U.S. Department
of Transportation

**Pipeline and
Hazardous Materials
Safety Administration**

840 Bear Tavern Road, Suite 300
West Trenton, NJ 08628
609.771.7800

WARNING LETTER

OVERNIGHT EXPRESS DELIVERY

March 17, 2020

Mr. Gustavo J. Velasquez
Vice President Supply and Marketing
Citgo Petroleum Corporation (Terminals)
1293 Eldridge Parkway
Houston, TX 77077

CPF 1-2020-5004W

Dear Mr. Velasquez:

From August 27-31, 2018, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected Citgo Petroleum Corporation (Terminals)'s (Citgo) facility in Linden, New Jersey.

As a result of the inspection, it is alleged that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (CFR). The items inspected and the probable violations are:

1. **§ 195.402 Procedural manual for operations, maintenance, and emergencies.**
   (a) General. Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline system commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.

Citgo failed to follow its manual of written procedures for conducting normal operations and maintenance activities. Specifically, Citgo failed to follow its Terminals and Pipelines Operations Manual (All Field Areas), Section J-31 "Fire Equipment", revised 1/8/2018 (Section J-31), developed to comply with § 195.430.

Section 195.430 states:

> Each operator shall maintain adequate firefighting equipment at each pump station and breakout tank area. The equipment must be-
> (a) In proper operating condition at all times;
> (b) Plainly marked so that its identity as firefighting equipment is clear; and,
> (c) Located so that it is easily accessible during a fire.

During the inspection, the PHMSA inspector reviewed Citgo's Section J-31 Procedure. The procedure stated in part:

> A monthly check on all fire and safety equipment will be completed to verify that it is in proper operating condition.
>
> A written record must be made and retained on each inspection including a list of all repairs or replacements made to the equipment. A copy of the written report shall be maintained in the Pipeline/Terminal Office file. Inspection report forms can be obtained from your local fire extinguisher service provider.

The PHMSA inspector also reviewed Citgo's Tremly Tank Farm Monthly Fire Pump Test records for Engine #1 and #2. The records indicated that Engine #1 and #2 were not inspected and tested on a monthly basis. The records indicated that after December 1, 2017, the pumps were not tested again until April 15, 2018. Citgo failed to perform testing in January, February and March of 2018.

Therefore, Citgo failed in 3 instances to follow its Section J-31 Procedure by not inspecting the Engine #1 and #2 pumps monthly from January – March of 2018.

2. § 195.432 Inspection of in-service breakout tanks.

> **(a) ...**
>
> **(b) Each operator must inspect the physical integrity of in-service atmospheric and low-pressure steel above-ground breakout tanks according to API Std 653 (except section 6.4.3, Alternative Internal Inspection Interval) (incorporated by reference, see §195.3). However, if structural conditions prevent access to the tank bottom, its integrity may be assessed according to a plan included in the operations and maintenance manual under §195.402(c)(3). The risk- based internal inspeetion procedures in API Std 653, section 6.4.3 eannot be used to determine the internal inspection interval.**

Citgo failed to maintain a complete record of the inspection of an in-service atmospheric breakout tank in accordance with API 653 3rd edition, Section 6.8.3 Inspection History. Specifically, Citgo failed to maintain complete documentation of the out of service (OOS) inspection of its Tank 50, including failing to document the calculation of the corrosion rate and the inspection interval to justify when the next OOS inspection is required.

API Standard 653 3rd edition states in Section 6.8.3, Inspection History:

> "The inspection history includes all measurements taken, the condition of all parts inspected, and a record of all examinations and tests. A complete description of any unusual conditions with recommendations for correction of details which caused the conditions shall also be included. This file will also contain corrosion rate and inspection interval calculations."

During the inspection, the PHMSA inspector reviewed the most recent API 653 out-of-service inspection reports for the breakout tanks at Linden Terminal, Warren Tank Farm, including its Tank 50. The HMT report for Tank 50, dated May 21-22, 2008, did not contain calculations in accordance with API 653, Section 4.4.5 Minimum Thickness for Tank Bottom Plate, or calculations of the Inspection Interval based on corrosion rates in accordance with API 653, Section 6.4.2 Inspection Intervals. Citgo could not provide an explanation during the inspection as to why there were no calculations documented for the life of the tank bottom, its corrosion rate, and its associated inspection interval. Citgo subsequently contacted HMT to retrieve tank bottom calculation documentation and provided it to PHMSA on September 20, 2018.

Therefore, Citgo failed to maintain a complete record of Tank 50's 2008 in-service inspection in accordance with API 653, Section 6.8.3.

3. § 195.573 What must I do to monitor external corrosion control?

(a) ...

(e) *Corrective action.* You must correct any identified deficiency in corrosion control as required by § 195.401(b). However, if the deficiency involves a pipeline in an integrity management program under § 195.452, you must correct the deficiency as required by § 195.452(h).

Citgo failed to correct an identified deficiency in corrosion control as required by § 195.401(b). Specifically, Citgo failed to restore output from rectifier 5 at the Tremly Tank Farm within a reasonable time after it was determined to not be functioning in January of 2015.

Section 195.401(b)(1) states:

> (b) An operator must make repairs on its pipeline system according to the following requirements:
>
> (1) Non-Integrity management repairs. Whenever an operator discovers any condition that could adversely affect the safe operation of its pipeline system, it must correct the condition within a reasonable time. However, if the condition is of such a nature that it presents an immediate hazard to persons or property, the operator may not operate the affected part of the system until it has corrected the unsafe condition.

During the inspection, the PHMSA inspector reviewed Citgo's Rectifier Inspection Reports for 2015. The report demonstrated that the current output at rectifier 5 at the Tremly Tank Farm was 0 during a rectifier inspection on January 29, 2015. The current output was not documented as

restored until the rectifier inspection on November 23, 2015. When asked about the delay in remediation, Citgo stated that the remedial action was delayed due to budgeting constraints.

Therefore, Citgo failed to correct an identified deficiency in corrosion control within a reasonable time as required by § 195.573(e).

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed $218,647 per violation per day the violation persists, up to a maximum of $2,186,465 for a related series of violations. For violation occurring on or after November 27, 2018 and before July 31, 2019, the maximum penalty may not exceed $213,268 per violation per day, with a maximum penalty not to exceed $2,132,679. For violation occurring on or after November 2, 2015 and before November 27, 2018, the maximum penalty may not exceed $209,002 per violation per day, with a maximum penalty not to exceed $2,090,022. For violations occurring prior to November 2, 2015, 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. We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to correct the item(s) identified in this letter. Failure to do so will result in Citgo being subject to additional enforcement action.

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).

No reply to this letter is required. If you choose to reply, please submit all correspondence in this matter to Robert Burrough, Director, PHMSA Eastern Region, 840 Bear Tavern Road, Suite 300, West Trenton, NJ 08628. Please refer to **CPF 1-2020-5004W** on each document you submit, and whenever possible provide a signed PDF copy in electronic format. Smaller files may be emailed to robert.burrough@dot.gov. Larger files should be sent on USB flash drive accompanied by the original paper copy to the Eastern Region Office.

Sincerely,

Robert Burrough
Director, Eastern Region
Pipeline and Hazardous Materials Safety Administration