

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 20, 2019

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

CPF 2-2019-6001

Dear Mr. Velasquez:

From April 30 to May 3, 2019, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) inspected the Citgo Petroleum Corporation's (Citgo) records at Citgo's headquarters in Houston, Texas pursuant to Chapter 601 of 49 United States Code (U.S.C.).

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

1. §195.440 Public awareness.

(a)

(b) The operator's program must follow the general program recommendations of API RP 1162 and assess the unique attributes and characteristics of the operator's pipeline and facilities.

Citgo failed to meet the regulation because it did not assess the unique attributes and characteristics of its Port Everglades Beeline pipeline and facilities in Citgo's Public Awareness Program baseline message brochures provided to the affected public. Specifically, Citgo's baseline message brochures provided to the affected public describe natural gas, highly volatile liquids (HVLs), diesel fuel, and gasoline, but not jet fuel. The Port Everglades Beeline pipeline exclusively transports jet fuel.

At the time of PHMSA's inspection, the baseline message brochures provided to the affected public contained one booklet and one leaflet. The booklet contained a section titled "*How to recognize a pipeline leak.*" The referenced section described how to recognize pipeline leaks using "sight," "sound," and "smell" for natural gas, HVLs, and hazardous liquids. The only statement regarding hazardous liquids in the referenced section is: "*Hazardous liquids produce a strong sheen or film standing on a body of water.*" Additionally, the leaflet describes "*Products Transported in Your Area*" and specifies "*Hazardous Liquids [Diesel Fuel and Gasoline].*" Neither the booklet nor the leaflet provided information specific to jet fuel, the sole commodity transported by the Port Everglades Beeline system.

2. 195.452 Pipeline integrity management in high consequence areas.

(a) ...

(i) **What preventive and mitigative measures must an operator take to protect the high consequence area?**

(1) ...

(3) Leak detection. An operator must have a means to detect leaks on its pipeline system. An operator must evaluate the capability of its leak detection means and modify, as necessary, to protect the high consequence area. An operator's evaluation must, at least, consider, the following factors—length and size of the pipeline, type of product carried, the pipeline's proximity to the high consequence area, the swiftness of leak detection, location of nearest response personnel, leak history, and risk assessment results.

Citgo failed to meet the regulation because its Leak Detection Evaluation (LDE), dated November 6, 2018, did not document the evaluation of the swiftness of leak detection when product is not flowing through the pipeline.

Citgo's LDE evaluated the capability of its leak detection system. The "*Swiftness of leak detection*" is documented in the LDE as:

- 1) No flow alarm after auto sequence start-up delay of 160 seconds
- 2) Low Pressure alarm 180 seconds after 160 second auto sequence (40psi@Terminal & 10psi@Airport)
- 3) Immediate shutdown if delta greater than 900 gals between terminal and airport after 160 second auto sequence
- 4) 5-minute delta comparison between terminal and airport for entire batch after the 160 second auto sequence. Line will shut down if delta exceeds 900 gals

The criteria shown above do not evaluate the swiftness of leak detection when the pipeline is not flowing product. According to Citgo personnel, the pipeline "*usually operates only on Sunday, Tuesday, and Thursday,*" and product remains in the line at pressures less than 10 psi.

Proposed Compliance Order

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 violations 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 violations 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 propose a civil penalty assessment at this time.

With respect to Item 1, pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Citgo Petroleum Corporation. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Warning Item

With respect to Item 2, 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 promptly correct this item. Failure to do so may result in additional enforcement action.

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).

Following the receipt of this Notice, you have 30 days to submit written comments, or request a hearing under 49 CFR § 190.211. 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 you are responding to this Notice, we propose that you submit your correspondence to my office within 30 days from receipt of this Notice. This period may be extended by written request for good cause.

In your correspondence on this matter, please refer to **CPF 2-2019-6001** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

James A. Urisko
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 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Citgo Petroleum Corporation (Citgo) a Compliance Order incorporating the following remedial requirements to ensure the compliance of Citgo with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to Citgo's failure to assess the unique attributes and characteristics of its pipeline and facilities in its Public Awareness Program baseline message brochures, Citgo must develop and distribute to the affected public new baseline message material that adequately addresses the unique characteristics and attributes of the jet fuel being transported by Citgo.
2. Within 90 days of issuance of the Final Order, Citgo must submit to the Director, Office of Pipeline Safety, PHMSA Southern Region, documentation demonstrating satisfactory completion of Item 1, including, at a minimum, a copy of newly developed baseline message materials.
3. 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.