



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

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12300 W. Dakota Ave., Suite 110
Lakewood, CO 80228

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 11, 2007

Mr. Mike Rogers
Sr. Vice President Western Region
CPN Pipeline Company
3875 Hopyard Road, Suite 345
Pleasanton, CA 94588

CPF 5-2007-1006

Dear Mr. Rogers:

On January 30 – February 1 and February 13 -14, 2007, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your Integrity Management Program in Rio Vista, California.

As a result of the inspection, it appears 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. §192.947 What records must an operator keep?

§192.947 (d) Documents to support any decision, analysis and process developed and used to implement and evaluate each element of the baseline assessment plan and integrity management program. Documents include those developed and used in support of any identification, calculation, amendment, modification, justification, deviation and determination made, and any action taken to implement and evaluate any of the program elements;

§192.905 (a) General. To determine which segments of an operator's transmission pipeline system are covered by this subpart, an operator must identify the high consequence areas. An operator must use method (1) or (2) from the definition in § 192.903 to identify a high consequence area. An operator may apply one method to its entire pipeline system, or an operator may apply one method to individual portions of the pipeline system. An operator must describe in its integrity management program which method it is applying to each portion of the operator's pipeline system. The description must include the potential impact radius when utilized to establish a high consequence area. (See appendix E.I. for guidance on identifying high consequence areas.)

- **Item 1A: §192.947(d) & §192.905 (a)**

The CPN IMP does not describe how the company ensures potential inaccuracies with pipeline location and instrumentation tolerances do not exclude the identification of all covered pipeline segments. Pipeline location has been established using GPS instrumentation with readings taken at test points, risers, valves, etc. The GPS instrument accuracy and pipeline location process has not been documented and justified in the IMP. Instrumentation used to measure structure and identified site distance from the pipeline has not had the validity of its accuracy documented and justified in the IMP.

Evidence: IMP Element 1, 12/2006, ID of Pipeline Segments Impacting HCAs.

- **Item 1B : §192.947(d)**

Documentation of decisions, processes, or results for various IM processes was missing. For example, documentation of the completion of development of the IMP by December 17, 2004 was not available.

Evidence: Documentation is not available.

2. §192.907 What must an operator do to implement this subpart?

§192.907 (a) General. No later than December 17, 2004, an operator of a covered pipeline segment must develop and follow a written integrity management program that contains all the elements described in § 192.911 and that addresses the risks on each covered transmission pipeline segment. The initial integrity management program must consist, at a minimum, of a framework that describes the process for implementing each program element, how relevant decisions will be made and by whom, a time line for completing the work to implement the program element, and how information gained from experience will be continuously incorporated into the program. The framework will evolve into a more detailed and comprehensive program. An operator must make continual improvements to the program.

- **Item 2A: §192.907(a)**

CPN did not identify 2 covered segments defined by identified sites until after the December 17, 2004 compliance deadline. These segments were the Black Mountain – Robbins segment near a high school and the eastern segment of the Sutter system near the SEC administration building. These segments were defined as covered segments in 2005 and 2006 following the collection of additional detailed data and a more detailed review. **Evidence:** Montis Niger System – 2 Town of Robbins aerial maps and 1 Sutter Pipeline at SEC Plant aerial map.

3. **§192.937 What is a continual process of evaluation and assessment to maintain a pipeline's integrity?**

(a) **General.**

(b) **Evaluation.** An operator must conduct a periodic evaluation as frequently as needed to assure the integrity of each covered segment. The periodic evaluation must be based on a data integration and risk assessment of the entire pipeline as specified in § 192.917. For plastic transmission pipelines, the periodic evaluation is based on the threat analysis specified in § 192.917(d). For all other transmission pipelines, the evaluation must consider the past and present integrity assessment results, data integration and risk assessment information (§ 192.917), and decisions about remediation (§ 192.933) and additional preventive and mitigative actions (§ 192.935). An operator must use the results from this evaluation to identify the threats specific to each covered segment and the risk represented by these threats.

- **Item 3A: §192.937(b)**

An interval for conducting periodic evaluations following the completion of baseline assessments has not been defined by the CPN IMP.

Evidence: IMP Section 6.3, Periodic Evaluations.

4. **§192.911 What are the elements of an integrity management program?**

An operator's initial integrity management program begins with a framework (see § 192.907) and evolves into a more detailed and comprehensive integrity management program, as information is gained and incorporated into the program. An operator must make continual improvements to its program. The initial program framework and subsequent program must, at minimum, contain the following elements. (When indicated, refer to ASME/ANSI B31.8S (ibr, see § 192.7) for more detailed information on the listed element.)

(a) An ...

(k) A management of change process as outlined in ASME/ANSI B31.8S, section 11.

- **Item 4A: §192.911(k) ASME B31.8S-2001, section 11 (a)**

The MOC process defined by the CPN IMP does not require interface with O&M Procedure Number 40 MOC process

Evidence: O&M Procedure # 40, Revision 2, June 2006, Management of Change IMP Element 11, 12/2006, Management of Change.

- **Item 4B: §192.911(k) ASME B31.8S-2001, section 11 (a)**

The CPN IMP does not require that changes to procedures that potentially impact or interface with the IM program be evaluated through the MOC process.

Evidence: O&M Procedure # 40, Revision 2, June 2006, Management of Change IMP Element 11, 12/2006, Management of Change.

- **Item 4C: §192.911(k) ASME B31.8S-2001, section 11 (b)**

Installation of the low pressure switch on the Road 17 Line Break Valve has not been reflected on the applicable P&ID. It is noted that the MOC for this change requires that the update is due by February 28, 2007. However, CPN indicated that such updates only occur on a semi-annual basis. Additionally, the MOC form indicates the job is complete as of January 26, 2007. It is assumed that this indicates the physical installation of the pressure sensor is complete; however, this could be construed as all work required by the MOC, including P&ID updates, is complete.

Evidence: Pipeline MOC Form for Road 17 Line Break Valve.

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 violations and has recommended that you be preliminarily assessed a civil penalty of \$40,000 as follows:

<u>Item number</u>	<u>PENALTY</u>
[1B]	\$10,000
[2A]	\$20,000
[4C]	\$10,000
Total	\$40,000

Proposed Compliance Order

With respect to items 1A, 3A, 4A, and 4B pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to

CPN Pipeline Company. 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 5-2007-1006** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,



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

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Compliance Proceedings

cc: PHP-60 Compliance Registry
PHP-500 J. Gilliam (#118455)

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to CPN Pipeline Company a Compliance Order incorporating the following remedial requirements to ensure the compliance of CPN Pipeline Company with the pipeline safety regulations:

1. In regard to Item Number 1A of the Notice pertaining to potential inaccuracies with pipeline location and instrumentation tolerances for electronic instruments used to locate and identify HCAs. CPN must identify what the inherent inaccuracies are in their mapping and electronic instruments used to identify HCAs. CPN must resurvey their pipeline system adding a tolerance factor for the identified inaccuracies. Furthermore, CPN must develop a report indicating any and all changes to HCA mileage as a result of the addition of the tolerance factors.
2. In regard to Item Number 3A of the Notice pertaining to the requirement for periodic evaluations. CPN must establish the requirement to conduct a periodic evaluation within one year of the completion of a baseline assessment. Furthermore, CPN is to complete a periodic evaluation for all past baseline assessments that have been completed for more than one year since the issuance of this final order.
3. In regard to Item Number 4A of the Notice pertaining to MOC process defined by the CPN IMP, CPN must integrate the MOC within the IMP with the O&M - Procedure Number 40 MOC process.
4. In regard to Item Number 4B of the Notice pertaining to changes to procedures that potentially impact or interface with the IM program, CPN must include in their IMP a requirement to evaluate all procedural changes that could have an impact on the IM program.
5. The operator will have 60 days from the issuance of the Final Order in which to complete the above compliance order items.
6. CPN shall maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Chris Hoidal, Director, Western 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.