

NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

February 27, 2009

Mr. Paul Brochu
Vice President, Logistics Operations and
Development
Valero Terminating and Distribution Company
One Valero Way,
San Antonio, Texas 78249

CPF 4-2009-5003M

Dear Mr. Brochu:

On October 20-24, 2008, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected Valero Terminating and Distribution Company (Valero Energy) procedures for Integrity Management in San Antonio, TX.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within Valero Energy plans or procedures, as described below:

- 1. §195.452 (f) An operator must include, at minimum, each of the following elements in its written integrity management program: (1) A process for identifying which pipeline segments could affect a high consequence area.**

The Inspection Team had concerns that written procedures for local knowledge acquisition, who initiates a periodic review, how it is updated, and other aspects related to HCA identification are vague as to how these practices are accomplished. For instance with regard to field review, an email is sent out requesting review but little documentation on the actual implementation was provided. Valero IM practices are at a very high level with few defined procedures or associated forms.

- 2. §195.452 (f) An operator must include, at minimum, each of the following elements in its written integrity management program:**

(1) A process for identifying which pipeline segments could affect a high consequence area.

The HCA “could affect” analysis did not adequately consider situations where a pipeline release is due to a slow pipeline leak condition vs. the Valero analyzed rapid full volume release assumptions. A basis for assumptions that the full guillotine release is greater than a potential slow release should be included as part of the IMP documentation.

3. **§195.452 (f) An operator must include, at minimum, each of the following elements in its written integrity management program: (1) A process for identifying which pipeline segments could affect a high consequence area.**

Valero needs to define the accuracy of the location for each pipeline and buffer accordingly. Some pipelines were located using GPS while others were located by older less accurate methods. The accuracy for each method should be determined and if larger buffers are required for the flow models they should be incorporated or justification provided as to why no changes are needed.

4. **§195.452 (f) An operator must include, at minimum, each of the following elements in its written integrity management program:
(8) A process for review of integrity assessment results and information analysis by a person qualified to evaluate the results and information (see paragraph (h)(2) of this section).**

Valero IM procedures do not adequately address qualification requirements of Valero personnel reviewing assessment results. Valero should update the IM procedures to better explain qualification requirements for personnel reviewing assessment results.

5. **§195.452 (f) An operator must include, at minimum, each of the following elements in its written integrity management program: (8) A process for review of integrity assessment results and information analysis by a person qualified to evaluate the results and information (see paragraph (h)(2) of this section)**

§195.452 (h) (2) *Discovery of a condition.* Discovery of a condition occurs when an operator has adequate information about the condition to determine that the condition presents a potential threat to the integrity of the pipeline. An operator must promptly, but no later than 180 days after an integrity assessment, obtain sufficient information about a condition to make that determination, unless the operator can demonstrate that the 180-day period is impracticable.

Valero needs to develop better QA/QC procedures to ensure that anomaly dig locations are properly identified and excavated. Valero should update the IM procedures to ensure better QA/QC procedures regarding anomaly digs.

6. **§195.452 (f) *What are the elements of an integrity management program?* (6) Identification of preventive and mitigative measures to protect the high consequence area.**

§195.452(i) *What preventive and mitigative measures must an operator take to protect the high consequence area?*(1) *General requirements.* An operator must take measures to prevent and mitigate the consequences of a pipeline failure that could affect a high consequence area. These measures include conducting a risk analysis

of the pipeline segment to identify additional actions to enhance public safety or environmental protection. Such actions may include, but are not limited to,

implementing damage prevention best practices, better monitoring of cathodic protection where corrosion is a concern, establishing shorter inspection intervals, installing EFRDs on the pipeline segment, modifying the systems that monitor pressure and detect leaks, providing additional training to personnel on response procedures, conducting drills with local emergency responders and adopting other management controls.

Preventative and Mitigative measures consideration and implementation was not adequately documented by Valero. Valero needs to ensure that specific P&M measures are defined, implemented and documented for pipelines in HCA's. The new Valero IM program plan adequately addresses P&M measures consideration and implementation but the old program is lacking in documentation supporting the evidence of compliance with the regulations.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. 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.

If, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 30 days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

In correspondence concerning this matter, please refer to **CPF 4-2009-5003M** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

R. M. Seeley
Director, Southwest Region
Pipeline and Hazardous
Materials Safety Administration

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*