Sunoco Logistics

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May 22, 2009

Mr. R. M. Seeley
Director, Southwest Region
U.S. Department of Transportation
Pipeline and Hazardous Materials Safety Administration
8701 S. Gessner, Suite 1110
Houston, TX 77074

Re: NOPV-PCO-PCP / CPF No. 4-2007-5040 / Standard Audit - 2006

Dear Mr. Seeley:

This will serve as Sunoco Pipeline L.P.'s response to the above referenced enforcement case.

Item 1. §195.310 Records.

(a) A record must be made of each pressure test required by this subpart, and the record of the latest test must be retained as long as the facility tested is in use.

§195.305 Testing of components.

(a) Each pressure test under §195.302 must test all pipe and attached fittings, including components, unless otherwise permitted by paragraph (b) of this section.
(b) A component, other than pipe, that is the only item being replaced or added to the pipeline system need not be hydrostatically tested under paragraph (a) of this section if the manufacturer certifies that either-

(1) The component was hydrostatically tested at the factory; or

(2) The component was manufactured under a quality control system that ensures each component is at least equal in strength to a prototype that was hydrostatically tested at the factory.

Note: During the inspection PHMSA requested to review the pressure test records while in Corsicana. Except for the newly constructed Wortham to Corsicana 24-inch, the Corsicana operations personnel indicated that the records are kept in Sugar Land, Texas headquarters office. When the headquarters office was visited in June, the Sunoco Engineering Department indicated the test records had been sent out for electronic scanning. PHMSA was never provided any documentation to indicate that these records were available.

Proposed Compliance Order. **Sunoco must provide documentation that their pipelines have been pressure tested in accordance with §195.305. This documentation is not limited to pressure test records. Documentation that indicates that the highest operating pressure to which the pipeline was subjected for 4 or more continuous hours can be demonstrated by recording charts or logs made at the time the test or operations were conducted.**

RESPONSE:
We agree to the proposed compliance order (PCO) and provide the following documents to satisfy the requirements of the PCO. The cover page of each test referenced below is included with this response. The full test record is available for review in our Sugar Land, Texas office.

Corsicana to Wichita Falls 16" Sunoco Pipeline began as operator August 1, 2005.

> ***Attached please find hydrostatic test records CT-15 January 27, 1994, (MP 0 -MP 50.1); CT-16 February 2, 1994, (MP 50.1- MP 102.63); CT-17 February 17, 1994, (MP 102.63 - MP 135.38); CT-17S November 21, 1998, (MP 115.4 - 135.38); CT-17N November 20, 1998, (MP 115.4 – MP 102.5); CT 18 February 17, 1994, (MP 135.38 – MP 154.00) and CT 157 May 13, 1997, (Ringgold to Wichita Falls).***

West Texas Gulf 26" and 20" Sunoco Pipeline began as operator January 1, 2005.

> ***Nederland to Wortham 26" This segment was out of service when Sunoco became operator. It was tested to Sub Part E requirements prior to returning it to service. Attached please find hydrostatic test records WTG-C-005A August 21, 2005, (Sta. 0+00 – 1482+57); WTG-C-005B September 8, 2005, (Sta. 0+00 – 1482+57); WTG-C-005C November 3, 2005, (Sta. 1482+57 – 2940+67); WTG-C005D September 17, 2005, (Sta. 2940+87 – 5132+01); Trinity Station Test October 9,10,13, 2005; WTG-C-005E October 19, 2005, (Sta. 5132+49 – 7649+39); WTG-C-005F November 12, 2005, (Sta. 7656+00 – 10160+68).***
>
> ***Colorado City to Wortham 26" Records document that this section of the system was installed in 1952, consistent with applicable industry standards of the time. Records state it was leak tested to 800 psig and placed in operation in 1953, with an established MOP of 750 psig. Records also document that with the adoption of PHMSA's "Pressure Testing of Older Hazardous Liquid and Carbon Dioxide Pipelines" (Amdt. 195-51, 195-51A, and 195-51B) and PHMSA's "Risk Based Alternative to Pressure Testing Older Hazardous Liquid and Carbon Dioxide Pipelines" (Amdt. 195-65) regulations, the previous operator chose the Risk Based Alternative. Attached please find documentation of this review in the form of the spread sheet entitled "Pipelines Requiring Hydrotest per 1994 Regulation". This document notes Risk Classification determinations as well as whether or not pre 1970 ERW pipe was present. Based on the "B" and "C" Risk Classifications testing was required. With the no pre 1970 ERW determination, testing could be accomplished by the use of MFL inspection. The regulation allowed previous MFL inspections to be used so long as they were within the 5 year window preceding the effective date of the regulation which was November 4, 1998. The regulation required segments needing testing to complete testing by December 7, 2002, for Risk Class C and December 7, 2004, for Risk Class B. The previous operator used previous MFL inspections as the test for all segments but one. Attached please find copies of MFL inspections: Colorado City to Abilene segment (Tuboscope MFL report dated November 8, 1994), Abilene to Ranger segment (Tuboscope MFL report dated October 3, 1995), Ranger to Blum segment (Risk Class B was tested by Rosen MFL inspection August 2004), Blum to Wortham segment (Tuboscope***

MFL report dated October 28, 1997). These MFL Inspection Reports satisfy the testing requirements for these pipelines.

Wortham to Longview 20" Records document that this section of the system was installed in 1952, consistent with applicable industry standards of the time. Records state it was leak tested and placed in operation in 1953, with an established MOP of 815 psig. See above explanation for the RBA process. The MFL report for the Wortham to Longview segment (Tuboscope report dated November 5, 1993) is attached.

Costs for revisions to plans, procedures and studies and analysis: None

Costs for repairs, replacements, additions to pipeline infrastructure: None

Item 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 commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.

Note: Sunoco is not following their operations and maintenance manual in several circumstances, including not using the specified form for aerial patrolling, and not utilizing the specified form for floating roof seal inspections. During the inspection, it was found that pipeline maintenance reports are not completely filled out. Also, Sunoco is not following their procedures for firefighting equipment. Procedures state that all portable extinguishers will be checked on a monthly basis. In the Corsicana, Texas area this procedures is not being followed.

Warning Item. Take corrective actions. No written response is required.

RESPONSE:
Our District Supervisors and the Corrosion Supervisor have confirmed that appropriate personnel have been instructed on the proper use and completion of all Maintenance Manual forms referenced in Item 2 as well as the associated Maintenance Manual Procedures. See attached.

Costs for revisions to plans, procedures and studies and analysis: None

Costs for repairs, replacements, additions to pipeline infrastructure: None

Item 3. §195.404 Maps and Records.

(a) Each operator shall maintain current maps and records of its pipeline systems that include at least the following information;

(1) Location and identification of the following pipeline facilities;

(i) Breakout tanks;
(ii) Pump stations;

(iii) Scraper and sphere facilities;
(iv) Pipeline valves;
(v) Facilities to which §195.402(c)(9) applies;
(vi) Rights-of-way; and
(vii) Safety devices to which §195.428 applies.

(2) All crossings of public roads, railroads, rivers, buried utilities, and foreign pipelines.
(3) The maximum operating pressure of each pipeline.
(4) The diameter, grade, type and nominal wall thickness of all pipe.

(b) Each operator shall maintain for at least 3 years daily operating records that indicate-

(1) The discharge pressure at each pump station; and
(2) Any emergency or abnormal operation to which the procedures under §195.402 apply.

(c) Each operator shall maintain the following records for the periods specified;

(1) The date, location, and description of each repair made to pipe shall be maintained for the useful life of the pipe.
(2) The date, location, and description of each repair made to parts of the pipeline other than pipe shall be maintained for at least 1 year.
(3) A record of each inspection and test required by this subpart shall be maintained for at least 2 years or until the next inspection or test is performed, whichever is longer.

Note: Sunoco did not have current maps of its pipeline system, could not produce records showing how the MOP's were established, did not have documents to indicate what are the pipe specifications of the system, and did not have records of the pipeline repair history for the life of the pipeline.

Proposed Compliance Order. Sunoco must provide documentation that maps and records have been updated to the requirements of §195.404. Sunoco shall include a listing of their pipe specifications; component ratings; and pressure testing or operator history that qualifies the maximum operating pressure.

RESPONSE:
We agree with the Proposed Compliance Order (PCO) and provide the following response and attached documentation to satisfy the requirements. Sunoco must provide [1] documentation that maps and records have been updated to the requirements of §195.404. Sunoco shall include [2] a listing of their pipe specifications; component ratings; and [3] pressure testing or operator history that qualifies the maximum operating pressure. The first page of each document referenced in this response is included. The complete documents are available for review in our Sugar Land, Texas office.

West Texas Gulf Pipeline:

[1] Documentation of maps and records meeting 195.404:

Sunoco began operating this system January 1, 2005. Attached are alignment sheets received from the previous operator of the West Texas Gulf 26" and 20" Pipeline, documenting pipe data as well as components. These alignment sheets contain revision history from the original March/April 1955, construction date. We would disagree with the comment in the Inspector's Violation Report that they were "original alignment sheets" without updates. Revision dates are posted to the title block of the Wortham to Longview

segment through 10-1-97. The Nederland to Colorado City alignment sheets have revisions posted through 9-20-2000. These alignment sheets were available at the time of the inspection. We have recently received 480 maintenance records from Chevron for the West Texas Gulf Pipeline system. Attached please find the letter dated February 27, 2008, transmitting these records to Sunoco. Attached please find our memo dated March 6, 2008, documenting the location by county and mile post, date ranges of the documents as well as the quantity of records by county. These records cover the entire system and range in date from 1981 through 2003. We are in the process of evaluating these records so that the information can be verified as either already incorporated into maps and alignment sheets or as still needing to be added. Since the acquisition of this pipeline maintenance reports have been completed by Sunoco personnel for all repairs, relocations, foreign line crossings etc as required by 195.404. Also included is a copy of the hydraulic analysis conducted in conjunction with the Nederland to Wortham hydrostatic test. Finally, included are three documents prepared by Sunoco Sugar Land Operations Engineering which confirm the MOPs of the Nederland to Wortham, Colorado City to Wortham and Wortham to Longview segments.

[2] Listing of pipe specifications, component ratings:

Attached please find a spread sheet that documents pipe specifications. This document was available at the time of the inspection.

[3] Pressure testing or operator history that qualifies the MOP:

Attached please find copies of hydrostatic test reports (as detailed in the response to Item 1) for the Nederland to Wortham segment of the WTG system. Also attached (as detailed in the response to Item 1) are documents demonstrating compliance with the Risk Based Alternative to Hydrostatic Testing of Older Hazardous Liquid or Carbon Dioxide Pipelines (RBA) for the Colorado City to Wortham and the Wortham to Longview segments of the WTG system. In addition please find documents validating the MOP of each segment of the WTG system.

<u>Corsicana to Wichita Falls 16":</u>

[1] Documentation of maps and records meeting 195.404:

Sunoco began operating this system August 1, 2005. This audit started in March 2006. Attached are alignment sheets received from the previous operator of the Corsicana to Wichita Falls 16". The alignment sheets for the Corsicana to Ringgold 16" segment contain revision history from the October 1953, construction date and have numerous revisions posted to the title block. The most recent date of revision is 12-1-04. The alignment sheets for the Ringgold to Wichita Falls segment contain revision history from July 19, 1997, when the line was constructed, with revisions posted to the title block through August 1, 2003. Again, we would disagree with the comment in the Inspector's Violation Report that they were "original alignment sheets" without updates. Since the acquisition of this pipeline maintenance reports have been completed by Sunoco personnel for all repairs, relocations, foreign line crossings etc as required by 195.404.

[2] Listing of pipe specifications, component ratings:

The alignment sheets referenced in [1] above contain pipe specifications and component ratings for the referenced pipeline system.

[3] Pressure testing or operator history that qualifies the MOP:

Attached please find hydrostatic test records CT-15 January 27, 1994, (MP 0 -MP 50.1); CT-16 February 2, 1994, (MP 50.1- MP 102.63); CT-17 February 17, 1994, (MP 102.63 - MP 135.38); CT-17S November 21, 1998, (MP 115.4 - 135.38); CT-17N November 20, 1998,

(MP 115.4 – MP 102.5); CT 18 February 17, 1994, (MP 135.38 – MP 154.00) and CT 157 May 13, 1997, (Ringgold to Wichita Falls). Additionally, please find MOP Validation documents for this system.

Sunoco has an internal system in place for managing updates to maps and alignment sheets. This system, ADEPT, has a work flow utility which is currently in use in our Eastern Operating area and is currently being implemented in the Western Area. Procedures are being written to track change requests between engineering and GIS/Mapping. The process essentially involves a change request being submitted to GIS/Design by either a Map Request, FE Request or hard copy redline document being submitted. GIS/Design then checks out the appropriate document from ADEPT and makes required changes. Once the changes are made the document is checked back in and an email is generated to the party that requested the change so that changes can be confirmed.

Sunoco is currently in the process of conducting a Data Conversion Project whereby hard copy data will be imported into the digital environment of GIS and CAD. This is in addition to our current project with GeoFields to develop a process for automatically importing our maintenance reports into the electronic environment. Representatives from the GIS group, the Integrity Management group and IT group are teaming up for the Data Conversion project. This is all being done as a part of our recent merger of the Eastern and Western Area GIS/Design groups into one company wide group. Processes will be standardized as a result. Current RFI and RFP work indicates this process will cost $400,000-$500,000 dollars but will likely go up as the project is better defined. We are currently in the final stages of selecting a new GIS vendor which will improve our ability to upgrade maps and drawings.

Costs for revisions to plans, procedures and studies and analysis: None

Costs for repairs, replacements, additions to pipeline infrastructure: None to date but projection for current projects indicates $400,000- $500,000.

Item 4. §195.410 Line markers.

(a) Except as provided in paragraph (b) of this section, each operator shall place and maintain line markers over each buried pipeline in accordance with the following:

(1) Markers must be located at each public road crossing, at each railroad crossing, and in sufficient number along the remainder of each buried line so that its location is accurately known.

Note: Sunoco does not have a sufficient number of line markers in the Abilene Texas area, so that the location of their buried pipeline is accurately known.

Proposed Compliance Order. Sunoco must mark their pipelines in the Abilene Texas area. Provide documentation to indicate that the line markers are in sufficient numbers so that the location of the pipeline is accurately known, as required by § 195.410.

RESPONSE:
Sunoco agrees to the proposed compliance order and provides the following documentation that line markers have been placed in sufficient numbers along the Abilene area right of way. Attached is a print out of invoice amounts paid to various contractors used to place the line markers. Total expenditure was $35,359.69. The referenced work

took place in September through December of 2006. Contractors E D Walton Co., BJB Company, Miller Contracting, Tulsa Inspection and Southern Electric completed the work. Also attached are photographs showing installed line marker compliance.

Costs for revisions to plans, procedures and studies and analysis: None

Costs for repairs, replacements, additions to pipeline infrastructure: $35,359.69

Item 5. §195.412 Inspection of rights-of-way and crossings under navigable waters.

(a) Each operator shall, at intervals not exceeding 3 weeks, but at least 26 times each calendar year, inspect the surface conditions on or adjacent to each pipeline right-of-way. Methods of inspection include walking, driving, flying or other appropriate means of traversing the right-of-way.

Note: Sunoco is missing patrolling records from their contract fliers for a portion of the pipelines in the Corsicana Area for 2005 and 2006.

Penalty. $11,000.00 Proposed Compliance Order. **Sunoco must perform an audit to ensure that Sunoco is in compliance with § 195.412. The audit shall consist of: a review of all applicable procedures and amend as necessary; review with the pilots the procedures and the rights of way of Sunoco, and assure that the pilots are completing the proper documentation of their surveys.**

RESPONSE:
Sunoco does not believe that assessment of any civil penalty is warranted in this situation since in all but a couple of cases the missing reports are not necessary to comply with the regulatory frequency. Supplementary documents such as the invoices were provided that clearly indicate that aerial patrols were conducted per regulatory requirements. Sunoco has taken steps to correct processes for record keeping in the future. Sunoco reserves the right to a hearing on this issue.

Sunoco agrees to the proposed compliance order and provides the following response to the requirements of the PCO. [1] We have reviewed our DOT 195 Maintenance Manual Section 195.412 procedures and associated forms (attached), and found them adequate to comply with the requirements of 195.412. Additionally, concurrent with this audit, these procedures were the subject of a PHMSA SW Region Procedures audit the week of June 19, 2006, with no findings requiring revision. [2] We have reviewed with all contract line fliers the procedures which are to be followed and the associated forms which are to be completed with each patrol. [3] We are/have conducted periodic meetings with the pilots of our contract aerial patrol company, Brentco, to discuss in an ongoing basis any issues that may need to be addressed.

As noted previously Sunoco became operator of the West Texas Gulf Pipeline on January 1, 2005, and the Corsicana to Wichita Falls 16" pipeline on August 1, 2005. With reference to missing patrol records, an audit was conducted of the 2005 and 2006 aerial patrol records for the West Texas Gulf Pipeline as well as the Corsicana to Wichita Falls 16" pipeline with the following results:

The West Texas Gulf Pipeline has records of 49-50 patrol/attempted patrols for 2005, and 47-51 patrol/attempted patrol records for 2006. This is essentially twice the rate required by 195.412 and our procedures. Of those approximately 50 patrols per year, 4 of the patrol records were missing for 2005, and 6 were missing in 2006. Of those 10 cases the patrol was verified as having been conducted by dates on invoices along with Aerial

Investigation reports in 6 of the 10 cases. Additionally, in 7 of the 10 cases where the patrol record was missing the report could be discounted and still meet the required frequency in the regulation.

In the case of the Corsicana to Wichita Falls 16" pipeline, Sunoco was the operator for four months in 2005 and all of 2006. Nineteen patrols were conducted in the four months of 2005, and 47 in 2006. Of the 19 in 2005, 3 patrols were documented by invoice. Of the 47 in 2006, 5 were documented by invoice. As noted above six of these eight could be discounted and still meet the frequency required in the code.

As a part of our review we identified the following issues as contributing factors to the record problem:

With the acquisition of these assets we created a new district office. One of our contract administrative personnel in the new office who was responsible for filing flight reports was found to be inadequately performing their job. This situation was addressed and corrected. Our contract pilot had a computer hard drive crash which made it impossible to reproduce the missing records from his files.

Costs for revisions to plans, procedures and studies and analysis: None

Costs for repairs, replacements, additions to pipeline infrastructure: None

Item 6. §195.420 Valve Maintenance

(a) Each operator shall maintain each valve that is necessary for the safe operation of its pipeline systems in good working order at all times.

(b) Each operator shall, at intervals not exceeding 7 1/2, months, but at least twice each calendar year, inspect each mainline valve to determine that it is functioning properly.

Note: Sunoco's procedures state that each valve be partially operated as part of the compliance for this inspection. Sunoco records indicate that some of the valves could not be partially operated during the inspection due to scheduling of commodity movements. However, no follow-up indicating this portion of the inspection was completed was noted in the records.

Penalty. $37,000.00 Proposed Compliance Order. Sunoco must perform an audit to ensure that Sunoco is in compliance with § 195.420. The audit shall consist of: review all applicable procedures and amend as necessary; develop a plan to evaluate the valves in their system to ensure that each valve is in good working order. Also, Sunoco must develop a process to ensure that when issues are identified during the maintenance of their mainline valves, that these issues are resolved, and to document the resolution. Provide to this office the process that Sunoco develops and a summary of the results.

RESPONSE:
Sunoco does not contest the NOPV and agrees to the proposed compliance order but asks for a reduction in the proposed penalty. SPLP provides the following response to the requirements of the PCO. [1a] We have reviewed our DOT 195 Maintenance Manual Section 195.420 procedures and associated forms (attached), and found them adequate to comply with the requirements of 195.420. Additionally, and concurrent with the timeline of this audit, PHMSA SW Region conducted a procedures audit of Sunoco's Maintenance Manual the week of June 19, 2006,which included a review of these procedures with no findings requiring revision. However to make it clearer to operations personnel, these

procedures have been amended to include specific instructions regarding documentation of follow up operation of mainline valves which could not be operated at the time of the original inspection due to product movements and were marked "5" in the operating condition area of the report. We have also included a new "6" code for the operating condition section of the inspection form which is designed to be used to indicate that a valve was not partially operated for other reasons and does not require follow up operation (i.e. a lateral tie in valve which is currently blinded off and is not currently necessary for mainline isolation). [1b] We have evaluated the valves in our system by reviewing inspection records and ensuring that all noted maintenance requirements have been addressed to the extent that all mainline block valves are in good working order. [2] We currently use MP2 maintenance software in the Eastern Area to manage maintenance requirements as well as maintenance documentation. The Western Area is in the early stages of implementing the same system. Currently the Western Area uses our maintenance reports to document repairs to mainline block valves. Valve inspection reports now include guidance to attach these to the valve inspection report when maintenance is noted as required. [3] The referenced revised procedures are attached to provide documentation of the new process addressed in this item.

Costs for revisions to plans, procedures and studies and analysis: None

Costs for repairs, replacements, additions to pipeline infrastructure: None

Item 7. §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 ½, 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.

Note: Sunoco inspected the overfill protection devices in September 2005, but no prior inspections were available to verify that past inspections were performed.

Penalty. $11,000.00

RESPONSE:
As noted previously Sunoco became operator of the West Texas Gulf Pipeline on January 1, 2005, and the Corsicana to Wichita Falls 16" pipeline on August 1, 2005. Sunoco does not agree with PHMSA's assessment of a penalty nor their position that we are responsible for inspections and record keeping (or the lack of) required by PHMSA for the previous operators of these facilities. Sunoco has made all reasonable efforts to obtain documentation from the previous operators and by PHMSA's own statement in this item, conducted required inspections of these facilities in 2005, the year we began to operate these systems. Sunoco respectfully requests that this enforcement item and the fine be rescinded. We reserve the right to a hearing on this issue.

Costs for revisions to plans, procedures and studies and analysis: None

Costs for repairs, replacements, additions to pipeline infrastructure: None

Item 8. §195.432 Inspection of in-service breakout tanks.

(c) Each operator shall inspect the physical integrity of the in-service atmospheric and low-pressure steel aboveground breakout tanks according to section 4 of API Standard 653. However, if structural conditions prevent access to the tank bottom, the bottom integrity may be assessed according to a plan included in the operations and maintenance manual under §l95.402(c)(3).

Note: During the inspection, monthly tank inspection records for January 2006 were not present for Corsicana breakout tanks, specifically tanks #2660, 2661, and 2692. Also, no monthly tank inspections were available for months prior to September 2005. The out-of-service inspections for Corsicana breakout tanks 2601, 2603, and 2724, as well as Wortham breakout tank 42 and Ringgold tank 2720 were missing.
Also, it was noted that monthly operator inspections did not note issues that were observed during the PHMSA field inspection such as vegetation growing out between steel tank rim and ring wall, and settling around foundation. Also it did not appear that many of the API 653 inspection recommendations had been acted on, such as indications of foundation problems, erosion, and evidence of seeps or leaks.

Penalty. $31,000.00 Proposed Compliance Order. Sunoco must perform an audit to ensure that they are in compliance with § 195.432. The audit shall consist of: [1]review all applicable procedures and amend as necessary, [2]review the API 653 inspection recommendations for each of the breakout tanks in their system; [3]develop a plan and timeline for making the changes to the tanks, as recommended by the API surveys. [4] Provide to this office the results of the audit, the plan and timeline for review. Also, provide a summary of the results.

RESPONSE:
We disagree with the general contention that we are out of compliance with 195.432. As noted previously Sunoco became operator of the West Texas Gulf Pipeline on January 1, 2005, and the Corsicana to Wichita Falls 16" pipeline on August 1, 2005. This audit began 14 and 7 months respectively after acquisition of these assets which had been in existence since the 1950's. It is not unreasonable for it to take a year to implement Sunoco's programs and practices and budget for the maintenance required by API 653's annual, 5-year and 10-year inspections.

Part 195 was amended in 1999, to include by reference tank inspection standards of API. If no record of prior inspection exists, the intervals for inspection were to begin on May 3, 1999.

As a result, the initial deadline for conducting In-Service (5 year) inspections per API 653 was in 2004, one to one and a half years prior to Sunoco becoming the operator of the referenced facilities. The previous operators were responsible for conducting those inspections and taking actions based on the results of those inspections. Sunoco has made all reasonable efforts to ensure that we have received required records of these inspections so that subsequent inspections can be conducted at the required intervals.

With regard to Out of Service (10/20 year) Internal inspections required by API 653, the regulatory deadline for these is not until 2009, for tanks with no prior record of inspection. If Sunoco has not received an inspection record from the previous operator, we have no basis to do anything other than to act in compliance with 195.432 and schedule that inspection by 2009.

For the specific tanks referenced in Item 8, January 2006 monthly tank inspection records for tanks 2660, 2661 and 2692 could not be located and we believe this was due to problems with administrative help responsible for filing. No monthly inspection records

were available from the previous operator for Corsicana station tanks prior to our becoming operator.

With regard to the referenced out of service inspections of tanks at Corsicana and Wortham, no records from previous operators were available for 2601 and 2603 so we have no reason to expect one was done and will meet the regulatory deadline of 2009 for these tanks.

Records were available for out of service inspections for 2724 (4-16-97), 2720 (1-14-05) and 42 (6-28-95, 12-13-95). Sunoco will complete future inspections at the required interval beginning with the date that we became operator.

We have copies of records of inspections by the previous operators for in service tanks in Corsicana, Ringgold, Wortham and Colorado City. Again, Sunoco Pipeline became the operator of these facilities in 2005, after the regulatory deadline of 2004 for in-service inspections which were the responsibility of the previous operator.

Sunoco agrees with the proposed compliance order and provides the following response with regard to the PCO requirements:

[1] Review all applicable procedures and amend as necessary. Done. No revision required.

[2] Review the API 653 inspection recommendations for each of the breakout tanks in their system. Sunoco personnel have reviewed the API 653 inspection reports for Corsicana, Ringgold, Wortham and Colorado City stations.

[3] Sunoco's WA Tank Engineer has developed and maintains a plan and timeline for making the inspections and repairs to our tanks, as recommended by the API surveys. Sunoco has an ongoing program for conducting inspections and maintenance as prescribed by API 653.

[4] Provide to this office the results of the audit, the plan and timeline for review. Our tank engineer in the Sugar Land office maintains a spread sheet which tracks our tank maintenance and repair program. This is available in our Sugar Land office for your review.

Sunoco believes there is no reasonable basis for the penalty proposed for this item, asks that it be rescinded and reserves the right to a hearing on the issue.

Costs for revisions to plans, procedures and studies and analysis: None

Costs for repairs, replacements, additions to pipeline infrastructure: None

Item 9. §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.

Note: Signs were not present on each side of the perimeter fencing at the Colorado City, Texas breakout tank facility.

Proposed Compliance Order. Sunoco must place and maintain signs around the Colorado City breakout tank facility, so that they are visible to the public. Provide documentation to

indicate that signs have been placed around the Colorado City breakout tank facility, as required by § 195.434.

RESPONSE:
Signs have been installed around the facility as noted on the attached photographs and drawings. Sunoco has taken this action even though station signs had not been found lacking in previous PHMSA inspections (i.e. May/June 1996) of the previous operator of West Texas Gulf pipeline.

Costs for revisions to plans, procedures and studies and analysis: Not Applicable

Costs for repairs, replacements, additions to pipeline infrastructure: $551.21

Item 10. §195.436 Security of Facilities.

Each operator shall provide protection for each pumping station and breakout tank area and other exposed facility (such as scraper traps) from vandalism and unauthorized entry.

Note: Sunoco's Colorado City, Texas breakout tank facility is not adequately protected from vandalism and unauthorized entry. Hog wire fencing is on three sides for this facility, and not security fencing.

Penalty $18,000.00 Proposed Compliance Order. Sunoco must adequately protect their Colorado City breakout tank facility by providing security fencing around this facility. Provide documentation to indicate that security fencing has been placed around their breakout tank facility, as required by § 195.436.

RESPONSE:
Sunoco Pipeline assumed operation of this facility some 14 months prior to the start of this inspection. It has been operating since the 1950's with current security fencing installed by the previous operator. Colorado City station is located in a very rural and sparsely populated area. There is no documented history of trespass or vandalism of this facility to indicate the existing fencing was not adequate. The existing fence had not been found lacking in previous PHMSA inspections (i.e. May/June 1996) of the West Texas Gulf pipeline system. Additionally, SW Region enforcement precedent on this issue (CPF 48603W & CPF 48511W) has been to issue Warning Letters. PHMSA's Transportation Safety Institute (T&Q) has always indicated the level of security required was to be commensurate with the risk, and this rural location has no history of security failure. The existing 6 foot hog wire on three sides and chain link on the Farm to Market Road side had proven effective.

As the new operator of this system, Sunoco took good faith action in response to the inspector's comments and immediately after the field portion of the audit in Abilene was completed, budgeted to install chain link fencing with barb wire. This fencing was installed in mid 2007, adjacent to the existing hog wire. See attached photographs.

In consideration of this we request that this violation and all penalties associated with this violation be rescinded. We reserve the option of requesting a hearing on this issue.

Costs for revisions to plans, procedures and studies and analysis: None

Costs for repairs, replacements, additions to pipeline infrastructure: $61,163.07

Item 11. §195.571 What criteria must I use to determine the adequacy of cathodic protection?

Cathodic protection required by this subpart must comply with one or more of the applicable criteria and other considerations for cathodic protection contained in paragraphs 6.2 and 6.3 of NACE Standard RPO I69-96 (incorporated by reference, see §195.3).

Note: Sunoco personnel did not provide information as to how IR drops are being considered other than stating that they take readings as close to the pipeline as possible or at the surface of the pipe when the pipeline is exposed by excavation. Readings at the pipe/electrolyte may possibly provide an IR free reading. However, the NACE standard indicates that if there is a holiday remote to the location of the reference electrode, the reading may still have significant IR drop. Therefore this is not a sound engineering practice and Sunoco should be compelled to provide evidence demonstrating how IR drop has been considered in the pipe-to-soils readings or studies to demonstrate they can meet the 100 mV depolarization criterion.

Proposed Compliance Order. Sunoco must review the cathodic protection data collection and evaluation to ensure that data meets the regulatory requirements, including IR drop considerations and that the pipelines are protected. Sunoco should provide documentation demonstrating how IR drop has been considered in their pipe-to-soil readings or studies to demonstrate the 100 mV depolarization criterion is met. In areas where the pipelines are not adequately protected, develop a plan and time table to improve the cathodic protection systems to bring Sunoco into compliance.

RESPONSE:
Sunoco does not agree with PHMSA's contention that we do not adequately consider IR in evaluating the adequacy of our cathodic protection and offers the following response addressing issues noted in Proposed Compliance Order. Sunoco Logistics uses good judgment when applying 195.571, the criterion section for adequate protection of the pipeline. We use multiple methods to validate the primary criteria SXL uses, -0.850 Volt with current applied. SXL also uses the 100 mv depolarization criteria in some locations and applies this criterion as noted below. Attached is a portion of a CIS report which demonstrates our data collected for this review process.

The -0.850 Volt with current applied criterion has a long history with both SXL and the pipeline industry over time. This has been a successful criterion in controlling external corrosion for many years when properly applied. As a prudent operator, we use this history to build from these experiences and apply to other pipelines. Listed below are the data collection methods SXL reviews to help consider and evaluate the IR Drop other than across the structure-to-electrolyte interface:

- ***Close-Interval Survey – We perform an interrupted ON/Instant OFF survey on a 5 to 7 year basis. The potentials are taken on a 3-5 foot interval over the entire pipeline segment. (See Attached sample data)***
- ***Depolarized Potential Survey- We perform depolarized potential surveys as determined necessary to establish baseline data for use of the 100mv depolarization criteria. (See Attached sample data)***
- ***In-Line Inspection – We use metal-loss tools on a maximum of 5 year intervals to monitor effectiveness of external corrosion control methods.***
- ***Maintenance Forms – When the pipeline is exposed the coating and pipe surface are investigated for evidence of external corrosion. If the coating is undamaged, it is assumed that there is not any corrosion present on the***

surface of the pipe. If damaged or disbonded coating is found, the surface is cleaned and investigated for the presence of external corrosion.

- ***Interface pipe-to-soil potentials – When possible, we take potentials at locations where all of the IR other than the structure-to-electrolyte are eliminated. These are locations when the reference cell can be placed very close to the surface of the pipe. This will produce a reading that is as close as possible to IR free. These are taken at pipe risers, spans and pipe exposures.***
- ***Leak History – We use the historical leaks on the system due to external corrosion. With this analysis, we can show that the criterion has been successful applied.***

Shown below is a current list of the Central Texas and West Texas Gulf systems with the last and next Close-Interval Survey and In-Line Inspections.

Pipeline Segment	*Last CIS Survey*	*Next CIS Survey*	*Last ILI*	*Next ILI*
16" Mainline				
Corsicana to Midlothian	*2008*	*2015*	*2008*	*2012*
Midlothian to Keller	*2008*	*2009/2015*	*2008*	*2012*
Keller to Alvord	*No record Exxon conducted*	*2009*	*2008*	*2012*
Alvord to Ringgold	*No record Exxon conducted*	*2009*	*2008*	*2012*
Ringgold to Wichita Falls	*No record Exxon conducted*	*2009*	*2008*	*2012*
26" WTG				
Colorado City to Abilene	*unknown*	*2010*	*2005*	*2010*
Abilene to Ranger	*2007*	*2010*	*2007*	*2012*
Ranger to Blum	*2008*	*2015*	*2004*	*2009*
Blum to Wortham	*2007*	*2012*	*2006*	*2011*
Nederland to Trinity	*1991/2006*	*2012*	*Hydro 2005*	*ILI 2010*
Trinity to Wortham	*1993/2006*	*2013*	*Hydro 2005*	*ILI 2010*
20" WTG				
Wortham to Longview	*1993/2005/2006*	*2010/2011*	*2008*	*2013*

We use sound engineering judgment to determine that the -0.850 Volt current applied criterion from the above bullets and inspections. Between all of the data available on these line segments, we feel that we meet the intent of both 195.571 and RP0169-96.

Costs for revisions to plans, procedures and studies and analysis: None

Costs for repairs, replacements, additions to pipeline infrastructure: None

Item 12. §195.589 What corrosion control information do I have to maintain?

(c) You must maintain a record of each analysis, check, demonstration, examination, inspection, investigation, review, survey, and test required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that corrosion requiring control measures does not exist. You must retain these records for at least 5 years, except that records related to §§195.569, 195.573(a) and (b) and 195.579(b)(3) and (c) must be retained for as long as the pipeline remains in service.

Note: Sunoco Pipeline does not have the required records history for Corrosion Control for the West Texas Gulf 26 inch pipeline.

Penalty. $11,000.00

RESPONSE:

We do not agree with the general statement that "Sunoco Pipeline does not have the required records history for Corrosion Control for the West Texas Gulf 26 inch pipeline". Sunoco has received significant corrosion control records history from the previous operator. We have reviewed our records to determine the extent of records in our possession that meet the requirements of 195.589.

Sunoco Pipeline became the operator of West Texas Gulf Pipeline January 1, 2005. 49 CFR 195.589 became effective in the code January 28, 2002. We therefore believe the records history referenced in this violation would be those records for calendar years 2002 through 2004. We have reviewed our records of 195.573 (a) [pipe to soil surveys], 195.575 (c) [electrical isolation inspections-casings-documented in pipe to soil inspection records], 195.573 (c) [rectifier inspections], 195.583(a) [atmospheric corrosion inspections] and 195.569 [coating inspections of exposed pipe]. A summary of these results is contained in the attached table.

In addition to those records we have records of close interval survey of pipe to soil potentials for the entire system dated 1989 through 1998, exposed pipe inspection/maintenance reports dating back to 1981, which document coating repair done as a result of the CIS surveys, maintenance/repair reports for repairs done in follow up to numerous early MFL and Caliper inspections which were conducted from 1979 through 1999.

We believe this represents substantial records history which allows us to operate and maintain the system per the 49 CFR 195 requirements and request this proposed penalty be rescinded. We reserve the right to a hearing on this issue.

Costs for revisions to plans, procedures and studies and analysis: None

Costs for repairs, replacements, additions to pipeline infrastructure: None

Item 13. §195.589 What corrosion control information do I have to maintain?

(c) You must maintain a record of each analysis, check, demonstration, examination, inspection, investigation, review, survey, and test required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that corrosion requiring control measures does not exist. You must retain these records for at least 5 years, except that records related to §§195.569,

195.573(a) and (b), and 195.579(b)(3)and (c) must be retained for as long as the pipeline remains in service.

§195.573 What must I do to monitor external corrosion control?

(c) Rectifiers and other devices. You must electrically check for proper performance of each device at least 6 times each calendar year, but with intervals not exceeding 2 1/2, months.

Note: Rectifier readings for December 2004 are missing from the Sunoco records. Sunoco acquired a significant portion of the assets in this unit in 2005, and began making the required inspections. The missing records would have been while Chevron still owned the assets. In addition, Sunoco did not acquire the required five year history (minimum) for cathodic protection records.

Warning Item. Take Corrective Action. No written response is required.

RESPONSE:
As noted previously Sunoco became operator of the West Texas Gulf Pipeline on January 1, 2005, and the Corsicana to Wichita Falls 16" pipeline on August 1, 2005.

The previous operator was responsible for inspections and records noted. With regard to the missing December 2004, rectifier inspection reports identified in Exhibit G (Wortham to Longview segment) and (MP 63 to Wortham), copies of these reports have been acquired and are included with this response. The Nederland to Sour Lake and Sour Lake to MP 58 December 2004 records were not received from the previous operator..

Costs for revisions to plans, procedures and studies and analysis: None

Costs for repairs, replacements, additions to pipeline infrastructure: None

Item 14. §195.589 What corrosion control information do I have to maintain?

(c) You must maintain a record of each analysis, check, demonstration, examination, inspection, investigation, review, survey, and test required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that corrosion requiring control measures does not exist. You must retain these records for at least 5 years, except that records related to §§195.569, 195.573(a) and (b), and 195.579(b)(3) and (c) must be retained for as long as the pipeline remains In service.

§195.573What must I do to monitor external corrosion control?

(e) Corrective action. You must correct any identified deficiency in corrosion control as required by §195.401(b). However, if the deficiency involves a pipeline in an integrity management program under§195.452, you must correct the deficiency as required by §195.452(h).

Note: Sunoco did not take prompt action to remediate exposed pipeline segments showing general surface corrosion and some minor pitting that was determined by field personnel to be in an HCA.

Warning Item. Take corrective action. No written response is required.

RESPONSE:
Repairs were scheduled and money has been budgeted since 2007 for reconditioning the referenced exposed crossings. Wet weather caused lake levels to rise delaying repairs. Corrective action will be completed when water levels in the Lake Wortham basin recede enough to complete the work safely and without risk to the lake. Lake levels have receded enough that one of the two overhead crossings was recoated in late 2008. The other is still pending lower lake levels. See attached photographs and documents.

Costs for revisions to plans, procedures and studies and analysis: None

Costs for repairs, replacements, additions to pipeline infrastructure: $60,000.00 has been budgeted for this repair since 2007. $30,863.34 was spent on this work in 2008.

Item 15. §195.589 What corrosion control information do I have to maintain?

> **(c) You must maintain a record of each analysis, check, demonstration, examination, inspection, investigation, review, survey, and test required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that corrosion requiring control measures does not exist. You must retain these records for at least 5 years, except that records related to §§195.569, 195.573(a) and (b), and 195.579(b)(3) and (c) must be retained for as long as the pipeline remains in service.**
>
> **§195.579 What must I do to mitigate internal corrosion?**
>
> **(a) *General.* If you transport any hazardous liquid or carbon dioxide that would corrode the pipeline, you must investigate the corrosive effect of the hazardous liquid or carbon dioxide on the pipeline and take adequate steps to mitigate internal corrosion.**
>
> **Note: Sunoco has not investigated the corrosive effect of the crude oil being transported in its pipeline system.**

Proposed Compliance Order. Sunoco shall investigate the corrosivity of the product that is being transported. Review all applicable procedures and amend as necessary. Survey all applicable segments of Sunoco's pipeline to insure that internal corrosion inspection, testing and monitoring meet applicable procedures and that the pipelines are protected. Based upon the review and survey, develop a plan for conducting internal corrosion surveys to bring Sunoco into compliance with § 195.579.

RESPONSE:
Sunoco disagrees with PHMSA's contention that "Sunoco has not investigated the corrosive effect of the crude oil being transported in its pipeline system." In the case of the West Texas Gulf Pipeline, Sunoco hired Baker Petrolite to conduct an analysis of internal corrosion. The report of this analysis and recommendations was received November 29, 2005, and the cover is included with this response. The full report is available for review in our Sugar Land, Texas office. The report evaluates the velocity of product transported in this system as it relates to potential corrosion.

Sunoco Logistics has a comprehensive internal corrosion program. We use water traps with internal corrosion coupons, water analysis of storage tanks and In-Line Inspection tools. Recently, within the past two years we have started using Guided-Wave Inspections with B-Scan validation.

Our process to determine if a mainline system is susceptible to internal corrosion is to gather data about the crude product being transported, pipe diameter, pump capacities, normal operation pressures and distance between pump stations. This information is fed to our internal corrosion engineering contractor. The contractor takes this information and creates a model based from pump station to pump station (line segment) to determine the flow regime for that segment. There are two regimes: Laminar and Turbulent. When a segment is determined to have Laminar flow, a chemical treatment program is then designed. If the line is Turbulent, a chemical program is not necessary. These studies are performed by Baker Petrolite for SXL and are the basis for our internal corrosion control program.

The corrosive element of the product transported in the SXL owned or operated pipelines is water. The water content in the crude determines how much and what types of corrosion are possible in the pipeline. To accomplish this we use water traps on the pipeline and sample storage tanks for water. The locations of the water traps are usually at mainline pump stations. From these samples we perform tests and obtain bacteria colony counts. We also determine what type of bacteria is present either SRB or APB. We run standard MIC IV kits to determine these colony counts.

At the water traps we also install corrosion weight-loss coupons. These coupons show in mill per year (mpy) the corrosion that could occur in the pipeline if left untreated. The location of the coupon represents the worst case scenario for corrosion to occur, a place where no flow happens and corrosion would grow at a rapid rate. These coupons are pulled and analyzed once every six months.

Current Treatment Scenarios:

East Texas 10" – The current operation has this line in turbulent flow. We sample at several locations along the line to determine the water content of the water traps. We have the water analyzed to know what type of program we would have to initiate if the line is or is no longer in turbulent flow.

Colmesneil 8" – There was an internal corrosion leak on the non-DOT regulated truck line feeding the main line. There was not a monitoring program at the time of the leak. We currently have water traps and continuous chemical inhibitor injection. Our colony counts have been low with acceptable residual (excess corrosion chemicals) at the end of the line showing we are currently successful at controlling the internal corrosion threat.

West Texas Gulf 20"/26" - The current operation has these lines are in turbulent flow. We sample at multiple locations along the line to determine the water content of the water traps. We have the water analyzed to know what type of program we would have to initiate if the line was to no longer in turbulent flow.

16" Corsicana to Ringgold to Wichita Falls - The current operation has these lines are in turbulent flow. We sample at multiple locations along the line to determine the water content of the water traps. We have the water analyzed to know what type of program we would have to initiate if the line was to no longer in turbulent flow.

Corsicana Station – The leak registered inside the terminal was on dead-leg piping. This was on piping that does not see any flow and essentially is a bottle. Without flow, the corrosion chemical would never be delivered to this location. We actively try to identify and remove dead-leg piping in all stations.

All stations – We actively have a program to identify locations of dead-leg piping as well as lines with low flow. The low flow lines are then investigated to determine if the flow can be increased. If not, we will make sure the lines are operated on a regular basis to reduce the risk of stagnant water in the line causing corrosion. We also have instituted a program to perform Guided-Wave Scans on these types of lines. To date we have performed

inspections at Colorado City, Abilene, Ranger, Wortham, Corsicana, Midlothian, and Keller stations.

Costs for revisions to plans, procedures and studies and analysis: None

Costs for repairs, replacements, additions to pipeline infrastructure: None

Should you have any questions or require further information please contact K. David Born of our Houston office at 281-637-6497.

Sincerely,

David A. Justin
Vice President, Operations
Sunoco Pipeline L.P.

cc w/attachments:

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