

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

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

May 15, 2025

Mr. Fred E. Hampton
Vice President, Pipeline & Terminals
Valero Energy Corporation
One Valero Way,
San Antonio, TX 78249

CPF 4-2025-002-NOPV

Dear Mr. Hampton:

From March 11 to September 27, 2024 of the on-site inspection, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code (U.S.C.), inspected Valero Terminal and Distribution Company's¹ (Valero) hazardous liquid pipeline facilities in Oklahoma, Louisiana, and Texas.

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

- 1. § 195.403 Emergency response training.**
 - (a)**
 - (b) At the intervals not exceeding 15 months, but at least once each calendar year, each operator shall:**
 - (1) Review with personnel their performance in meeting the objectives of the emergency response training program set forth in paragraph (a) of this section;**

¹ Valero Terminal and Distribution Co. is a subsidiary of Valero Energy Corp.

Valero failed to, at intervals not exceeding 15 months, but at least once each calendar year, review with its personnel their performance in meeting the objectives of the emergency response training program set forth in paragraph (a) in accordance with § 195.403(b)(1).² Specifically, Valero completed post-exercise evaluations for drill exercises completed in calendar years 2021, 2022, and 2023, but did not provide records demonstrating that it had reviewed the performance of its emergency response personnel in meeting each element of the continuing training program under § 195.403(a).

Valero's procedure, *Emergency Response Training* (Doc. No. OML-P610) (Rev. 7.0; Dec. 1, 2022), section 5.2.2 *Program Content*, describes Valero's continuing training program and requires Valero to review with personnel their performance in meeting the objectives of its program. The records provided by Valero show that it did not perform a complete review of the performance of its personnel in meeting the objectives of its continuing training program. The post-drill evaluations provide evidence of training employees to carry out Valero's emergency procedures, but do not include performance reviews of all required continuing training program elements under Valero's procedure and § 195.403(a).

Therefore, Valero failed to, at intervals not exceeding 15 months, but at least once each calendar year, review with its personnel their performance in meeting the objectives of the emergency response training program set forth in paragraph (a) in accordance with § 195.403(b)(1).

2. § 195.403 Emergency response training.

(a)

(c) Each operator shall require and verify that its supervisors maintain a thorough knowledge of that portion of the emergency response procedures established under 195.402 for which they are responsible to ensure compliance.

Valero failed to verify that its supervisors maintain a thorough knowledge of that portion of the emergency response procedures established under 195.402 for which they are responsible to ensure compliance in accordance with § 195.403(c).³ Specifically, Valero failed to provide any records demonstrating compliance with § 195.403(c) for calendar years 2021, 2022, and 2023.

² Section 195.403(a) requires operators to establish and conduct a continuing training program to instruct emergency response personnel to: (1) carry out emergency procedures related to their assignments; (2) know the characteristics and hazards of the hazardous liquid transported; (3) recognize potential emergency conditions, predict consequences of emergencies, and take appropriate corrective action; (4) take steps necessary to control any accidental release of hazardous liquid and minimize potential consequences; and (5) learn potential causes, sizes, and consequences of fire and appropriate use of portable fire extinguishers and other fire control equipment.

³ Section 195.402(e) requires operators to have and follow for each pipeline a manual of written procedures to provide safety when an emergency condition occurs.

3. § 195.583 What must I do to monitor atmospheric corrosion control?

(a)

(c) If you find atmospheric corrosion during an inspection, you must provide protection against the corrosion as required by § 195.581.

Valero failed to, upon finding atmospheric corrosion during an inspection, provide protection against the corrosion in accordance with § 195.583(c). Specifically, Valero failed to maintain an adequate protective coating as required by § 195.581 on its facility manifold tied to the pumping units at the McKee refinery pump station in McKee, Texas. During the inspection, PHMSA observed areas of disbonded coating and surface corrosion on the facility manifold.

Therefore, Valero failed to, upon finding atmospheric corrosion during an inspection, provide protection against the corrosion in accordance with § 195.583(c).

Proposed Civil Penalty

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$272,926 per violation per day the violation persists, up to a maximum of \$2,729,245 for a related series of violations. For violation occurring on or after December 28, 2023 and before December 30, 2024, the maximum penalty may not exceed \$266,015 per violation per day the violation persists, up to a maximum of \$2,660,135 for a related series of violations. For violation occurring on or after January 6, 2023 and before December 28, 2023, the maximum penalty may not exceed \$257,664 per violation per day the violation persists, up to a maximum of \$2,576,627 for a related series of violations. For violation occurring on or after March 21, 2022 and before January 6, 2023, the maximum penalty may not exceed \$239,142 per violation per day the violation persists, up to a maximum of \$2,391,412 for a related series of violations. For violation occurring on or after May 3, 2021 and before March 21, 2022, the maximum penalty may not exceed \$225,134 per violation per day the violation persists, up to a maximum of \$2,251,334 for a related series of violations. For violation occurring on or after January 11, 2021 and before May 3, 2021, the maximum penalty may not exceed \$222,504 per violation per day the violation persists, up to a maximum of \$2,225,034 for a related series of violations. For violation occurring on or after July 31, 2019 and before January 11, 2021, the maximum penalty may not exceed \$218,647 per violation per day the violation persists, up to a maximum of \$2,186,465 for a related series of violations.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to propose a civil penalty assessment at this time.

Proposed Compliance Order

With respect to Items 1, 2, and 3 pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Valero. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Response to this Notice

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Enforcement 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 your receipt of this Notice, you have 30 days to respond as described in the enclosed *Response Options*. 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. The Region Director may extend the period for responding upon a written request timely submitted demonstrating good cause for an extension.

In your correspondence on this matter, please refer to **CPF 4-2025-002-NOPV** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Bryan Lethcoe
Director, Southwest Region, Office of Pipeline Safety
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 Terminals and Distribution Company, darin.banther@valero.com

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA), proposes to issue to Valero Terminal and Distribution Company (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 review with its personnel their performance in meeting the objectives of the emergency response training program set forth in § 195.403(a) in accordance with § 195.403(b)(1), Valero must review with each emergency responder their performance in meeting the objectives of its emergency response continuing training program, make appropriate changes to the emergency response training program as necessary to ensure that it is effective, and provide records demonstrating that the performance reviews were completed, and records of any necessary changes made to the program to the Director, Southwest Region, within **60** days of receipt of the Final Order.
- B. In regard to Item 2 of the Notice pertaining to Valero's failure to require and verify that its supervisors maintain a thorough knowledge of that portion of the emergency response procedures for which they are responsible to ensure compliance in accordance with § 195.403(c), Valero must evaluate each supervisor's knowledge of Valero's emergency response procedures for which they are responsible and provide training as necessary to ensure supervisors have a thorough knowledge of their responsibilities, and must provide records documenting the evaluations and any training conducted to the Director, Southwest Region, within **60** days of receipt of the Final Order.
- C. In regard to Item 3 of the Notice pertaining to Valero's failure to, upon finding atmospheric corrosion during an inspection, provide protection against the corrosion in accordance with § 195.583(c), Valero must remediate any corrosion, and clean and coat the pipeline facilities at the McKee, Texas, pump station, and provide documentation of the repairs and re-coating to the Director, Southwest Region, within **60** days of receipt of the Final Order.
- D. 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 Bryan Lethcoe, Director, Southwest Region, 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.