

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

OVERNIGHT EXPRESS DELIVERY

August 30, 2024

Mr. Carlos Jordá
President and Chief Executive Officer
Citgo Petroleum Corporation (Terminals)
1289 Eldridge Parkway
Houston, Texas 77077

CPF 1-2024-037-NOPV

Dear Mr. Jordá:

From September 11, 2023 through September 15, 2023, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code (U.S.C.) conducted an integrated inspection of Citgo Petroleum Corporation Terminals' (Citgo) facilities in Niles, Michigan.

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 complete a review of written procedures at intervals not exceeding 15 months, but at least once each calendar year to insure that the emergencies response manual was effective. Specifically, Citgo failed to conduct a 2021 calendar year annual review of its emergency manual for the Niles, Michigan facility at the required interval of not exceeding 15 months, but at least once each calendar year in accordance with § 195.402(a).

During the inspection, PHMSA requested the annual review records for Citgo's emergency manual for calendar years 2021 and 2022. Citgo and PHMSA discussed that Citgo's *Niles FRP-EPA PHMSA*, dated 03/09/23, is also its emergency procedure pursuant to § 195.402(a). Citgo provided the *Safety Meeting, Training and Employee Development Form*, dated 03/07/21 and dated 10/11/22 (Annual ERP Review). The interval between the 2021 and 2022 calendar year Annual ERP Review exceeded the 15-month interval by approximately 114 days. When PHMSA inquired further about the emergency manual annual review being conducted late, Citgo did not provide any additional information.

Therefore, Citgo failed to conduct its calendar year 2022 annual review of its Niles, Michigan facility emergency manual at the required interval of not exceeding 15 months, but at least once each calendar year in accordance with § 195.402(a).

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 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) requires “[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-33 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 its Niles, Michigan facility. Citgo provided, *Inspection Certificate – Citgo Niles*, dated 2021, 2022 and 2023 (Annual Fire Records). The Annual Fire Records, however, failed to include the information required by the OM. The Annual Fire Records failed to include inspections or checks related to all the items listed in OM – Section J - Annual Maintenance Checklist (basic components – all extinguishers). When PHMSA asked if this list is followed, Citgo stated that the contractor uses their own inspection report.

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) pursuant to § 195.430(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 annual review of its operations and maintenance manual for calendar years 2020, 2021 and 2022, in accordance with § 195.402(a).

During the inspection, PHMSA requested annual review records of the operations and maintenance manual for calendar years 2020 through 2022 at its Niles, Michigan 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.

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

Therefore, Citgo failed to conduct an adequate annual review of its operations and maintenance

manual for calendar years 2020, 2021 and 2022, 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 provide records or other documentation that demonstrated the work done by operator personnel was reviewed for effectiveness or what corrective actions were taken if any deficiencies were found in 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 Niles, Michigan facility. 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 job performance, not an effectiveness review of procedures pursuant to § 195.402(c)(13). The Performance Reviews failed to indicate what effectiveness reviews were conducted of the work done, 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. § 195.406 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:

(1) The internal design pressure of the pipe determined in accordance with § 195.106. However, for steel pipe in pipelines being converted under § 195.5, if one or more factors of the design formula (§ 195.106) are unknown, one of the following pressures is to be used as design pressure

(i) Eighty percent of the first test pressure that produces yield under section N5.0 of appendix N of ASME/ANSI B31.8 (incorporated by

reference, see § 195.3), reduced by the appropriate factors in §§ 195.106 (a) and (e); or

(ii) If the pipe is 12 3/4 inch (324 mm) or less outside diameter and is not tested to yield under this paragraph, 200 p.s.i. (1379 kPa) gage.

(2) The design pressure of any other component of the pipeline.

(3) Eighty percent of the test pressure for any part of the pipeline which has been pressure tested under subpart E of this part.

(4) Eighty percent of the factory test pressure or of the prototype test pressure for any individually installed component which is excepted from testing under § 195.305.

(5) For pipelines under §§ 195.302(b)(1) and (b)(2)(i) that have not been pressure tested under subpart E of this part, 80 percent of the test pressure or highest operating pressure to which the pipeline was subjected for 4 or more continuous hours that can be demonstrated by recording charts or logs made at the time the test or operations were conducted.

Citgo failed to maintain adequate records that demonstrate that the maximum operating pressure (MOP) of its jurisdictional pipeline segments were determined in accordance with § 195.406(a). Specifically, Citgo failed to maintain adequate records demonstrating the internal design pressure of the pipe and the pipeline components were pursuant to § 195.406(a) to support its MOP determination for the 183-A (10", 12", 16"), 183-B (10", 12", 16"), 183-C (6"), and 183-D (6") pipeline segments located at the Niles, Michigan facility.

During the inspection, PHMSA requested records to support the maximum operating pressure of the pipeline, as well as records to support the design pressure of the components of the pipelines. Citgo provided the *Interoffice Email Communication*, dated 04/23/16 (Emails) and *195.406 Maximum Operating Pressure Document*, un-dated (MOP).

Citgo did not provide compliant documentation related to the design pressures of any component in the pipeline system. The Emails and MOP documents were not supported and verified by traceable and complete records, and thus did not demonstrate compliance with § 195.406(a)(2). Furthermore, Citgo's MOP document incorrectly used 35,000 psi as the yield strength for each of the (8) pipeline segments as Citgo was unable to verify this assumption was accurate through any traceable and verifiable record.

When PHMSA requested further information, Citgo discussed that the calculations are present and the operating pressure is below MOP, but Citgo failed to present further documentation to confirm the values or that all the factors in § 195.406(a) had been accounted for in its calculations. Citgo personnel were unable to provide any further information.

Therefore, Citgo failed to maintain adequate records to support its MOP determination of the 183-A (10", 12", 16"), 183-B (10", 12", 16"), 183-C (6"), and 183-D (6") pipeline segments located at the Niles, Michigan facility, pursuant to § 195.406(a).

6. § 195.428 Overpressure safety devices and overfill protection systems.

(a) Except as provided in paragraph (b) of this section, each operator shall, at intervals not exceeding 15 months, but at least once each calendar year, or in the case of pipelines used to carry highly volatile liquids, at intervals not to exceed 7 1/2 months, but at least twice each calendar year, inspect and test each pressure limiting device, relief valve, pressure regulator, or other item of pressure control equipment to determine that it is functioning properly, is in good mechanical condition, and is adequate from the standpoint of capacity and reliability of operation for the service in which it is used.

Citgo failed to inspect and test each pressure limiting device, relief valve, pressure regulator, or other item of pressure control equipment at intervals not exceeding 15 months, but at least once each calendar year, to determine that it is functioning properly, is in good mechanical condition, and is adequate from the standpoint of capacity and reliability of operation for the service in which it is used. Specifically, Citgo failed to adequately document its overpressure relief valve inspections during calendar years 2021 through 2023, to determine that they are functioning properly, are in good mechanical condition, and are adequate from the standpoint of capacity and reliability of operation for the service in which it is used, in accordance with § 195.428.

During the inspection, PHMSA requested overpressure safety device records for calendar years 2021 through 2023. Citgo provided, *Checklist for Safety Device Inspection*, dated 2021 through 2022 and *Semi-Annual DOT – Niles Meter Station*, dated 2020 through 2023 (OPP Records). The OPP Records covered a variety of pressure transmitters, pressure switches and thermal relief devices on its pipelines and devices associated with breakout tanks. The OPP Records form required a checkbox selection to be made on if the safety device's "Operation", "Mechanical", "General Condition", "Initial Test" Calibration and "Recalibration" were satisfactory or unsatisfactory. However, the OPP Records failed to indicate how the thermal relief devices and pressure transmitters were tested, whether they were adequate from the standpoint of capacity and reliability, and what the as-found, as-left, and set-pressures were for each device. When PHMSA asked where this data was found on the OPP Records, Citgo stated they are unaware of what conditions are met to rate an overpressure safety device as satisfactory or unsatisfactory.

Therefore, Citgo failed to adequately document its overpressure relief valve inspections during calendar years 2021 through 2023, to determine that they are functioning properly, are in good mechanical condition, and are adequate from the standpoint of capacity and reliability of operation for the service in which it is used, in accordance with § 195.428.

7. § 195.434 Signs.

Each operator must maintain signs visible to the public around each pumping station and breakout tank area. Each sign must contain the name of the operator and a telephone number (including area code) where the operator can be reached at all times.

Citgo failed to post adequate signage at its Niles, Michigan facility. Specifically, Citgo failed to post signs visible to the public around each breakout tank area and gate containing telephone numbers where the operator can be reached at all times, in accordance with § 195.434.

During the inspection on September 9, 2023, PHMSA observed signage at the entrance and exit gates of the facility on South Third Street in Niles, Michigan. PHMSA also observed pipeline right-of-way line markers adjacent to the pipelines right-of-way which contained a 24/7 emergency phone number that was connected to the pipelines control room location. The pipeline right-of-way line markers, however, were not placed around each entrance and exit gate to the facility. Specifically, a pipeline marker or equivalent sign containing a 24/7 emergency phone number was not observed on or immediately adjacent to the fences at the entrance and exit gates on the east side of South Third Street.

The signs posted indicated “emergency” telephone numbers (including area code) for the terminal manager, the assistant manager and police or fire department - 911. During the inspection, PHMSA contacted the telephone numbers listed on the signs for the terminal manager and the assistant terminal manager. The telephone numbers were linked to personal cell phones of the Citgo personnel and were not 24/7 contact numbers where the operators can be reached at all times.

When PHMSA requested additional information on why there was no telephone number on the signs where the operator can be reached at all times, Citgo stated that the signs posted are for the truck drivers only and that anyone else would dial 911 in the event of an emergency at the facility. However, the signs are posted for the general public viewing and the pipeline/breakout tanks surround public property where a fire or an emergency can occur at any time. In addition, the regulation requires a telephone number where the operator can be reached at all times, which 911 does not satisfy.

Therefore, Citgo failed to post signs visible to the public around each breakout tank area and gate of telephone numbers where the operator can be reached at all times, in accordance with § 195.434.

8. § 195.444 Leak detection

(a)

(c) CPM leak detection systems. Each computational pipeline monitoring (CPM) leak detection system installed on a hazardous liquid pipeline must comply with API RP 1130 (incorporated by reference, see § 195.3) in operating, maintaining, testing, record keeping, and dispatcher training of the system.

Citgo failed to comply with API RP 1130 in maintaining its computational pipeline monitoring (CPM) leak detection system. Specifically, Citgo failed to document a plan and procedures for initial calibration testing or re-calibration of the field instrumentation used in its leak detection system at its Niles, Michigan facility in accordance with American Petroleum Institute Recommended Practice (API RP) 1130 (2007), Section 5 pursuant to § 195.444(c).

API RP 1130, Section 5.1.3 — *Calibration and Maintenance of CPM Instrumentation and Measurement* states in part:

To maximize and maintain CPM performance, each pipeline company should prepare a CPM instrumentation list and a maintenance and calibration plan with procedures. This plan should recognize the importance of the CPM system to

provide safe operation of the pipeline and provide for the priority repair of CPM critical instrumentation and measurement. It is possible that the plan could result in instrumentation and measurement calibration practices that may exceed the requirements of applicable regulations.

...

In the CPM instrumentation and measurement calibration and maintenance plan, procedures should be developed to co-ordinate the test and re-calibration of field instrumentation with Pipeline Controllers and CPM system maintenance personnel, since re-calibration may affect availability and performance of the system. The procedures should include the date, time, person's initials, and the events performed during the test. Instrumentation and measurement should be calibrated in accordance with manufacturer's recommendations and calibrations should be traceable to National Institute for Standards and Testing. Operating experience should provide the basis for determining an appropriate test and re-calibration fixed interval. However, the CPM system itself, may be in some cases the best indication of the necessity to test and re-calibrate a particular instrument or measurement at a random interval.

During the inspection, PHMSA requested procedures and records related to calibration for the leak detection system as well as manufacturer specification manuals for the related field instrumentation. Citgo provided, *Nvent Raychem TraceTek – Modular Sensing Cables Installation Instructions*, undated (Install Manual). The Install Manual, however, was related to installing the system and did not include any calibration requirements. Citgo was unable to confirm or find a user manual, or manufacturer specifications.

After the inspection, Citgo provided, *Nvent Raychem TraceTek – TTDM-128 TraceTek Leak Detection Master Module*, undated (User Manual). The User Manual failed to include any calibration requirements for initial or re-calibration of field instrument testing used in the leak detection system. Citgo stated no calibration is required, per the manufacturer specifications. However, the User Manual did not include any details regarding calibration. Furthermore, Citgo presented *Pipeline Operations Manual – Field and Control Center*, dated 09/26/22 (OM – Section T). OM – Section T failed to include any guidance or processes regarding calibration requirements.

Citgo also provided, *Interoffice Email Communication*, dated 07/15/09 (Emails). The Emails stated in part, according to Industrial Heater authorized service provider of this TraceTek leak detection system, that there is no preventative maintenance schedule for the system, and that unless it alarms, the user should not have to do anything. When PHMSA requested follow-up leak detection system calibration records (such as when the system was installed, if there have been changes to the system, and who the current service provider is) Citgo was unable to confirm further details. During the inspection, PHMSA and Citgo tried to contact the listed service provider, Industrial Heater to confirm this information, and the service providers phone number was out of service.

When PHMSA re-requested procedures related to the calibration of field instrumentation for initial or re-calibration testing, Citgo did not provide any.

Therefore, Citgo failed document a plan and procedures for initial calibration testing or re-calibration of the field instrumentation used in the leak detection system at its Niles, Michigan facility in accordance with API RP 1130, Section 5 pursuant to § 195.444(c).

9. § 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 testing and verifying 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 Niles, Michigan 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 Niles, Michigan 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 were not associated in any way to the Niles, Michigan pipeline systems, nor did they 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 Niles, Citgo discussed how they use actual events in lieu of testing. The events, however, did not occur at the Niles pipeline systems and therefore cannot be used to demonstrate testing the actual communication plan that is in place at the facility. 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 Niles, Michigan pipeline facility, in accordance with § 195.446(c)(3).

10. § 195.49 Annual report.

Each operator must annually complete and submit DOT Form PHMSA F 7000-1.1 for each type of hazardous liquid pipeline facility operated at the end of the previous year. An operator must submit the annual report by June 15 each year, except that for the 2010 reporting

year the report must be submitted by August 15, 2011. A separate report is required for crude oil, HVL (including anhydrous ammonia), petroleum products, carbon dioxide pipelines, and fuel grade ethanol pipelines. For each state a pipeline traverses, an operator must separately complete those sections on the form requiring information to be reported for each state.

Citgo failed to submit its annual report accurately to include all Department of Transportation (DOT) jurisdictional pipelines at its Niles, Michigan facility for calendar year 2022. Specifically, Citgo failed to submit its annual report for the following pipelines, in accordance with § 195.49:

- Tank 1 10” inbound/outbound bi-directional pipeline ~200'
- Tank 2 10” inbound/outbound bi-directional pipeline ~200'
- Tank 3 10” inbound/outbound bi-directional pipeline ~200'
- Tank 4 10” inbound/outbound bi-directional pipeline ~200'
- Tank 5 12” inbound/outbound bi-directional pipeline ~1,000'

During the inspection, PHMSA requested current data regarding the total mileage of the pipelines contained within the Niles, Michigan inspection unit as well as a list of the pipelines included in the inspection unit. Citgo provided the *PHMSA Annual Report – Form 7000-1.1*, dated 06/12/22, which matched Citgo’s statements made regarding the total pipeline miles being 0.25. Citgo stated the pipelines included in the facility are only 183-A, 183-B, 183-C, and 183-D.

During the inspection, PHMSA requested additional information regarding the pipelines located at the Niles, Michigan facility, in specific connected to/from breakout tanks 1 – 5. Citgo provided the *49-CFR Part 195 Review of Niles, Michigan Terminal for Citgo Petroleum – WKM Consultancy LLC*, dated, 01/01/06 (Analysis) and *Citgo Petroleum Corporation, Niles, Michigan Terminal Site Piping Schematic- Rev.22*, dated 09/17/15 (Site Schematic). PHMSA asked Citgo why the bi-directional pipelines connected to/from the breakout tanks were not considered jurisdictional and Citgo stated they have always operated as such and are considered facility pipelines. Citgo stated the Analysis done by WKM Consultancy, LLC in 2006 was accurate with up-to-date piping and instrumentation diagrams and data.

Subsequent to the inspection, Citgo provided *Citgo Petroleum Corporation, Niles, Michigan Terminal Site Piping Schematic- Rev.24*, dated 09/17/15 and *Citgo Petroleum Corporation, Niles, Michigan Terminal Site Piping Schematic- Rev.0*, dated 12/12/23 (Updated Site Schematics). The Updated Site Schematics now included the (5) pipelines designated with the correct pipeline attributes denoting them as bi-directional pipelines. During subsequent discussions (continued inspection dates 12/06/23, 01/17/24) regarding the (5) pipelines, Citgo stated that these lines have always been bi-directional at the Niles Terminal and that the most recent versions go back to 2015. The Schematics provided during the initial inspection, however, were not updated to include the current and accurate piping and instrumentation diagrams of the Niles facility. Furthermore, these (5) pipelines are bi-directional in configuration and transport hazardous liquids directly to/from jurisdictional breakout tanks which makes them reportable assets, in accordance with Part 195 regulations and not facility piping.

Therefore, Citgo failed to submit its annual report accurately for its Tank 1, 2, 3 and 4, 10” pipelines and its Tank 5, 12” pipeline at its Niles, Michigan facility in accordance with § 195.49.

11. § 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:

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

Citgo failed to inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion at least once every 3 years, but with intervals not exceeding 39 months in accordance with § 195.583(a). Specifically, Citgo failed to inspect exposed pipe at the required intervals during its 2020 triennial inspection.

During the inspection, PHMSA requested records related to atmospheric corrosion inspections. Citgo provided *Niles, Michigan – 2020 Triennial Inspection*, dated 7/15/20 and *2023 Niles, Michigan Terminal Triennial Paint Inspection*, dated 04/25/23 (Atmospheric Records). The 2023 Atmospheric Record indicated that the structures inspected were the “Tanks”, “Load Rack”, “VCU”, “Piping Tank 14 to Street”, “Citgo Receiving Manifold”, “Citgo Shipping Manifold”, “Main line Piping Tanks” and “DOT Lines Wolverine”. The 2020 Atmospheric Records gave no indication that inspection of aboveground pipe at the “DOT Lines Wolverine” was included in these inspections. When PHMSA inquired about whether the entire aboveground pipeline segments were documented on the inspection reports, including the aboveground pipe segments at the Wolverine Pipeline Company facility, Citgo stated they were not able to gain access to their piping at the Wolverine facility. Citgo also confirmed this was not new piping and should have been included in the inspection.

Additionally, the 2020 and 2023 Atmospheric Records included a small sample of dry film thickness readings of the existing coating and photographs of some areas inspected but lacked details such as a grading scale or the corrosion condition of individual pipe segments. Citgo indicated that it only documents areas that are problematic, and if there are no issues, they do not document an inspection of the pipe segment.

Therefore, Citgo failed to inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion during its 2020 triennial inspection, in accordance with § 195.583.

Proposed Civil Penalty

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 \$2,391,412 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 documentation involved for the above probable violations and recommend that you be preliminarily assessed a civil penalty of \$ 107,800 as follows:

<u>Item number</u>	<u>PENALTY</u>
8	\$ 53,900
11	\$ 53,900

Proposed Compliance Order

With respect to Items 5, 7, and 10, pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Citgo Petroleum Corporation (Terminals). Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Warning Items

With respect to Items 1, 2, 3, 4, 6, and 9, 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 these items. Failure to do so may result in additional enforcement action.

Response to this Notice

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Enforcement Proceedings*. Please refer to this document and note the response options. All material you submit in response to this enforcement action may be 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).

Following your receipt of this Notice, you have 30 days to respond as described in the enclosed *Response Options*. 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. If you are responding to this Notice, we propose that you submit your correspondence to my office within 30 days from receipt of this Notice. The Region Director may extend the period for responding upon a written request timely submitted demonstrating good cause for an extension.

In your correspondence on this matter, please refer to **CPF 1-2024-037-NOPV** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

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

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

PROPOSED COMPLIANCE ORDER

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

- A. In regard to Item 5 of the Notice pertaining to the failure to maintain adequate records supporting and demonstrating the calculation of maximum operating pressure (MOP), Citgo must review the entirety of its historical records and pipe characteristics and provide a written justification which confirms the MOP of its pipelines in accordance with 49 C.F.R. § 195.406(a)(1)-(5) within **60** days of receipt of the Final Order. If unable to confirm through records that this MOP is valid and complies with § 195.406(a)(1)-(5), Citgo must take additional measures on the pipeline such as investigating its pipe characteristics or reducing the pipeline MOP, until the pipeline MOP is able to be confirmed via a substantiative record. Citgo must submit its justification and/or documentation of remedial actions taken to the Director of Eastern Region within **60** days of receipt of the Final Order.
- B. In regard to Item 7 of the Notice pertaining to the failure post adequate signage at its Niles, Michigan facility, Citgo must update all it signage on its gates surrounding the Niles breakout tank facility (entrances/exits) to include a telephone number (including area code) where the operator can be reached at all times, in accordance with § 195.434. Citgo must forward all documentation of compliance to the Director of Eastern Region within **30** days of receipt of Final Order.
- C. In regard to Item 10 of the Notice pertaining to the failure to submit annual report data at its Niles, Michigan facility, Citgo must submit supplemental annual reports to PHMSA to include the correct pipeline mileage associated within its Niles, Michigan facility (including the (5) Tank 1 – 5 pipelines). Citgo must forward all documentation to the Director of Eastern region within **90** days of receipt of Final Order.
- D. It is requested (not mandated) that Citgo Petroleum Corporation (Terminals) maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Robert Burrough, Director, Eastern 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.