



CITGO Petroleum Corporation

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VIA EMAIL and FIRST CLASS MAIL

May 28, 2014

R. M. Seeley
Director, Southwest
Pipeline and Hazardous Materials Safety Administration
8701 South Gessner, Suite 1110
Houston, Texas 77074

Dear Mr. Seeley:

In response to the Notice of Probable Violation, Proposed Civil Penalty and Proposed Compliance Order, dated April 24, 2014 and received by CITGO Petroleum Corporation April 28, 2014, CITGO hereby provides the following responses to each of the alleged violations of the cited Pipeline Safety Regulations, Title 49 Code of Federal Regulations:

Alleged Violation #1 – §199.105 Drug Testing:

PHMSA alleges that CITGO failed to perform post-accident drug and alcohol testing on the Sour Lake Controller following the leak incident on October 18, 2012, which involved the release of 718 barrels of crude oil from a 6" surge line connected to Tank 376. "The controller's failure to take action upon receipt of the initial creep alarm on the SCADA system prolonged the release of product from the Tank as the leak continued for two additional hours." (No proposed penalty.)

CITGO Response: CITGO respectfully disagrees that it violated §119.105 under the circumstances. 49 CFR §199.105(b) provides:

"As soon as possible but no later than 32 hours after an accident, an operator shall drug test each employee whose performance either contributed to the accident or cannot be completely discounted as a contributing factor to the accident. An operator may decide not to test under this paragraph but such a decision must be based on the best information available immediately after the accident that the employee's performance could not have contributed to the accident or that, because of the time between that performance and the accident, it is not likely that a drug test would reveal whether the performance was affected by drug use."

CITGO decided not to test the employee in this instance based on CITGO's questioning of the console operator immediately following discovery of the leak. The questions, answers and circumstances of the leak all allowed CITGO to determine that the employee's performance could not have contributed to the leak and therefore drug and alcohol testing were unnecessary. This is consistent with what the regulation allows.

While CITGO respectfully disagrees with the allegation as written, CITGO has revised the operating procedures that address console operator response to creep alarms. The procedure requires immediate call-out to the on-call Field Technician in the event the cause of the initial creep alarm cannot be determined. (See revised procedure language below.) CITGO recognizes that Allegation #1 is a

Warning Item with no penalty assessed, and believes that the action taken relative to requiring immediate investigation in the event the cause for an initial creep alarm cannot be determined sufficiently addresses the concern involved in this instance.

Alleged Violation #2 §195.446 Control Room - Alarm Management

PHMSA alleges that CITGO failed to have an alarm management plan, including a definition of creep alarm and instructions for effective controller response to creep alarms. CITGO agrees with PHMSA that CITGO did not have a definition of "creep alarm" in its control room operating manual or written instructions detailing how to respond to creep alarm activation. CITGO has amended its Operations & Maintenance (O & M) manual to include the following language, which includes both a definition of creep alarm and specific instructions detailing appropriate response when a creep alarm activates:

A creep alarm is a SCADA generated alarm that is initiated when a pre-defined difference of an analog value has been reached. Creep alarms are set on storage tanks, monitored by SCADA, upon completion of receipt into or deliveries out of tanks. The purpose of the creep alarm is to identify and provide alarm indications of unintended tank level changes on idle tanks. A creep alarm will be generated by SCADA if an idle tank's level moves +/- 1/2". Creep alarm settings are pre-determined and set in SCADA and cannot be changed by the Controller. Creep alarms, where utilized, are automatically set and active on tanks when tank valves are closed by the Controller. The Controller will investigate and determine the cause for change in level upon receipt of an initial creep alarm. The cause of the unintended tank movement will be documented in the event log. If, upon receipt of an initial creep alarm for a tank, the cause for the change in level cannot be determined, the Controller will notify the on-call Field Technician to investigate and determine cause. The closest available Field Technician shall be dispatched to the station to investigate.

CITGO does not challenge the basis for the alleged violation and has implemented appropriate corrective action. In addition, CITGO will issue a copy of the revised policy upon PHMSA's request.

However, CITGO respectfully disagrees with PHMSA regarding the size of the civil penalty assessed for this violation (\$123,800). First, having the written policy on hand at the time of the incident would not have prevented the leak. During the inspection, PHMSA was informed that when the console operator received the initial creep alarm he had a reasonable basis to believe that the alarm had been triggered by the tank settling after being filled, which was a reasonable assumption under the circumstances at that time. His subsequent conduct to monitor the situation was consistent with his training -- to record an initial creep alarm, assess its cause and monitor the situation was the training and practice. Had CITGO included those directions (since revised, per the above) in its operations manual at the time, his conduct would have been consistent with those written directions. Since the employee followed the practice in accordance with his training, the absence of the written definition and procedure made no difference in preventing or minimizing the leak, and the violation alleged is really one based on the failure to have the practice in writing.

Moreover, the leak was contained within the tank's containment area and had no adverse offsite impacts and the cause of the leak was immediately addressed and corrected. Under the circumstances, the large penalty assessed is not warranted and CITGO would respectfully request that it be lowered to an appropriate level commiserate with actual paperwork violation.

Alleged Violation #3 §195.402 Corrosive Effects Assessment/Dead Leg Removal Project

PHMSA alleged that CITGO failed to complete its assessment to determine the corrosive effect of the transported products. However, CITGO did complete that assessment, which was conveyed to PHMSA as Exhibit K to CITGO's July 11, 2011 Response.

CITGO does not challenge the allegation that the dead leg involved in the October 19, 2012 leak incident was overlooked by the dead leg removal project evaluation. CITGO is undertaking a review of the assessment to determine how the dead leg was missed and ensure that dead legs at Sour Lake are properly identified and addressed.

Please feel free to contact me if you have any questions regarding this response or if you determine that more information is needed related to this submittal.

Sincerely,



Glenn Hilman

General Manager, Terminal Facilities and Pipeline

CITGO Petroleum Corporation

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