

**NOTICE OF PROBABLE VIOLATION  
and  
PROPOSED COMPLIANCE ORDER**

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

December 8, 2016

Mr. John S. Watson  
Chairman and Chief Executive Officer  
Chevron Products Company  
6001 Bollinger Canyon Road  
San Ramon, CA 94583

**CPF 5-2016-6013**

Dear Mr. Watson:

On March 8-10, 2016, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected PHMSA jurisdictional facilities within Chevron Products Company's (Chevron) Hilo Terminal in Hilo, HI. This included Breakout Tank 12 and approximately 700 feet of above ground facility piping, including appurtenances and equipment.

As a result of the inspection, it appears that Chevron has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

- . **§195.401 General requirements.**
  - (a) No operator may operate or maintain its pipeline systems at a level of safety lower than that required by this subpart and the procedures it is required to establish under §195.402(a) of this subpart.**

Chevron did not properly establish the maximum operating pressure for the eight (8)-inch-diameter CUSA/HELCO steel pipeline, (CUSA/HELCO pipeline), within the Hilo Terminal. Chevron’s maximum operating pressure determination for the CUSA/HELCO pipeline did not consider either §§195.406(a)(3) or (5) requirements, whereas one of the requirements must be considered for a valid maximum operating pressure determination. Without a properly established maximum operating pressure, the CUSA/HELCO pipeline has been operated at a level of safety lower than that required by §195 Subpart F.

Part 195 requires that an operator establish the maximum operating pressure for each of its pipelines. Record evidence of the maximum operating pressure for each pipeline is required by §195.404(a)(3). The criteria required for determining the maximum operating pressure are provided by §195.406(a).

The CUSA/HELCO pipeline is an intrastate steel pipeline constructed in 1983, as stated by Chevron representatives during the inspection. As such, the CUSA/HELCO pipeline is an intrastate pipeline constructed before October 21, 1985 and per §195.302(b)(1) it may be operated without a Subpart E pressure test if its maximum operating pressure is established under §195.406(a)(5). To establish the maximum operating pressure under §195.406(a)(5), one of two conditions must be met; either 1) 80 percent of the test pressure or 2) highest operating pressure to which the pipeline was subjected for four (4) or more continuous hours that can be demonstrated by recording charts or logs made at the time the test or operations were conducted. Chevron’s maximum operating pressure determination did not consider §195.406(a)(5) requirements. In addition, Chevron’s maximum operating pressure determination did not consider §195.406(a)(3) requirements, i.e. 80 percent of a Subpart E pressure test.

Chevron’s maximum operating pressure determination did not consider either §§195.406(a)(3) or (5) requirements and, therefore, Chevron did not properly establish the maximum operating pressure of the CUSA/HELCO pipeline. Without a properly established maximum operating pressure, the CUSA/HELCO pipeline has been operated at a level of safety lower than that required by this subpart.

**2. §195.583 What must I do to monitor atmospheric corrosion control?**

**(a) You must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion, as follows:**

<b>If the pipeline is located:</b>	<b>Then the frequency of inspection is:</b>
<b>Onshore</b>	<b>At least once every 3 calendar years, but with intervals not exceeding 39 months.</b>
<b>Offshore</b>	<b>At least once each calendar year, but with intervals not exceeding 15 months.</b>

Chevron did not adequately inspect the eight (8)-inch-diameter CUSA/HELCO steel pipeline, (CUSA/HELCO pipeline), within the Hilo Terminal for evidence of atmospheric corrosion on a frequency of at least once every three (3) calendar years, but with intervals not exceeding 39 months. The CUSA/HELCO pipeline within the Hilo Terminal is an onshore, above-ground pipeline that is exposed to the atmosphere and is therefore subject to the requirements of §195.583(a). Chevron representatives stated that atmospheric corrosion inspection of the CUSA/HELCO pipeline is accomplished as part of an overall API 570 Piping Inspection of the Hilo Terminal piping. An API 570 Piping Inspection of the Hilo Terminal piping was conducted in August 2010. The next API 570 Piping Inspection of the Hilo Terminal piping was conducted on February 4, 2014. The time interval between the two API 570 Piping Inspections of the Hilo Terminal piping was four (4) calendar years or approximately 41 months. Therefore, Chevron did not conduct atmospheric corrosion inspections of the CUSA/HELCO within the required inspection frequency.

#### Proposed Compliance Order

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 violations 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 maximum penalty not exceeding \$1,000,000 for related series of violations.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to propose a civil penalty assessment at this time.

With respect to Item 1, pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Chevron Products Company. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

#### Warning Items

With respect to Item 2, 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 promptly correct this item. Be advised that failure to do so may result in Chevron Products Company being subject to additional enforcement action.

#### Response to this Notice

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.

In your correspondence on this matter, please refer to **CPF 5-2016-6013** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

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

Enclosures: *Proposed Compliance Order*  
*Response Options for Pipeline Operators in Compliance Proceedings*

cc: Mr. Mike Vomund, General Manager, Americas Products, Transportation and Operation, Chevron Products Company

PHP-60 Compliance Registry  
PHP-500 T. Johnson (#152136)

## **PROPOSED COMPLIANCE ORDER**

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Chevron Products Company (Chevron) a Compliance Order incorporating the following remedial requirements to ensure the compliance of Chevron with the pipeline safety regulations:

1. In regard to Item 1 of the Notice pertaining to the failure to properly establish the maximum operating pressure for the eight (8)-inch-diameter CUSA/HELCO pipeline within the Hilo Terminal, Chevron must establish the maximum operating pressure of the CUSA/HELCO pipeline within the Hilo Terminal pursuant to §§195.406(a)(3) or (5) and submit the maximum operating pressure determination to Chris Hoidal, Director, Western Region, PHMSA.
2. Within 30 days after receipt of the Final Order, Chevron shall submit to Chris Hoidal, Director, Western Region, PHMSA, a plan and schedule to comply with Item 1 of this compliance order.
3. Within 180 days after receipt of the Final Order, Chevron shall comply with Item 1 of this compliance order.
4. It is requested (not mandated) that Chevron 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. 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.