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U.S. Department
of Transportation
**Pipeline and
Hazardous Materials Safety
Administration**

12300 W. Dakota Ave., Suite 110
Lakewood, CO 80228

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

March 13, 2008

Mr. John W. Moore
V.P. Pipelines, Terminals, Trucking, and Rail (PTTR)
Tesoro Los Angeles Refinery
2101 E Pacific Coast Highway
Wilmington, CA, 90748

CPF 5-2008-0004W

Dear Mr. Moore:

On December 17 through December 20, 2007, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected Tesoro Los Angeles Refinery's procedures and records for your Integrity Management Program (IMP) in Los Angeles, California.

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

1. **§192.947 What records must an operator keep?**

   §192.947 (d) Documents to support any decision, analysis and process developed and used to implement and evaluate each element of the baseline assessment plan and integrity management program. Documents include those developed and used in support of any identification, calculation, amendment, modification, justification, deviation and determination made, and any action taken to implement and evaluate any of the program elements;

§192.905 (a) General. To determine which segments of an operator's transmission pipeline system are covered by this subpart, an operator must identify the high consequence areas. An operator must use method (1) or (2) from the definition in § 192.903 to identify a high consequence area. An operator may apply one method to its entire pipeline system, or an operator may apply one method to individual portions of the pipeline system. An operator must describe in its integrity management program which method it is applying to each portion of the operator's pipeline system. The description must include the potential impact radius when utilized to establish a high consequence area. (See appendix E.I. for guidance on identifying high consequence areas.)

The Tesoro IMP does not include maps or other sufficiently detailed records of the location of High Consequence Areas (HCAs) on the pipeline.

Evidence: Tesoro did not have any documentation to show that a system map was available to identify any of the HCA along their pipeline system.

2. **§192.917 How does an operator identify potential threats to pipeline integrity and use the threat identification in its integrity program?**

(c) Risk assessment. An operator must conduct a risk assessment that follows ASME/ANSI B31.8S, section 5, and considers the identified threats for each covered segment. An operator must use the risk assessment to prioritize the covered segments for the baseline and continual reassessments (§192.919, §192.921, § 192.937), and to determine what additional preventive and mitigative measures are needed (§ 192.935) for the covered segment.

The Tesoro IMP does not define or document clearly the process for periodic evaluation of pipeline integrity (using updated risk assessments, integrity assessment results, etc.).

Evidence: The IMP does not require or define periodic evaluations.

3. **§192.937 What is a continual process of evaluation and assessment to maintain a pipeline's integrity?**
(b) Evaluation. An operator must conduct a periodic evaluation as frequently as needed to assure the integrity of each covered segment. The periodic evaluation must be based on a data integration and risk assessment of the entire pipeline as specified in § 192.917. For plastic transmission pipelines, the periodic evaluation is based on the threat analysis specified in § 192.917(d) For all other transmission pipelines, the evaluation must consider the past and present integrity assessment results, data integration and risk assessment information (§ 192.917), and decisions about remediation (§ 192.933) and additional preventive and mitigative actions (§ 192.935). An operator must use the results from this evaluation to identify the threats specific to each covered segment and the risk represented by these threats.

The IMP does not require the integrity evaluation to be conducted annually. Although Shell analysts performed a "data integration" following the ILI in 2006, the pipeline's risk assessment has not been updated since.

Evidence: No risk assessments conducted since 2004, despite additional information and pipe condition changes. Next risk assessment is scheduled for 2012.

4. **§192.935 What additional preventive and mitigative measures must an operator take?**

(a) General requirements. An operator must take additional measures beyond those already required by Part 192 to prevent a pipeline failure and to mitigate the consequences of a pipeline failure in a high consequence area. An operator must base the additional measures on the threats the operator has identified to each pipeline segment. (See § 192.917) An operator must conduct, in accordance with one of the risk assessment approaches in ASME/ANSI B31.8S (incorporated by reference, see § 192.7), section 5, a risk analysis of its pipeline to identify additional measures to protect the high consequence area and enhance public safety. Such additional measures include, but are not limited to, installing Automatic Shut-off Valves or Remote Control Valves, installing computerized monitoring and leak detection systems, replacing pipe segments with pipe of heavier wall thickness, providing additional training to personnel on response procedures, conducting drills with local emergency responders and implementing additional inspection and maintenance programs.

(b) Third party damage and outside force damage—

(1) Third party damage. An operator must enhance its damage prevention program, as required under §192.614 of this part, with respect to a covered segment to prevent and minimize the consequences of a release due to third party damage. Enhanced measures to an existing damage prevention program include, at a minimum—

(i) Using qualified personnel (see § 192.915) for work an operator is conducting that could adversely affect the integrity of a covered segment, such as marking, locating, and direct supervision of known excavation work.

(ii) Collecting in a central database information that is location specific on excavation damage that occurs in covered and non covered segments in the transmission system and the root cause analysis to support identification of targeted additional preventative and mitigative measures in the high consequence areas. This information must include recognized damage that is not required to be reported as an incident under part 191.

(iii) Participating in one-call systems in locations where covered segments are present.

(iv) Monitoring of excavations conducted on covered pipeline segments by pipeline personnel. If an operator finds physical evidence of encroachment involving excavation that the operator did not monitor near a covered segment, an operator must either excavate the area near the encroachment or conduct an above ground

survey using methods defined in NACE RP-0502-2002 (incorporated by reference, see §192.7). An operator must excavate, and remediate, in accordance with ANSI/ASME B31.8S and §192.933 any indication of coating holidays or discontinuity warranting direct examination.
(2) Outside force damage. If an operator determines that outside force (e.g., earth movement, floods, unstable suspension bridge) is a threat to the integrity of a covered segment, the operator must take measures to minimize the consequences to the covered segment from outside force damage. These measures include, but are not limited to, increasing the frequency of aerial, foot or other methods of patrols, adding external protection, reducing external stress, and relocating the line.
(c) Automatic shut-off valves (ASV) or Remote control valves (RCV). If an operator determines, based on a risk analysis, that an ASV or RCV would be an efficient means of adding protection to a high consequence area in the event of a gas release, an operator must install the ASV or RCV. In making that determination, an operator must, at least, consider the following factors--swiftness of leak detection and pipe shutdown capabilities, the type of gas being transported, operating pressure, the rate of potential release, pipeline profile, the potential for ignition, and location of nearest response personnel.

The Tesoro IMP does not include a risk-based evaluation to determine if automatic shut-off valves or remote control valves should be added to the line to protect HCAs.

Evidence: The IMP does not include a requirement to perform this analysis.

5. **§192.947 What records must an operator keep?**

An operator must maintain, for the useful life of the pipeline, records that demonstrate compliance with the requirements of this subpart. At minimum, an operator must maintain the following records for review during an inspection.

(a) A written integrity management program in accordance with § 192.907;
(b) Documents supporting the threat identification and risk assessment in accordance with § 192.917;
(c) A written baseline assessment plan in accordance with § 192.919;
(d) Documents to support any decision, analysis and process developed and used to implement and evaluate each element of the baseline assessment plan and integrity management program. Documents include those developed and used in support of any identification, calculation, amendment, modification, justification, deviation and determination made, and any action taken to implement and evaluate any of the program elements;
(e) Documents that demonstrate personnel have the required training, including a description of the training program, in accordance with § 192.915;
(f) Schedule required by § 192.933 that prioritizes the conditions found during an assessment for evaluation and remediation, including technical justifications for the schedule.

(g) Documents to carry out the requirements in § 192.923 through § 192.929 for a direct assessment plan;
(h) Documents to carry out the requirements in § 192.931 for confirmatory direct assessment;
(i) Verification that an operator has provided any documentation or notification required by this subpart to be provided to OPS, and when applicable, a State authority with which OPS has an interstate agent agreement, and a State or local pipeline safety authority that regulates a covered pipeline segment within that State.

Records have not been maintained on HCA identification results, remediation decisions, and preventive and mitigative measure decisions.

Evidence: These records were not available to the inspection team and could not be obtained by Tesoro.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed $100,000 for each violation for each day the violation persists up to a maximum of $1,000,000 for any related series of violations. We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to correct the item(s) identified in this letter. Failure to do so will result in Tesoro being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 5-2008-0004W.** 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).

Sincerely,

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

cc: PHP-60 Compliance Registry
PHP-500 J. Gilliam (#120054)
Bernadette Frieh, PTTR Environmental Compliance Manager