

## WARNING LETTER

### CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 15, 2016

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

**CPF 5-2016-6010W**

Dear Mr. Denton:

On March 29 through 31, 2016, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your breakout tanks at your Portland Terminal Tank Farm facility in Portland, Oregon.

As a result of the inspection, it is alleged that Phillips 66 Pipeline, LLC (Phillips 66) has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

- 1. §195.406(a) Maximum Operating Pressure**  
**(a) Except for surge pressures and other variations from normal operations, no operator may operate a pipeline at a pressure that exceeds any of the following:**

Phillips 66 lacked records to demonstrate that maximum operating pressures (MOPs) have been correctly established for pipeline segments between the breakout tanks and Kinder Morgan and Olympic Pipelines. The established MOPs are based solely on flange pressure ratings and fail to consider the other criteria in 195.406(a)(1) through (5). All criteria in 195.406(a) must be considered when establishing the MOP of all regulated pipelines in your facility.

2. **§195.452 Pipeline integrity management in high consequence areas.**  
**(l) What records must an operator keep to demonstrate compliance? (1) An operator must maintain, for the useful life of the pipeline, records that demonstrate compliance with the requirements of this subpart. At a minimum, an operator must maintain the following records for review during an inspection:**  
**...(ii) Documents to support the decisions and analyses, including any modifications, justifications, deviations and determinations made, variances, and actions taken, to implement and evaluate each element of the integrity management program listed in paragraph (f) of this section.**

Phillips 66 did not conduct an “analysis that integrates all available information about the integrity of the entire pipeline and consequences of a failure” per 49 CFR 195.452(f)(3). Phillip 66’s “Facility Buried Integrity Piping Integrity Program,” dated November 19, 2012, included procedures for conducting a risk analysis that considers probability and consequence of failure. However, Phillips 66 had not completed the risk analysis at the time of the inspection.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$205,638 per violation per day the violation persists up to a maximum of \$2,056,380 for a related series of violations. For violation occurring between January 4, 2012 to August 1, 2016, the maximum penalty may not exceed \$200,000 per violation per day, with a maximum penalty not to exceed \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a related series of violations. We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to correct the items identified in this letter. Failure to do so will result in Phillips 66 being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 5-2016-6010W**. 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).

Sincerely,

Chris Hoidal  
Director, Western Region  
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry  
PHP-500 D. Hassell/J. Gano (#152515)