WARNING LETTER

OVERNIGHT EXPRESS DELIVERY

August 30, 2024

Mr. Carlos Jordá
President and Chief Executive Officer
Citgo Products Pipeline Co
1289 Eldridge Parkway
Houston, Texas 77077

CPF 1-2024-034-WL

Dear Mr. Jordá:

From June 12, 2023 through November 7, 2023 a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code (U.S.C.), conducted an integrated inspection which included Citgo Products Pipeline Company's (Citgo) Lakemont Pipeline System located near Sour Lake, Texas.

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

1. **§ 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.

Citgo failed to follow its procedures for conducting post-accident reviews of employee activities to determine whether the procedures were effective in each emergency and to take corrective action where deficiencies were found following the 10/10/20 reported incident (NRC-20200302-34798) in Calcasieu County, Louisiana, in accordance with § 195.402(a) and § 195.402(e)(9).[1]

During the inspection, PHMSA requested records for post-accident reviews of employee activities for the emergency event which occurred on 10/10/20. Citgo provided the *Incident Report,* dated 10/11/20 and *Accident Report – PHMSA 7000-1 Form,* dated 02/03/21 (Incident Records).

The Incident Records, however, did not indicate a post-accident review was conducted for the employees involved in the incident, did not state what procedures were reviewed, and did not state whether the related procedures were effective. When PHMSA requested further information, Citgo stated there was no need to conduct a post-accident review for this event as it was natural force related.

The related procedure, *O&M Manual Section G– Accident Reporting,* dated 10/22/20 (O&M) stated, in part (emphasis added), on pages G-10 and G-13:

A. Post-Accident Review 195.402
Any leak or accident that is reported on PHMSA Form F 7000-1 or any event requiring emergency response shall have a post accident review.
…
C. <u>Documentation</u>
Information on PHMSA reportable leaks or accidents shall be maintained at the Pipeline/Terminal office. The file should contain the following:
1. Data collected at the site.
2. Copies of required leak or accident reports.
3. **Results of the post accident review**.
4. Corrective actions taken (if any).

When PHMSA requested additional information related to data collected at the site and results of the post accident review, Citgo was unable to provide a response.

Therefore, Citgo failed to follow its procedures for conducting a post-accident review of employee activities to determine whether the procedures were effective in the emergency which occurred on its Lakemont pipeline system on 10/10/20, in accordance with § 195.402(a) and § 195.402(e)(9).

2. § 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

[1] § 195.402 Procedural manual for operations, maintenance, and emergencies.
(a) …
(e) Emergencies. The manual required by paragraph (a) of this section must include procedures for the following to provide safety when an emergency condition occurs:
(1) …
(9) Providing for a post accident review of employee activities to determine whether the procedures were effective in each emergency and taking corrective action where deficiencies are found.

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.

Citgo failed to follow its manual of written procedures. Specifically, Citgo failed to follow its *O&M Manual Section J– Inspection and Maintenance,* dated 09/23/22 (OM – Section J) for conducting its annual firefighting extinguisher inspections for calendar years 2021 through 2023 pursuant to § 195.430(a).

Section 195.430(a) states "[e]ach operator shall maintain adequate firefighting equipment at each pump station and breakout tank area. The equipment must be in proper operating condition at all times."

The OM - Section J, page J-37 stated in part "[t]he annual maintenance check includes, for example, a complete examination of all its part, cleaning, replacement or defective parts, reassembly, recharging and where appropriate, repressurization…Record the maintenance in the appropriate box located on the extinguisher label and on the permanent file by signing your initials followed by an X." Additionally, the OM – Section J included an annual maintenance checklist.

During the inspection, PHMSA requested records related to annual firefighting extinguisher inspections for calendar years 2021 through 2023 at Citgo's Lakemont facilities. Citgo provided, *Cintas Fire Protection – Service Receipt Records,* dated 2020 – 2023 (Annual Fire Records). The Annual Fire Records, however, failed to include information required per the OM. The Annual Fire Records include a service receipt with the purchase bill amount to Citgo. The Annual Fire Records failed to include any inspections or checks related to the items listed in the annual maintenance checklist.

Therefore, Citgo failed to follow its manual of written procedures for conducting and documenting its annual firefighting extinguisher inspections for calendar years 2021 through 2023, in accordance with § 195.402(a).

3. § 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.

Citgo failed to conduct an annual review of its operations and maintenance manual at intervals not exceeding 15 months but at least once each calendar year. Specifically, Citgo failed to conduct an adequate review of its operations and maintenance manual in the appropriate time interval for calendar years 2020, 2021, and 2022.

During the inspection, PHMSA requested annual review records of the operations and maintenance manual for calendar years 2020 through 2022 at its Lakemont facilities. Citgo provided the *Operations & Maintenance / Emergency Procedures Plans/ OQ Plan Review Record,* dated 12/15/22, 11/4/21 and 01/22/20. When PHMSA inquired about whether the annual review covers the Citgo integrity management manual as well as all incorporated by reference documents, Citgo discussed that the annual review only covers operations and maintenance, emergency plans and operator qualification plans.

Citgo provided PHMSA with its *Integrity Management Program for Hazardous Liquid Pipelines – TPL-EPCC-LIMP,* dated 10/01/22 (LIMP). The LIMP stated that the "Review Cycle – 5 Years". The LIMP stated an incorrect frequency for review of its operations and maintenance manual, as LIMP is required to be a part of the operations and maintenance manual pursuant to § 195.402(c)(3) and therefore is subject to the review frequency of § 195.402(a).

Therefore, Citgo failed to conduct an adequate review of its operations and maintenance manual for calendar years 2020, 2021, and 2022, within the appropriate time interval of not exceeding 15 months but at least once each calendar year, in accordance with § 195.402(a).

4. § 195.402 Procedural manual for operations, maintenance, and emergencies.

(a) …

(c) *Maintenance and normal operations.* The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

(1) …

(13) Periodically reviewing the work done by operator personnel to determine the effectiveness of the procedures used in normal operation and maintenance and taking corrective action where deficiencies are found.

Citgo failed to conduct periodic reviews of the work done by operator personnel to determine the effectiveness of the procedures used in normal operation and maintenance and taking corrective action where deficiencies are found as required by § 195.402(c)(13). Specifically, Citgo failed to conduct periodic reviews of the work done by operator personnel throughout calendar years 2020, 2021, and 2022.

During the inspection, PHSMA requested records related to § 195.402(c)(13) for calendar years 2020 through 2022 at its Lakemont facilities. Citgo provided *Annual Review of Employee Performance,* dated 2020, 2021 and 2022 (Performance Reviews). Citgo's Performance Reviews reviewed employee's job performance, but did not provide a review of the effectiveness of the procedures, as required by § 195.402(c)(13). The Performance Reviews failed to indicate what procedure was reviewed by operator personnel in normal operation and maintenance tasks, when the task was completed and what corrective actions were taken if any deficiencies were found.

Therefore, Citgo failed to conduct periodic reviews of the work done by operator personnel to determine the effectiveness of the procedures used in normal operation and maintenance and taking corrective action where deficiencies are found in calendar years 2020, 2021, and 2022 in accordance with § 195.402(c)(13).

5. § 195.402 Procedural manual for operations, maintenance, and emergencies.

> **(a) …**
>
> **(d) *Abnormal operation*. The manual required by paragraph (a) of this section must include procedures for the following to provide safety when operating design limits have been exceeded:**
>
> **(1) …**
>
> **(5) Periodically reviewing the response of operator personnel to determine the effectiveness of the procedures controlling abnormal operation and taking corrective action where deficiencies are found.**

Citgo failed to conduct periodic reviews of operator personnel responses to determine the effectiveness of the procedures controlling abnormal operation and taking corrective actions where deficiencies are found as required by § 195.402(d)(5). Specifically, Citgo failed to conduct periodic reviews of operator personnel to determine the effectiveness of the procedures controlling abnormal operation and taking corrective action where deficiencies are found in calendar years 2020, 2021, and 2022.

During the inspection, PHSMA requested records related to § 195.402(d)(5) for calendar years 2020 through 2022 at its Lakemont facilities. Citgo provided *Annual Review of Employee Performance,* dated 2020, 2021 and 2022 (Performance Reviews). The Performance Reviews, however, indicated an annual review of the employee's performance, not an effectiveness review of abnormal operation procedures pursuant to § 195.402(d)(5). The Performance Reviews failed to indicate what effectiveness reviews were conducted of the abnormal operations response work done, what procedures were reviewed by operator personnel regarding abnormal operations, when the task was completed, and what corrective actions were taken if any deficiencies were found.

Therefore, Citgo failed to conduct periodic reviews of operator personnel to determine the effectiveness of the procedures controlling abnormal operation and taking corrective action where deficiencies are found in calendar years 2020, 2021, and 2022 in accordance with § 195.402(d)(5).

6. § 195.403 Emergency response training.

> **(a) …**
>
> **(c) Each operator shall require and verify that its supervisors maintain a thorough knowledge of that portion of the emergency response procedures established under 195.402 for which they are responsible to ensure compliance.**

Citgo failed to require and verify that its supervisors maintain a thorough knowledge of that portion of the emergency response procedures established under § 195.402 for which they are responsible for ensuring compliance. Specifically, Citgo failed to provide adequate records demonstrating compliance with § 195.403(c) during calendar years 2020 through 2022.

During the inspection PHMSA requested emergency response supervisor training records for calendar years 2020 through 2022 at its Lakemont facilities. Citgo provided its *Annual Review of Employee Performance,* dated 2022 *(Performance Reviews).* The Performance Reviews did not demonstrate how Citgo verifies its supervisors have maintained a thorough knowledge of the portion of the emergency response procedures established under § 195.402 which they are responsible for to ensure compliance.

The Performance Reviews did not include any specific details regarding how Citgo requires and verifies that its supervisors are knowledgeable of the emergency response procedures for which they are responsible for, any references to § 195.403(c), or any other information on how and where these requirements are documented. When PHMSA requested additional information on how Citgo meets compliance to the regulation, Citgo stated there is no set form that is used to document this data.

Therefore, Citgo failed to require and verify that its supervisors maintain a thorough knowledge of that portion of the emergency response procedures established under § 195.402 for which they are responsible for ensuring compliance during calendar years 2020 through 2022, in accordance with § 195.403(c).

7. § 195.446 Control room management.

(a) …

(c) *Provide adequate information.* Each operator must provide its controllers with the information, tools, processes and procedures necessary for the controllers to carry out the roles and responsibilities the operator has defined by performing each of the following:

(1) …

(3) Test and verify an internal communication plan to provide adequate means for manual operation of the pipeline safely, at least once each calendar year, but at intervals not to exceed 15 months;

Citgo failed to test and verify its internal communication plan to provide adequate means for manual operation of the pipeline safely, at least once each calendar year, but at intervals not to exceed 15 months, in accordance with § 195.446(c)(3). Specifically, Citgo failed to provide records that demonstrate it tested and verified its internal communication plan at least once each calendar year, but at intervals not to exceed 15 months during calendar years 2020 and 2021 at its Lakemont, Texas pipeline facility.

During the inspection, PHMSA requested records for calendar years 2020 and 2021 related to the testing of the internal communication plan at the Lakemont, Texas facility. Citgo provided the *SCADA Communication Outage Byran Control Center record,* dated 04/03/20 and 04/11/21 (SCADA Records). The SCADA Records were loss of power communication events that occurred at the main control center in Bryan, Texas, and did not demonstrate testing of the internal communication plan. When PHMSA requested additional information about how the SCADA Records demonstrate testing of the internal communication plan in place at the Lakemont facilities, Citgo discussed how they use actual events in lieu of testing. However, the events did not demonstrate a full test and verification for the manual operation of the pipeline.

Therefore, Citgo failed to test and verify its internal communication plan to provide adequate means for manual operation of the pipeline safely, at least once each calendar year, but at intervals not to exceed 15 months during calendar years 2020 and 2021 at its Lakemont pipeline facility, in accordance with § 195.446(c)(3).

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed $266,015 per violation per day the violation persists, up to a maximum of $2,660,135 for a related series of violations. For violation occurring on or after January 6, 2023 and before December 28, 2023, the maximum penalty may not exceed $257,664 per violation per day the violation persists, up to a maximum of $2,576,627 for a related series of violations. For violation occurring on or after March 21, 2022 and before January 6, 2023, the maximum penalty may not exceed $239,142 per violation per day the violation persists, up to a maximum of $2,391,142 for a related series of violations. For violation occurring on or after May 3, 2021 and before March 21, 2022, the maximum penalty may not exceed $225,134 per violation per day the violation persists, up to a maximum of $2,251,334 for a related series of violations. For violation occurring on or after January 11, 2021 and before May 3, 2021, the maximum penalty may not exceed $222,504 per violation per day the violation persists, up to a maximum of $2,225,034 for a related series of violations. For violation occurring on or after July 31, 2019 and before January 11, 2021, the maximum penalty may not exceed $218,647 per violation per day the violation persists, up to a maximum of $2,186,465 for a related series of violations. For violation occurring on or after November 27, 2018 and before July 31, 2019, the maximum penalty may not exceed $213,268 per violation per day, with a maximum penalty not to exceed $2,132,679.

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 Citgo Products Pipeline Co 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 1-2024-034-WL.** 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,

Robert Burrough
Director, Eastern Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration