

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

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

May 25, 2012

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

CPF 2-2012-6011

Dear Mr. Velasquez:

From March 28-30, 2012, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Southern Region, inspected the Citgo Petroleum Corporation (Terminals) (Citgo) Line 123A pipeline from Citgo's Port Everglades Terminal to the Fort Lauderdale-Hollywood International Airport near Fort Lauderdale, FL, pursuant to Chapter 601 of 49 United States Code.

As a result of the inspection, it appears that Citgo has committed probable violations of the Pipeline Safety Regulations codified in Title 49 of the Code of Federal Regulations. The items inspected and the probable violations are as follows:

1. § 195.505 Qualification program.

Each operator shall have and follow a written qualification program. The program shall include provisions to:

. . . (h) After December 16, 2004, provide training, as appropriate, to ensure that individuals performing covered tasks have the necessary knowledge and skills to perform the tasks in a manner that ensures the safe operation of pipeline facilities.

Citgo did not provide training, as appropriate, to ensure that an individual performing an Operator Qualification (OQ) covered task had the necessary knowledge and skills to perform the covered task in a manner that ensured the safe operation of pipeline facilities.

During the PHMSA inspection on March 29, 2012, the PHMSA inspector asked a Citgo employee to demonstrate Citgo's OQ *Covered Task 17- Provide Temporary Marking of Buried Pipeline Prior to Excavation*. Citgo's OQ records indicated the employee was qualified to perform OQ Covered Task 17, which states, in part,

"Prior to performing this task an individual should possess the following basic knowledge and skills:

- *Map interpretation, interpretation of survey data, proper operation of locating equipment,"*

During the inspection, when asked by the PHMSA inspector about performing Step 5 (*Check locating equipment operation*) of OQ Sub-Task 17.1 (*Locate Line*), the employee conveyed that he had never performed Step 5 and that he had never been trained to operate line locating equipment.

The employee also stated to the PHMSA inspector that he does not temporarily mark the pipeline prior to excavation, even if work is to be near the pipeline. Instead the employee explained, he indicates to the excavator where the line is (based on using maps and permanent line markers) and requires hand digging and mandatory on-site Citgo inspection anytime excavation is to be done near the pipeline. The federal pipeline safety regulations in § 195.442(c)(5) require that operators provide for temporary marking of buried pipelines in the area of excavation before the activity begins.

2. § 195.573 What must I do to monitor external corrosion control?

... (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 did not correct identified deficiencies in external corrosion control as required by §195.401(b) because it did not follow-up in a timely manner to a 2010 recommendation to install electrical test leads at four pipeline casings to accommodate electrical isolation testing as required by §195.575.

Citgo conducted a pipeline casing survey on Line 123A in April 2010. The survey indicated there were four casings on the pipeline without casing vents or casing test leads, and recommended installing test leads at each of the four casings. These test leads would have been used by Citgo to verify the electrical isolation of the casing from the carrier pipe as required by §195.575. As of March 30, 2012, test leads had not been installed on the casings and electrical isolation testing had not been performed.

3. § 195.575 Which facilities must I electrically isolate and what inspections, tests, and safeguards are required?

... (c) You must inspect and electrically test each electrical isolation to assure the isolation is adequate.

Citgo did not inspect and electrically test each electrical isolation to assure the isolation was adequate.

From January 1, 2007, to March 30, 2012, Citgo did not inspect and electrically test the below-listed Line 123A casings to assure electrical isolation from the carrier pipe. These casings, which were shown on engineering drawings of the pipeline, were re-identified by Citgo during a casing evaluation survey conducted April 6-9, 2010.

- Station 0+47 to 1+00 (SE 28th Street), shown on Drawing 707-2400-E4
- Station 53+38 to 54+18 (East of Perimeter Rd.), shown on Drawing 707-2505-E1
- Station 55+68 to 56+81 (East Service Road), shown on Drawing 707-2505-E1
- Station 63+21 to 63+59 (End of Service Road by ASIC Entrance Station), shown on Drawing 707-2505-E2

Note: Station numbers were taken from drawing sheets generated on March 8, 2010.

Proposed Civil Penalty

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 violation persists up to a maximum of \$1,000,000 for any related series of violations. The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violations and has recommended that you be preliminarily assessed a civil penalty of \$42,300 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$13,700
2	\$14,300
3	\$14,300

Proposed Compliance Order

With respect to items 1, 2, and 3, pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Citgo Petroleum Corporation (Terminals). 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 2-2012-6011** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Wayne T. Lemoi
Director, Office of Pipeline Safety
PHMSA Southern Region

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 the Citgo Petroleum Corporation (Terminals) (Citgo) a Compliance Order incorporating the following remedial requirements to ensure the compliance of Citgo.

1. In regard to Item Number 1 of the Notice pertaining to the failure of Citgo to provide training, as appropriate, to ensure that individuals performing covered tasks have the necessary knowledge and skills to perform the tasks in a manner that ensures the safe operation of pipeline facilities, Citgo must re-evaluate and train, as required, each individual that Citgo requires to be Operator Qualified (OQ) to perform OQ covered tasks on the Citgo pipeline in accordance with §§195.505 and 195.509 and in accordance with the meaning of the term *evaluation* as defined in §195.503.
2. In regard to Item Number 2 of the Notice pertaining to the failure of Citgo to correct identified deficiencies in external corrosion control as required by §195.401(b), Citgo must install electrical test leads on Line 123A at the four pipeline casings identified in the recommendation to accommodate electrical isolation testing as required by §195.575.
3. In regard to Item Number 3 of the Notice pertaining to the failure of Citgo inspect and electrically test each electrical isolation to assure the isolation was adequate, Citgo must test the below-listed Line 123A casings to assure electrical isolation from the carrier pipe.
 - Station 0+47 to 1+00 (SE 28th Street), shown on Drawing 707-2400-E4
 - Station 53+38 to 54+18 (East of Perimeter Rd.), shown on Drawing 707-2505-E1
 - Station 55+68 to 56+81 (East Service Road), shown on Drawing 707-2505-E1
 - Station 63+21 to 63+59 (End of Service Road by ASIC Entrance Station), shown on Drawing 707-2505-E2
4. Citgo must provide written documentation to the Director, PHMSA Southern Region, within 60 days following your receipt of the Final Order that Compliance Order Items 1, 2, and 3 have been completed.
5. It is requested (not mandated) that Citgo maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to the Director, Office of Pipeline Safety, PHMSA Southern Region. 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.