



May 16, 2023

Mr. Bryan Jeffery Lethcoe
Director, Southwest Region
Pipelines and Hazardous Materials Safety Administration
8701 S. Gessner
Suite 630
Houston, TX 77074

RE: CPF 4-2023-031-NOPV

Dear Mr. Lethcoe,

A representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) conducted a pipeline safety inspection of Valero Terminating and Distribution Company's (Valero) transmission pipeline system in Alsip, IL and Hammond, IN from May 16th through June 24th, 2022.

On April 20, 2023, OPS issued a Proposed Compliance Order pertaining to Valero's failure to inspect the cathodic protection system used to control corrosion on the bottom of its above-ground breakout tank #1 at Hammond terminal. The Proposed Compliance Order requires that Valero inspect the cathodic protection system for breakout tank #1 at the Hammond terminal and submit the test inspection report to Director, Southwest Region within 30 days of the issuance of the Final Order.

Valero does not contest the allegation but wishes to submit a written explanation and information that we believe warrant modification of the proposed compliance order. Valero respectfully requests your review of this information and your consideration for modification of the compliance order.

If you have any questions please contact Darin Banther at (210) 345-4171 or Carlos Gauna at (210) 345-5208.

Respectfully Submitted,

A handwritten signature in blue ink that reads 'Fred E. Hampton'.

Fred Hampton
Vice President Pipeline & Terminals

Enclosures

cc: Mr. Carlos Gauna, Director Pipeline and Facility Integrity, Valero Partners Operating Company, LLC,
carlos.gauna@valero.com
Mr. Darin Banther, Manager Regulatory Compliance, Valero Partners Operating Company, LLC,
darin.banther@valero.com



Item 2 of the Notice states that Valero failed to inspect each cathodic protection system used to control corrosion on the bottom of an aboveground breakout tank in accordance with § 195.573(d). Specifically, 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. Valero inspected the cathodic protection system on breakout tank #1 on May 14, 2020, and many of the cathodic protection readings were below criteria.

Regarding Item 2 of the Notice pertaining to Valero's failure to inspect the cathodic protection system used to control corrosion on the bottom of its above-ground breakout tank #1 at Hammond terminal, Valero must inspect the cathodic protection system for breakout tank #1 at the Hammond terminal and submit the test inspection report to Director, Southwest Region within 30 days of the issuance of the Final Order.

Item 2 Response:

Valero does not contest the allegation, but respectfully provides the following information and explanation relevant to the proposed compliance order:

- An internal inspection of Valero's Hammond Terminal Tank #1, conducted in October 2018, identified integrity concerns related to the tank floor and coned roof that require repairs before placing the tank back into service. Repairs include removing the double bottom tank floor, installing anodes under the floor, installing a new single bottom floor, and replacing five roof deck plates.
- A decision was made to remove the tank from operational service. The tank has not operated since the October 2018 inspection.
- Rather than inspect the cathodic protection system for breakout tank #1 and submit the test inspection report to PHMSA, Valero believes the appropriate corrective action to the alleged violation is to formally remove Hammond Terminal Tank #1 from DOT service through a Management of Change.
- MOC #205534 was written, approved and completed to remove all 49 CFR Part 195 operations, maintenance and reporting requirements related to Hammond Terminal Tank #1.
- If a business case arises for using the tank, the necessary repairs will be made, an API Standard 653 inspection will be performed and the tank converted to DOT service in accordance with 49 CFR Part 195.5 prior to operation.