

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

ELECTRONIC MAIL - RETURN RECEIPT REQUESTED

November 23, 2021

Fred Hampton
Vice President
Valero Partners Operating Co. LLC
One Valero Way
San Antonio, Texas 78249

CPF 4-2021-039-NOPV

Dear Mr. Hampton:

From May 4, 2020 through May 8, 2020, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected Valero Partners Operating Co. LLC's (Valero) written Operations & Maintenance (O&M) procedural manual and associated records.

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

1. **§ 195.214 - Welding procedures.**

(a) Welding must be performed by a qualified welder or welding operator in accordance with welding procedures qualified under section 5, section 12, Appendix A or Appendix B of API Std 1104 (incorporated by reference, see § 195.3), or Section IX of the ASME Boiler and Pressure Vessel Code (ASME BPVC) (incorporated by reference, see § 195.3). The quality of the test welds used to qualify the welding procedures must be determined by destructive testing.

Valero failed to qualify its welding procedures V_1-242-R, V_142_G_1_R, and V_342_R in accordance with 49 CFR § 195.214(a) to ensure welding would be performed by a qualified welder or welding operator in accordance with welding procedures qualified under Section 5, Section 12, Appendix A, or Appendix B of API Standard 1104 (incorporated by reference, see § 195.3), or Section IX of the ASME Boiler and Pressure Vessel Code (ASME BPVC). Valero's referenced welding repair procedures were not qualified according to Section 5 of API Standard 1104. The coupon test reports for the repair procedures do not have the requisite number of Tensile, Nick, and Bend break tests as required by Section 5 of API Standard 1104, therefore resulting in a failure to qualify the procedures in accordance with § 195.214(a).

2. **§ 195.402 - Procedural manual for operations, maintenance, and emergencies.**

(a) General. Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline system commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.

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

(1) . . .

(10) Abandoning pipeline facilities, including safe disconnection from an operating pipeline system, purging of combustibles, and sealing abandoned facilities left in place to minimize safety and environmental hazards. For each abandoned offshore pipeline facility or each abandoned onshore pipeline facility that crosses over, under or through commercially navigable waterways the last operator of that facility must file a report upon abandonment of that facility in accordance with § 195.59 of this part.

Valero failed to follow its written O&M procedure for providing notification of the abandonment of its Par to Fannett Butane lines 4" and 6". Valero's written Operation, Maintenance, and Emergency Procedures Manuals (Revision 5.0, September 2019), Section 1.5.2 Regulatory Reporting and Agency Notifications requires HSE/DOT

Compliance personnel to submit an Abandonment Certification Form to PHMSA, signed by its HSE/DOT Compliance personnel. However, the Abandonment Certificate submitted to PHMSA dated June 14, 2017, was signed by Valero's Project Manager instead.

3. **§ 195.420 - Valve maintenance.**

(a) . . .

(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.

Valero failed to inspect each mainline valve at intervals not exceeding 7 ½ months, but at least twice each calendar year. PHMSA reviewed the inspection records for the Parkway Line and found that mainline valve inspections were conducted in August 2018 and February 2020, but Valero did not provide any records for mainline valve inspections conducted in 2019. Valero's records are missing the 2019 inspection dates for the Parkway Line and are therefore insufficient to confirm completion of the inspections.

Records for the Norco-Collins segment (Mile 0-61) show that mainline valve inspections were conducted in February and August 2019, however, Valero's records do not include specific inspection dates for those months. Therefore, the inspection records for the Norco-Collins segment are also insufficient.

4. **§ 195.583 - What must I do to monitor atmospheric corrosion control?**

(a) . . .

(b) During inspections you must give particular attention to pipe at soil-to-air interfaces, under thermal insulation, under disbanded coatings, at pipe supports, in splash zones, at deck penetrations, and in spans over water.

Valero failed to monitor atmospheric corrosion as required by § 195.583. Specifically, Valero failed to include provisions in its written procedures to inspect and document the visible corrosion and coating conditions of exposed pipeline. Valero's written procedures found in *Appendix B.13 - Corrosion Control, Atmospheric Corrosion Inspection Procedure, Section 2.2.1* do not include specific guidance to assign a visual corrosion condition, and *Section 2.2.2* does not include specific guidance to assign a visual coating condition. Both of these written procedures include a requirement for record-keeping; however, there is no specific Valero form listed to document the atmospheric corrosion inspection, or guidance on disseminating the report results to Valero management in accordance with § 195.583(a).

With respect to Items 1, 3, and 4, pursuant to 49 U.S.C. §60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Valero Partners Operating Co. LLC. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Warning Item

With respect to Item 2, we have reviewed the circumstances and supporting documents involved in this case and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to promptly correct this item. Failure to do so may result in additional enforcement action.

Response to this Notice

Enclosed as part of this Notice is a document entitled Response Options for Pipeline Operators in Compliance Proceedings. Please refer to this document and note the response options. All material you submit in response to this enforcement action may be made publicly available. If you believe that any portion of your responsive material qualifies for confidential treatment under 5 U.S.C. 552(b), along with the complete original document you must provide a second copy of the document with the portions you believe qualify for confidential treatment redacted and an explanation of why you believe the redacted information qualifies for confidential treatment under 5 U.S.C. 552(b).

Following the receipt of this Notice, you have 30 days to submit written comments, or request a hearing under 49 CFR §190.211. If you do not respond within 30 days of receipt of this Notice, this constitutes a waiver of your right to contest the allegations in this Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in this Notice without further notice to you and to issue a Final Order. If you are responding to this Notice, we propose that you submit your correspondence to my office within 30 days from receipt of this Notice. This period may be extended by written request for good cause.

In your correspondence on this matter, please refer to **CPF 4-2021-039-NOPV** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Mary L. McDaniel, P.E.
Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration

Enclosures:

Proposed Compliance Order
Response Options for Pipeline Operators in Enforcement Proceedings

cc: Darin Banther, Manager Regulatory Compliance, Valero, Darin.banther@valero.com

PROPOSED COMPLIANCE ORDER

Pursuant to 49 U.S.C. §60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Valero Partners Operating Co. LLC (Valero) a Compliance Order incorporating the following remedial requirements to ensure the compliance of Valero with the pipeline safety regulations:

- A. In regard to Item 1 of the Notice pertaining to Valero's failure to qualify welding procedures V_1-242-R, V_142_G_1_R, and V_342_R, Valero must qualify its welding procedures in accordance with 49 CFR § 195.214(a) and update the new procedure qualification to meet all of the requirements of Section 5 of API Standard 1104. Valero must submit the updated welding procedures to PHMSA for approval within 90 days of receipt of the Final Order.
- B. In regard to Item 3 of the Notice pertaining to Valero's failure to record inspection dates for mainline valve inspection records, Valero must modify its inspection recordkeeping procedures to ensure accurate information is recorded and submit the updated procedures to PHMSA for approval within 90 days of receipt of the Final Order.
- C. In regard to Item 4 of the Notice pertaining to Valero's failure to inspect and document the visual corrosion and visual coating conditions of the exposed pipeline, Valero must modify its atmospheric control corrosion inspection procedures to ensure they meet the requirements of § 195.583(a) and submit the modified procedures to PHMSA for approval within 90 days of receipt of the Final Order.

It is requested (not mandated) that Valero maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Mary McDaniel, Director, Southwest, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.