



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

SENT TO COMPLIANCE REGISTRY
Hardcopy Electronically
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12300 W Dakota Ave , Suite 110
Lakewood, CO 80228

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

October 19, 2007

Mr. Bill Dungan, Terminal Manager
Shore Terminals
9420 NW St. Helens Road
Portland, OR 97231

CPF 5-2007-5037

Dear Mr. Dungan:

On March 26, 2007, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your formerly known as Mobil breakout tank farms 1, 2 and 3, and the adjoining formerly known as Time Oil tank farm 4 in Portland, Oregon.

As a result of the inspections, 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. **§195.432 Inspection of in-service breakout tanks.**

Each operator shall inspect the physical integrity of in-service atmospheric and low-pressure steel aboveground breakout tanks according to section 4 of API

Standard 653. However, if structural conditions prevent access to the tank bottom, the bottom integrity may be assessed according to a plan included in the operations and maintenance manual under §195.402(c)(3).

Records were unavailable at the time of the inspections to substantiate what efforts have been historically undertaken to mitigate atmospheric corrosion, nor what future plans had been initiated to correct continually advancing atmospheric corrosion problems.

2 §195.565 How do I install cathodic protection on breakout tanks?

After October 2, 2000, when you install cathodic protection under Sec. 195.563(a) to protect the bottom of an aboveground breakout tank of more than 500 barrels (79.5m³) capacity built to API Specification 12F, API Standard 620, or API Standard 650 (or its predecessor Standard 12C), you must install the system in accordance with API Recommended Practice 651. However, installation of the system need not comply with API Recommended Practice 651 on any tank for which you note in the corrosion control procedures established under Sec. 195.402(c)(3) why compliance with all or certain provisions of API Recommended Practice 651 is not necessary for the safety of the tank.

At the time of the inspection, the operator acknowledged that a cathodic protection system is not installed in any of the tank farms. Additionally, the Operation and Maintenance procedures manual indicated no provision as to why a corrosion control system is unnecessary.

3. §195.573 What must I do to monitor external corrosion control?

(d) Breakout tanks. You must inspect each cathodic protection system used to control corrosion on the bottom of an aboveground breakout tank to ensure that operation and maintenance of the system are in accordance with API Recommended Practice 651. However, this inspection is not required if you note in the corrosion control procedures established under Sec. 195.402(c)(3) why compliance with all or certain operation and maintenance provisions of API Recommended Practice 651 is not necessary for the safety of the tank.

At the time of the inspection the Operation and Maintenance procedures manual indicated no provision as to why compliance with all or certain operation and maintenance provision of API Recommended Practice 651 is not necessary for the safety of breakout tanks.

4. §195.581 Which pipelines must I protect against atmospheric corrosion and what coating material may I use?

(a) You must clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere, except pipelines under paragraph (c) of this section.

(b) Coating material must be suitable for the prevention of atmospheric corrosion.

At the time of the inspection atmospheric corrosion was advanced and widespread, especially between horizontal piping and pipe supports within tank farms 1, 2, 3 and 4.

Proposed Compliance Order

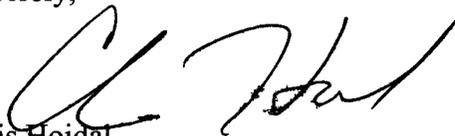
Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Shore Terminals. Please refer to the *Proposed Compliance Order* that is enclosed and made a part of this Notice.

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 5-2007-5037** 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. Kenerson (#118899, #118913)

PROPOSED COMPLIANCE ORDER

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

1. In regard to Item Number 1 of the Notice pertaining to inspection of in-service of breakout tanks, Shore Terminals must develop a record-keeping method to inspect atmospheric corrosion of in-service breakout tanks.
2. In regard to Item 2 of the Notice pertaining to installation of a cathodic protection on breakout tanks, Shore Terminals must install cathodic protection facilities within all its breakout tanks or present written evidence why a corrosion control system is unnecessary.
3. In regard to Item 3 of the Notice pertaining to monitoring external corrosion control, Shore Terminals must comply with the provisions of API Recommended Practice 651 or show why compliance is not necessary for the safety of breakout tanks.
4. In regard to Item 4 of the Notice pertaining to which pipelines must be protected against atmospheric corrosion and what coating material to use, Shore Terminals must mitigate the atmospheric corrosion conditions on each pipeline or portion of pipeline within each of the four tank farms exposed to the atmosphere, except pipelines under paragraph (c) of §195.581.
5. Shore Terminals shall maintain documentation of the safety improvement costs associated with fulfilling this compliance Order and submit the total to Christopher 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.