



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

8701 S. Gessner, Suite 630
Houston, TX 77074

NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 27, 2016

Karl Schmidt
General Manager
Citgo Products Pipeline Company
1293 Eldridge Parkway
Houston, Texas 77077

CPF 4-2016-5031M

Dear Mr. Schmidt:

Following a reportable accident that occurred on March 11, 2016, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected Citgo's procedures for providing telephonic notice notification of accidents.

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

1. **§195.52**

(a) Notice requirements. At the earliest practicable moment following discovery of a release of the hazardous liquid or carbon dioxide transported resulting in an event described in §195.50, the operator of the system must give notice, in accordance with paragraph (b) of this section, of any failure that:

(3) Caused estimated property damage, including cost of cleanup and recovery, value of lost product, and damage to the property of the operator or others, or both, exceeding \$50,000;

Citgo does not have adequate written procedure to define property damage and the threshold for making telephonic notification for pipeline accidents. Citgo's written Accident Reporting procedure (Terminal and Pipeline OM Manual, Accident Reporting section, page G-11) quotes §195.52 (a)(2) for providing notification. However, the procedure provides no guidance as to what is included in this property damage calculation. PHMSA guidance (Interpretation 195.52 2) states that the estimated property damage amount must include "the cost of material, labor, and equipment to repair or replace the damaged property but does not include the value of any commodity lost or fittings used during repair which become permanently attached to the system."

Citgo failed to make the required telephonic notification for their accident that occurred on March 11, 2016, as they did not consider the costs of repair to the damaged property in their damage amount. Citgo must revise its procedure to provide the additional guidance necessary for determining property damage associated with pipeline accidents.

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 60 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.

It is requested (not mandated) that Citgo maintain documentation of the safety improvement costs associated with fulfilling this Notice of Amendment (preparation/revision of plans, procedures) and submit the total to R.M. Seeley, Director, Southwest Region, Pipeline and Hazardous Materials Safety Administration. In correspondence concerning this matter, please refer to **CPF 4-2016-5031M** 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*