U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

8701 South Gessner, Suite 1110
Houston, TX 77074

NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

January 7, 2009

Kevin Bodenhamer
EPCO, Inc.
Vice President, Technical Services
1100 Louisiana Street
Houston, TX 77002-5227
P.O. Box 4735
Houston, TX 77210-4735

CPF 4-2009-5001M

Dear Mr. Bodenhamer:

On October 6-10 and 27-31, 2008, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected EPCO, Inc. (EPCO) procedures for the integrity management of hazardous liquid pipelines in Houston, Texas.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within EPCO's plans or procedures, as described below:

1. **§195.452 (c) What must be in the baseline assessment plan?**
   (1) An operator must include each of the following elements in its written baseline assessment plan:
   (iii) An explanation of the assessment methods selected and evaluation of risk factors considered in establishing the assessment schedule.

§195.452 (f) An operator must include, at minimum, each of the following elements in its written integrity management program:

(5) A continual process of assessment and evaluation to maintain a pipeline's integrity (see paragraph (j) of this section)

§195.452 (j) What is a continual process of evaluation and assessment to maintain a pipeline's integrity?

(5) Assessment methods. ***(in its entirety)***

The assessment methods approved by EPCO for assessing specific threats (e.g.; metal loss; deformation; cracking; long seam failure susceptibility) must be specifically identified in process language or diagrams.

2. **§195.452 (f)** ***(see above)***

(4) Criteria for remedial actions to address integrity issues raised by the assessment methods and information analysis (see paragraph (h) of this section);

§195.452 (h) What actions must an operator take to address integrity issues?

(4) Special requirements for scheduling remediation.

(i) Immediate repair conditions. An operator's evaluation and remediation schedule must provide for immediate repair conditions. To maintain safety, an operator must temporarily reduce the operating pressure or shut down the pipeline until the operator completes the repair of these conditions. An operator must calculate the temporary reduction in operating pressure using the formula in section 451.7 of ASME/ANSI B31.4 (incorporated by reference, see § 195.3), if applicable. If the formula is not applicable to the type of anomaly or would produce a higher operating pressure, an operator must use an alternative acceptable method to calculate a reduced operating pressure. An operator must treat the following conditions as immediate repair conditions: ***(in its entirety)***

EPCO's process documentation must provide that for an immediate repair condition the temporary operating pressure must be determined in accordance with the formula in Section 451.7 of ASME/ANSI B31.4. Pressure reductions must be calculated using the method in section 451.7 of ANSI/ASME B31.4 if that method is applicable and the information needed is available. If that method cannot be used, EPCO is responsible for determining an appropriate basis for assuring additional safety through a reduction in pressure. A reduction of 20 percent below the highest operating pressure actually experienced at the location of the condition within the two months preceding the inspection may provide the necessary additional safety margin.

3. **§195.452 (f)** ***(see above)***

(3) An analysis that integrates all available information about the integrity of the entire pipeline and the consequences of a failure (see paragraph (g) of this section)

§195.452(g) What is an information analysis? ***(in its entirety)***

EPCO states that the periodic update of data in the risk model will be performed during the IA process. While data updating has occurred annually for various reasons during EPCO's operating of Dixie, TEPPCO, and other assets, firm process language must be developed for commitment to updating the risk model on a frequent and regular basis. The use of PODS as a quantitative database is seen as a unified solution for EPCO, and the PODS database should have real-time updating with protocols/processes developed and documented for populating the database that may satisfy this requirement.

4. **§195.452 (f)** ***(see above)***

(6) Identification of preventive and mitigative measures to protect the high consequence area (see paragraph (i) of this section)

§195.452 (i) What preventive and mitigative measures must an operator take to protect the high consequence area?

(1) General requirements. An operator must take measures to prevent and mitigate the consequences of a pipeline failure that could affect a high consequence area. These measures include conducting a risk analysis of the pipeline segment to identify additional actions to enhance public safety or environmental protection. Such actions may include, but are not limited to, implementing damage prevention best practices, better monitoring of cathodic protection where corrosion is a concern, establishing shorter inspection intervals, installing EFRDs on the pipeline segment, modifying the systems that monitor pressure and detect leaks, providing additional training to personnel on response procedures, conducting drills with local emergency responders and adopting other management controls.

(2) Risk analysis criteria. In identifying the need for additional preventive and mitigative measures, an operator must evaluate the likelihood of a pipeline release occurring and how a release could affect the high consequence area. This determination must consider all relevant risk factors, including, but not limited to: ***(in its entirety)***

The lack of documented application of threats identified in the risk model(s) was identified as a deficiency in the current IA processes for line pipe and facilities. The documentation of the implementation of RCP Facilities Risk Model and the use of its analysis tools may satisfy this requirement for facilities. The documentation of the implementation of PODS (and associated line pipe risk model) and the use of its analysis tools may satisfy this requirement for line pipe. The processes must provide for prioritization of P&MM projects based on risk rather than integrity assessment date as the current process is being implemented. The IA process documentation should convey that all available information about the integrity of the entire pipeline is being analyzed.

5. **§195.452 (f) (5)** ***(see above)***
§195.452 (j) ***(see above)***

(1) General. After completing the baseline integrity assessment, an operator must continue to assess the line pipe at specified intervals and periodically evaluate the integrity of each pipeline segment that could affect a high consequence area.

(2) Evaluation. An operator must conduct a periodic evaluation as frequently as needed to assure pipeline integrity. An operator must base the frequency of evaluation on risk factors specific to its pipeline, including the factors specified in paragraph (e) of this section. The evaluation must consider the results of the baseline and periodic integrity assessments, information analysis (paragraph (g) of this section), and decisions about remediation, and preventive and mitigative actions (paragraphs (h) and (i) of this section).

Periodic evaluation intervals must be based on risk factors associated with the pipeline, including those specified in §195.452 (e); and EPCO defines those intervals as only triggering off of the completion of an integrity assessment or "in response to an evaluation of the consequences of a release on an HCA." The need to perform a periodic evaluation to assure pipeline integrity should be performed as frequently as needed and must be based on risk factors specific to the pipeline and the risk factors (threats and consequences) specified in 195.452(e).

6. **§195.452 (f) (see above)**

(7) Methods to measure the program's effectiveness (see paragraph (k) of this section)

§195.452 (k) What methods to measure program effectiveness must be used? An operator's program must include methods to measure whether the program is effective in assessing and evaluating the integrity of each pipeline segment and in protecting the high consequence areas. See Appendix C of this part for guidance on methods that can be used to evaluate a program's effectiveness.

The process to evaluate and analyze the performance and effectiveness of the IM program must include steps (e.g.; analysis of metric trends; analysis of the Effectiveness Reviews in 8-01, section 2.2) to make findings and conclusions about the effectiveness of the program based on the analysis of the data to formulate recommendations for improvements. The results of this evaluation should be formally communicated to management and department staff.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. 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.

If, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 30 days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

In correspondence concerning this matter, please refer to **CPF 4-2009-5001M** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

R. M. Seeley
Director, Southwest Region
Pipeline and Hazardous
Materials Safety Administration

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*