



U.S. Department
of Transportation

Pipeline and Hazardous Materials
Safety Administration

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

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

July 1, 2015

Mr. Stephen Peyton
Paramount Petroleum Corporation (PPC)
14700 Downey Ave.
Paramount, CA 90723

CPF 5-2015-1009W

Dear Mr. Peyton:

PHMSA conducted an internal audit of its past regulatory inspection and discovered that this enforcement letter was not issued. PHMSA must ensure that all violations revealed during past inspection are provided to pipeline operators so they can remedy them. We apologize for the tardiness of this letter but we need to ensure you address the regulatory deficiencies to provide for public safety.

On October 10, 2012, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your Public Awareness Program in Paramount, California.

As a result of the inspection, 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. 192.616 Public Awareness

(a) Except for an operator of a master meter or petroleum gas system covered under paragraph (j) of this section, each pipeline operator must develop and implement a written continuing public education program that follows the guidance provided in the American Petroleum Institute's (API) Recommended Practice (RP) 1162 (incorporated by reference, see § 192.7).

(b) The operator's program must follow the general program recommendations of API RP 1162 and assess the unique attributes and characteristics of the operator's pipeline and facilities.

The operator's program did not follow the general program recommendations of API RP 1162 Section 2.7 Step 4. The program did assess the unique attributes and characteristics of the operator's pipeline and facilities. Attributes and characteristics must include items such as (but not limited to) designation of transmission, distribution, gathering, the pipe's physical properties (diameter, wall thickness, etc.); the number of pipelines in the right-of-way (ROW); the location of above ground facilities along the ROW; the chemical and physical properties of the products transported, applicable high consequence areas; applicable special permits, liquefied natural gas, highly volatile liquids, carbon dioxide, propane, anhydrous ammonia, compressor stations, valves, breakout tanks, odorizer, etc.). PPC, in its public awareness plan, defined some specific pipelines and facilities but did not include 11 miles of intrastate natural gas transmission pipeline in Kern County, CA, in its plan.

2. 192.616 Public Awareness

(a) Except for an operator of a master meter or petroleum gas system covered under paragraph (j) of this section, each pipeline operator must develop and implement a written continuing public education program that follows the guidance provided in the American Petroleum Institute's (API) Recommended Practice (RP) 1162 (incorporated by reference, see § 192.7).

(d) The operator's program must specifically include provisions to educate the public, appropriate government organizations, and persons engaged in excavation related activities on:

(1) Use of a one-call notification system prior to excavation and other damage prevention activities;

(2) Possible hazards associated with unintended releases from a gas pipeline facility;

(3) Physical indications that such a release may have occurred;

(4) Steps that should be taken for public safety in the event of a gas pipeline release; and

(5) Procedures for reporting such an event.

The operator's program did not specifically include provisions to educate the public, appropriate government organizations, and the people who are engaged in excavation related

activities. For the affected public located along transmission pipeline ROW, and work by places of congregation, it is recommended that transmission pipeline operators provide communications within a minimum coverage area distance of 660 feet on each side of the pipeline, or as much as 1000 feet in some cases. The transmission pipeline operator should tailor its communications coverage area (buffer) to fit its particular pipeline, location, and potential impact consequences.

PPC established methods to identify the individual stakeholders in the four effected stakeholder audience but failed to define stakeholders' notification areas, distances, buffer zones and/or tolerances for stakeholder groups along it liquid and natural gas pipelines as required by API RP 1162 Appendix B.

3. 192.616 Public Awareness

Except for an operator of a master meter or petroleum gas system covered under paragraph (j) of this section, each pipeline operator must develop and implement a written continuing public education program that follows the guidance provided in the American Petroleum Institute's (API) Recommended Practice (RP) 1162 (incorporated by reference, see § 192.7).

(c) The operator must follow the general program recommendations, including baseline and supplemental requirements of API RP 1162, unless the operator provides justification in its program or procedural manual as to why compliance with all or certain provisions of the recommended practice is not practicable and not necessary for safety.

(i) The operator's program documentation and evaluation results must be available for periodic review by appropriate regulatory agencies.

Each operator must follow the general program recommendations, including baseline and supplemental requirements of API RP 1162, unless the operator provides justification in its program or procedural manual as to why compliance with all or certain provisions of the recommended practice is not practicable and not necessary for safety. Operators need to evaluate its PAP annually by internal review, third party assessment or regulatory inspection.

The intent of the evaluation process is to measure program implementation and program effectiveness for continuous improvement. Improvements should relate to the operator's PAP as it pertains to items addressed in the regulations or in the baseline and supplemental provisions of API RP 1162. The primary purposes of the evaluation of the PAP are to assess whether the current program is effective in achieving the objectives outlined in API 1162 Section 2.1 and provide the operator information on implementing improvements in its PAP.

By measuring the program effectiveness, the operator should assess progress in the following measures;

- Whether the information is reaching the intended Audience
- If the recipient audiences understand the messages delivered
- Whether the recipients are motivated to respond, and

- If the implementation of PAP is impacting bottom-line results

PPC in its PAP section 8 states “the program will be evaluated at least annually to assess both the program implementation and the effectiveness of the plan”. PPC, however, failed to evaluate its PAP since 2006 and did not have any justification to why certain provisions of the recommended practice were not necessary. PPC also did not specify the evaluation techniques as required by API RP 1162 Table 8-1. Finally, PPC did conduct an effectiveness evaluation of its program within 4 years after the initial program implementation in 2006.

4. 192.616 Public Awareness

(a) Except for an operator of a master meter or petroleum gas system covered under paragraph (j) of this section, each pipeline operator must develop and implement a written continuing public education program that follows the guidance provided in the American Petroleum Institute's (API) Recommended Practice (RP) 1162 (incorporated by reference, see § 192.7).

(g) The program must be conducted in English and in other languages commonly understood by a significant number and concentration of the non-English speaking population in the operator's area.

Each operator should develop and deliver materials and messages in English and in other languages commonly understood by a significant number and concentration of non-English speaking populations in the operator's areas. Operator needs to identify the sources of information used to determine the need for additional languages. Census data, County courthouse records, School system records, and Emergency response and/or hospital data are some of the source the operators can use.

PPC has developed and delivered materials and messages in English and in other languages, Spanish, commonly understood by a significant number and concentration of non-English speaking populations in the operator's areas. However, PPC failed to identify the process and the source it used to determine the need for additional language.

5. 192.616 Public Awareness

(a) Except for an operator of a master meter or petroleum gas system covered under paragraph (j) of this section, each pipeline operator must develop and implement a written continuing public education program that follows the guidance provided in the American Petroleum Institute's (API) Recommended Practice (RP) 1162 (incorporated by reference, see § 192.7).

(c) The operator must follow the general program recommendations, including baseline and supplemental requirements of API RP 1162, unless the operator provides justification in its program or procedural manual as to why compliance with all or certain provisions of the recommended practice is not practicable and not necessary for safety.

Each operator's delivery for materials and messages should meet or exceed the baseline frequencies specified in API RP 1162 for each stakeholder audience. These message deliveries should meet the baseline and supplemental frequencies in API RP 1162 Table 2-1, or those in the operator's PAP, whichever are more stringent.

PPC failed to deliver baseline messages to each stakeholder audience within the required baseline frequency according to API 1162 Tables 2-1. PPC purchased the 11 miles gas transmission pipeline in Kern County in 2009 but its PAP was in place since 2006. PPC did not deliver its baseline messages to the stakeholders along its gas transmission pipeline since 2009.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$200,000 per violation per day the violation persists up to a maximum of \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a related series of violations. We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to correct the item(s) identified in this letter.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 5-2015-1009W**. 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).

PHMSA does apologize for any inconvenience or confusion that this delayed enforcement let might cause. If there are any questions concerning this letter, please do not hesitate to contact me at (720) 963-3160. Thank you for your cooperation in this matter.

Sincerely,



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

cc: PHP-60 Compliance Registry
PHP-500 H. Monfared