

**July 24, 2015**

Mr. Todd Denton  
President  
Phillips 66 Pipeline, LLC  
3010 Briarpark Drive  
Houston, TX 77042

**Re: CPF No. 4-2014-5023**

Dear Mr. Denton:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation and specifies actions that need to be taken by Phillips 66 Pipeline, LLC, to comply with the pipeline safety regulations. When the terms of the compliance order have been completed, as determined by the Director, Southwest Region, this enforcement action will be 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: Mr. Rod Seeley, Southwest Regional Director, PHMSA OPS  
Mr. Todd Tullio, Manager, Regulatory Compliance Phillips 66 Pipeline, LLC

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

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

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<b>In the Matter of</b>	)	
	)	
<b>Phillips 66 Pipeline, LLC,</b>	)	<b>CPF No. 4-2014-5023</b>
	)	
<b>Respondent.</b>	)	
	)	

**FINAL ORDER**

Between January and May 2014, pursuant to 49 U.S.C. § 60117, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), conducted on-site pipeline safety inspections of the facilities and records of Phillips 66 Pipeline, LLC (Phillips 66 Pipeline or Respondent), in Texas and Louisiana. Phillips 66 Pipeline, a wholly-owned subsidiary of Phillips 66, transports raw and finished petroleum products through more than 12,000 miles of pipelines throughout Canada, California, the South and the Midwest. Phillips 66 Pipeline also operates multiple finished-product, liquefied petroleum gas and crude oil terminals.<sup>1</sup>

As a result of the inspection, the Director, Southwest Region, OPS (Director), issued to Respondent, by letter dated September 22, 2014, a Notice of Probable Violation and Proposed Compliance Order (Notice), which also included warnings pursuant to 49 C.F.R. § 190.205. In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Phillips 66 Pipeline had committed various violations of 49 C.F.R. Part 195 and proposed ordering Respondent to take certain measures to correct the alleged violations. The warning items required no further action, but warned the operator to correct the probable violation or face possible enforcement action.

Phillips 66 Pipeline responded to the Notice by letter dated October 23, 2014 (Response). The company stated that it elected “to not contest the Proposed Compliance Order” and agreed to provide information concerning the corrective actions it intended to take once it received the Final Order.<sup>2</sup> Respondent did not request a hearing and therefore has waived its right to one.

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<sup>1</sup> See [www.phillips66pipeline.com](http://www.phillips66pipeline.com). (Current as of April 1, 2015)

<sup>2</sup> Response, at 1.

## **FINDINGS OF VIOLATION**

The Notice alleged that Phillips 66 Pipeline violated 49 C.F.R. Part 195, as follows:

**Item 1:** The Notice alleged that Respondent violated 49 C.F.R. § 195.402(a), which states:

**§ 195.402 Procedural manual for operations, maintenance, and emergencies.**

(a) *General.* Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline system commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.

The Notice alleged that Respondent violated 49 C.F.R. § 195.402(a) by failing to follow its own written procedures for conducting normal operations and maintenance activities. Specifically, the Notice alleged that Phillips 66 Pipeline had a procedure, *Annual Tank Inspection Report, Rev. 4 – Effective Date: 2012-04-02*, which required the visual inspection of internal floating roofs on tanks. According to the instructions for preparing such reports, if certain portions of the report form did not apply, then the question was to be marked through, indicating that the question was not applicable. The Notice alleged that company personnel had marked “not applicable” on lines 28 (a) through (f) of two September 27, 2013 Annual Tank Inspection Reports,<sup>3</sup> pertaining to the inspection of internal floating roofs. The company had previously completed such inspections of the same two internal floating roofs on October 15, 2012. The Notice further alleged that the company had previously filed DOT Tank Data reports indicating that both tanks had internal floating roofs. Therefore, PHMSA alleged that inspections of these two internal floating roofs had not been performed by the company in 2013.

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. § 195.402(a) by failing to follow its own written procedures for conducting normal operations and maintenance activities.

**Item 3:** The Notice alleged that Respondent violated 49 C.F.R. § 195.432(b), which states:

**§ 195.432 Inspection of in-service breakout tanks.**

(a) . . .

(b) Each operator must inspect the physical integrity of in-service atmospheric and low-pressure steel aboveground breakout tanks according to API Standard 653 (incorporated by reference, *see* § 195.3). However, if structural conditions prevent access to the tank bottom, the bottom

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<sup>3</sup> Tank 80003 in Pecan Grove and Tank 11 at Clifton Ridge Marine Terminal.

integrity may be assessed according to a plan included in the operations and maintenance manual under § 195.402(c)(3).

The Notice alleged that Respondent violated 49 C.F.R. § 195.432(b) by failing to properly inspect the physical integrity of in-service atmospheric and low-pressure steel aboveground breakout tanks in accordance with API Standard 653. Specifically, the Notice alleged that Phillips 66 Pipeline failed to inspect the company's Tank #14<sup>4</sup> in accordance with Standard 653 when it used a corrosion rate of zero for UPr (i.e., maximum rate of corrosion on the bottom side of the tank bottom plate), despite documented instances of underside corrosion found during an earlier inspection in 2004. Under Standard 653, an operator may use a soil corrosion rate of zero when determining future inspection intervals, but not when historic corrosion has taken place.<sup>5</sup>

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. § 195.432(b) by failing to properly inspect the physical integrity of in-service atmospheric and low-pressure steel aboveground breakout tanks in accordance with Standard 653.

**Item 4:** The Notice alleged that Respondent violated 49 C.F.R. § 195.432(b), as quoted above, by failing to inspect the physical integrity of in-service aboveground breakout Tank #39 according to Standard 653. Specifically, the Notice alleged that Tank #39 at the Clifton Ridge Marine Terminal, Lake Charles, Louisiana, was constructed in 1981, and according to interim documentation should have been inspected no later than May 3, 1999. According to documentation an inspection was not performed until 2001.

In addition, at the time of PHMSA's 2014 inspection, there was insufficient documentation to establish corrosion rates for the tank bottom, either for the top side or the soil side. Based upon this lack of information, Standard 653 considers the corrosion rate to be "unknown," and therefore the maximum internal inspection interval should be set at 10 years. At the time of the 2014 inspection, Phillips 66 Pipeline had not performed an internal inspection of Tank #39 and had set the re-inspection interval at the maximum interval of 20 years.

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. § 195.432(b) by failing to inspect the physical integrity of in-service aboveground breakout Tank #39 according to Standard 653.

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

### **COMPLIANCE ORDER**

The Notice proposed a compliance order with respect to Items 1, 3, and 4 in the Notice for violations of 49 C.F.R. §§ 195.402(a), and 195.432(b). Under 49 U.S.C. § 60118(a), each person

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<sup>4</sup> Located at the company's Lake Charles Pipeline Facility in Sulphur, Louisiana.

<sup>5</sup> API 653, Section 6.4.2

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. Pursuant to the authority of 49 U.S.C. § 60118(b) and 49 C.F.R. § 190.217, Phillips 66 Pipeline is ordered to take the following actions to ensure compliance with the pipeline safety regulations applicable to its operations:

1. With respect to the violation of § 195.402(a) (**Item 1**), Respondent must follow Phillips 66 Pipeline's written procedures, inspect, and provide documentation to indicate that the internal floating roofs on Tank 80003 in Pecan Grove and Tank 11 at Clifton Ridge Marine Terminal have been inspected.
2. With respect to the violation of § 195.432(b) (**Item 3**), Respondent must develop procedures that clearly identify when a corrosion rate of zero can be assumed. The company must also develop a procedure that clearly identifies if an historic corrosion has occurred, and establish appropriate corrosion rate from the measured data in accordance with API 653. After developing procedures, Phillips 66 Pipeline must re-evaluate its tank inspection intervals against the revised procedures to ensure that the internal inspection intervals are calculated in accordance with API 653 and that inspections occur prior to reaching the minimum plate thickness necessary to ensure tank plate integrity.
3. With respect to the violation of § 195.432(b) (**Item 4**), Respondent must conduct an API 653 internal inspection. If Phillips 66 Pipeline wants to utilize "similar service" to determine the interval between inspections, it must develop procedures that clearly identify when similar service assessments will be performed and how it will be performed. Also, the company shall establish the criteria for the similar service assessment, identify the responsible group, and identify what type of personnel qualifications are needed to perform the similar service assessment.
4. Provide PHMSA with documentation that verifies completion of numbers 1 – 3 above within 30 days following the receipt of the Final Order.
5. It is requested (not mandated) that Phillips 66 Pipeline maintains documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to R. M. Seeley, Director, Southwest Region, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses; and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.

The Director may grant an extension of time to comply with any of the required items upon a written request timely submitted by Respondent and demonstrating good cause for an extension.

Failure to comply with this Order may result in the administrative assessment of civil penalties not to exceed \$200,000 for each violation for each day the violation continues or in referral to the Attorney General for appropriate relief in a district court of the United States.

**WARNING ITEMS**

With respect to Items 2 and 5, the Notice alleged probable violations of Part 195 but did not propose a civil penalty or compliance order for these items. Therefore, these are considered to be warning items. The warnings were for:

49 C.F.R. § 195.505 (**Item 2**) — Respondent's alleged failure to ensure, through evaluation, that employees were qualified to perform covered tasks on 16 separate occasions; and

49 C.F.R. § 195.402(a) (**Item 5**) — Respondent's alleged failure to follow its own written *Personnel Knowledge Verification & Emergency Response Training* procedure.

Phillips 66 Pipeline presented information in its Response showing that it had taken certain actions to address the cited items. If OPS finds a violation of any of these items in a subsequent inspection, Respondent may be subject to future enforcement action.

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

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Jeffrey D. Wiese  
Associate Administrator  
for Pipeline Safety

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Date Issued