

HARVEST
PIPELINE

March 15, 2011

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Subject: Response to Notice of Probable Violation;
Proposed Civil Penalty; and
Proposed Compliance Order
CPF 4-2011-5004

Harvest Pipeline Company is dedicated to maintaining a safe working environment for our employees, contractors and the public living adjacent to our pipeline assets.

This letter is in response to the Notice of Probable Violation; Proposed Civil Penalty; and Proposed Compliance Order received on February 15, 2011 regarding the PHMSA inspection of the Southwest Pass 24 Oil Terminal, conducted during the months of August through October 2010.

Harvest would appreciate your consideration of these additional explanations and implemented and planned improvements, in the hope that the materials warrant mitigation of the civil penalty:

- Harvest has a very good operating history with PHMSA and the state agencies - APSC, LDNR, and the RRC.
- Harvest has always responded to any request for information for all agencies.
- Harvest has no history of prior offenses or probable violations.
- Harvest has made the required changes identified in notice of amendments as expeditious as possible to resolve any identified discrepancy or deficiency. This is true for this audit as demonstrated by the resolution of eight of the eleven proposed violations identified in the Notice of Amendment dated February 15, 2011. Harvest revised procedures immediately upon discovery and before the end of the PHMSA inspection.
- Harvest strives to show good faith in attempting to achieve compliance.
- There have been no unauthorized entries or vandalism at the facility in the last eight years.

The following is an item-by-item paraphrased summary of each probable violation and an appropriate response by Harvest:

1. **Harvest failed to inspect and test three pressure limiting devices during the 2009 calendar year. All overpressure protection devices were inspected during the calendar year 2010.**

To ensure continued compliance as demonstrated by the 2010 year inspections, the **Pressure Device Testing Schedule** has been updated to include all devices at Southwest Pass 24 Oil Terminal. The schedule is used to manage the numerous devices across all pipelines and summarized three years of history. The testing schedule has been reviewed with the operations team at the terminal including the importance of testing at the required intervals; and the testing dates have been added to Southwest Pass 24 operation's calendar.

Harvest also reviewed and updated the **Pressure Device Inspection Report** and created a **Pressure Device Equipment Specification Report** to improve the process of inspecting, testing and operating pressure devices.

2. **Harvest did not provide protection at the terminal in order to prevent vandalism and unauthorized entry.**

Proposed Compliance Order 1 – Harvest must provide plans, procedures and records to demonstrate that a process has been implemented or that barriers have been installed to provide security from vandalism and entry by unauthorized persons.

Harvest takes security of its facilities very seriously. Harvest believed, as discussed during the PHMSA inspection, that the exemption of the barge operations from USCG security requirements due to the remote location of the island on which the terminal is located, would also apply to PHMSA security requirements.

Nonetheless, the security-related activities have been reviewed as they apply to improving or increasing the security against vandalism and unauthorized entry. The aggregate of the responses comprise the security plan for the terminal. Harvest believes the existing and improved components provide the appropriate security for the current environment and conditions provided by the remote location of the facility and island.

Furthermore, if any event occurs that changes the security environment and condition, Harvest will re-evaluate the security plan and make the necessary modifications and improvements to address any new security concerns.

A. Daily Surveillance

The terminal is manned 24 hours a day, 7 days a week. The terminal station is patrolled a minimum of two times a day by the Harvest operators.

During normal operations EPL, who also operates a facility on the island, has 10 to 20 employees working at various locations around the island. At night, EPL has two to four employees working on the island. EPL contacts Harvest with any concerns. It should be noted that EPL and Harvest operators share the same bunkhouse, as a result there is informal conversation concerning the operations of the two facilities and any observations of the island.

The USCG patrols the river and passes the island daily. The USCG contacts EPL with any concerns, who in turn contacts Harvest.

Harvest reviewed the current **Daily Inspection Form** and is in the process of updating it to the standard inspection format to create the **Daily Station Patrol** with a supporting procedure.

Harvest believes the modification of the report and procedure along with the multiple patrols and operations on the island provide adequate patrol.

B. Aerial Surveillance

The oil terminal has been flown two times a week as part of the Burwood and E5-E8 routes since Harvest began operating the terminal in March 2009. The pilot notifies Harvest if any condition is identified that requires attention or a response. The increased frequency of the aerial surveillance is a due-diligence decision on behalf of Harvest since the liquid pipelines are located in in-land waters and bays of Louisiana.

The use of the **Aerial Patrol Inspection Report** by the pilot has been confirmed. The report allows for both identifying the specific location of the terminal and capturing a detailed aerial patrol inspection.

Harvest believes the multiple patrols and operations on the island provide adequate patrol.

C. Signage

Harvest reviewed the existing signage at the facility and identified six types of signs: company and facility identification; emergency contact information; safety signs – PPE, hearing protection, etc.; Authorized Personnel Only; Visitors Must Sign In; and No Smoking/No Open Flames.

Harvest will be adding the additional signage at the various egress locations so that all egress locations will have the first five types of signage – company and facility identification; emergency contact information; safety signs – PPE, hearing protection, etc;; Authorized Personnel Only; Visitors Must Sign In . The No Smoking/No Open Flames will be placed at the appropriate locations within the facility.

D. Visitor procedures

Visitors are currently required to sign-in at the office, at which time visitors are briefed on the evacuation plan, emergency meeting locations around the facility and on the island, on-going work; and other conditions as warranted.

Harvest believes the process adequate and with the additional 'Visitors Must Sign In' signage, as discussed above, provides the necessary visitor procedures.

E. Gates

Harvest believes that gates at the boat landing site to control access would not be cost-effective nor would gates significantly provide any additional security in preventing vandalism and/or unauthorized entry due to the remote location of the oil terminal.

F. Cameras

Harvest believes that cameras installed at key areas in the facility would not be cost-effective nor would cameras provide any additional security in preventing vandalism and/or unauthorized due to the remote location of the oil terminal. Harvest believes additional manpower would be required to properly monitor this type of surveillance and does not feel the cost warrants any limited benefit.

G. Fencing

Harvest believes that fencing would not be cost-effective nor would fencing significantly provide any additional security in preventing vandalism and/or unauthorized due to the remote location of the oil terminal.

H. Increased Lighting.

Harvest believes current lighting is sufficient to illuminate all necessary components of the facility and that increased lighting would not be cost-effective nor would increased lighting significantly provide any additional security in preventing vandalism and/or unauthorized.

I. Security Training

Harvest believes improving the daily patrol process will provide the initial steps of security training. Furthermore, Harvest believes training can always be improved and is researching available third-party training that would augment the security and help prevent vandalism or unauthorized access.

J. 24 hour Security Guard

Harvest believes that a 24-hour guard would not be cost-effective in providing any additional security in preventing vandalism and/or unauthorized access.

3. Operators performed OQ tasks prior to being qualified.

Harvest takes OQ training of its employee and contractors very seriously. To ensure continued compliance as demonstrated in the 2010 year inspections; Harvest reviewed the OQ to ensure that all training was up-to-date and all operators were qualified as appropriate for their specific tasks and activities. All operators are current in their respective OQ training.

4. Harvest failed to conduct tests of the cathodic protection system terminal piping and breakout tanks #103 and #104 during calendar year 2009. The tests were performed in calendar years 2008 and 2010.

To ensure continued compliance as demonstrated by the 2010 year inspections, the **Inspection Calendar** has been updated to include all devices at Southwest Pass 24 Oil Terminal. The calendar is used by manage the inspection across all pipelines and used to schedule each month's inspection work. The calendar has been reviewed with the inspection team.

5. Harvest failed to investigate the corrosive effect of the product transported by its pipeline to determine if it would corrode pipe.

Proposed Compliance Order 2 – Harvest must investigate the corrosive effect of the hazardous liquids on the pipelines and components. Harvest must review all relevant procedures and amend them as necessary.

Harvest believed it met this requirement by relying on its producers to analyze their individual product streams, take the appropriate steps to address any corrosiveness in their products, and inform Harvest of any such action.

Nonetheless, Harvest installed corrosion coupons at the Southwest Pass 24 Oil Terminal on October 18, 2010 and began monitoring the corrosiveness of the product being transported through the station. The corrosion rate from the initial analysis on January 13, 2011 is 0.14 MPY.

Harvest has engaged a third-party corrosion inhibitor contractor to implement and manage an inhibitor program. There is currently no inhibitor being added due to the low corrosion rate.

Additionally, Harvest developed its standard procedure for **Internal Corrosion Monitoring** (attached) and is in the process of updating the appropriate sections of the **O&M Programs** and the **Corrosion Control Program**.

Harvest is also investigating the hiring of a corrosion expert as part of its operational team to improve the attention and focus on corrosion and becoming more proactive and not less reactive to these issues.

Thank you for your consideration in regards to this matter.

Copies of any of the documents not enclosed with this letter are available upon request.

Please contact me at (713) 289-2688 or via email at trbrown@hilcorp.com if you have any questions or require additional information.

Regards,



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Regulatory Compliance Manager

cc: Rob Kennedy
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