations. We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to correct the item(s) identified in this letter Failure to do so will result in Cook Inlet Pipeline/ Chevron Pipeline Co. being subject to additional enforcement action

No reply to this letter is required If you choose to reply, in your correspondence please refer to **CPF 5-2008-5024W.** 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)

Sincerely,

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

cc PHP-60 Compliance Registry
PHP-500 (#120659)