



U.S. Department
of Transportation

Pipeline and Hazardous
Materials Safety
Administration

1200 New Jersey Avenue, SE
Washington, D.C. 20590

OCT 23 2014

Mr. Al Williams
President
Chevron Pipe Line Company, LLC
4800 Fournace Place
Bellaire, TX 77401

Re: CPF No. 4-2013-5019

Dear Mr. Williams:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation, assesses a civil penalty of \$33,100, and specifies actions that need to be taken by Chevron Pipe Line Company, LLC, to comply with the pipeline safety regulations. This is to acknowledge receipt of payment of the full penalty amount, by wire transfer, dated March 25, 2014. When the terms of the compliance order have been completed, as determined by the Director, Southwest 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. R. M. Seeley, Director, Southwest Region, OPS
Mr. James M. Barnum, General Manager, Operations-Transition, Chevron Pipe Line
Company, LLC, 4800 Fournace Place, Bellaire, Texas 77401

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

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

In the Matter of)

Chevron Pipe Line Company, LLC,)

Respondent.)
_____)

CPF No. 4-2013-5019

FINAL ORDER

Between April 16 and June 14, 2013, 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 on-site pipeline safety inspection of the facilities and records of Chevron Pipe Line Company, LLC (Chevron or Respondent), at the company's Evangeline Ethylene Pipeline (Evangeline Pipeline) facilities in Houston, Texas. Chevron is an indirect, wholly-owned subsidiary of Chevron Corporation. Chevron operates pipeline assets that transport crude oil, refined petroleum products, liquefied petroleum gas, natural gas and chemicals throughout the United States.¹

As a result of the inspection, the Director, Southwest Region, OPS (Director), issued to Respondent, by letter dated September 25, 2013, a Notice of Probable Violation, Proposed Civil Penalty and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Chevron had violated 49 C.F.R. § 195.452(e)(1), and proposed assessing a civil penalty of \$33,100 for the alleged violation. The Notice also proposed that Respondent be required to take certain measures to correct the alleged violation.

Chevron responded to the Notice, by letter dated October 29, 2013 (Response). Respondent did not contest the allegations of violation, but provided information concerning the corrective actions it has taken to comply with the Proposed Compliance Order and paid proposed civil penalty of \$33,100, as provided in 49 C.F.R. § 190.227. Payment of the penalty will serve to close the case with prejudice to Respondent.

FINDING OF VIOLATION

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

¹ See <http://www.chevronpipeline.com/about/> (current as of June 10, 2014).

Item 1: The Notice alleged that Respondent violated 49 C.F.R. § 195.452(e)(1), which states:

§ 195.452 Pipeline integrity management in high consequence areas.

(a) . . .

(e) *What are the risk factors for establishing an assessment schedule (for both the baseline and continual integrity assessments)?* (1) An operator must establish an integrity assessment schedule that prioritizes pipeline segments for assessment (see paragraphs (d)(1) and (j)(3) of this section). An operator must base the assessment schedule on all risk factors that reflect the risk conditions on the pipeline segment. The factors an operator must consider include, but are not limited to:

(i) Results of the previous integrity assessment, defect type and size that the assessment method can detect, and defect growth rate;

(ii) Pipe size, material, manufacturing information, coating type and condition, and seam type;

(iii) Leak history, repair history and cathodic protection history;

(iv) Product transported;

(v) Operating stress level;

(vi) Existing or projected activities in the area;

(vii) Local environmental factors that could affect the pipeline (*e.g.*, corrosivity of soil, subsidence, climatic);

(viii) Geo-technical hazards; and

(ix) Physical support of the segment such as by a cable suspension bridge.

The Notice alleged that Respondent violated 49 C.F.R. § 195.452(e)(1) by failing (1) to properly consider and evaluate all the risks associated with the Evangeline Pipeline, and (2) to factor-in the leak history of the Evangeline Pipeline when performing an integrity assessment for the pipeline. Integrity Management is an important part of the safety protocol for operators of pipelines, and provides assurance that operators are properly assessing the risks along particular segments of pipeline and taking steps to mitigate those risks. Specifically, the Notice alleged that Chevron did not properly consider all of the relevant risk factors in determining the assessment schedule for the Evangeline Pipeline because it did not consider the line's leak history. As a result, Chevron did not select an internal inspection method capable of assessing seam-integrity issues stemming from known risk factors.

The Notice further alleged that the Evangeline Pipeline is a 16-inch, .312/.314 wt.(wall thickness), X52 LF (low frequency) electric-resistance welded pipe manufactured in 1953 at the Youngstown Sheet and Tube Company, NY. On May 10, 2012, in preparation for its 2012 reassessment, Chevron completed a review of: (1) its 2007 reassessment findings; and (2) multiple reports of leaks on the Evangeline Pipeline from 2007 to 2012. Based on the review, Chevron allegedly selected a geometry and magnetic flux leakage tool for its 2012 reassessment method. However, the Evangeline Pipeline had two documented seam leaks in 2011, but those leaks were not considered during the company's assessment process. According to the Notice, Chevron was aware that the Evangeline Pipeline had been manufactured before 1962 and was susceptible to longitudinal seam failure but still failed to select an assessment tool or method capable of assessing the long seam.

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. § 195.452(e)(1) by (1) failing to properly consider and evaluate all the risks associated with the Evangeline Pipeline, and (2) failing to factor-in the leak history when performing an integrity assessment for the Evangeline Pipeline.

This finding of violation will be considered a prior offense in any subsequent enforcement action taken against Respondent.

ASSESSMENT OF PENALTY

Under 49 U.S.C. § 60122, Respondent is subject to an administrative civil penalty not to exceed \$200,000 per violation for each day of the violation, up to a maximum of \$2,000,000 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; 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 \$33,100 for the violation cited above.

Item 1: The Notice proposed a civil penalty of \$33,100 for Respondent's violation of 49 C.F.R. § 195.452(e)(1), for failing (1) to properly consider and evaluate all the risks associated with the Evangeline Pipeline, and (2) failing to factor-in the leak history of the Evangeline Pipeline when performing an integrity assessment of the line. Chevron neither contested the allegation nor presented any evidence or argument justifying elimination or reduction of the proposed penalty. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$33,100 for violation of 49 C.F.R. § 195.452(e)(1).

In summary, having reviewed the record and considered the assessment criteria for the Item cited above, I assess Respondent a total civil penalty of **\$33,100** for violation of 49 C.F.R. § 195.452(e)(1), which has been paid in full.

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to Item 1 in the Notice for violation of 49 C.F.R. § 195.452(e)(1). Under 49 U.S.C. § 60118(a), each person who engages in the transportation of [gas] [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 § 195.452(e)(1) (**Item 1**):
 - a. In regard to Item Number 1 of the Notice, pertaining to Chevron's failure to properly consider risks for the Evangeline Pipeline, Chevron must assess the Evangeline Pipeline by a method prescribed in Appendix G of its Pipeline Integrity Management Program Manual.
 - b. Chevron shall complete the assessment of the Evangeline Pipeline within 30 days of receiving this Final Order.
 - c. It is requested (not mandated) that Chevron Pipe Line Company, LLC maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Mr. 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.

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 \$200,000 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.

Under 49 C.F.R. § 190.215, Respondent has a right to submit a Petition for Reconsideration of this Final Order. The petition must be sent to: Associate Administrator, Office of Pipeline Safety, PHMSA, 1200 New Jersey Avenue, SE, East Building, 2nd Floor, Washington, DC 20590, with a copy sent to the Office of Chief Counsel, PHMSA, at the same address. PHMSA will accept petitions received no later than 20 days after receipt of service of this Final Order by the Respondent, provided they contain a brief statement of the issue(s) and meet all other requirements of 49 C.F.R. § 190.215. The filing of a petition automatically stays the payment of any civil penalty assessed. Unless the Associate Administrator, upon request, grants a stay, all other 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

OCT 23 2014

Date Issued