

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

_____)	
In the Matter of)	
Phillips 66 Pipeline LLC,)	CPF No. 4-2015-5014M
Respondent.)	Notice of Amendment
_____)	REQUEST FOR HEARING

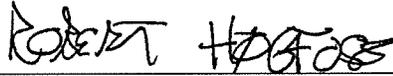
Phillips 66 Pipeline LLC (Phillips 66 or the Company) respectfully requests a hearing on the above-referenced Notice of Amendment (NOA), pursuant to 49 C.F.R. Parts 190.206 and 190.211. This NOA was issued to Phillips 66 by the Pipeline and Hazardous Materials Safety Administration (PHMSA or the Agency), Office of Pipeline Safety (OPS) on July 2, 2015, and received by Phillips 66 on the same day. Pursuant to 49 C.F.R. Part 190.206, this request is timely.

As required by 49 C.F.R. Part 190.211(b), this Request for Hearing includes a Statement of Issues (attached), which incorporates by reference a Written Response to the NOA (attached). Phillips 66 has elected to file this Request for a Hearing to preserve its rights, but the Company would welcome the opportunity to meet with PHMSA in advance of any Hearing to discuss what changes to its procedures might be appropriate and to explain its position, in hopes of resolving the issues informally. If this matter proceeds to a Hearing, however, please be advised in accordance with 49 C.F.R. Part 190.211(b) that Phillips 66 will be represented by the following counsel: Van Williams, Esq. (Phillips 66); Bob Hogfoss (Hunton & Williams); and Catherine Little (Hunton & Williams)

With this request, the Company also requests a complete copy of the case file for this matter, pursuant to 49 C.F.R. Part 190.209.

Phillips 66 is committed to the important goals of ensuring public safety and enhancing integrity on its pipeline systems and desires to work with PHMSA toward those goals. Phillips 66 is filing this Request for Hearing to clarify the issues underlying the NOA and to demonstrate that its procedures comply with the relevant regulations and are sufficient to ensure safety. Accordingly, and as set forth in the attached Written Response and Statement of Issues, the Company respectfully requests that the NOA be withdrawn.

Respectfully submitted,

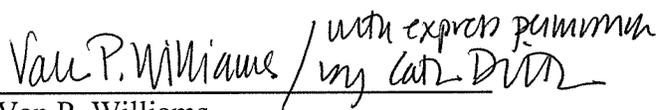


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PHILLIPS 66 PIPELINE LLC



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Date: August 3, 2015

**Before the
U.S. Department of Transportation
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Phillips 66 Pipeline LLC,)	CPF No. 4-2015-5014M
)	Notice of Amendment
Respondent.)	
)	
_____)	STATEMENT OF ISSUES

In connection with its Request for a Hearing and in accordance with the requirements of 49 C.F.R. Part 190.211(b), Phillips 66 Pipeline LLC (Phillips 66 or the Company), hereby provides the Statement of Issues that it intends to raise at a Hearing, in response to the above referenced Notice of Amendment (NOA). The NOA contains a single item, alleging inadequacies in the Company's Integrity Management procedures. Phillips 66 believes its existing procedures fully comply with applicable law, standards and guidance, and that the requested amendment would require significant costs to implement, with no benefit.

This Statement of Issues incorporates by reference the Company's Response to the Notice of Amendment (Response).

Without admitting any facts or conclusions set forth in the NOA, Phillips 66 intends to raise the following issues at a Hearing, which include questions of both fact and law:

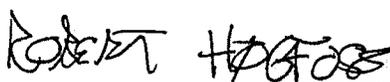
1. *Whether Phillips 66 Integrity Management procedures comply with 49 C.F.R. Part 195.452(j)(3), (5):*
 - (a) *whether the Company considers seam type in establishing integrity assessment schedules, as required by Part 195.452(j)(3); and*
 - (b) *whether the Company's methods used to assess low frequency electric resistance welded (LF-ERW) pipe for susceptibility to longitudinal seam failure are capable of assessing seam integrity and detecting corrosion and deformation anomalies, as required by Part 195.452(j)(5).*

2. *Whether Phillips 66 has properly documented and notified PHMSA of any integrity assessment intervals exceeding five years (to a maximum of 68 months), as required by Part 195.452(j)(4) and whether PHMSA is aware of and fully considered the Company's engineering analysis used to address risks associated with its LF-ERW pipe and to justify any extension of assessment intervals.*

3. *Whether PHMSA has any legal basis to request action beyond the plain language of Part 195.452(j), where operators have followed the guidance provided by Michael Baker (in association with John Kiefner and Associates) in a 2004 Report on LF-ERW pipe risk, which was commissioned by the Agency, and considering that a more recent study commissioned by PHMSA with Battelle Memorial Institute, intended to further evaluate and recommend actions to operators, has yet to endorse any specific methods beyond those recommended in the Kiefner-Baker Report.*

For all of these reasons, and other matters as justice may require, the Company respectfully requests that PHMSA withdraw the NOA.

Respectfully submitted,

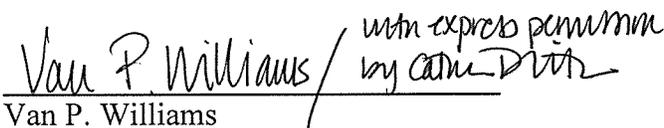


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Phillips 66 Pipeline LLC,)	CPF No. 4-2015-5014M
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Respondent.)	RESPONSE TO NOTICE OF
_____)	AMENDMENT

The Regional Director of the Southwest Region of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS or the Agency), issued a Notice of Amendment (Notice or NOA) to Phillips 66 Pipeline LLC (Phillips 66 or the Company) on July 2, 2015. The Notice consists of one item that alleges inadequacies in Phillips 66's Integrity Management procedures related to threat identification and risk assessment for low frequency electric resistance welded (LF-ERW) pipe.

The Notice was issued following PHMSA's investigation into a Safety Related Condition Report filed by Phillips 66 on December 11, 2014. That Safety Related Condition Report did not relate to integrity issues on LF-ERW pipe in the Company's pipeline system, however. Without admitting the allegations, facts or conclusions set forth in the Notice, Phillips 66 seeks a Hearing on the alleged inadequacies described in the Notice. In addition, the Company respectfully requests that, given the information submitted in these pleadings, the Notice be withdrawn.

NOA Allegations

The Notice alleges that the Company's Integrity Management Program (IMP) does not correctly identify LF-ERW pipe or lap-welded pipe that may be susceptible to longitudinal seam failure for the purpose of its reassessment evaluation process, and therefore that Company procedures do not comply with the assessment timing and methods required in 49 C.F.R. Part 195.452(j)(3) and (5). Additionally, PHMSA alleges that Phillips 66 IMP procedures allow for extension of inspection intervals beyond the required interval for continual assessment without proper notification to PHMSA as required in 49 C.F.R. Part 195.452(j)(4). The Notice states that Phillips 66 procedures need to be amended to ensure that all pre-1970 LF-ERW pipe deemed susceptible to longitudinal seam failure is evaluated by a method capable of assessing seam integrity, and of detecting corrosion and deformation anomalies on a maximum interval of five years (not to exceed 68 months) unless a variance from the five-year interval is requested.

The Company believes that its procedures fully comply with applicable law, standards, and guidance, and that the requested amendment is not justified. Phillips 66's specific responses to the allegations in the Notice are set forth below:

1. Alleged Failure of Procedures to Identify LF-ERW Pipe Susceptible To Seam Failure

a) Alleged Failure to Consider Seam Type in Establishing Integrity Assessment Schedules (49 C.F.R Part 195.452(j)(3))

Summary of Allegation: The Notice alleges that the Company's IMP procedures do not correctly identify LF-ERW pipe that may be susceptible to longitudinal seam failure in establishing integrity assessment schedules, as required by Part 195.452(j)(3). Specifically, the Agency states that the Company's procedures define "seam related defects" for the purpose of the reassessment evaluation process as "linear anomalies in the seam subject to fatigue growth," and that this definition inappropriately narrows the possible seam defects that can cause pre-1970 LF-ERW pipe to be deemed susceptible to seam failure.

Phillips 66 Response: The Company's IMP procedures properly account for seam type in establishing schedules for continual assessment, as required by Part 195.452(j)(3), and its risk assessment process allows for all seam failure susceptible LF-ERW pipe to be identified, not just that which requires a fatigue growth analysis. While PHMSA regulations require consideration of several specified risk factors (listed in 49 C.F.R. Part 195.452(e)), including "seam type," they do not prescribe how operators are to define such factors for the purposes of their risk analyses. Phillips 66 analyzes its LF-ERW pipe for seam failure susceptibility in a manner consistent with PHMSA regulations as well as with industry guidance commissioned and endorsed by PHMSA, and its assessment schedules for this type of pipe are based upon that analysis. Because the Notice does not allege that the Company's procedures fail to account for the risk factors required under Part 195.452(j)(3), nor that the procedures in any way deviate from PHMSA requirements and guidance, the Company respectfully requests that the requested amendment to its reassessment evaluation process be withdrawn.

b) Alleged Failure to Use Proper Assessment Methods (49 C.F.R Part 195.452(j)(5))

Summary of Allegation: PHMSA alleges that the Company's IMP procedures do not provide for the selection of assessment methods on seam failure susceptible LF-ERW pipe that are capable of assessing seam integrity and detecting corrosion and deformation anomalies, as required by 49 C.F.R. Part 195.452(j)(5), an allegation also based upon the premise that the Company's procedures do not allow for proper identification of LF-ERW pipe that is susceptible to longitudinal seam failure.

Phillips 66 Response: As explained above, the Company's procedures provide for analysis of seam failure susceptibility in a manner consistent with PHMSA regulations and guidance. As a result, the Company's procedures for selecting assessment methods on its system properly account for the presence of LF-ERW pipe. Phillips 66 IMP procedures set forth a detailed process for evaluating all threats to its pipelines in order to determine which individual assessments are required. As part of this process, the Company analyzes its LF-ERW pipe according to its procedures for pressure cycle fatigue analysis, which take into account numerous different types of data about the pipeline needed to determine, among other things, each line's susceptibility to seam-related issues. Because these procedures are consistent with applicable regulations and guidance, the Company respectfully submits that the requested amendments concerning the selection of assessment methods should be withdrawn.

2. Alleged Failure to Notify PHMSA of Extension of Assessment Intervals (49 C.F.R. Part 195.452(j)(4))

Summary of Allegation: PHMSA alleges that the Company's fatigue analyses have been used to extend inspection intervals beyond the maximum interval of five years (not to exceed 68 months) based upon the results of that analysis, without proper notification to PHMSA.

Phillips 66 Response: The Company's procedures require any extension of assessment intervals beyond the required five-year interval to be justified by a sound engineering basis, and for notice of the longer assessment interval to be provided to PHMSA in accordance with 49 C.F.R. Part 195.452(j)(4). The Company follows these procedures in every instance where its analysis leads to the conclusion that an extension beyond the five-year maximum set forth in the regulations is warranted. Notably, the Notice does not identify any specific instance where Phillips 66 has improperly extended assessment intervals without the required justification and notification to PHMSA.

In accordance with its IMP procedures, the Company conducts an engineering analysis to assess risks associated with its LF-ERW pipe, including those considerations listed in 49 C.F.R. Part 195.303(d), and this analysis—in addition to the other requirements of Part 195.452(j)(4)—provides the basis for the Company's assessment intervals. The Notice suggests that the Agency did not consider the Company's procedures for conducting this engineering analysis in alleging that Phillips 66 improperly extended its assessment intervals and that its IMP fails to provide for the identification of LF-ERW pipe susceptible to seam failure. The Company therefore respectfully requests that the Agency fully consider and take into account its processes for conducting this analysis.

Because the Company has fully complied with the requirements of Part 195.452(j)(4) for the extension and justification of assessment intervals beyond the maximum interval allowed, and has adhered to its procedures at all times, it respectfully requests that the Agency's allegation concerning this issue be withdrawn.

**Legal Basis for Requesting Action Beyond the Plain Language
of 49 C.F.R. Part 195.452(j)**

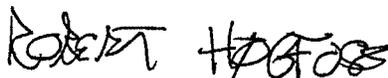
The Notice alleges deficiencies in Phillips 66 procedures that have no basis in applicable law, standards, or guidance. PHMSA integrity management regulations at 49 C.F.R. Part 195.452 are performance-based standards that allow for an operator to tailor its IMP procedures to the specific characteristics of its system. Accordingly, Part 195.452(j) does not mandate a specific means of determining risks associated with LF-ERW pipe. Where an operator's procedures comply with PHMSA regulations, as well as guidance commissioned and endorsed by the Agency (specifically, the report entitled "Integrity Management Program, Deliver Order DTRS56-02-D-70036, Low Frequency ERW and Lap Welded Longitudinal Seam Evaluation," published by Michael Baker, Jr., Inc. in April 2004 ("Baker Report") and related guidance on the same topic), there is no basis for PHMSA to require an operator to amend those procedures. Further, PHMSA has commissioned a study intended to further evaluate and recommend actions to operators with respect to the assessment of LF-ERW seam failure risks but has yet to recommend any specific methods beyond those recommended in the 2004 Baker Report. See *"Comprehensive Study to Understand Longitudinal ERW Seam Failures," Battelle Memorial Institute*, (available at <http://primis.phmsa.dot.gov/matrix/prjHome.rdm?prj=390>).

Because the Agency requests amendments to Phillips 66 procedures beyond what is required by the plain language of PHMSA regulations or published guidance, the NOA should be withdrawn.

Conclusion

For the reasons discussed above and in the related Statement of Issues, and other matters as justice may require, the Company respectfully requests that PHMSA withdraw the NOA. Phillips 66 takes pride in its IMP procedures and process, and the Company has received favorable reviews of its long seam program in past Agency inspections. To this point, PHMSA has undertaken multiple integrated inspections of the Company's IMP and has not, prior to this NOA, identified any deficiencies in its process for conducting long seam evaluations. Phillips 66 IMP procedures comply with 49 C.F.R. Part 195.452(j) and therefore no basis exists for requiring their amendment.

Respectfully submitted,



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Date: August 3, 2015