

NOTICE OF AMENDMENT

ELECTRONIC MAIL - RETURN RECEIPT REQUESTED

September 24, 2021

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

CPF 4-2021-043-NOA

Dear Mr. Hampton:

From May 4, 2020 through May 8, 2020, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code virtually inspected Valero Partners Operating Company. LLC's (Valero) operations and maintenance procedures.

Based on the inspection, PHMSA has identified the apparent inadequacies found within Valero's plans or procedures, as described below:

1. § 195.202 Compliance with specifications or standards.

Each pipeline system must be constructed in accordance with comprehensive written specifications or standards that are consistent with the requirements of this part.

Valero failed to have adequate procedures to construct its pipelines in accordance with comprehensive written specifications or standards consistent with Part 195. The procedures for construction are included in Valero's *Operation, Maintenance, and Emergency Procedures Manual, Revision 5.0 (September 2019)*. The procedures that do not provide procedures to complete the process satisfying the requirements of 49 CFR § 195.202 including:

- A. *Section 7.1.6 Design Requirements, Aboveground Breakout Tanks* does not detail the design and construction of breakout tanks to withstand the internal pressure produced by the hazardous liquid to be stored therein and any anticipated external loads in accordance with § 195.132(a);
- B. *Section 7.1.3 Construction Inspection and Inspector Training* does not detail what industry standards or company procedures were applicable when defining inspector's training in accordance with § 195.204;
- C. *Section 2.11.2 Inspection Requirements for Breakout Tanks* does not detail the procedures the operator will use for repairing, altering, and reconstructing breakout tanks in accordance with § 195.205(a);
- D. *Section 7.1.2 Material Inspection* does not detail how the operator will inspect a component when it is delivered to the site of installation in accordance with § 195.206;
- E. *Section 7.1.2 Construction Requirements New Pipe* does not include the statement that API RP 5LT will be used when transporting pipe by truck in accordance with § 195.207(c);
- F. *Section 7.10 Welding* does not include a statement that welding must be protected from weather conditions that could impair the quality of completed welds in accordance with § 195.224;
- G. *Section 7.11.3 Testing Requirements and Pipeline Construction (VTDC-ES-20-001)* and *Section 10.8 Inspection of Production Welds*, which are used for welds and welding inspections are inadequate. The *Operation, Maintenance & Emergency Procedures Manual* states, “at least 10% of girth welds made by each welder and welding operator during each welding day must be nondestructively tested over the entire circumference of the weld, selected at random by the operator” for new construction. The *Pipeline Construction (VTDC-ES-20-001)* states, “one hundred percent (100%) of production welds shall be subject to visual and radiographic inspection by Valero’s Welding Inspector employed by Valero exclusively for the purpose.” The two procedures are contradictory, and not in accordance with § 195.228(a);
- H. *Section 7.11.1 Testing Methods* does not specify how Engineering Specifications (ES) or Shell Design and Engineering Practices (DEPs) assisted in the development of Non-Destructive Testing (NDT) procedures in accordance with § 195.234(c);
- I. *Section 7.3.3 Cover Over Buried Pipeline* does not specify what additional protection is equivalent to the minimum required in accordance with § 195.248(b);
- J. *Section 7.3.6 Clearance Between Pipe and Underground Structures* does not describe what type of provisions should be made if the operator cannot meet the required 12 inches of clearance from underground structures in accordance with § 195.250;
- K. *Section 7.3.4 Backfill* does not define “rocky terrain” or reference specifications when

discussing padding or the type of rock shield required in accordance with § 195.252(b);

- L. *Section 7.3.5 Crossing of Railroads and Highways* does not describe how pipe at each railroad or highway crossing must be installed to adequately withstand dynamic forces and how those forces will be determined in accordance with § 195.256;
- M. *Section 7.1.6 Design Requirements, Valves* does not detail who are the authorized employees and how unauthorized people are prevented access to valves in accordance with § 195.258(a);
- N. *Section 7.1.6 Design Requirements, Valves* does not state that an Emergency Flow Restrictive Device (EFRD) study must be completed to minimize damage or pollution from accidental discharge in accordance with § 195.260;
- O. *Section 7.1.6 Design Requirements, Aboveground Breakout Tanks* does not describe a process that requires venting and relief devices are sized for adequate capacity, installed, and tested prior to placing the tank in service in accordance with § 195.264(e);
- P. *Appendix B.10, Pressure Testing* is inadequate because:
 - i. The *Abnormal Operating Condition* table does not define conditions that could be experienced during a pressure test;
 - ii. Does not include a calculation of the safe distance while conducting a pressure test;
 - iii. Measuring pressure in at least one hour increments is too long a duration to record readings during the test; and
 - iv. Test water disposal procedures must refer to obtaining permits, testing of the water before disposal, and testing water sources prior to putting water into the pipeline.

Operator procedures must include all four of the elements listed (i, ii, iii, and iv) in accordance with § 195.302(a);

- Q. *Section 7.8.1 Subpart E Pressure Test Requirements* does not define “auxiliary piping and fittings.” Pipe that is two inches in outside diameter could see pressure directly from the mainline and would apply under the requirements of 49 CFR Subpart E-Pressure Testing in accordance with § 195.305;
- R. *Section 2.11.9 Pressure Testing Aboveground Breakout Tanks* does not provide adequate detail in the process of conducting a leak test for a breakout tank in accordance with § 195.307(c);

Valero must amend its procedures to adequately describe the requirements for the procedures listed above and to ensure compliance with § 195.202.

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

Valero's *Operation, Maintenance, and Emergency Procedures Manual, Revision 5.0 (September 2019)*, is inadequate. *Section 1.5 Roles and Responsibilities* does not have a procedure in place to address management of change to ensure that revisions/changes are implemented in accordance with § 195.402(a).

Valero must amend its procedures to adequately describe the requirements for the procedure listed above and to ensure compliance with § 195.402(a).

3. § 195.402 Procedural manual for operations, maintenance, and emergencies.

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

(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)...

(3) Operating, maintaining, and repairing the pipeline system in accordance with each of the requirements of this subpart and subpart H of this part.

Valero's *Operation, Maintenance, and Emergency Procedures Manual, Revision 5.0 (September 2019)*, are inadequate. Specifically:

- A. *Section 5.5.7 Release Volume Estimates* used for calculating spill volume of accidents is inadequate. The procedures do not sufficiently calculate and provide a reasonable initial estimate of the amount of released product in accordance with § 195.52(c);
- B. *Section 7.9.2 Repair Timelines* does not define what conditions could adversely affect safe operation of the pipeline, criteria to define what is reasonable time for repairs, or

- a definition of “immediate and non-immediate hazards in non-HCA areas” in accordance with § 195.401(b)(1);
- C. *Section 7.9.1 Repair Requirements* and *Appendix B.11, Pipeline Repairs* do not describe what the responsibilities are of operator personnel and all required equipment and resources needed to make repairs in a non-HCA area of a pipeline in accordance with § 195.402(c)(14);
 - D. *Appendix B.07, Abnormal Operating Conditions* does not describe how the operator will periodically review the response of operating personnel to determine the effectiveness of the procedures for controlling abnormal operation and taking corrective action where deficiencies are found in accordance with § 195.402(d)(5);
 - E. *Appendix B.08, Pipe Movement* used for moving pipeline is inadequate. The procedures do not contain a process for finding whether the pipeline does or does not include valves, flanges, fittings, concrete coatings, sags, overbends, field bends, or other attached appurtenances in the section to be lowered or otherwise moved if records do not exist. There is no process to calculate longitudinal stresses when moving a pipeline. There are no considerations for equipment in the procedure for assisting in moving the pipe during operation. There are no standards restraining the pipeline laterally. Additionally, there is no reference for the necessary type of documentation that compromises the records in accordance with § 195.424(b)(2);
 - F. *Product Storage – Above Ground Welded Steel Tank (VTDC-ES-40-008), Engineering Data Requirements, Section 9.1 Contractor’s Submittal* is inadequate because it lacks specific detail to determine that each protective device is functioning properly, is in good mechanical condition, and is adequate from the standpoint of capacity and reliability of operation for the tank service in accordance with § 195.428(a);
 - G. *Section 5.4.5 Emergency Equipment and/or Supplies* does not describe for maintaining firefighting equipment in accordance with § 195.430;
 - H. *Appendix B.11, Pipeline Repairs* does not define “armadillo sleeve” or “pumpkin sleeve” as an approved Type B sleeve or Over Sleeve method in the approved methods of repair in accordance with § 195.452(h)(1);
 - I. *Section 3.5 Supervisor Knowledge* does not describe specific requirements for corrosion training or professional certification in accordance with § 195.555;
 - J. *Section 3.1.2 Protective Coatings* does not define what constitutes a low stress soil area and a high stress soil area in accordance with § 195.557(a);
 - K. *Section 3.1.2 Protective Coatings* does not include specific requirements for inspecting protective coating to include surface preparation, application techniques, and inspection requirements in accordance with § 195.561(a);
 - L. *Appendix B.13, Corrosion Control* does not include a test lead maintenance procedure in accordance with § 195.567(c);

- M. *Appendix B.13, Corrosion Control, Exposed Pipe Inspection* does not include specific details on performing exposed pipe inspections in accordance with § 195.569;
- N. *Section 3.1.4 Cathodic Protection of Pipelines* does not include procedures directing personnel to monitor for excessive cathodic protection current in accordance with § 195.571;
- O. *Appendix B.13 Corrosion Control, Close Interval Survey* does not include details for calibration and inspection frequency in accordance with § 195.573(a)(1);
- P. *Section 3.1.6 Electrical Isolation* and *Section 3.1.8 Casing Monitoring* does not include details on frequency of testing and reporting format in accordance with § 195.575;
- Q. *Section 3.1.7 Interference Currents* and *Appendix B.13, Testing for Interference Currents and Remedial Measures* do not include details on mitigating interference currents frequency of testing and reporting format in accordance with § 195.577(a);
- R. *Section 3.3.1 General Requirements* does not state that breakout tank piping will be designed to minimize low flow to minimize the potential for water accumulation and areas of zero/low flow (i.e., dead legs) in accordance with § 195.579(a).
- S. *Section 3.3.1 General Requirement* and *Section 3.3.2 Corrosion Inhibitors and Monitoring* do not include specific guidance on measuring the corrosion potential of a product or the effectiveness of chemical inhibitor programs using corrosion coupons and/or sampling in accordance with § 195.579(b)(2);
- T. *Section 3.3 Internal Corrosion Control* does not include specific guidance on how to perform an internal corrosion inspection or the distance the inspection should continue up/downstream from removed pipe in accordance with § 195.579(c); and
- U. *Section 3.4.4 Remaining Strength Calculations* does not include specific guidance on determining the remaining strength on corroded pipe in accordance with § 195.587.

Valero must amend its procedures to adequately describe the requirements for the procedures listed above and to ensure compliance with § 195.402(c)(3).

4. § 195.452 Pipeline integrity management in high consequence areas.

(a)...

(f) What are the elements of an integrity management program? An integrity management program begins with the initial framework. An operator must continually change the program to reflect operating experience, conclusions drawn from results of the integrity assessments, and other maintenance and surveillance

data, and evaluation of consequences of a failure on the high consequence area. An

operator must include, at minimum, each of the following elements in its written integrity management program:

(1)...

(4) Criteria for remedial actions to address integrity issues raised by the assessment methods and information analysis (see paragraph (h) of this section);

Valero's *Operation, Maintenance, and Emergency Procedures Manual, Revision 5.0 (September 2019)*, is inadequate to provide the provisions for § 195.452(F)(4). Specifically:

- A. *Appendix B.11, Pipeline Repairs* used for remedial action to address integrity issues is inadequate because it does not contain sufficient procedures for evaluating cracks and crack-like features in the pipeline in accordance with § 195.452(f)(4); and
- B. *Section 6.2.2 Conditions Discovered by ILI* does not have adequate procedures in place to call out for discovery and no immediate actions to reduce pressure and proceed with excavation and repairs for a metal loss greater than 80% in accordance with § 195.452(h)(4)(i)(A).

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.206. 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. Be advised that all material you submit in response to this enforcement action is subject to being 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, revised procedures, or a request for a hearing under § 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 an Order Directing Amendment. If your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.206). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 30 days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

It is requested (not mandated) that Valero Partners Operating Co. LLC maintain documentation of the safety improvement costs associated with fulfilling this Notice of Amendment (preparation/revision of plans, procedures) and submit the total to Mary L. McDaniel, Director, Southwest Region, Pipeline and Hazardous Materials Safety Administration. In correspondence concerning this matter, please refer to **CPF 4-2021-043-NOA** 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

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*