

JAN 31 2011

Ms. Tamara Murray
President
Salmon Resources Ltd.
2450 Teller Street
Lakewood, CO 80214

Re: CPF No. 3-2007-5033

Dear Ms. Murray:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation and assesses a civil penalty of \$42,000. It further finds that Salmon Resources Ltd. has completed the actions specified in the Notice to comply with the pipeline safety regulations. This letter acknowledges receipt of payment of the full penalty amount, by wire transfer, dated January 22, 2008. This enforcement action is now closed. Service of the Final Order by certified mail is deemed effective upon the date of mailing, or as otherwise provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Enclosure

cc: David Barrett, Director, Central Region

CERTIFIED MAIL – RETURN RECEIPT REQUESTED [7005 1160 0001 0041 3504]

**U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, D.C. 20590**

_____)	
In the Matter of)	
)	
Salmon Resources, Ltd.,)	CPF No. 3-2007-5033
)	
Respondent.)	
_____)	

FINAL ORDER

On August 22-23 and November 7-8, 2006, pursuant to 49 U.S.C. § 60117, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), conducted an on-site pipeline safety inspection of the facilities and records of Salmon Resources, Ltd. (Salmon Resources or Respondent) in Marysville, Michigan. Respondent operates two parallel pipelines each measuring approximately 3.25 miles in length transporting highly volatile liquids across the St. Clair River from the Marysville Hydrocarbon facility to the Shell refinery.

As a result of the inspection, the Director, Central Region, OPS (Director), issued to Respondent, by letter dated December 21, 2007, a Notice of Probable Violation, Proposed Civil Penalty, and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Salmon Resources had committed three violations of 49 C.F.R. Part 195 and proposed assessing a civil penalty of \$42,000 for the alleged violations. The Notice also proposed ordering Respondent to take certain measures to correct the alleged violations.

Salmon Resources responded to the Notice by letter dated January 23, 2008 (Response). The company did not contest the allegations of violation and paid the proposed civil penalty of \$42,000, as provided in 49 C.F.R. § 190.227. Payment of the penalty serves to close the case with prejudice to Respondent. Salmon Resources' response also included documentation demonstrating that it had completed the actions specified in the Notice to comply with the pipeline safety regulations.

FINDINGS OF VIOLATION

In its Response, Salmon Resources did not contest the allegations in the Notice that it violated 49 C.F.R. Part 195, as follows:

Item 1: The Notice alleged that Respondent violated 49 C.F.R. § 195.452(b), which states in relevant part:

§ 195.452 -- Pipeline integrity management in high consequence areas.

(b) *What program and practices must operators use to manage pipeline integrity?*

Each operator of a pipeline covered by this section must:

(1) Develop a written integrity management program that addresses the risks on each segment of pipeline in the first column of the following table not later than the date in the second column:

Pipeline	Date
Category 1.....	March 31, 2002.
Category 2.....	February 18, 2003.
Category 3.....	1 year after the date the pipeline begins operation.

(2) Include in the program an identification of each pipeline or pipeline segment in the first column of the following table not later than the date in the second column:

Pipeline	Date
Category 1.....	December 31, 2001.
Category 2.....	November 18, 2002.
Category 3.....	Date the pipeline begins operation.

The Notice alleged that Respondent violated 49 C.F.R. § 195.452(b) by failing to develop an integrity management program that included an identification of each Category 2 pipeline segment by November 18, 2002. Specifically, the Notice alleged that Salmon Resources did not establish an integrity management program and identify each pipeline segment that could affect a high consequence area (HCA) until August 1, 2006. Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.452(b) by failing to develop an integrity management program that included an identification of each Category 2 pipeline segment by November 18, 2002.

Item 2: The Notice alleged that Respondent violated 49 C.F.R. § 195.509(a), which states:

§ 195.509 -- General.

(a) Operators must have a written qualification program by April 27, 2001.

The Notice alleged that Respondent violated 49 C.F.R. § 195.509 by failing to have a written qualification program in place by April 27, 2001. Specifically, the Notice alleged that Salmon

Resources did not establish a written qualification program until August 2006. Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.509 by failing to have a written qualification program in place by April 27, 2001.

Item 3: The Notice alleged that Respondent violated 49 C.F.R. § 195.509(b), which states:

§ 195.509 -- General.

- (b) Operators must complete the qualification of individuals performing covered tasks by October 28, 2002.

The Notice alleged that Respondent violated 49 C.F.R. § 195.509(b) by failing to complete the qualification of all individuals performing covered tasks by October 28, 2002. Specifically, the Notice alleged that as of the time of the inspection in 2006, Salmon Resources had not performed documented qualifications of individuals on abnormal operating conditions or established the qualifications of contractor personnel performing covered tasks on its pipelines including patrolling, locating, pigging, operating the lines, operating valves, and monitoring cathodic protection levels. Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.509(b) by failing to complete the qualification of all individuals performing covered tasks by October 28, 2002.

These findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent.

ASSESSMENT OF PENALTY

Under 49 U.S.C. § 60122, Respondent is subject to an administrative civil penalty not to exceed \$100,000 per violation for each day of the violation, up to a maximum of \$1,000,000 for any related series of violations. In determining the amount of a civil penalty under 49 U.S.C. § 60122 and 49 C.F.R. § 190.225, I must consider the following criteria: the nature, circumstances, and gravity of the violation, including adverse impact on the environment; the degree of Respondent's culpability; the history of Respondent's prior offenses; the Respondent's ability to pay the penalty and any effect that the penalty may have on its ability to continue doing business; and the good faith of Respondent in attempting to comply with the pipeline safety regulations. In addition, I may consider the economic benefit gained from the violation without any reduction because of subsequent damages, and such other matters as justice may require. The Notice proposed a total civil penalty of \$42,000 for the violations cited above.

Item 1: The Notice proposed a civil penalty of \$14,000 for Respondent's violation of 49 C.F.R. § 195.452(b) by failing to develop an integrity management program that included an identification of each Category 2 pipeline segment by November 18, 2002. Salmon Resources did not contest the allegation and described the modifications to its programs it had undertaken subsequent to the inspection to achieve compliance. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$14,000 for this violation.

Item 2: The Notice proposed a civil penalty of \$5,000 for Respondent's violation of 49 C.F.R. § 195.509 by failing to have a written qualification program in place by April 27, 2001. Salmon Resources did not contest the allegation and expressed its intent to perform the requirement and achieve compliance. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$5,000 for this violation.

Item 3: The Notice proposed a civil penalty of \$23,000 for Respondent's violation of 49 C.F.R. § 195.509(b) by failing to complete the qualification of all individuals performing covered tasks by October 28, 2002. Respondent did not contest the allegation and described the actions it had undertaken subsequent to the inspection to achieve compliance. In its Response, Salmon Resources also offered its view that the penalty amount was excessive in light of the overall safety record of the pipelines and its prompt efforts to achieve compliance. Having paid the penalty, however, Respondent waived its opportunity to contest the penalty amount. Moreover, I find that the circumstances of the violations including the length of time Respondent was out of compliance justify the penalty amount proposed in the Notice. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$23,000 for this violation.

In summary, having reviewed the record and considered the assessment criteria for each of the Items cited above, I assess Respondent a total civil penalty of **\$42,000** which Salmon Resources has already remitted to PHMSA.

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to Item 3 in the Notice for violation of 49 C.F.R. § 195.509(b). Under 49 U.S.C. § 60118(a), each person who engages in the transportation of hazardous liquids or who owns or operates a pipeline facility is required to comply with the applicable safety standards established under chapter 601. The Director indicates that Respondent has taken the following actions specified in the proposed compliance order:

With respect to the violation of § 195.509(b) (**Item 3**), Respondent has qualified all individuals performing covered tasks on its pipelines including contractors and subcontractors and has provided documentation of these qualifications to the Director, Central region, OPS.

Accordingly, I find that compliance has been achieved with respect to this violation. Therefore, the compliance terms proposed in the Notice are not included in this Order.

The terms and conditions of this Final Order are effective upon service in accordance with 49 C.F.R. § 190.5.

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Date Issued