



U.S. Department
of Transportation

**Pipeline and Hazardous
Materials Safety Administration**

400 Seventh Street, S.W.
Washington, D.C. 20590

FEB - 6 2007

Ms. Melody Meyer
Vice President, Gulf of Mexico
Chevron USA, Inc.
935 Gravier Street
New Orleans, LA 70112

Re: CPF No. 4-2006-7005

Dear Ms. Meyer:

Enclosed is the Final Order issued by the Acting Associate Administrator for Pipeline Safety in the above-referenced case. It makes findings of violation and assesses a civil penalty. I acknowledge receipt of and accept your October 19, 2006 payment of \$10,000 as payment in full of the civil penalty assessed in the Final Order. The Final Order also specifies actions to be taken to comply with the pipeline safety regulations. When the terms of the compliance order are completed, as determined by the Director, Southwest Region, this enforcement action will be closed. Your receipt of this Final Order constitutes service under 49 C.F.R. § 190.5.

Sincerely,

James Reynolds
Pipeline Compliance Registry
Office of Pipeline Safety

Enclosure

VIA CERTIFIED MAIL – RETURN RECEIPT REQUESTED

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, DC 20590**

_____)
In the Matter of)

Chevron USA, Inc.,)

Respondent)
_____)

CPF No. 4-2006-7005

FINAL ORDER

On June 12 through 16, 2006, pursuant to 49 U.S.C. § 60117, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) and Louisiana Department of Natural Resources conducted an on-site pipeline safety inspection of Respondent's integrity management program (IMP) and procedures in New Orleans, Louisiana. As a result of the inspection, the Director, Southwest Region, PHMSA, issued to Respondent, by letter dated September 19, 2006, 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 Respondent committed violations of 49 C.F.R. § 195.452 and proposed assessing a civil penalty of \$10,000 for the alleged violations. The Notice also proposed that Respondent take certain measures to correct the alleged violations.

Respondent responded to the Notice by letter dated October 17, 2006. Respondent did not contest the allegations, agreed to pay the proposed civil penalty, and stated its intent to comply with the Proposed Compliance Order. Respondent paid the amount of the proposed civil penalty (\$10,000) on October 19, 2006, waiving further right to respond and authorizing the entry of this Final Order.

FINDINGS OF VIOLATION

Pursuant to 49 C.F.R. § 190.213 and 49 U.S.C. § 60122, I find that Respondent violated the following sections of 49 C.F.R. Part 195, as more fully described in the Notice:

49 C.F.R. § 195.452(e)(1) – failing to establish an integrity assessment schedule that prioritizes pipeline segments for assessment based on relevant risk factors, including the factors specified in § 195.452(e)(1). In addition, Respondent failed to update the risk model with the most accurate information to reflect current conditions.

49 C.F.R. § 195.452(f)(4), (f)(8), (g), (h)(1) and (h)(2) – failing to develop sufficient processes for data integration and information analysis. Respondent's processes for data integration and information analysis did not document in sufficient detail the processes performed by the Facility Engineer to support evaluation of the condition of the pipeline or to make decisions related to the repair or remediation of pipeline defects.

49 C.F.R. § 195.452(f)(6), (i)(1) and (i)(2) – failing to develop a process for identification of preventive and mitigative measures that considers all relevant risk factors, including those factors specified in § 195.452(i)(1) and (i)(2).

49 C.F.R. § 195.452(f)(6) and (i)(3) – failing to develop a process for evaluation of leak detection capabilities. In addition, Respondent failed to perform an evaluation of leak detection capabilities and modify those capabilities, as necessary, to protect high consequence areas (HCAs).

49 C.F.R. § 195.452(f)(6) and (i)(4) – failing to develop a process for determining the need for emergency flow restricting devices (EFRD). Respondent failed to determine the need for EFRD and install EFRD as necessary to protect HCAs.

49 C.F.R. § 195.452(f)(5), (j)(1) and (j)(2) – failing to develop a continual process for assessment and evaluation. In addition, Respondent failed to establish the frequency for evaluation based on applicable risk factors, including those factors specified in § 195.452(j)(2).

49 C.F.R. § 195.452(f)(5), (j)(1) and (j)(3) – failing to establish intervals and priorities for continually assessing integrity that are based on applicable risk factors, including those factors specified in § 195.452(j)(3).

49 C.F.R. § 195.452(f)(7) and (k) – failing to develop a process to measure the effectiveness of its IMP, including methods to measure whether the program is effective in assessing and evaluating the integrity of each pipeline segment and in protecting HCAs.

These findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent. Having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$10,000 for the violations of § 195.452(f)(6), (i)(3), and (i)(4).¹ The civil penalty has already been paid by Respondent.

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to the violations. Under 49 U.S.C. § 60118(a), each person who engages in the transportation of hazardous liquid by pipeline or who owns or operates a hazardous liquid pipeline facility is required to comply with the applicable safety standards established under Chapter 601. Pursuant to the authority of 49 U.S.C. § 60118(b) and 49 C.F.R. § 190.217, Respondent is ordered to take the following actions

¹ These violations were numbered Items 4 and 5 in the Notice.

to ensure compliance with the pipeline safety regulations applicable to its operations. Respondent must—

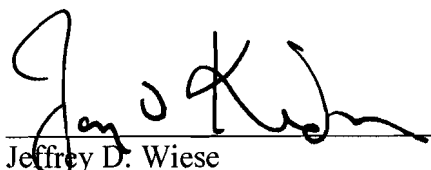
1. Establish an integrity assessment schedule that prioritizes pipeline segments for assessment in accordance with § 195.452(e)(1). The schedule must be based on relevant risk factors, including those factors specified in § 195.452(e)(1). Modify the current “risk evaluation” process for analyzing risks (threats and consequences) to ensure all risk factors are considered. Develop and document a process to ensure the risk model is updated with accurate information to reflect current conditions and operating environment. Develop and document guidelines for the use of subject matter experts to ensure consistent application of the process and repeatability. The risk evaluation process must provide a means for identification of significant threats to pipeline integrity.
2. Develop data integration and information analysis processes (§ 195.452(g)) to ensure consistent application and repeatability when those processes are performed by the Facility Engineer. The processes must integrate additional sources of pertinent risk-factor data and assessment results to support evaluation of the condition of the pipeline, or to make decisions related to the repair or remediation of pipeline defects. The processes must include specified inputs; a detailed process to collect and evaluate the data; and a description of expected outputs for quality assurance/quality control.
3. Develop a process for identification of additional preventive and mitigative measures in accordance with § 195.452(f)(6), (i)(1) and (i)(2). The process must be based on an analysis of relevant risk factors, including those factors specified in § 195.452(i)(1) and (i)(2). The process must be documented in sufficient detail to ensure consistent application. Respondent may integrate its Prevention and Mitigation Manuals, which address other required programs, into the IMP as appropriate.
4. Develop and document a process for evaluating leak detection capabilities and for modifying those capabilities, as necessary, in accordance with § 195.452(f)(6) and (i)(3). Perform an evaluation and any necessary modifications in accordance with the process developed and § 195.452(f)(6) and (i)(3).
5. Develop and document a process for determining the need for EFRD in accordance with § 195.452(f)(6) and (i)(4). Perform the evaluation and install EFRD where needed to protect an HCA in accordance with the process developed and § 195.452(f)(6) and (i)(4).
6. Develop and document a continual process for assessment and evaluation in accordance with § 195.452(f)(5), (j)(1) and (j)(2). The process must document detailed requirements for performing periodic evaluation as frequently as needed to assure pipeline integrity. The frequency for evaluation must be based on applicable risk factors, including those factors specified in § 195.452(j)(2).
7. Develop and document a process for determining reassessment intervals and priorities for continually assessing integrity in accordance with § 195.452(f)(5), (j)(1), and (j)(3). The process must be based on applicable risk factors, including those factors specified in

§ 195.452(j)(3), and must provide sufficient detail to ensure that the process can be consistently applied across all pipeline segments in the IMP.

8. Develop and document a process to measure the effectiveness of its IMP in accordance with § 195.452(f)(7) and (k). The process must include methods to measure whether the program is effective in assessing and evaluating the integrity of each pipeline segment and in protecting HCAs. The process must be sufficiently detailed to ensure consistent application and must ensure that the results of the evaluation are communicated within the organization.
9. Maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order. Report the total costs as follows: (a) total cost associated with preparation, revision of plans and procedures, and performance of studies and analyses; and (b) total cost associated with physical changes to the pipeline infrastructure, if applicable, including replacements and additions.
10. Complete each of the above items and submit documentation of compliance within 30 days of receipt of this Final Order. Documentation shall be submitted to the Director, Southwest Region, Office of Pipeline Safety, 8701 South Gessner Dr, Suite 1110, Houston, TX 77074-2949.

In a letter dated October 24, 2006, Respondent requested additional time to comply with the terms of the compliance order. An extension of time is not granted by this order, because Respondent has had additional time by virtue of the effective date of this order. However, the Director, Southwest Region, may grant an extension of time to comply with any of the above required items upon a written request timely submitted by the Respondent demonstrating good cause for an extension.

Failure to comply with this Order may result in administrative assessment of civil penalties up to \$100,000 per day for each violation and in referral to the Attorney General for appropriate relief in a district court of the United States. The terms and conditions of this Final Order are effective on receipt.



Jeffrey D. Wiese
Acting Associate Administrator
for Pipeline Safety

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Date Issued