



Global Gas

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December 2, 2010

Via Overnight Mail

Mr. Chris Hoidal, Director
Pipeline and Hazardous Materials Safety Administration
U.S. Department of Transportation
12300 W. Dakota Avenue, Suite 110
Lakewood, CO 80228

**RE: Chevron Pipe Line Company
Response to CPF No. 5-2010-5028**

Dear Mr. Hoidal,

This letter is in response to the Notice of Probable Violation ("NOPV") and Proposed Compliance Order ("PCO") CPF No. 5-2010-5028 received by Chevron Pipe Line Company ("CPL") on November 4, 2010. CPL respectfully submits the following response to address the matters identified in the NOPV and PCO.

CPL has elected not to contest the alleged violations and will provide electronic payment in the amount of \$423,600. By not contesting the Pipeline and Hazardous Materials Safety Administration's ("PHMSA") allegations, CPL does not admit the accuracy of the allegations or the factual assertions set out in the NOPV. Rather, CPL desires to continue its cooperation with PHMSA to ensure ongoing compliance and pipeline safety. To that end, there are various relevant factors and other causes of the pipeline breach that PHMSA likely has already learned through its own investigation. Because PHMSA has invited the submission of additional information to ensure a complete record, CPL offers the following additional information concerning multiple causal factors based on its preliminary understanding of the facts to provide PHMSA with appropriate context and additional information.

The circumstances leading to this spill demonstrate the importance of public awareness of pipeline location and the shared responsibility necessary to prevent pipeline failures. It appears that overhanging tree limbs contacted a live electrical utility power line and caused a ground fault at the aboveground to underground electric transfer substation (the "substation") that was adjacent to CPL's pipeline. Approximately 10.89 seconds elapsed before the ground fault was isolated. During that time, three separate ground fault currents of approximately 8,416 amperes, 4,528 amperes, and 4,304 amperes were discharged to the substation's electrical grounding grid.

One of the underground fencepost footings for the metal security fence surrounding the substation was designed, constructed and owned by a third party within inches of the pipeline surface. The proximity to the pipeline surface was unknown to CPL and was not detected by internal inspections or cathodic protection readings. During the ground fault, electrical current appears to have been transmitted from the fencepost to the pipeline and to have burned a dime-sized hole in the pipeline.

The placement of the fencepost did not comply with industry standards requiring 10 feet of separation between the fencepost and the pipeline (*see* 1977 National Electrical Safety Code (“NESC”) Section 95-B-2), which have been adopted as minimum requirements in Utah’s Administrative Code (*see* Utah Admin. Code R 746-310-4 D). Even so, the fault would likely not have occurred if the trees near the power lines had been trimmed away from the lines as required by NESC Section 218-A-1.

Below are CPL’s comments concerning PHMSA’s Proposed Compliance Order:

Proposed Compliance Order No. 1 (Item No. 1)

In regard to Item Number 1 of the Notice pertaining to pipeline patrolling, if Chevron continues to patrol their pipelines using an aerial method, they must sufficiently clear the right-of-way (ROW) on the Rangely, Colorado, to Salt Lake City, Utah, crude oil pipeline system so they can observe the surface conditions on or adjacent to the ROW as required by 195.412. Alternatively, in areas where vegetation or other ROW obstructions cannot be removed, other methods of patrolling, such as walking or driving must be implemented to allow direct observation of the ROW conditions.

CPL Response to PCO No. 1

CPL plans to continue to patrol the pipelines using an aerial method. We are working to sufficiently clear the right-of-way on the Rangely, Colorado, to Salt Lake City, Utah, crude oil pipeline system so that the surface conditions on or adjacent to the ROW can be observed as required by 195.412. In areas where vegetation or other ROW obstructions cannot be removed, other methods of patrolling such as walking or driving have been implemented to allow direct observation of the ROW conditions.

Proposed Compliance Order No. 2 (Item No. 2)

In regard to Item Number 2 of the Notice pertaining to electrical isolation and protection from fault currents per 195.575, Chevron must inspect the Rangely, Colorado, to Salt Lake City crude oil pipeline system for areas where damage to their pipeline facilities could occur from electrical power sources. Specifically, if the pipeline is found to be in close proximity to electrical transmission tower footings, ground cables, or counterpoise, or in other areas where it is reasonable to foresee fault currents or an usual risk of lightning and take protective measures at insulating devices.

CPL Response to PCO No. 2

CPL completed an encroachment survey identifying any type of electrical structures near or within the Rangely to Salt Lake Crude system ROW. CPL will continue to inspect the Rangely, Colorado, to Salt Lake City crude oil pipeline system for areas where damage to our pipeline facilities could occur from electrical power sources. If the pipeline system is found to be in close proximity to electrical transmission tower footings, ground cables, or counterpoise, or in other areas where it is reasonable to foresee fault currents or an usual risk of lightning CPL will take protective measures. Protective measures to be evaluated and possibly implemented as necessary and appropriate include the following:

- Provide adequate separation between the SLC crude oil pipeline system and electrical structures by relocating piping or electrical structures to prevent damage from potential fault currents or lightning or,
- Evaluate and provide properly designed grounding grids in close proximity to the SLC crude oil system to ensure fault currents are directed away from the pipeline system or,
- Evaluate electrical structures in close proximity to the SLC crude oil system to ensure properly designed lightning protection systems are employed to protect the pipeline system or,
- Evaluate electrical tower footings, ground cables, or counterpoise in close proximity to the SLC crude oil system to ensure proper electrical power system protective devices, relays, and disconnecting means are provided to protect pipeline system from fault currents or,
- Evaluate insulating devices in place for proper design and upgrade where needed or,
- Evaluate the SLC crude oil system in close proximity to electrical structures and provide additional insulating devices where needed.

At the Red Butte site, the aboveground to belowground electrical transfer station has been removed by Rocky Mountain Power and replaced with an overhead transmission line structure. The fencing has been removed. The nearest wooden pole is approximately 100 feet from the SLC underground crude oil pipeline system.

Proposed Compliance Order No. 3 (Item No. 3)

In regard to Item Number 3 of the Notice pertaining to Chevron's leak detection methods utilized on the Rangely to Salt Lake City crude oil pipeline system and in accordance with 195.452(i)(3), Chevron must reevaluate and modify its leak detection system on this pipeline to increase the swiftness and sensitivity of detection in order to minimize the impacts to high consequence areas.

CPL Response to PCO No. 3

CPL has completed an evaluation of the leak detection system and has performed the following modifications to its leak detection capabilities on the Crude Oil #2 Pipeline:

- Implemented Telvent PLM (CPM Leak Detection). This system has subsequently been tuned since initial implementation. CPL continues to review this PLM segment's tuning in consideration of operations changes yielding positive impact on leak detection performance.
- Trending capabilities of pipeline loss/gain deviations, pressure, flow and temperature have been added to the console to enhance controller identification of leak data profiles and analysis of leak detection.
- Controllers have been provided refresher training on PLM leak detection basics (PLM1), PLM data quality and analysis (PLM 2), and PLM leak indication analysis (PLM 3).
- Pipeline control modifications have been made to create a higher and more constant back pressure. These modifications appear to have resulted in more predictable leak deviation signal profiles and a reduction of volume deviations. CPL continues to evaluate system modifications to pipeline back pressure control.
- Batch scheduling has been modified creating routine batch sizes of crude and condensate to be pumped on the pipeline. This should create more predictable volume deviation profiles.
- CPL defined pipeline loss deviation levels which require pipeline isolation if cause is unknown. These parameters were approved by PHMSA prior to start up of the pipeline after the incident. CPL created a Deviation Loss Cause Log Sheet which allows controllers to identify and communicate minor and major false leak deviation issues to CPL management for proper mitigation.

Proposed Compliance Order No. 4 (Item No. 4)

Chevron shall complete the above items within 365 days of receipt of the Final Order.

CPL Response to PCO No. 4

CPL will complete the above items within 365 days of receipt of the Final Order.

Proposed Compliance Order No. 5

Upon completion of all of the above requirements, Chevron must submit documentation on all actions taken by the pipeline system including a summary report detailing the remedial actions taken to enhance public safety for each pipeline system. This report must be submitted to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration, within 6 months of completing all required actions.

CPL Response to PCO No. 5

Upon completion of all of the above requirements, CPL will submit documentation on all actions taken and will included a summary report detailing the actions taken to enhance public safety on

to Chris Hoidal, Director, Western Region, PHMSA, within 6 months of completing all required actions.

Proposed Compliance Order No. 6

Chevron shall maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration. Costs shall 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.

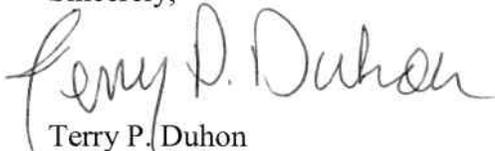
CPL Response to PCO No. 6

CPL will maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Chris Hoidal, Director, Western Region, PHMSA. Costs will 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 the pipeline system.

Thank you for your consideration of CPL's response to the Notice of Proposed Violation and Proposed Compliance Order. If you have any questions regarding these responses, please contact Mr. Gary Saenz at 713-432-3332 (office) or 281-450-5523 (cell).

Sincerely,



Terry P. Duhon
Vice President

cc: Gary Saenz, CPL