PLAINS
PIPELINE, L.P.

Overnight Delivery

May 28, 2009

Mr. Rodrick M. Seeley
Regional Director – Southwestern Region
Pipeline and Hazardous Material Safety Administration
8701 South Gessner Road, Suite 1110
Houston, Texas 77074-2949

RE: Response to CPF 4-2009-5005

Dear Mr. Seeley:

Plains Pipeline, L.P. (Plains) submits the following response to the Pipeline and Hazardous Materials Safety Administration's (PHMSA's) Notice of Probable Violation, Proposed Civil Penalty, and Proposed Compliance Order, CPF 4-2009-5005.

Notice of Probable Violation (NOPV) and Proposed Compliance Order (PCO)

1. **§195.402 Procedural manual for operations, maintenance, and emergencies (PCO Item #1)**

   The PHMSA inspector stated that during the course of witnessing monthly tank inspections performed at various facilities by different Plains employees, the inspections were not being documented in the same manner on inspection Form 505. The purpose of this monthly inspection is to visually evaluate conditions that affect tank integrity and secondary containment conditions to protect the environment and to record the inspection results on the form. Although one inspector could not clearly explain what was meant by "coating" on the form (attributed most likely to nervousness), the Plains employees performing the inspections are all qualified and highly experienced to perform this OQ covered task. If qualified and experienced inspectors perform and document these inspections in somewhat different ways yet achieve the primary objective of these inspections of noting and documenting unsatisfactory conditions for correction, we do not believe minor inconsistencies in how inspections are performed or documented rises to the level of a probable violation. The NOPV stated that PHMSA determined that the procedure was not being followed, but did not provide any specific procedure requirement that was not being followed.

   To address PHMSA's concern on this matter, Plains revised Form 505 and the instructions for the form to provide clear definition to the inspection items on the form. In addition, after the form was revised, training on conducting monthly tank inspections and the revised form was conducted to provide better consistency and

accuracy in performing and documenting inspections. The revised Form 505 and instructions are enclosed as Attachment No. 1.

Also this NOPV item reported that Form 509, Overfill Protection Inspection, was improperly filled out for Tank No. 1200 on 05/05/08 because this tank was out of service and isolated for an API 653 inspection, yet it was noted on the form that a test of the high level alarm was acknowledged as functional by the Control Center. A functional test of a tank high level alarm can be performed regardless of whether the tank is out of service. The employee performed as many inspections as could be performed on the tank, including a test of the overfill protection devices even though the tank was undergoing an OOS API 653 inspection. It seems that the inspection was above and beyond what might be expected with the tank out of service and leaves one to wonder whether PHMSA would have considered it a probable violation if the alarm had not been tested under these circumstances. Further, we find it troubling that after providing an explanation for the alarm acknowledgment noted on Form 509 for Tank No. 1200, and the PHMSA inspector seemingly satisfied that this was not an issue, the form is considered improperly filled out and a probable violation.

2. §195.404 Maps and records (NOPV Item # 2)

(a) The Maximum Operating Pressure ("MOP") for the 10" pipeline from Lumberton to Eucutta at the time of the inspection was listed in the Operations and Maintenance Manual as 1440 psi with a reference to a footnote that stated the actual MOP was 1317 psi based on a hydrostatic test after the replacement of a section of pipe in this pipeline. The actual MOP was moved from the footnote to the MOP column to make it more visible and eliminate a possible misinterpretation of the correct MOP for the pipeline. Please note that the inspection deficiency was incorrectly stated in the NOPV.

3. §195.404 Maps and records (NOPV Item # 3)

We concur that the inspection records for Tank No. 3800 at our Cushing Terminal for the months of December 2006 and April 2007 were not properly filled out. Not excusing these two "incomplete' records, we would like to point out that the records for the months preceding and following the two months of incomplete records indicate the tanks were in satisfactory condition at the time of these inspections. Thus, it is highly unlikely that an unsatisfactory condition existed during the two months of incomplete inspections that would not have been evident either the months before or after the month of improper inspection recording.

The NOPV noted that Cushing Terminal Tank No. 4100 was placed into service on November 20, 2007, however no record of the December 2007 monthly inspection was available. This tank was leased to a third party that did not fill the tank sufficiently to raise the floating roof to a safe level for a roof inspection to be performed in December. Inspection of the roof at its low level would have required

personnel entry into a permit required confined space with full SCBA equipment and steep descendent down the floating roof ladder. Because of these unsafe conditions the inspection was conducted in January 2008 when the tank fill brought the roof to a safe level for inspection. This was a new tank which had undergone numerous inspections and a successful hydrostatic test prior to commencement of filling in November 2007.

PHMSA noted in the NOPV that there was no record of a monthly inspection for Tank No. 1296 at Ten Mile Station for the month of December 2007. The tank was placed into service and filled with crude oil on November 22, 2007. A tank emissions inspection was conducted in December by the Alabama Department of Environmental Management (ADEM). The Station employees mistakenly assumed that the monthly API 653 visual inspection was being performed concurrently with the ADEM inspection. Station personnel were instructed not to assume environmental or other non-API 653 inspections satisfy the monthly visual inspection requirements of API 653.

PHMSA noted that the tank inspection records for Eucutta Station Tank Nos. 1205 and 1241 showed inspection dates of 2/1/2007, 3/1/2007, and 4/1/2007 but the tanks were inspected on different dates. The station personnel had scheduled all of the monthly tank inspections on the first day of every month and pre-dated the tank inspection forms with these dates without verifying that the dates were actually work days and not holidays or week-end days. In some cases, this resulted in the dates shown on the inspection forms not being consistent with the dates the inspections were actually performed. Personnel were instructed to not pre-date forms and to record the date on the form on the day the inspection is performed.

4. §195.406 Maximum operating pressure (NOPV Item # 4; PCO Item # 2)

The NOPV noted that there was no overpressure protection for the Eucutta Station ANSI 150# valves from the station incoming No. 3 10" pipeline with a MOP of 1317 psig. A pressure limiting device was installed between the incoming pipeline and the station piping to provide the proper protection for the ANSI 150# station piping. A photo of the pressure limiting device installation is enclosed as Attachment No. 2.

5. §195.420 Valve maintenance (NOPV Item # 5)

Mainline valves M-17 and M-18 were listed as missing 5 inspection cycles, April 2006 to May 2008. These inspections were missed because of a misunderstanding by personnel in two adjacent districts on who was responsible for conducting the inspections. To prevent this type of incident from occurring again Plains is implementing a "compliance calendar" scheduling system that both schedules required regulatory inspections and notifies by email the person(s) responsible for performing the inspections well in advance of the date the inspections are due.

Plains does not dispute this finding and accordingly accepts the civil penalty.

6. §195.428 Overpressure safety devices and overfill protection systems (NOPV Item # 6)

PHMSA noted that the overpressure set point at #1 discharge piping for Crane E had a set point of 1100 psig but the MOP for this system is 640 psig. Plains corrected the set point to be consistent with the system MOP and presented evidence of the correction to PHMSA on May 19, 2008.

7. §195.430 Firefighting equipment (NOPV Item # 7; PCO Item # 3)

The NOPV cited a lack of pre-fire plans for the Eucutta, Liberty, Lumberton, Ten Mile and Odessa facilities and no record of coordination between the local fire departments and Plains to establish a plan for fighting fires at these facilities.

Plains is developing a standardized pre-fire plan that will be used for coordination meetings with local, responding fire departments to develop a facility specific pre-fire plan for these and all other Plains' facilities. The plans will outline how facility and tank fires beyond incipient fires will be fought in coordination with the responding fire departments. The facility response Plans (FRPs) will be revised in order to ensure consistency with the fire fighting procedures specified in the pre-fire plans.

8. §195.436 Security of facilities (NOPV Item # 8; PCO Item # 4)

The NOPV noted that it is PHMSA's opinion that the Hendricks Tank Farm is not adequately protected from vandalism and unauthorized entry. A section of fencing around the Jal Tank Farm was also listed in the NOPV as being removed due to construction activities. The PCO requires that Plains review its security procedures and modify them as appropriate to protect facilities from vandalism and unauthorized entry.

Plains has conducted a security vulnerability assessment of the Hendricks Tank Farm and determined that Hendricks is a very low security risk facility, and that added security installations are not warranted or necessary. This determination is based on the following:

- During the time that Plains has operated this facility, there have been no incidents of security breeches, vandalism or unauthorized entry;
- The facility is at a rural, remote site and not considered an attractive terrorist target;
- The local citizenry is familiar with this type of facility which is similar to many others in the area, and we believe the local citizens who view this type of facility as important to their local economy lack the incentive to engage in vandalizing these facilities.

- The road that provides access and runs through the facility is a county road and access to the road cannot be controlled for private property security purposes.

As a result of our security assessment, we plan to institute the following measures to enhance the security of the facility:

- We have requested and received confirmation from the Sheriff's Department that the facility will be included in their regular patrols in the area;
- Perimeter patrols of the facility will be conducted by personnel who man the facility daily. These personnel have received security training in the recognition of suspicious activities or evidences of potential security breeches.

The work occurring at the Jal Station at the time of PHMSA's inspection is complete and the perimeter fencing around this station has been restored.

Under Department of Homeland Security (DHS) requirements, Plains was required to conduct security vulnerability assessments of all of its facilities to determine which facilities are considered critical according to DHS criteria. Pipeline critical facilities must be provided with the highest level of security measures. The Hendricks and Jal are not critical pipeline facilities. With the vulnerability assessments, Plains can allocate its security resources to those facilities that are critical and more attractive targets for security breeches.

9. § 195.438 Smoking or open flames. (NOPV Item # 9)

At the time of PHMSA's inspection, there were no signs prohibiting smoking or open flames at the Wink Tank Farm. Signs prohibiting smoking or open flames have been posted at the Wink Tank Farm.

10. § 195.505 Qualification program. (NOPV Item # 10; PCO Item # 4)

The NOPV states that Plains did not include the Vapor Corrosion Inhibitor System (VpCI), installed under several breakout tanks at the Cushing Terminal, as a covered task in its Operator Qualification Program.

Plains personnel did not install the VpCI system. As a subject matter expert on the VpCI system, the vendor who installs the system is considered qualified to install and test the system. This is a proprietary system and therefore there is no qualification program for this system or personnel to act as qualification evaluators outside of the vendor's program and personnel. The vendor's personnel, who installed the system, have several levels of NACE certifications as well as qualification on various CP covered tasks. Plains has added the maintenance and monitoring of the system as a covered task in its operator qualification program as Covered Task 10.3, Inspection and Maintenance of Tank Vapor Corrosion Inhibitor System. CT 10.3 is a sub-task

under the general CT heading of "Monitor for Corrosion with Metal Loss Coupons and Other Corrosion Rate Probes." Qualification for CT 10.3 is based on both training provided by the system vendor and successfully passing a written examination on Plains Pipeline, L. P. Specification No. 274, "Process for the Use of Vapor Corrosion Inhibitors to Control Corrosion for In-service Double Contained Above Ground Storage Tanks. A copy of this specification is attached enclosed as Attachment No. 3.

11. § 195.507 Recordkeeping. (NOPV Item #11)

The NOPV states that Plains does not have OQ qualifications for several welders who performed work on Tank # 7055 at Healdton Station, Tank # 1182 at Lumberton, and Tank # 553 in at the Liberty, MS. Station. The welders performing the work were contract welders. Although the qualification records of the welders could not be presented to PHMSA, all welds made by the welders were non-destructively tested by vacuum box testing and all welds met the test acceptance criteria. Records of the non-destructive testing are on file.

Plains does not dispute this finding and accordingly accepts the proposed civil penalty.

12. § 195.573 What must I do to monitor external corrosion? (NOPV Item #12)

The NOPV states that rectifier inspections on the Goldsmith-Midland pipeline system exceeded the 2 ½ month cycle for a number of cycles during 2006 and 2007. To prevent this oversight in the future, a management imposed system was implemented that requires the Corrosion Technician to input his inspection readings into the Pipeline Compliance System (CPS) software. This upload into the CPS is transmitted to the field supervisor's CPS. The supervisor reviews the reading for compliance. The intent of this system is to assist the Corrosion Technicians in eliminating scheduling and compliance errors. In addition, these inspections will be included in the compliance calendar system mentioned previously.

Plains does not dispute this finding and accordingly accepts the proposed civil penalty.

13. § 195.573 What must I do to monitor external corrosion? (NOPV Item #13)

PHMSA found that Plains did not take prompt corrective action to correct low CP readings on tanks 800, 1800, 2100, 2200, and 2500 at the Cushing Terminal. Subsequent to PHMSA's 2008 inspection, the following corrective action was taken for these tanks.

- Two pull tubes with a threaded Boring Stelth reference electrode assembly will be installed beneath tanks 2100, 2200, 2300, and 2500 by June 30, 2009;

- The rectifier output for tank 1800 was increased and the reference cell readings are now all above the 0.850 v criteria;
- The vapor corrosion inhibitor system (VpCI) is being installed beneath tank 800 and should be complete by June 30.

Plains does not dispute this finding and accordingly accepts the proposed civil penalty.

14. § 195.579 What must I do to mitigate internal corrosion? (NOPV Item # 14)

PHMSA found no records at the Pauls Valley Station showing that the coupon for monitoring internal corrosion was read between August 2005 and September 2006.

Plains does not dispute this finding and accordingly accepts the proposed civil penalty.

Note: The civil penalty payment was made by wire transfer in accordance with PHMSA's instructions for electronic fund transfers. The federal wire ID # for this payment is: 2009052200205394.

The estimated cost to review plans, policies and procedures and conduct activities of an administrative nature to comply with the proposed compliance order is $6,250.

The cost for material and labor to make changes to pipeline facility infrastructure is estimated to be $ 76,000.

If you have any questions, please do not hesitate to contact Jordan Janak, (713) 993-5162, jrjanak@paalp.com.

Sincerely,

Troy E. Valenzuela
Vice-President, EH&S

Attachments: No. 1, Tank Inspection Form 505 and Instructions
No. 2, Photo of Pressure Limiting Valve at Eucutta Station
No. 3, Specification No. 724

cc: S. Falgoust
J. Janak
J. Shelton
W. Fusilier
D. Nerbonne

PLAINS	1. Division	2. District	3. County/Parish	4. State	TANK INSPECTION FORM 505

5. Facility Name	6. Tank No.	7. Tank Operation (Check all that apply)	Pipeline System (if applicable):	8. Jurisdiction
		☐ Pipeline ☐ Truck ☐ Other (explain):		☐ DOT ☐ SPCC

9. Inspection Date (mm-dd-yy)																																			
10. Inspection Data		Jan			Feb			Mar			Apr			May			Jun			Jul			Aug			Sep			Oct			Nov			Dec		
		S	U	NA	S	U	NA	S	U	NA	S	U	NA	S	U	NA	S	U	NA	S	U	NA	S	U	NA	S	U	NA	S	U	NA	S	U	NA	S	U	NA
MONTHLY	a. Shell																																			
	b. Coating/Insulation																																			
	c. Ringwall/foundation																																			
	d. Grounding																																			
	e. Mixer																																			
	f. Water draws locked & closed																																			
	g. Liquid-level system																																			
	h. Firewall																																			
	i. Inside Firewall																																			
	j. Firewall drain valve closed																																			
	k. Truck load box locked closed																																			
	l. Tank connections																																			
ANNUAL	m. Roof																																			
	n. Roof seals																																			
	o. Vents																																			
11. Inspector's Initials																																				

12. Description of Unsatisfactory Condition			13. Description of Corrective Action or Evaluation	
abc	Date	Description	Date	Description

14. Inspector's Name:	Supervisor's Name:
15. Comments:	

Distribution: Distribution(by email or as noted): DOT Inspection - PHMSA Records Spec; SPCC Inspection - District Office
NOTE: If pen and ink signature required on DOT Inspection, mail record to PHMSA Records Spec.

TANK INSPECTION (FORM 505)

Purpose. The tank inspection form documents inspections of tanks in accordance with 49 CFR 195.432 (b). Each tank will be visually inspected monthly and the findings documented on this form. This form may also be used to document a regular schedule inspection of tanks in accordance with 40 CFR 112.8(c). ~~Each tank will be inspected from the ground monthly. Also each tank will be inspected at annually at intervals not exceeding 15 months, but at least once each calendar year in accordance with 49 CFR 195.432(b).~~

Note: The monthly inspection is to be done at least once during each calendar month.

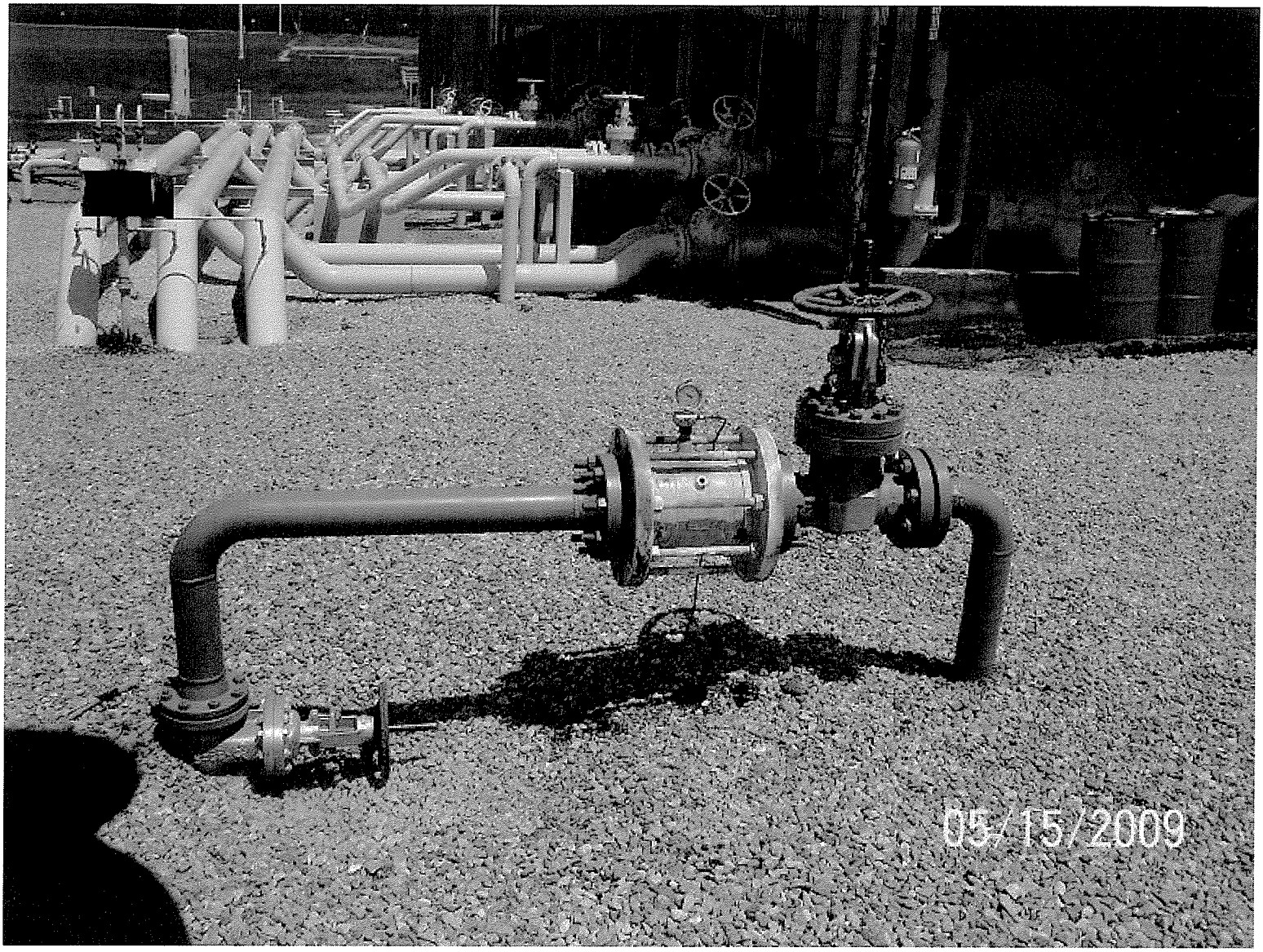
Preparation. The individual performing this inspection completes this form. The individual performing this inspection must be either certified to perform Operator Qualification (OQ) Task 27.1 ~~and 27.2~~, or must perform this task under the direct supervision of someone who is OQ certified to perform them.

Distribution. Send (email preferred) the form to the PHMSA Records Specialist and supervisor of individual who completes the form. Individual who completes the form should also retain a copy. After completing section 11. The supervisor must send form to PHMSA Records Specialist.

Item#	Item Title	Instructions
1.	Division	Enter the Division where the inspection was performed.
2.	District	Enter the District where the inspection was performed.
3.	County/Parish	Enter the County or Parish where the inspection was performed.
4.	State	Enter the State where the inspection was performed.
5.	Facility Name	Enter the name of the facility in which tank is located.
6.	Tank No.	Enter the number assigned to the tank.
7.	Tank Operation	Enter data that applies.
	Pipeline System	Enter name of pipeline system tank assigned to (if applicable).
	Operation	Check box that applies to tank operation, Pipeline, Trucking or Other. (If other explain operation of tank)
8.	Jurisdiction	Enter check in the box for the jurisdiction, DOT or NON-DOT. Contact Division Environmental & Regulatory Compliance personnel for clarification, as necessary.
9.	Inspection Date	Enter the date inspection was preformed. Note: Example- In the date row where it says (Jan), click on that cell and insert inspection date, month/day/year.
10.	Inspection Data	Check appropriate box with (X) to indicate condition: S = Satisfactory U = Unsatisfactory NA = Not Applicable

Item#	Item Title	Instructions
10.	Inspection Data (Continued)	
	a. Shell	Inspect the shell of the tank for any distortions (wrinkling, buckling, soil on chime, soil eroded from under floor).
	b. Coating/Insulation	Inspect coating (paint) on tank (pealing, flaking, disbonding). If paint is fading and primer is still good then the coating is satisfactory. If tank is insulated check that insulation is not coming loose from shell.
	c. Ring wall/Foundation	Inspect the ringwall/foundation for cracks, (small hairline cracks do not hurt the integrity of the foundation). Check that foundation has not pulled away from tank floor or slid from under tank.
	d. Grounding	Check that ground cables are attached properly to tank and grounding rods. Check grounding cables from floating roof and ladder are attached properly to shell of tank.
	e. Mixer	Inspect mixers for leakage and attachment to tank.
	f. Water Draws Locked and closed	Inspect water draws (drain valves) to make sure they are not leaking and are closed and locked.
	g. Liquid-level system	Inspect liquid-level system (varac gauge) for proper operation. If the hand gauge exceeds 1" difference from the liquid-level device reading the device needs to be calibrated.
	h. Firewall	Inspect firewall for any sign of erosion, holes created by animals, large bushes, or trees. These conditions will affect the integrity of the firewall to contain the required capacity in case of an accidental release.
	I Inside Firewall	Inspect the inside of the firewall for any material that may have been left from previous maintenance (old tank bottom material, metal, wood blocks, concrete slabs). Inspect for excessive vegetation growing next to tank shell.
	j. Firewall drain valve closed	If firewall is equipped with a drain valve, inspect the to ensure it is in the closed position and secured
	k. Truck load box locked closed	If equipped inspect truck load/unload box and connections for leaks.
	l. Tank Connections	Inspect tank connections for leaks, (flanges, piping connections, valves, mixers, gauging devices).

Item#	Item Title	Instructions
10.	Inspection Data (Continued)	
	Note: The following are to be inspected annually along with the items above or can be inspected monthly in lieu of the annual inspection.	
	m. Roof	Inspect roof for product, foreign debris. Inspect the roof to ensure it is level, does not have wrinkles, bends, or distortions.
	n. Roof seals	Inspect roof seals for, tears, folded over, missing pieces, not in contact with shell of tank.
	o. Vents	Inspect vents for foreign debris, and ensure they are working properly.
11.	Inspector's initials	Enter the initials of the inspector performing monthly.
12.	Description of unsatisfactory condition	Enter the data for the unsatisfactory condition.
	Letter	Enter the letter from item 10 that corresponds to unsatisfactory condition.
	Date	Enter date condition reported.
	Description	Enter brief description of condition being reported.
13.	Description of Corrective Action or evaluation	Enter on the same line in item 12. The date (mm/dd/yy) the unsatisfactory condition was corrected or evaluated and describe the corrective action or evaluation. Include the name of the individual who is responsible for this action. If required by an agency a signature may be used in lieu of an electronic name.
14.	Inspectors name	Enter name of individual performing the inspection. If more than one inspector for the year enter inspectors on this line. If required by an agency a signature may be used in lieu of an electronic name.
15.	Comments	Enter comments that pertain to this inspection.


05/15/2009

PLAINS PIPELINE, L.P.	Spec. No.: 724 Page No.: 1of 1 Revision No.: 0

724 – Process for the use of Vapor Corrosion Inhibitors to Control Corrosion for In-service Double Contained Above Ground Storage Tanks

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Prepared by: John Aletras	Approved by: Romy C Davenport	Date Approved: 6-10-2008

724 – Process for the use of Vapor Corrosion Inhibitors to Control Corrosion for In-service Double Contained Above Ground Storage Tanks

1.0 Application of Vapor Corrosion Inhibitors

- Application of vapor corrosion inhibitors (VCI's) into the interstitial space between above ground storage tank (AST) bottoms and HDPE liners or double steel bottoms, offers a viable alternative for corrosion control of the steel bottoms exposed to the soil. Type 609, as manufactured by Cortec Corporation of St. Paul, MN, or an approved equal shall be installed into the space between the liner or double bottom as a slurry. A total quantity equal to (5) pounds per 100 square feet of tank floor shall be mixed with water at a rate of (3) gallons per pound of VCI and delivered or pumped into the interstitial space. The VCI slurry shall be delivered through a combination of perimeter ports installed through the ringwall and slotted pipes that extend toward the tank center. The quantities of slurry delivered through the ports and pipes shall be measured to provide even distribution of the slurry throughout the interstitial space.

- Electrical resistance (ER) corrosion rate probes will be used to provide real-time calculated corrosion rate measurements of the interstitial space environment. A meter supplied by the corrosion probe manufacturer, Model MS1500E or Equal, (see Figure 2), will be used to obtain the corrosion rate data. This equipment shall be supplied by Metal Samples Corrosion Monitoring Systems of Munford, AL, or an approved equal.

- A total of (4) ER probes shall be installed through holes in the concrete ringwall of the AST. The probes shall be installed approximately 90 degrees apart and shall extend past the inside of the ringwall so that the probe sensing tip is embedded into the sand tank pad materials.

- Corrosion probe readings should be obtained (6) times per year. The probe readings shall be input into a master spreadsheet designed to calculate the actual corrosion rate. The spreadsheet data shall be retained according to Plains record keeping procedures. The corrosion rate probes require no maintenance as long as the probe tip metal is not consumed.

- If an increase in the corrosion rate beyond (6) mils per year is indicated on (4) consecutive probe readings for (3) out of the (4) probes on any one tank, then the VCI shall be re-charged. The re-charge shall be completed according to the process and quantities used for the initial installation.

- Training for the monitoring of the electrical resistance corrosion rate probes and meter will be conducted by Vapor Corrosion Inhibitor Company, after system is installed.

724 – Process for the use of Vapor Corrosion Inhibitors to Control Corrosion for In-service Double Contained Above Ground Storage Tanks

Figure 1 – Installation of Corrosion Rate Probe

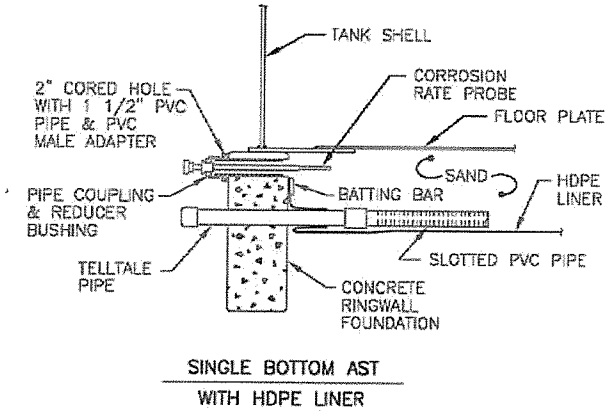

Figure 2 – Digital Meter for Analyzing Corrosion Rate Probe