

March 5, 2024

VIA ELECTRONIC MAIL TO: fred.hampton@valero.com

Fred Hampton
Vice President, Pipeline and Terminals
Valero Terminals and Distribution Company
One Valero Way
San Antonio, Texas 78249

Re: CPF No. 4-2023-031-NOPV

Dear Mr. Hampton:

Enclosed please find the Final Order issued in the above-referenced case. It makes a finding of violation and finds that Valero Terminals and Distribution Company (Valero) has completed the actions specified in the Notice to comply with the pipeline safety regulations. Therefore, this case is now closed. Service of the Final Order by e-mail is effective upon the date of transmission and acknowledgement of receipt as provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Enclosure

cc: Mr. Bryan Lethcoe, Director, Southwest Region, Office of Pipeline Safety, PHMSA
Mr. Carlos Guana, Director, Pipeline Facility Integrity, Valero, carlos.guana@valero.com
Mr. Darin Banther, Manager, Regulatory Compliance, Valero, darin.banther@valero.com

CONFIRMATION OF RECEIPT REQUESTED

(a)...

(d) *Breakout tanks*. You must inspect each cathodic protection system used to control corrosion on the bottom of an aboveground breakout tank to ensure that operation and maintenance of the system are in accordance with API RP 651 (incorporated by reference, *see* § 195.3). However, this inspection is not required if you note in the corrosion control procedures established under § 195.402(c)(3) why complying with all or certain operation and maintenance provisions of API RP 651 is not necessary for the safety of the tank.

The Notice alleged that Respondent violated 49 C.F.R. § 195.573(d) by failing to inspect each cathodic protection system used to control corrosion on the bottom of an aboveground breakout tank to ensure that operation and maintenance of the system are in accordance with API RP 651. Specifically, the Notice alleged that Valero failed to inspect the cathodic protection system on the bottom of aboveground breakout tank #1 at Hammond Terminal for calendar years 2019 and 2021. The Notice also alleged Respondent inspected the cathodic protection system on breakout tank #1 on May 14, 2020, and many of the cathodic protection readings were below criteria.

In its Response, Respondent did not contest the underlying allegation. Accordingly, after considering all of the evidence, I find that Respondent violated 49 C.F.R. § 195.573(d) by failing to inspect each cathodic protection system used to control corrosion on the bottom of an aboveground breakout tank.

This finding of violation will be considered a prior offense in any subsequent enforcement action taken against Respondent.

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to Item 2 in the Notice for a violation of 49 C.F.R. § 195.573(d). Under 49 U.S.C. § 60118(a), each person who engages in the transportation of gas or who owns or operates a pipeline facility is required to comply with the applicable safety standards established under chapter 601.

With respect to the violation of § 195.573(d) (**Item 2**), Respondent requested modification of the proposed compliance order. Valero requested that the proposed compliance order be modified to require that breakout tank #1 at Hammond Terminal be formally removed from DOT Service through a Management of Change (MOC). Respondent also provided documentation to show it had taken actions to complete the proposed modified compliance terms. In a Region Recommendation dated October 18, 2023, the Director recommended modifying the Compliance Order as proposed by Respondent.

The Director indicated that Respondent has taken the following actions specified in the proposed compliance order:

1. With respect to the violation of § 195.573(d) (**Item 2**), Respondent has submitted a MOC #205534 that was completed to remove all Part 195 operations, maintenance, and reporting requirements related to breakout tank #1

at Hammond Terminal. Breakout tank #1 at Hammond Terminal has been removed from service in October 2018, has not been operated since that time, and has been formally removed from DOT service through the MOC.

Accordingly, I find that compliance has been achieved with respect to this violation. Therefore, the compliance terms proposed in the Notice are not included in this Order.

WARNING ITEMS

With respect to Items 1 and 3, the Notice alleged probable violations of Part 195, but identified them as warning items pursuant to § 190.205. The warnings were for:

49 C.F.R. § 195.505(a)(i) (**Item 1**) — Respondent's alleged failure to follow its written qualification program in accordance with § 195.505. Specifically, Valero failed to notify the Texas Railroad Commission (TRRC) of significant modifications of its Operator Qualification Program (OQ Program) in 2021 in accordance with § 195.505 and section 2.7.2 of its OQ Program; and

49 C.F.R. § 195.583(a) (**Item 3**) — Respondent's alleged failure to inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion at least once every three calendar years, but with intervals not exceeding 39 months, in accordance with § 195.583(a). Specifically, for the East Chicago 12-inch pipeline, Hammond 8-inch pipeline, and Natural Gasoline 6-inch pipeline, Valero conducted atmospheric corrosion inspections at a 41-month interval.

If OPS finds a violation of any of these items in a subsequent inspection, Respondent may be subject to future enforcement action.

Under 49 C.F.R. § 190.243, Respondent may submit a Petition for Reconsideration of this Final Order to the Associate Administrator, Office of Pipeline Safety, PHMSA, 1200 New Jersey Avenue, SE, East Building, 2nd Floor, Washington, DC 20590, with a copy sent to the Office of Chief Counsel, PHMSA, at the same address. The written petition must be received no later than 20 days after receipt of the Final Order by Respondent. Any petition submitted must contain a statement of the issue(s) and meet all other requirements of 49 C.F.R. § 190.243. The terms of the order, including corrective action, remain in effect unless the Associate Administrator, upon request, grants a stay.

The terms and conditions of this Final Order are effective upon service in accordance with 49 C.F.R. § 190.5.

March 5, 2024

Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Date Issued