



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

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

NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 4, 2008

Mr. Peter Prather
HES Manager
Chevron Products Company
6001 Bollinger Canyon Road, Room L-2184
San Ramon, CA 94583-2324

CPF 5-2008-5012M

Dear Mr. Prather:

On March 19, 2008, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) and California State Fire Marshal (CSFM), pursuant to Chapter 601 of 49 United States Code, inspected Chevron Products Company's (CPC) procedures for their Integrity Management Program (IMP) in San Ramon, California.

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

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

(e) What are the risk factors for establishing an assessment schedule (for both the baseline and continual integrity assessments)?

(1) An operator must establish an integrity assessment schedule that prioritizes pipeline segments for assessment (see paragraphs (d) (1) and (j) (3) of this section). An operator must base the assessment schedule on all risk factors that reflect the

risk conditions on the pipeline segment. The factors an operator must consider include, but are not limited to:

- (i) Results of the previous integrity assessment, defect type and size that the assessment method can detect, and defect growth rate;**
 - (ii) Pipe size, material, manufacturing information, coating type and condition, and seam type;**
 - (iii) Leak history, repair history and cathodic protection history;**
 - (iv) Product transported;**
 - (v) Operating stress level;**
 - (vi) Existing or projected activities in the area;**
 - (vii) Local environmental factors that could affect the pipeline (e.g., corrosivity of soil, subsidence, climatic);**
 - (viii) Geo-technical hazards; and (ix) Physical support of the segment such as by a cable suspension bridge.**
- (2) Appendix C of this part provides further guidance on risk factors.**

- **Item 1: §195.452 (e)(2)**

The risk model did not consider likely risk factors and critical variables related to their Loss Prevention System (LPS) and API 653 inspection reports. CPC's integrity management program does not have an adequate process to include these factor in their risk model.

2. §195.452 Pipeline integrity management in high consequence areas.

(f) What are the elements of an integrity management program? An integrity management program begins with the initial framework. An operator must continually change the program to reflect operating experience, conclusions drawn from results of the integrity assessments, and other maintenance and surveillance data, and evaluation of consequences of a failure on the high consequence area. An operator must include, at minimum, each of the following elements in its written integrity management program:

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

(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.

Item 2: §195.452 (i)(1) & §195.452 (g)(3)

CPC did not have adequate procedures to take into account key information collected from their operations and maintenance activities into their risk model and their preventive and mitigative decision process. The primary examples of key information that should be considered are Chevron's Loss Prevention System (LPS) and the API 653 inspection reports.

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 5-2008-5012M** 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

cc: PHP-60 Compliance Registry
PHP-500 H. Nguyen (#121192)

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