



March 1, 2019

Mr. James A. Urisko
Director, Southern Region
Pipelines and Hazardous Materials Safety Administration
233 Peachtree Street, Suite 600
Atlanta, GA 30303

RE: CPF 2-2019-7001

Dear Mr. Urisko

On March through August, 2018, representatives of the Pipelines and Hazardous Materials Safety Administration ("PHMSA") inspected the Operator Qualification Program for Valero Partners Operating Co, LLC ("Valero") at Valero's headquarters in San Antonio, Texas and subsequent off-site review. On January 31, 2019, PHMSA issued a Notice of Probable Violation (NOPV) and Proposed Compliance Order to Valero, and Valero received this document on February 1, 2019. This Proposed Compliance Order noted four separate items that PHMSA alleges require action. Valero hereby timely submits its response to the four issues raised in the Proposed Compliance Order.

1.

In regard to Item Number 1 of the NOPV pertaining to Valero's failure to identify all covered tasks performed on its various pipeline facilities, Valero must, within 90 days following the date of issuance of the Final Order, complete the following:

- a. Review and update Appendix B the OQ Program, titled "Valero Covered Task List," to ensure that all covered tasks performed on Valero pipeline facilities are included and accurately listed.
- b. Ensure the Covered Task List review required by Item 1 a. includes the development of a list of covered tasks specific to breakout tank inspections and maintenance activities.

Valero Response

Regarding Item 1.a., Valero will hereby incorporate these tasks into the Valero OQ Task List:

- Add task *Threaded Piping Assembly*
- Add task *Flange Assembly*

Regarding Item 1.b., Valero will evaluate, document the basis for adding or modifying, and add as applicable tasks identified in API Standard 653 inspection.



2.

In regard to Item 2 of the NOPV pertaining to Valero's inability to assure its contractor personnel are qualified in accordance with the requirements of Valero's OQ Program, Valero must within 90 days following the issuance of the Final Order, complete the following:

- a. Develop the capability to distinguish between the initial evaluation and all subsequent re-evaluations for contractor personnel or revise the requirements of the OQ Program to comply with the capabilities of the referenced third-party OQ database.

Valero Response

Valero changed the requirement in the Valero OQ Plan to have contractors requalify by using either a Written (W) or a Performance (P) qualification in January 2018. Valero encountered issues trying to implement this new method of requalification and therefore the re-evaluation qualifications continued to require both methods, and the alternating cycle described in the NOPV never took effect. The requirement for contractors to have both a Written (W) and a Performance (P) qualification was restored in the Valero OQ Program in 2018 and PHMSA was notified of Written (W) and Performance (P) qualification revisions made to the OQ Program. The revised OQ Program was delivered to PHMSA on April 13, 2018, and remains in effect. Based on these facts, Valero believes that Item 2 has already been addressed and since the re-evaluation changes never took effect, Valero respectfully requests PHMSA to re-evaluate this item.

3.

In regard to Item 3 of the NOPV pertaining to Valero's failure to monitor all vendor and industry programs to assure compliance with the requirements of Valero's OQ program, Valero must within 90 days following the issuance of the Final Order, complete the following:

- a. Review the evaluation requirements for all accepted industry and third-party certifications to assure compliance with the requirements of Valero's OQ Program, and their validity as acceptable evaluation methods for their respective covered tasks.
- b. Review and update Appendix C of the Valero OQ Program to assure all certifications listed are appropriate for each respective covered task and contain a knowledge evaluation and a performance evaluation that complies with the requirements of Valero's OQ Program for initial certification, as well as subsequent re-certifications.

Valero Response

Valero addresses related items 3 and 4 concurrently. Valero will review all Valero accepted industry qualification material and third party operator qualification certifications included in Valero's OQ Task List. In particular Valero will assess whether the certification is appropriate for each respective covered test, and if the associated knowledge evaluation and performance evaluations are sufficient to ensure compliance with Valero's OQ Program.

Valero began a review of written and performance evaluations of its internal qualification tasks after the March 2018 PHMSA audit. Although Valero has made significant progress, reviewing



the totality of all Valero accepted industry qualification material and third party operator qualification certifications included in Valero's OQ Task List is a very substantial undertaking for Valero. Based on work performed to date, Valero estimates that an additional 15 months is needed to complete review of the written and performance evaluations for all operator qualification certifications that Valero accepts. Valero is requesting 15 months following the issuance of the Final Order to complete this task, with periodic updates provided every 4 months to PHMSA.

4.

In regard to Item 4 of the NOPV pertaining to Valero's written OQ program failing to have adequate provisions to ensure through evaluation that all individuals performing covered tasks are qualified, Valero must within 90 days following the issuance of the Final Order, complete the following:

- a. Review all evaluation material referenced by both Valero and its OQ service providers to ensure compliance with Valero's OQ Program.

Valero Response

Please see Valero's response on item 3 above.

As detailed above, Valero believes that this matter can be resolved informally and without resorting to a hearing, and therefore respectfully requests that a settlement meeting or conference with PHMSA be scheduled. However, Valero does not wish to waive the right to request a hearing in accordance under 49 CFR 190.211. If PHMSA believes that Valero's response warrants a request for hearing, then this response can be considered a Written Response and Request for Hearing.

Valero is committed to working with PHMSA to ensure compliance with all pipeline safety regulations, and Valero appreciates the professionalism of the inspectors involved in the inspection. Their comments and suggestions are valuable and may help strengthen Valero's OQ process. Should PHMSA object to the time-frame requested by Valero, please contact James Trevino at (210) 345-5145 or by email james.trevino@valero.com.

Sincerely,

A handwritten signature in blue ink that reads 'Fred E. Hampton'.

Fred Hampton
Vice President
Valero Partners Operating Company, LLC
One Valero Way
San Antonio, Texas 78254