

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

March 4, 2009

Mr. Dan Nerbonne
Vice President, Engineering
Plains Pipeline, L.P.
P.O. Box 4648
Houston, Texas 77210-4648

CPF 4-2009-5005

Dear Mr. Nerbonne:

From February to July, 2008, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) and the California State Fire Marshal pursuant to Chapter 601 of 49 United States Code inspected your records and pipeline facilities in the states of California, Colorado, Wyoming, Utah, Montana, Louisiana, Oklahoma, New Mexico, Mississippi, and Texas.

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 violations are:

1. §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. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline system commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.

Plains procedures (Instructions for Form 505 – Tank Inspection) states that each tank must be inspected monthly and documented on Form 505. A review of the Form 505

identified that multiple individuals had multiple ways to fill out Form 505. During the inspection, multiple Plains employees were asked to perform the monthly tank inspection. Each individual was qualified to perform this OQ task. It was determined that the procedure is not being followed.

Also during the inspection of Plains, it was identified that the Plains Form 509, Tank Overfill Protection Inspection, was improperly filled out for Tank 1200 on 05/05/08; the tank was out of service for an API 653 inspection as noted on the form but the acknowledgement of the alarm by the control center is noted for the tank.

2. §195.404 Maps and records.
(a) Each operator shall maintain current maps and records of its pipeline systems.

The Plains Pipeline, LP, Pipe Specification Sheet for the No. 3, 10" Pipeline Lumberton to Eucutta shows that the pipeline has ANSI valves rated at 1440 psi, yet the MOP listed for all but one section of the pipeline exceeds 1440 psi.

3. §195.404 Maps and records.
(c) Each operator shall maintain the following records for the periods specified:
(3) A record of each inspection and test required by this subpart shall be maintained for at least 2 years or until the next inspection or test is performed, whichever is longer.

As per §195.432(b) the following items were identified during the inspection of Plains Pipeline, L.P.:

The Monthly tank inspection records for tank 3800 at Cushing Terminal are not complete and properly filled out. The December 2006 and April 2007 records are dated and signed but the items inspected and their condition are not checked.

Tank 4100 was placed in service on November 20, 2007, and according to the records at Cushing Terminal. There was no record available of the monthly inspection of the tank in December 2007 on the Plains tank inspection forms.

Plains' does not have a record of the December 2007 inspection of Tank 1296 at Ten Mile Station. Tank 1296 was placed in service and filled with oil on November 22, 2007. The tank does not have a monthly tank inspection record. Plains' has a December 17, 2007, emissions inspection performed by the Alabama Department of Environmental Management.

Plains tank inspection records for Eucutta Station Tanks 1205 and 1241 are not properly completed. During 2007 and 2008 records indicate that an individual conducted the tank inspections on February 1, 2007 and March 1, 2007 and another individual conducted the inspections on April 1, 2008; on these dates Plains' work schedule shows they were not working, rather they were working the day prior.

4. **§195.406 Maximum operating pressure.**
(a) Except for surge pressures and other variations from normal operations, no operator may operate a pipeline at a pressure that exceeds any of the following:
(2) The design pressure of any other component of the pipeline.

At Eucutta Station, the MOP of the incoming No. 3 10" Pipeline has an MOP of 1317 psig, downstream of the receiving trap at Eucutta Station there are ANSI 150 valves in the station piping. There is no overpressure protection provided to ensure that the pressure in the station piping and valves do not exceed the maximum design pressure of the valves.

5. **§195.420 Valve maintenance.**

(b) Each operator shall, at intervals not exceeding 7 ½ months, but at least twice each calendar year, inspect each mainline valve to determine that it is functioning properly.

According to documentation that was reviewed during the inspection, Valve M-17 and M-18 was not operated since April 2006, missing 5 inspection cycles. This office understands that the inspections of these valves were performed in May of 2008.

6. **§195.428 Overpressure safety devices and overflow protection systems**

(a) Except as provided in paragraph (b) of this section, each operator shall, at intervals not exceeding 15 months, but at least once each calendar year, or in the case of pipelines used to carry highly volatile liquids, at intervals not to exceed 7 ½ months, but at least twice each calendar year, inspect and test each pressure limiting device, relief valve, pressure regulator, or other item of pressure control equipment to determine that it is functioning properly, is in good mechanical condition, and is adequate from the standpoint of capacity and reliability of operation for the service in which it is used.

During the inspection it was identified that #1 discharge piping Crane E. was inspected 07/25/2007. The set point was found at 1100 psig and was left at 1100 psig. The MOP for this system is 640 psig. Plains provided information on May 19, 2008, to indicate that this was corrected.

7. **§195.430 Firefighting equipment.**

Each operator shall maintain adequate firefighting equipment at each pump station and breakout tank area. The equipment must be-

- (a) In proper operating condition at all times;
- (b) Plainly marked so that its identity as firefighting equipment is clear; and
- (c) Located so that it is easily accessible during a fire.

Plains' Firefighting Equipment procedure addresses the inspection of fire extinguishers and annual foam system tests. Plains' does not address how the firefighting equipment is determined to be adequate. In discussions with Plains personnel they stated that a

Fire Plan is developed for each facility and that during pre-construction the Plains safety department conducts a pre-construction fire requirement determination using a third party and also works with local fire departments and state fire marshals to determine various things for the facility - foam dams on tanks, water lines, water point connections, adequate water supply, etc.

The Fire Plans were checked at several facilities:

- At the Eucutta, Lumberton, Ten Mile, and Liberty Stations the Facility Response Plan covers firefighting. Plains relies on the local fire departments to fight facility fires Plains has not documented the coordination done with local fire departments to ensure that the local fire departments are aware of the extent of Plains facilities and ensure the compatibility of equipment responders in regards to what assistance would be required from the fire departments and coordination on.
- At the Odessa Station there were no fire extinguishers at this station. The fire plan was requested, but there was no fire plan available. During the week of May 19- 23, 2008, the fire extinguishers were visible at the Odessa Station.

8. §195.436 Security of facilities.

Each operator shall provide protection for each pumping station and breakout area and other exposed facility (such as scraper traps) from vandalism and unauthorized entry.

During the field evaluation of the Hendricks Tank Farm it was observed that it is not adequately protected from vandalism and unauthorized entry. At the Hendricks Tank Farm, livestock fencing is around the perimeter of the facility.

Also, it was noted during the field evaluation of the Jal Tank Farm the security fencing was not around the facility. It appeared that there was construction equipment at the facility and the PHMSA inspector was informed that this was temporary situation.

9. §195.438 Smoking or open flames.

Each operator shall prohibit smoking and open flames in each pump station area and each breakout tank area where there is a possibility of the leakage of a flammable hazardous liquid or of the presence of flammable vapors.

At the time of the inspection, Plains did not have signs posted to indicate that they prohibited smoking and open flames at the Wink Tank Farm.

10. §195.505 Qualification program.

Each operator shall have and follow a written qualification program. The program shall include provisions to:

(a) Identify covered tasks.

Plains' installed a Vapor Corrosion Inhibitor System (VpCI) under several breakout tanks at the Cushing Terminal Facility. The VpCI system is used to provide corrosion protection to the tank bottoms. Plains has not identified the installation, inspection, and

maintenance of the VpCI as covered tasks. Protection of the tank bottom from corrosion is an O&M requirements of Part 195.

11. §195.507 Recordkeeping

Each operator shall maintain records that demonstrate compliance with this subpart.

(a) Qualification records shall include:

- (1) Identification of qualified individuals;**
- (2) Identification of the covered tasks the individual is qualified to perform;**
- (3) Date(s) of current qualification; and**
- (4) Qualification method(s).**

Plains is required to have OQ qualification records for individuals performing covered tasks on the pipeline, the qualifications are to cover current work and work going back 5 years. Plains did not have OQ qualification records for several welders who performed work on: Tank 7055 at Healdton Station on the Red River System; Tank 1182 at Lumberton Mississippi; and Tank 553 in Liberty, Mississippi. Plains OQ Procedure Section 4 does not allow non-qualified personnel to perform covered tasks under supervision for critical tasks such as welding.

12. §195.573 What I must I do to monitor external corrosion control?

(c) Rectifiers and other devices. You must electrically check for proper performance each device in the first column at the frequency stated in the second column.

| <u>Device</u> | <u>Check frequency</u> |
|--|---|
| Rectifier | At least six times each calendar year, but with intervals not exceeding 2 ½ months. |
| Reverse current switch. Diode. Interference bond whose failure would jeopardize structural protection. | |
| Other interference bond | At least once each calendar year, but with intervals not exceeding 15 months. |

It was identified during the inspection of the Goldsmith-Midland pipeline system that rectifier inspections exceeded the 2 ½ month cycle for 2006 and 2007. In 2006, there were 11 rectifiers that exceeded the 2 ½ month cycle and in 2007 there were 6 rectifiers that exceed the 2 ½ month cycle. Records were validated in 2008 and there were no rectifiers that exceed the 2 ½ month inspection cycle.

13. §195.573 What must I do to monitor external corrosion control?

(e) Corrective action. You must correct any identified deficiency in corrosion control as required by §195.401(b). However, if the deficiency involves a pipeline in an integrity management program under §195.452, you must correct the deficiency as required by §195.452(h).

Plains did not promptly take corrective action for low readings on tanks 800, 1800, 2100, 2200, 2300, and 2500 at Cushing Terminal, prompt corrective action is defined as prior to the next scheduled inspection – annually, not to exceed 15 months. For tanks with HDPE bottoms Plains procedure (Spec no. 718) states that “Tanks with HDPE Liners, the potentials should be taken with permanent reference electrodes and or access tubes, the potentials taken around the perimeter will give a false level of cathodic protection.” Tanks 800, 1800, 2000, 2100, 2200, 2300, and 2500 have HDPE liners.

14. §195.579 What must I do to mitigate internal corrosion?

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

(3) Examine the coupons or other monitoring equipment at least twice each calendar year, but with intervals not exceeding 7½ months.

At Pauls Valley Station, on the Red River system line, there are no records showing that the coupon was read between August 2005 and September 2006. Plains’ injects inhibitors in the Red River pipeline for corrosion control.

Proposed Civil Penalty

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. The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violation(s) and has recommended that you be preliminarily assessed a civil penalty of \$92,700 as follows:

| <u>Item number</u> | <u>PENALTY</u> |
|--------------------|----------------|
| 5 | \$22,500 |
| 11 | \$11,300 |
| 12 | \$16,300 |
| 13 | \$31,300 |
| 14 | \$11,300 |

Warning Items

With respect to items 2, 3, 6 and 9 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 promptly correct these item(s). Be advised that failure to do so may result in Plains Pipeline, L.P. being subject to additional enforcement action.

Proposed Compliance Order

With respect to items 1, 4, 7, 8, and 10 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Plains

Pipeline, L.P. 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 4-2009-5005** 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, L.P., a Compliance Order incorporating the following remedial requirements to ensure the compliance of Plains Pipeline, L.P. with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to the improperly filling out the paperwork:
 - a. Review procedures for the inspection of breakout tanks, including the inspection of tank overfill protection, and modify the procedures to assure that employees understand what is required during the inspection of breakout tanks and how to fill out the appropriate inspection reports.
 - b. Submit completed procedures and your plan to assure that the procedures are being followed and carried out by Plains employees.

1. In regard to Item Number 4 of the Notice pertaining to the lack of overpressure protection at Eucutta Station for the ANSI 150 valves in the station piping downstream of the receiving trap on the incoming No. 3 10" Pipeline, Plains will:
 - a. Provide appropriate pressure protection to the station piping downstream of the No. 3 10" pipeline at Eucutta Station to protect the Maximum Operating Pressure of the station piping as determined by the pipe, valves, and fittings per 195.406
 - b. Review the station piping at Eucutta Station to ensure that jurisdictional piping, valves, and fittings are properly protected per their Maximum Operating Pressure.

2. In regard to Item Number 7 of the Notice pertaining to the lack of adequate fire fighting equipment and preplanned responses to tank and station fires at Eucutta, Liberty, Lumberton, Ten Mile and Odessa facilities, Plains will:
 - a. Update its Facility Response Plans and Pre-Fire plans for Eucutta, Liberty, Lumberton, Ten Mile, and Odessa facilities on how tank and station fires beyond incipient fires will be fought in coordination with the responding fire departments.
 - b. Conduct coordination meetings and establish fire plans for tank and station fires with the fire departments that will respond to fires at Plains' Eucutta, Liberty, Lumberton, Ten Mile and Odessa facilities.

3. In regard to Item Number 8 of the Notice pertaining to security of facilities at the Hendricks Tank Farm.
 - a. Review procedures for security of facilities and modify the procedures to

assure that they address the security of facilities that they include the protection from vandalism and unauthorized entry.

- b. Submit completed procedures and your plan to assure that the Hendricks Tank Farm is protected from vandalism and unauthorized entry.
4. In regard to Item Number 10 of the Notice pertaining to the operator qualification program, and the Vapor Corrosion Inhibitor System (VpCI):
 - a. Review and update OQ procedures to assure that individuals that would install, inspect, and maintain the VpCI will be included in Plains procedures.
 - b. Submit the revised procedures to assure that procedures include the installation, inspection, and maintenance of the VpCI.
5. Plains shall complete the items above within 60 days after receipt of the Final Order.
6. Plains Pipeline, L.P. shall 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. Costs shall 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.