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April 6, 2010

Mr. Byron E. Coy, PE  
Office of Pipeline Safety  
Pipeline and Hazardous Materials Safety Administration  
820 Bear Tavern Road, Ste 306.,  
West Trenton, NJ 08628

Re: Notice of Amendment, March 29, 2010  
CPF 120105003M

Dear Mr. Coy:

Valero Terminals and Distribution Company ("VTDC") herewith responds to the above-reference Notice of Amendment ("NOA") which was received on March 30<sup>th</sup>. VTDC is committed to compliance with the regulations and to continuous improvement. VTDC regularly conducts compliance reviews of its facilities and had started such a review in July 2009. VTDC was already in the process of updating its procedures when Pipeline and Hazardous Materials Safety Administration ("PHMSA") conducted its inspection. Consequently, the alleged inadequacies identified in Nos. 1 – 3 below were already being addressed. In response to discussions at the time of the PHMSA inspection, VTDC made modifications to its procedures as set forth in No. 4 below.

VTDC specifically responds to the alleged inadequacies as follows:

1. §195.310 Records

(b) the record required by paragraph (a) of this section must include:

(3) The name of the operator, the name of the person responsible for making the test, and the name of the test company used, if any.

Valero had no written procedure that requires pressure test records to include the name of the operator, the name of the person responsible for making the test, and the name of the test company used, if any. The Valero Operations, Maintenance, and Emergency Procedures, Revision 2.3 (9-2009) procedures on pressure testing, Valero Hydrostatic Test Report Form, Valero Hydrostatic Test Planning Form Instructions, and Valero Hydrostatic Test Leak Report were reviewed at the time of the inspection, however, none of the documents contained these provisions.

VTDC Response:

VTDC had an additional form/template (Hydro Verification) that requires the test company to verify a successful pressure test. Exhibit A contains a copy of the form which includes the required information.

Before receipt of the NOA VTDC revised the Valero Operations, Maintenance, and Emergency Procedures, Revision 3.0 (10-2009) and the pressure testing procedure specifically identifies this form and other forms as required documentation.

2. §195.310 Records

(b) the record required by paragraph (a) of this section must include:

(8) An explanation of any pressure discontinuities, including test failures that appear on the pressure recording charts.

Valero had no written procedure that requires pressure test records to include an explanation of any pressure discontinuities, including test failures that appear on the pressure recording charts. The Valero Operations, Maintenance, and Emergency Procedures, Revision 2.3 (9-2009) procedures on pressure testing, Valero Hydrostatic Test Report Form, Valero Hydrostatic Test Planning Form Instructions, and Valero Hydrostatic Test Leak Report were reviewed at the time of the inspection, however, none of the documents contained these provisions.

VTDC Response:

The procedures manual referenced above required that the Hydrostatic Test Report "provide sufficient documentation and/or calculations to substantiate the cause for variations in the test pressure." Before receipt of the NOA VTDC revised the procedures manual to specifically require an explanation of "pressure discontinuities." The procedures require documentation on the Hydro Test Log. Exhibit B contains a copy of the VTDC procedure.

3. §195.559 What Coating material may I use for external corrosion?

Coating material for external corrosion control under Sec. 195.557 must (c) Support any supplemental cathodic protection.

Although Valero's Delaware City pipeline does have external coating, Valero did not have a procedure that specifies coating material for external corrosion must support any supplemental cathodic protection in their Operations, Maintenance, and Emergency Procedures, Revision 2.3 (5-2009).

VTDC Response:

Before receipt of the NOA VTDC updated its manual. The current procedure manual (revision 3.0) requires that "all coating is inspected before pipe is placed in service, relocated, replaced, or significantly changed." This same procedure refers to NACE STD RP 0169. This standard specifically states that "Pipeline external coating systems shall be properly selected and applied to ensure that adequate bonding is obtained. Unbonded coatings can create electrical shielding of the pipeline that could jeopardize the effectiveness of the cathodic protection system." Exhibit C contains a copy of the VTDC procedure relating to pipeline coatings in corrosion control.

4. §195.569 Do I have to examine exposed portions of buried pipelines?

Whenever you have knowledge that any portion of a buried pipeline is exposed, you must examine the exposed portion for evidence of external corrosion if the pipe is bare, or if the coating is deteriorated. If you find external corrosion requiring corrective action under Sec. 195.585, you must investigate circumferentially and longitudinally beyond the exposed portion (by visual examination, indirect method, or both) to determine whether additional corrosion requiring remedial action exists in the vicinity of the exposed pipeline.

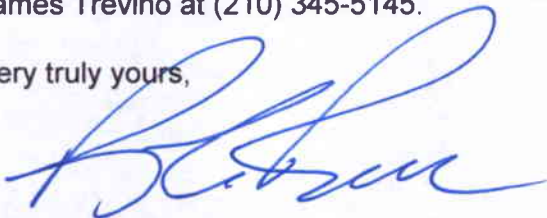
Valero did not have a procedure requiring exposed portions of buried pipelines be examined for evidence of external corrosion. While there were no procedures for this provision, repair records were reviewed that included the required data, as well as pictures illustrating this had been done.

VTDC Response:

Prior to the inspection, VTDC had a form (Pipeline Information Report and Defect Evaluation) on which the data called for in the above-referenced requirement was collected. OQ personnel were required to conduct the work and fill out the form. Thus, VTDC was performing and documenting the required examination of exposed buried pipe. In response to discussions at the time of the PHMSA inspection, VTDC revised its procedures manual to include the specific wording set forth in the regulation itself. The form is still a requirement under the current procedures. Exhibit D contains a copy of the VTDC procedure on corrosion control.

If you should have questions or require additional information, please do not hesitate to contact James Trevino at (210) 345-5145.

Very truly yours,



Rodney L. Reese  
Vice President  
Pipelines and Terminals

RL/  
enclosures

CC: Lisa Hodges  
Ron McInturff  
Jim Stokes  
James Trevino

# Exhibit A



(Date here)

Company name and address

Re: Pipeline information that was hydrostatically tested. (Line name, line location, length of segment tested, start and stop chain stations, OD, WT, pipe grade, and product transported.)

Dear Sirs:

Name of Test Company has reviewed the enclosed hydrostatic pressure test data, charts, and the supplied information on the (Name of line). Name of Test Company verifies this information to be factual and accurate.

Summary of the test goes here (Test date start time, stop time, start pressure, any documented pressure reductions or increases, and the final accepted pressure).

In conclusion based on sound engineering judgment and recognized hydrostatic procedures the hydrostatic test was initiated on the (Name of pipeline) at xx psig. The hydrostatic pressure was maintained above the minimum test pressure of xx psig and below the maximum pressure of xx psig by (withdrawing/adding) x gallons of water during the eight (8) continuous hours without leaking or failing.

For further information regarding this hydrostatic test, I may be reached at (contact information here).

Respectfully yours,

*Signature goes here*

IF you have a Professional  
Registration Seal  
place it here.

Enter name, title  
Professional registration number xxxxxxxx

## Exhibit B

- Temperature Recording Device
  - A continuous-recording temperature measurement device that provides a permanent record of pipeline temperature versus time is recommended but is not required.
- Equipment that indicates ambient temperature.
- Facilities that protect all instrumentation from weather extremes.

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*NOTE: Temperature charts are not required when testing replacement piping if the piping is visually inspected for leakage in its entirety.*

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#### **7.12.11 Test Water**

- If temperatures are expected to drop below freezing, contact the Health Safety and Environmental (HSE) Coordinator prior to adding additives, such as ethanol.
- Contact HSE for proper water disposal guidelines.

#### **7.12.12 Records**

Hydrostatic test personnel are responsible for providing the following information for each hydrostatic test document:

- Hydrostatic Test Planning Form
- Hydrostatic Test Log or Hydrostatic Test Report
- Temperature / Pressure Charts with the following
  - Serial number
  - Date and time that the chart was put on
  - Date and time that the chart was taken off
  - Location (GPS or chaining station)

- Pressure discontinuities (will require explanation on the Hydrostatic Test Log)
- Signature
- Certification of Equipment
- Hydrostatic Test Leak Report (as applicable)
- Elevation profile if elevation differences in the section under test exceed 100 feet.

Send the final Hydrostatic Test Report and all originals to the Integrity Management or designated support group to update the MOP and complete any pipeline integrity management requirements.

<b>RESPONSIBILITIES</b>		
<b>DOCUMENT</b>	<b>PREPARATION</b>	<b>RETENTION</b>
Hydrostatic Test Planning Form	Project Manager	The Company Records Information Management System (RIMS)
Pressure Test Log or Hydrostatic Test Report	Project Manager	The Company Records Information Management System (RIMS)
Pressure/Temperature Charts	Project Manager	The Company Records Information Management System (RIMS)
Hydrostatic Test Leak Report	Project Manager	The Company Records Information Management System (RIMS)
Hydrostatic Test Verification	Project Manager	The Company Records Information Management System (RIMS)



# Exhibit C

### 3.4 External Coatings

All of the Company's buried or submerged pipelines are coated, with the exception being pipelines meeting the requirement(s) set in 49 CFR § 195.401©. The coating selected for new construction and repair is designed to mitigate corrosion; prevent under film moisture migration; and resist cracking, handling damage, and high/low soil stress.

All coating is inspected before pipe is placed in service, relocated, replaced, or significantly changed.

The Company will repair all damaged coating as needed. The Company shall provide pipe-to-pipe support contact areas with insulating material. These materials should be applied per the manufacturer recommendations.

When pipe that is resting on supports is inspected and/or necessary repairs are made, the pipe is to be sand blasted and coated with material/product selected by the Company and applied per the manufacturer recommendations. This should be done before the pipe is placed back on the support for long-term service.

The Company should use the following recommended practices for guidance in inspecting external pipe coatings:

- **NACE Standard RP0490:** Holiday Detection of Fusion-Bonded Epoxy External Pipeline Coatings of 250 to 760  $\mu\text{m}$  (10 to 30mils)
- **NACE Standard RP0169:** Control of External Corrosion on Underground or Submerged Metallic Piping Systems
- **NACE Standard RP0274:** High-Voltage Electrical Inspection of Pipeline Coatings

# Exhibit D

### 3.1 General

The Company regularly monitors all pipelines and facilities for the presence of corrosion and corrects any deficiencies in a timely manner. If the condition presents an immediate hazard to personnel or the environment, all personnel are to immediately report the condition to the Asset Manager or his/her appropriate designee.

The Company's Corrosion Control Procedures mitigates known corrosion, using coatings, cathodic protection, inhibitors, in-line inspection tools, and repair/replacement programs as needed. The Company uses these measures to mitigate corrosion in and on its pipelines, station piping, and terminal facilities.

Coating applications, inspections, and proper materials for use in high and low stress soils are defined in this manual. When corrosion is found, the Company repairs or replaces metal loss areas by an acceptable method and applies proper coatings. This is done to mitigate the corrosion process.

The Company applies cathodic protection to all buried or submerged pipelines in-service, constructed, relocated, replaced, or otherwise changed within one year. Field personnel also ensure that bare pipelines, breakout tank areas, buried pump station piping, and unprotected pipe have the required cathodic protection. The Company monitors cathodic protection systems regularly for effectiveness.

Personnel performing tasks identified in the Valero Operator Qualification Program shall be qualified on those applicable tasks before performing procedures under this section.