

August 10, 2017

Huy Nguyen, Acting Director
Western Region
Pipeline and Hazardous Material Safety Administration
12300 W. Dakota Avenue, Suite 110
Lakewood, CO 80228

RE: CPF 5-2017-5011

Dear Mr. Nguyen:

On July 12, 2017 CalneV Pipe Line LLC (CalneV) received the above-described Notice of Probable Violation and Proposed Compliance Order dated July 6, 2017 (incorporated herein by reference) resulting from PHMSA's inspection of CalneV's pipeline system in southern California and Nevada. The letter alleges probable violations by CalneV of 49 CFR Part 195.402 for not following its written procedures for Atmospheric Breakout Tank Inspections (L-O&M 2101) and Inspecting for Atmospheric Corrosion (L-O&M 918). While CalneV agrees that it failed to follow a portion of its procedures in one very narrow circumstance that has since been corrected, CalneV believes that it has been fully compliant with the regulations and its procedures with respect to the remainder of the allegations in the NOPV. Therefore, and for the reasons set out below, CalneV hereby objects formally on the record to both the procedural and substantive elements of this enforcement action, and respectfully requests that the Proposed Compliance Order be deemed unnecessary and be withdrawn.

CalneV Response - Item #1.

Tank #120 in Colton, CA

In sub-item 1.a, you point out differences between the annual inspections conducted on Tank #120 by a third party contractor indicating paint failures and rust observed on the shell, roof, and appurtenances, and the monthly inspections conducted by CalneV employees concluding that the paint condition was "OK". We acknowledge the failure of the CalneV employees to properly document their observations about the paint condition on the Monthly Tank Inspection Checklist. Instead of having written "OK" on the checklist, the employee should have written the appropriate Inspection Code, which is "B5" for paint discoloration. CalneV has already re-trained those employees on how to properly document their observations on the Monthly Tank Inspection Checklist.

However, it is important to note that all of the inspections (including all the annual inspections conducted by the Calnev contractors, and all the monthly inspections conducted by Calnev personnel) consistently do not indicate corrosion, contrary to your inspector's mistaken assessment. PHMSA's own definition from its website Glossary, confirmed by Calnev's Corrosion department personnel, defines "corrosion" as the deterioration of a material, usually a metal, which results from a reaction with its environment. Arid atmospheric conditions such as those found in Colton, California, are not conducive to creating a corrosive environment. The training consistently provided to Calnev employees directs them to list "corrosion" ***when the condition involves metal loss and/or if the atmospheric condition could affect the safe operation of the structure before the next inspection.***

Calnev personnel followed L-O&M 2101 by inspecting and accurately assessing the tank's exterior surfaces looking for leaks; shell distortions; signs of settlement; corrosion; and condition of the foundation, paint, coatings and appurtenances, and properly documented said observations on the appropriate reports and reported it to their supervisor(s). We assert that the PHMSA inspector was observing a light, non-injurious surface oxide involving no metal loss, and was therefore mistaken in his assessment of "atmospheric corrosion".

Tank #321 in Barstow, CA and Tank #521 in Las Vegas

In both sub-items 1.b and 1.c, you allege that Barstow and Las Vegas personnel and the third party contractor did not follow L-O&M 2101 by not listing atmospheric corrosion on the shell and shell appurtenances as observed by the PHMSA inspector. As in the case with Tank #120, described above, Calnev personnel followed L-O&M 2101 by inspecting and accurately assessing the exterior surfaces of Tank #321 and Tank #521, looking for leaks; shell distortions; signs of settlement; corrosion; and condition of the foundation, paint, coatings, and appurtenances, and properly documented said observations on the appropriate reports and reported it to their supervisor(s). We assert that the PHMSA inspector was observing a light, non-injurious surface oxide involving no metal loss, and was therefore not observing corrosion.

Calnev Response - Item #2.

Colton North and Valley Wells Pump Stations

In sub-item 2 a & b, at the Colton North and Valley Wells pump stations, you allege that the atmospheric conditions were incorrectly graded. Our corrosion personnel disagree with the conclusions of the PHMSA inspector that there is atmospheric corrosion/pitting. All records reviewed during the inspection showed atmospheric condition as good. Calnev agrees there may be some coating deterioration; however, L-O&M 918 – Inspecting for Atmospheric "**Corrosion**" (emphasis added) is a procedure for inspecting and evaluating atmospheric corrosion, not coating. Further, there is no condition involving metal loss and/or conditions that could affect the safe operation of the structure before the next inspection on any of the

pipeline components mentioned. In addition, our Corrosion group believes that all components above ground, i.e., visible without digging, are subject to atmospheric corrosion and therefore, subject to L-O&M 918, whereas all components below the surface are considered buried and subject to L-O&M 903 - External Corrosion Control for Buried or Submerged Pipelines. Per that procedure, each riser (pipes, valve body, flanges, pump equipment) is cathodically protected and surveyed annually.

Las Vegas Terminal

In sub-item 2.c, at the Las Vegas Terminal, you allege metallic contact between an above-ground pipe and metallic support and the existence of galvanic corrosion activity. Further, you state the condition also made it impossible to conduct an accurate atmospheric corrosion inspection on the contact surface. At the time of the inspection, we provided your office with the last two Facility Risk Evaluations per your request indicating no substantial risk related to atmospheric corrosion. In addition, we have provided wall thickness evaluations for the pipe in question demonstrating no wall loss. Measurements acquired on 12/16/2016, using a Cygnus 1 Ultrasonic Thickness Gauge, illustrated no wall loss. It should be noted that the pipeline is resting on a ¾" piece of hot roll steel which is designed to wear due to pipe movement and thus eliminate degradation of the pipeline wall thickness.

California Aqueduct at Baldy Mesa Road

In sub-item 2.d, at the California Aqueduct overhead crossing near Baldy Mesa Road, you state the 14-inch pipe span shows signs of atmospheric corrosion.

At the time of the inspection, the KM employee incorrectly advised your inspector that the pipe he was seeing was the carrier pipe; we now know it was not. In fact, records taken during the inspection show the casing readings for both the 8-inch and 14-inch pipelines, and indicate that the inspector was inspecting the casing. This was discovered recently while reviewing records for this response. KM confirmed the casing by visual inspection and measurement (see field notes and confirmatory documentation, attached). We apologize for the error.

Calnev's Response to The Proposed Compliance Order

Calnev contests the Proposed Compliance Order in its entirety, and objects specifically to each of the proposed remedial requirements set out in that proposed order, as follows:

Paragraph 1(a) of the Proposed Compliance Order requires Calnev to:

“Requalify all its personnel who conducted atmospheric corrosion inspections from 2014 to 2016 and provide adequate training in evaluating atmospheric corrosion conditions of pipeline systems and in-service breakout tanks.”

As described above, Calnev has already re-trained the Colton personnel who conducted atmospheric corrosion inspections from 2014 to 2016 on paint condition grading and proper documentation. Calnev does not believe the issue to be one of operator qualification, but of re-training. Based on those reasons, Calnev objects to this proposed remedial requirement as being unnecessary, as Calnev is completely compliant with the regulations and with its own procedures.

Paragraph 1(b) of the Proposed Compliance Order requires Calnev to:

“Conduct a full atmospheric corrosion evaluation and apply new coats on 14-inch pipeline of Baldy Mesa Aqueduct.”

As described above, the PHMSA inspector was inadvertently inspecting the 14-inch casing, and not the Calnev 14-inch PHMSA jurisdictional pipeline. Based on this error, Calnev objects to this proposed remedial requirement as being unnecessary, as Calnev is completely compliant with the regulations and with its own procedures.

Paragraph 1(c) of the Proposed Compliance Order requires Calnev to:

“Conduct a full survey to locate all pipeline components that are inadvertently buried and mitigate any issues found.”

As described above, pipeline components that are partially buried due to sand/gravel buildup over time are not unusual, and are protected using two methods: all components that are visible without digging are considered “above ground” pipes that are subject to possible atmospheric corrosion, and therefore are subject to L-O&M 918 inspections and procedures; whereas all pipeline components that are not visible without digging are considered “below ground” and are subject to inspections and procedures set out in L-O&M 903 – External Corrosion Control for Buried or Submerged Pipeline, including the cathodic protection and cathodic survey of each “riser”, which includes pipes, valve bodies, flanges, and pump equipment. Based on these reasons, Calnev objects to this proposed remedial requirement as being unnecessary, as Calnev is completely compliant with the regulations and with its own procedures.

Paragraph 1(d) of the Proposed Compliance Order requires Calnev to:

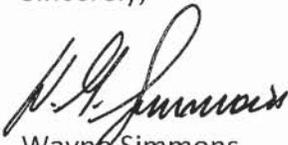
“Evaluate the integrity and atmospheric corrosion condition on all above-ground pipeline surfaces at Las Vegas Terminal where it has a metallic contact with the metal support and correct the issue regarding the metallic contact between above-ground pipe and its support in order to conduct an accurate atmospheric corrosion inspection.”

As described above, Calnev previously provided to your inspector the most recent two Facility Risk Evaluations indicating no substantial risk related to atmospheric corrosion. In addition, we have provided to PHMSA the wall thickness evaluations for the pipe referred to in this remedial recommendation demonstrating no wall loss. Further, said pipeline is resting on a ¾ inch piece of hot roll steel which is designed to wear due to pipe movement and thus eliminate degradation of the pipeline wall thickness. Based on these facts, Calnev objects to the proposed remedial action as being unnecessary, as Calnev is completely compliant with the regulations and with its own procedures.

In conclusion, we respectfully request that the proposed compliance order be withdrawn in its entirety, as Calnev is fully compliant with the regulations and is following its own procedures.

Calnev is committed to protecting people, to protecting the environment, and to complying fully with the regulations. If you have any questions, do not hesitate to call Buzz Fant at 713 369-9454 or me at 713 420-6330. In addition, we would be happy to meet with you at your office to discuss this matter, answer any questions you might have, and provide any additional information that you might find helpful.

Sincerely,



Wayne Simmons
Chief Operating Officer, Products Pipelines

Enclosures:

Record of Casing(s) Readings at time of inspection (field notes)



Calnev 14-inch
Casing CP Readings a

Subsequent confirmation of casing



14-in ML Baldy Mesa CANV 14in Test Point
Aqueduct casing.pdf Annual Survey.pdf