

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

August 29, 2016

Mr. Michael Illanne
Vice President
Chevron U.S.A., Inc.
100 Northpark Blvd.
Covington, LA 70433

CPF 4-2016-7003

Dear Mr. Illanne:

On May 23, 2016 through June 1, 2016, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your procedures, operations, and maintenance records in Covington, Louisiana and facilities in Port Fourchon, Louisiana.

As a result of the inspection, it is alleged that you have committed a probable violation of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The item inspected and the probable violation is:

1. §195.452 Pipeline integrity management in high consequence areas.

(l) What records must an operator keep to demonstrate compliance?--

(1) An operator must maintain, for the useful life of the pipeline, records that demonstrate compliance with the requirements of this subpart. At a minimum, an operator must maintain the following records for review during an inspection:

(i) A written integrity management program in accordance with paragraph (b) of this section.

(ii) Documents to support the decisions and analyses, including any modifications, justifications, deviations and determinations made, variances, and actions taken, to implement and evaluate each element of the integrity management program listed in paragraph (f) of this section.

Chevron U.S.A., Inc. (Chevron) failed to document the justifications, actions, and evaluations performed as a requirement of their written integrity management program in two separate instances.

First, Chevron failed to demonstrate compliance concerning periodic evaluations and program effectiveness through their integrity management program. During the inspection, Chevron could not produce a record that demonstrated preventative & mitigative measures were implemented in locations that have been designated ‘could affect’ areas. Chevron’s IMP Section 7.03 requires the justification of these actions be documented.

Second, regarding the requirement to determine the overall performance effectiveness of their IMP, Chevron could not provide copies, when requested, of the evaluation report required to be completed annually by Section 9.02 of the IMP.

Proposed Compliance Order

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$205,638 per violation per day the violation persists up to a maximum of \$2,056,380 for a related series of violations. For violations occurring between January 4, 2012 to August 1, 2016, the maximum penalty may not exceed \$200,000 per violation per day, with a maximum penalty not to exceed \$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 maximum penalty not exceeding \$1,000,000 for related series of violations.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to propose a civil penalty assessment at this time.

With respect to Item Number 1 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Chevron U.S.A. Inc. Please refer to the *Proposed Compliance Order*, which 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 4-2016-7003** 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

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Compliance Proceedings

PROPOSED COMPLIANCE ORDER

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

1. In regard to Item Number 1, Chevron must identify all preventative & mitigative actions considered and implemented following the latest assessment on all PHMSA regulated segments under the DOT Hazardous Liquid IMP. Chevron must document these activities in a manner required by the IMP, and provide to the Director a list of all recommended preventative measures including a timeline for completion, current status, completion date, and any justification for those identified measures that were deemed not cost effective.
2. In regard to Item Number 1 of the Notice pertaining to the annual evaluation required under the IMP, Chevron must provide to the Director, a copy of the evaluation report required by Section 9.02 of the IMP for the two most recent calendar years.
3. Chevron must complete the above items within 60 days of receipt of the Final Order, and provide a written notification to the Director, Office of Pipeline Safety, PHMSA Southwest Region confirming the completion of Item 1 and 2.
4. It is requested (not mandated) that Chevron maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to R.M. Seeley, Director, Southwest Region, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs 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.