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Refining and Marketing Company

Pipeline, Terminal, Trucking, & Rail
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San Antonio, TX 78216-6999

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October 25, 2007

Chris Hoidal
Director, Western Region
Pipeline and Hazardous Materials Safety Administration
12300 W. Dakota Ave., Suite 100
Lakewood, CO 80228

Dear Mr. Hoidal:

SUBJECT: RESPONSE TO CPF NO. 5-2007-5031

Please consider this letter Tesoro Refining and Marketing Company's (Tesoro's) response to CPF No. 5-2007-5031: Notice of Probable Violation and Proposed Civil Penalty, dated August 13, 2007, for which Tesoro received a 30-day time extension. PHMSA's noted items of probable violation are given in italics, and Tesoro's responses follow.

***Item 1A:** 195.452(f)(4) and (h)(4) An anomaly in the Tesoro Hawaii 10-inch Products Pipeline was identified as a Bottom Side Dent with metal loss (a 60-day repair condition) when in actuality the anomaly was located between the 8 and 4 o'clock position. A Topside Dent with metal loss is classified as an Immediate Repair condition. Tesoro did not investigate immediately. Evidence: Tesoro's Dig List and Repair Record for Dig #7 (Item 626).*

Tesoro's in-line inspection of July 20, 2005, for the segment "Refinery to Harbor Terminal" resulted in, among others, Item 626 at Dig #7. Although Tesoro's IMP documentation, Table 1, predicted this anomaly to be a "Dent w/ Other", the predicted dimensions of which were 3.5% dent depth, or 0.376 inches, at an orientation of 9:52 o'clock, the Dig List from the same IMP documentation shows a discrepancy, stating that the anomaly is a "Deformation w/Metal Loss". To ascertain the correct prediction, the original documentation from the tool vendor was referenced, and it predicts this anomaly to be "Deformation w/Metal Loss / Dig #7 / 60-day". The tool vendor's incorrect repair categorization of the anomaly as a 60-day repair condition erroneously was carried over to Tesoro's Dig List. From the beginning, Tesoro correctly classified this anomaly as a "topside dent" (above the 4 and 8 o'clock position) but

erroneously overlooked the "metal loss" call. The date of Discovery was November 1, 2005. The anomaly was exposed and repaired on December 6, 2005 (36 days after discovery) with a Type "B" sleeve. The actual, determined dimensions of the anomaly were: 0.4% dent depth, or 0.048 inches, at an orientation of 8:30 o'clock with metal loss.

Item 2A: 195.452(f)(4) and (h)(2) Discovery for the Refinery to Sand Island, and Sand Island to Shell Terminal pipeline segments were not declared until 30 days after the vendor's final report was delivered. This is inconsistent with Tesoro's current commitment to declare discovery when the vendor's final report is received. Evidence: Tesoro's IM007 Procedures for in-line inspection dated December 30, 2006.

Tesoro's IMP Procedure IM007, dated December 30, 2006, does state the following: "Tesoro considers 'Discovery of a Condition' to occur when Tesoro receives the Final ILI Report from the ILI vendor".

The Sand Island to Shell ILI was completed on August 3, 2004, the final report was received from PII on September 7, 2004, and the Date of Discovery is given in Tesoro's IMP documentation as September 7, 2004.

The Refinery to Sand Island ILI was completed on July 20, 2005, the final report was received from Baker Hughes on November 1, 2005, and the Date of Discovery is given in Tesoro's IMP documentation as November 1, 2005.

Tesoro disagrees with PHMSA's determination of "probable violation" for this item, Item 2A.

Item 3A: 195.452(f)(4) and (h)(1), (3), and (4) Digs 26 and 28 on TAPL were not completed within 60 days from discovery. A pressure reduction was not taken and no notification to PHMSA was made as required by 195.452(h)(3). Evidence: Tesoro's Dig List and Repair Record for Digs 26 and 28.

Tesoro's in-line inspection of February 26, 2004, for the entire Tesoro Alaska Pipeline resulted in, among others, Dig #26 (Item 8775) and Dig #28 (Items 9507 and 9508). The date of Discovery is given as April 9, 2004.

Item 8775 (Dig #26) was predicted to be "metal loss near seam", having the following predicted dimensions: 14% predicted metal loss at 11:36 o'clock position. This anomaly was classified as an "Other Condition", which, in accordance with Tesoro's IMP, will be scheduled for repair when warranted. The information from the subsequent, 2007, ILI on this pipeline does not show any anomaly in this location. No repair was warranted nor made, and neither a pressure reduction nor notification to PHMSA was required. Tesoro disagrees with PHMSA's determination of "probable violation" for the Dig #26 issue of Item 3A.

At Dig #28, the following two anomalies were found:

- Item 9507 was predicted to be a "dent near girth weld" with the following predicted dimensions: 2.8% dent depth (0.3 inches) at an orientation of 11:00 o'clock. Due to rounding inaccuracy, Tesoro erroneously classified this as a "180-day repair condition", while it should have been classified as a "60-day repair condition" since the pipeline diameter is 10 inches. (Tesoro's IMP and the regulation give repair timeframe of 60 days for dents with a depth greater than 3% (but less than or equal to 6%) of the pipeline

diameter, or greater than 0.250 inches in depth for a pipeline diameter less than a Nominal Pipe Size of 12 inches.) This anomaly was repaired on July 7, 2007, 89 days after Discovery. Upon excavation of the anomaly, the actual dimensions of the anomaly were recorded as 1.6% dent depth (0.175 in) at an orientation of 11:00 o'clock. So, although the anomaly was erroneously classified based on the predicted dimensions, it was repaired within the required timeframe based on the actual dimensions.

- Item 9508 was predicted to be a "dent at girth weld", with the following predicted dimensions: 1.5% dent depth at an orientation of 11:05 o'clock, which did not require repair according to Tesoro's IMP. However, this anomaly was repaired on July 7, 2004 with a Type "B" sleeve (the sleeve at Dig #28 repaired both anomalies – Items 9507 and 9508). Tesoro disagrees with PHMSA's determination of "probable violation" for Item 9508's portion of Item 3A.

Tesoro looks forward to continual improvement of its IMP through continued administration of the Program as well as through PHMSA's inspections, oversight, and suggestions. Tesoro would welcome the opportunity to further discuss these items in hopes of quickly reaching a final resolution of this matter. Please do not hesitate to contact me at 210-626-6465 or at bfrieh@tsocorp.com with any questions or concerns.

Sincerely,



Bernie Frieh, P.E.
Manager Environmental, Compliance, and Training
Tesoro Refining and Marketing Company

CC: J. W. Moore, Jr.
H. Nguyen (PHMSA) – via e-mail