



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

233 Peachtree Street Ste 600
Atlanta GA 30303

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

April 18, 2007

Mr Paul Brochu
Vice President
Valero Energy Corporation
The Premcor Pipeline Company
One Valero Way
San Antonio, TX 78249

CPF 2-2007-5003W

Dear Mr Brochu

On June 19 – 22, 2006, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your Premcor Pipeline Company's Hazardous Liquid Pipeline facilities and reviewed records in Mississippi, Tennessee and Arkansas

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations Title 49, Code of Federal Regulations. The items inspected and the probable violations are

1. §195.49 Annual report.

Beginning no later than June 15, 2005, each operator must annually complete and submit DOT form RSPA F 7000-1 1 for each type of hazardous liquid pipeline acility operated at the end of the previous year. A separate report is required for crude oil, HVL (including anhydrous ammonia), petroleum products, and carbon dioxide pipelines. Operators are encouraged, but not required, to file an annual report by June 15, 2004, for calendar year 2003.

Premcor filed its annual report after June 15, 2006

2. §195.406 Maximum operating pressure.

(a) Except for surge pressures and other variations from normal operations, no operator may operate a pipeline at a pressure that exceeds any of the following:

(1) The internal design pressure of the pipe determined in accordance with §195.106. However, for steel pipe in pipelines being converted under §195.5, if one or more factors of the design formula (§195.106) are unknown, one of the following pressures is to be used as design pressure:

(i) Eighty percent of the first test pressure that produces yield under section N5.0 of appendix N of ASME B31.8, reduced by the appropriate factors in §§195.106(a) and (e); or

(ii) If the pipe is 12¼ in (324 mm) or less outside diameter and is not tested to yield under this paragraph, 200 p.s.i (1379 kPa) gage.

(2) The design pressure of any other component of the pipeline.

(3) Eighty percent of the test pressure for any part of the pipeline which has been pressure tested under Subpart E of this part

(4) Eighty percent of the factory test pressure or of the prototype test pressure for any individually installed component which is excepted from testing under §195.305.

(5) For pipelines under §§195.302 (b)(1) and (b)(2)(i) that have not been pressure tested under subpart E of this part, 80 percent of the test pressure or highest operating pressure to which the pipeline was subjected for 4 or more continuous hours that can be demonstrated by recording charts or logs made at the time the test or operations were conducted.

(b) No operator may permit the pressure in a pipeline during surges or other variations from normal operations to exceed 110 percent of the operating pressure limit established under paragraph (a) of this section. Each operator must provide adequate controls and protective equipment to control the pressure within this limit.

Premcor did not provide a record verifying the calculated MOP of its pipeline

3. §195.577 What must I do to alleviate interference currents?

(a) For pipelines exposed to stray currents, you must have a program to identify, test for, and minimize the detrimental effects of such currents.

Premcor did not provide a record verifying testing for stray currents or analysis of non-exposure to stray currents

4. **§195.575 Which facilities must I electrically isolate and what inspections, tests, and safeguards are required?**

- (a) You must electrically isolate each buried or submerged pipeline from other metallic structures, unless you electrically interconnect and cathodically protect the pipeline and the other structures as a single unit.
(c) You must inspect and electrically test each electrical isolation to assure the isolation is adequate.

Premcor did not provide a record verifying inspection of its electrical isolations

5. **§195.589 What corrosion control information do I have to maintain?**

- (a) You must maintain current records or maps to show the location of –
(1) Cathodically protected pipelines;
(2) Cathodic protection facilities, including galvanic anodes, installed after January 29, 2002; and
(3) Neighboring structures bonded to cathodic protection systems.
(b) Records or maps showing a stated number of anodes, installed in a stated manner or spacing, need not show specific distances to each buried anode.

Premcor did not provide an adequate record and or map showing location of the following sacrificial anodes, ground beds, critical and non-critical bonds, rectifiers, electrical isolations, test stations, AC interference components, lightning arrestors and grounds

6. **§195.402 Procedural manual for operations, maintenance, and emergencies.**

(c) *Maintenance and normal operations.* The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

(13) Periodically reviewing the work done by operator personnel to determine the effectiveness of the procedures used in normal operation and maintenance and taking corrective action where deficiencies are found.

(d) *Abnormal operation.* The manual required by paragraph (a) of this section must include procedures for the following to provide safety when operating design limits have been exceeded:

(5) Periodically reviewing the response of operator personnel to determine the effectiveness of the procedures controlling abnormal operation and taking corrective action where deficiencies are found.

Premcor did not provide a record verifying periodic review of personnel work normal and abnormal operations to determine effectiveness of procedures

7. **§ 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 §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 portion.

Premcor did not provide a record verifying inspection of exposed buried pipelines

8. **§195 573 What must I do to monitor external corrosion control?**

- (a) *Protected pipelines.* You must do the following to determine whether cathodic protection required by this subpart complies with §195.571:
(2) Identify before December 29, 2003 or not more than 2 years after cathodic protection is installed, whichever comes later, the circumstances in which a close-interval survey or comparable technology is practicable and necessary to accomplish the objectives of paragraph 10.1 1.3 of NACE Standard RP0169-96 (incorporated by reference, see §195 3).

Premcor did not provide a record of this evaluation Post inspection PHMSA received response from operator regarding this requirement This response did not provide verification that Premcor had identified circumstances in which a close-interval survey or comparable technology would be practicable and necessary to accomplish the objectives of paragraph 10 1 1 3 of NACE standard RP0169-96

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$100,000 for each violation for each day the violations persists up to a maximum of \$1,000,000 for any 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 items identified in this letter Be advised that failure to do so will result in Premcor Pipeline Company being subject to additional enforcement action

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 2-2007-5003W**. 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).

Sincerely,

A handwritten signature in cursive script that reads "Linda Daugherty". The signature is written in black ink and is positioned above the typed name and title.

Linda Daugherty
Director, Southern Region
Pipeline and Hazardous Materials Safety Administration