U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

12300 W Dakota Ave , Suite 110
Lakewood, CO 80228

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NOTICE OF PROBABLE VIOLATION
and
PROPOSED COMPLIANCE ORDER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 6, 2007

Mr. John Moore
Tesoro
300 Concord Drive Plaza
San Antonio, TX 78216

CPF 5-2007-5027

Dear Mr. Moore:

Between February 26 through March 2, 2007, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your Integrity Management Program (IMP) in Denver, Colorado.

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

1. **§195.452 Pipeline integrity management in high consequence areas.**

   (b) What program and practices must operators use to manage pipeline integrity? Each operator of a pipeline covered by this section must:
   (3) Include in the program a plan to carry out baseline assessments of line pipe as required by paragraph (c) of this section.
   (c) What must be in the baseline assessment plan? (1) An operator must include each of the following elements in its written baseline assessment plan:

(i) The methods selected to assess the integrity of the line pipe. An operator must assess the integrity of the line pipe by any of the following methods. The methods an operator selects to assess low frequency electric resistance welded pipe or lap welded pipe susceptible to longitudinal seam failure must be capable of assessing seam integrity and of detecting corrosion and deformation anomalies.
(A) Internal inspection tool or tools capable of detecting corrosion and deformation anomalies including dents, gouges and grooves;
(B) Pressure test conducted in accordance with subpart E of this part;
(C) External corrosion direct assessment in accordance with §195.588; or
(D) Other technology that the operator demonstrates can provide an equivalent understanding of the condition of the line pipe. An operator choosing this option must notify the Office of Pipeline Safety (OPS) 90 days before conducting the assessment, by sending a notice to the address or facsimile number specified in paragraph (m) of this section.;
(ii) A schedule for completing the integrity assessment;
(iii) An explanation of the assessment methods selected and evaluation of risk factors considered in establishing the assessment schedule.
(2) An operator must document, prior to implementing any changes to the plan, any modification to the plan, and reasons for the modification.

1A. Tesoro has identified pipeline sections with LF ERW seams in the High Plains and Mountain Region pipelines. Tesoro has a procedure and worksheet for determining long seam susceptibility using a decision flow process; however, Tesoro did not complete the seam evaluation worksheets for the High Plains or Mountain Region pipelines. Tesoro must perform a formal seam susceptibility evaluation of these pipelines to include all relevant factors.

1B. Tesoro indicates that pipelines are examined for Stress Corrosion Cracking (SCC) when pipelines are exposed for ongoing Integrity Management and Operations & Maintenance (O&M) activities. Tesoro has pipelines located in areas where conditions exist that are conducive to SCC. Tesoro must evaluate their pipelines for SCC susceptibility in accordance with the recommendations of ADB-03-05, "Stress Corrosion Cracking (SCC) Threat to Gas and Hazardous Liquid Pipelines".

2. **§195.452 Pipeline integrity management in high consequence areas.**

(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:
(4) Criteria for remedial actions to address integrity issues raised by the assessment methods and information analysis (see paragraph (h) of this section);
(h) What actions must an operator take to address integrity issues?

(1) General requirements. An operator must take prompt action to address all anomalous conditions that the operator discovers through the integrity assessment or information analysis. In addressing all conditions, an operator must evaluate all anomalous conditions and remediate those that could reduce a pipeline's integrity. An operator must be able to demonstrate that the remediation of the condition will ensure that the condition is unlikely to pose a threat to the long-term integrity of the pipeline. A reduction in operating pressure cannot exceed 365 days without an operator taking further remedial action to ensure the safety of the pipeline. An operator must comply with Sec. 195.422 when making a repair.

2A. Some repair records for the in-line inspection (ILI) assessment of the 1.5 mile between Sand Island and Shell Terminal were not included in the documentation provided to the Inspection Team. Tesoro must conduct the re-evaluation of all repair anomalies that were not documented on your 1.5 mile between Sand Island and Shell Terminal to ensure the integrity of the pipeline.

2B. A repair report for Dig 29 on TAPL showed an indication of SCC (i.e., a crack colony was discovered near a girth weld). Tesoro must implement an SCC susceptibility program and perform further evaluations of Dig 29 and other indications that could signify the presence of SCC.

3. **§195.452 Pipeline integrity management in high consequence areas.**

(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:
(5) A continual process of assessment and evaluation to maintain a pipeline's integrity (see paragraph (j) of this section);
(j) What is a continual process of evaluation and assessment to maintain a pipeline's integrity?
(5) Assessment methods. An operator must assess the integrity of the line pipe by any of the following methods. The methods an operator selects to assess low frequency electric resistance welded pipe or lap welded pipe susceptible to longitudinal seam failure must be capable of assessing seam integrity and of detecting corrosion and deformation anomalies.
(i) Internal inspection tool or tools capable of detecting corrosion and deformation anomalies including dents, gouges and grooves;
(ii) Pressure test conducted in accordance with subpart E of this part;
(iii) External corrosion direct assessment in accordance with § 195.588; or
(iv) Other technology that the operator demonstrates can provide an equivalent understanding of the condition of the line pipe. An operator choosing this option must notify OPS 90 days before conducting the assessment, by sending a notice to the address or facsimile number specified in paragraph (m) of this section.

During the review of your TAPL ILI assessment results and the resultant digs, the repair report for Dig 29 showed visual evidence of SCC. Tesoro must review dig reports to determine if there are other areas that exhibit SCC characteristics. If SCC indications are found, Tesoro must re-evaluate the assessment method employed on that pipeline.

Proposed Compliance Order

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Tesoro. Please refer to the *Proposed Compliance Order* that 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 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). 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.

In your correspondence on this matter, please refer to **CPF 5-2007-5027** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Chris Hoidal
Director, Western Region
Pipeline and Hazardous Materials Safety Administration

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Compliance Proceedings

cc: PHP-60 Compliance Registry
PHP-500 H. Nguyen (#118232)

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Tesoro a Compliance Order incorporating the following remedial requirements to ensure the compliance of Tesoro with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to your pipeline systems, Tesoro must:
   a. Perform a formal seam susceptibility evaluation of these pipelines to include all relevant factors for the High Plains and Mountain Region pipelines.
   b. Evaluate your pipelines for SCC susceptibility in accordance with the recommendations of ADB-03-05, "Stress Corrosion Cracking (SCC) Threat to Gas and Hazardous Liquid Pipelines".
2. In regard to Item Number 2 of the Notice pertaining to your pipeline systems, Tesoro must:
   a. Conduct the re-evaluation of all repair anomalies that were not documented on your 1.5 mile between Sand Island and Shell Terminal to ensure the integrity of the pipeline.
   b. Submit the re-evaluation schedules of all repair anomalies that were not documented on your 1.5 mile between Sand Island and Shell Terminal within 45 days prior to the investigation and/or re-evaluation of the anomalies.
   c. Implement the SCC susceptibility program and perform further evaluations of Dig 29 and other indications that could signify the presence of SCC on the TAPL pipeline.
3. In regard to Item Number 3 of the Notice pertaining to your pipeline systems, Tesoro must re-evaluate the assessment method if SCC indications are found and modify their IMP plan accordingly.
4. **Within 60 days of issuance of the Final Order, Tesoro must complete the above items, and submit the required documentation and procedures to the Director, Western Region, Pipeline and Hazardous Materials Safety Administration, 12300 West Dakota Avenue, Suite 110, Lakewood, Colorado 80228.**
5. Tesoro shall maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration. Costs shall 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.