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

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

NOTICE OF PROBABLE VIOLATION
and
PROPOSED COMPLIANCE ORDER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

January 3, 2008

Ms. Jennifer Sparacino
Santa Clara City Manager
Silicon Valley Power
1500 Warburton Avenue
Santa Clara, CA 95050

CPF 5-2008-1001

Dear Ms. Sparacino:

On August 13 through August 16, 2007, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your Integrity Management Program in Santa Clara, California.

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 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.)

- **Item 1A: §192.947(d) & §192.905 (a)**

  Silicon Valley Power (SVP) did not individually document the method used to determine each HCA. [A.01.b]

  Evidence: IMP Section 1.4.

2. **§192.907 What must an operator do to implement this subpart?**

   §192.907 (a) General. No later than December 17, 2004, an operator of a covered pipeline segment must develop and follow a written integrity management program that contains all the elements described in § 192.911 and that addresses the risks on each covered transmission pipeline segment. The initial integrity management program must consist, at a minimum, of a framework that describes the process for implementing each program element, how relevant decisions will be made and by whom, a time line for completing the work to implement the program element, and how information gained from experience will be continuously incorporated into the program. The framework will evolve into a more detailed and comprehensive program. An operator must make continual improvements to the program.

   - **Item 2A: §192.907(a)**

     SVP did not provide documentation that they completed identification of HCAs by 12/17/2004. [A.01.d]

     Evidence: 10/20/2004 Meeting Notes.

3. **§192.933 What actions must be taken to address integrity issues?**

   (a) General requirements. An operator must take prompt action to address all anomalous conditions the operator discovers through the integrity assessment. 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 the condition is unlikely to pose a threat to the integrity of the pipeline until the next reassessment of the covered segment.

(1) Temporary pressure reduction. If an operator is unable to respond within the time limits for certain conditions specified in this section, the operator must temporarily reduce the operating pressure of the pipeline or take other action that ensures the safety of the covered segment. An operator must determine any temporary reduction in operating pressure required by this section using ASME/ANSI B31G (incorporated by reference, see § 192.7) or AGA Pipeline Research Committee Project PR-3-805 (``RSTRENG,'' incorporated by reference, see § 192.7) or reduce the operating pressure to a level not exceeding 80 percent of the level at the time the condition was discovered. (See appendix A to this part for information on availability of incorporation by reference information.) An operator must notify PHMSA in accordance with § 192.949 if it cannot meet the schedule for evaluation and remediation required under paragraph (c) of this section and cannot provide safety through temporary reduction in operating pressure or other action. An operator must also notify a State pipeline safety authority when either a covered segment is located in a State where PHMSA has an interstate agent agreement, or an intrastate covered segment is regulated by that State.

(2) Long-term pressure reduction. When a pressure reduction exceeds 365 days, the operator must notify PHMSA under § 192.949 and explain the reasons for the remediation delay. This notice must include a technical justification that the continued pressure reduction will not jeopardize the integrity of the pipeline. The operator also must notify a State pipeline safety authority when either a covered segment is located in a State where PHMSA has an interstate agent agreement, or an intrastate covered segment is regulated by that State.

(b) Discovery of condition. Discovery of a condition occurs when an operator has adequate information about a condition to determine that the condition presents a potential threat to the integrity of the pipeline. A condition that presents a potential threat includes, but is not limited to, those conditions that require remediation or monitoring listed under paragraphs (d)(1) through (d)(3) of this section. An operator must promptly, but no later than 180 days after conducting an integrity assessment, obtain sufficient information about a condition to make that determination, unless the operator demonstrates that the 180-day period is impracticable.

- **Item 3A: §192.933(b)**

  Evaluation and characterization of anomalies indicated by the 12-inch in-line inspection (ILI) assessment was not completed within the 180 days allowed for discovery. [E.4.b]

  Evidence: Magpie ILI Report for 12" line.

- **Item 3B: §192.933(a)**

  No remediation was performed on the 36% indicated anomaly and none was scheduled before the next scheduled assessment in seven (7) years, although corrosion growth estimates indicate that a quicker response is needed. [E.4.c]

  Evidence: Magpie ILI report for the 12-inch line; 8/6/07 Remediation Schedule; 7/10/07 Risk Rank and Schedule.

4. **§192.937 What is a continual process of evaluation and assessment to maintain a pipeline's integrity?**

   (a) General. After completing the baseline integrity assessment of a covered segment, an operator must continue to assess the line pipe of that segment at the intervals specified in § 192.939 and periodically evaluate the integrity of each covered pipeline segment as provided in paragraph (b) of this section. An operator must reassess a covered segment on which a prior assessment is credited as a baseline under § 192.921(e) by no later than December 17, 2009. An operator must reassess a covered segment on which a baseline assessment is conducted during the baseline period specified in § 192.921(d) by no later than seven years after the baseline assessment of that covered segment unless the evaluation under paragraph (b) of this section indicates earlier reassessment.

   (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.

- **Item 4A: §192.937(b)**

  SVP's periodic evaluation of integrity did not include integration of ILI results with other information to help determine the cause of corrosion found on the 12-inch and 6-inch lines and support decisions on remediation. [F.01.a]

  Evidence: IMP section 6.3; Magpie ILI Reports; No evidence of data integration with ILI results.

- **Item 4B: §192.937(b)**

SVP's periodic evaluations have not adequately integrated assessment results with other data to establish reassessment schedules. [F.01.b]

Evidence: IMP section 6.3; Magpie ILI Reports; No evidence of data integration with ILI results.

- **Item 4C: §192.937(a)**

A seven-year reassessment interval for the 6-inch and 12-inch lines is not technically supported, given the rapid corrosion indicated in the ILI reports. [F.04.e]

Evidence: No basis provided for seven (7) year assessment interval; Risk Rank and Schedule.

5. **§192.945 What methods must an operator use to measure program effectiveness?**

(a) General. An operator must include in its integrity management program methods to measure, on a semi-annual basis, whether the program is effective in assessing and evaluating the integrity of each covered pipeline segment and in protecting the high consequence areas. These measures must include the four overall performance measures specified in ASME/ANSI B31.8S (incorporated by reference, see §192.7), section 9.4, and the specific measures for each identified threat specified in ASME/ANSI B31.8S, Appendix A. An operator must submit the four overall performance measures, by electronic or other means, on a semi-annual frequency to OPS in accordance with §192.951. An operator must submit its first report on overall performance measures by August 31, 2004. Thereafter, the performance measures must be complete through June 30 and December 31 of each year and must be submitted within 2 months after those dates.

- **Item 5A: §192.945(a)**
SVP did not track all threat specific metrics from Table 9 of ASME B31.8S-2004. [I.01.b]

Evidence: Performance Measures Spreadsheet; IMP Element #9.

6. **§192.911 What are the elements of an integrity management program?**
An operator's initial integrity management program begins with a framework (see § 192.907) and evolves into a more detailed and comprehensive integrity management program, as information is gained and incorporated into the program. An operator must make continual improvements to its program. The initial program framework and subsequent program must, at minimum, contain the following elements. (When indicated, refer to ASME/ANSI B31.8S (ibr, see § 192.7) for more detailed information on the listed element.)

(a) An ...

(l) A quality assurance process as outlined in ASME/ANSI B31.8S, section 12. ASME B31.8S-2001, section 12.2 Quality Management Control.

(b) Specifically, activities that should be included in the quality control program are as follows:

(4) The people involved in the integrity management program shall be competent, aware of the program and all of its activities and shall be properly trained to execute the activities within the program. Documentation of such competence, awareness and qualification, and the processes for their achievement, shall be part of the quality control plan.

§192.915 (b) Persons who carry out assessments and evaluate assessment results. The integrity management program must provide criteria for the qualification of any person--

(1) Who conducts an integrity assessment allowed under this subpart; or

(2) Who reviews and analyzes the results from an integrity assessment and evaluation; or

(3) Who makes decisions on actions to be taken based on these assessments.

- **Item 6A: §192.911(l), ASME B31.8S-2001, section 12.2(b)(4), §192.915 (b)**

  SVP did not define nor implement qualification requirements for personnel evaluating integrity assessment results. [L.02.b]

  Evidence: IMP Element #12, Appendix #12A; IMP Team qualifications spreadsheet; QA Plan Roles and Responsibilities Summary.

Proposed Compliance Order

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Silicon Valley Power. Please refer to the *Proposed Compliance Order* that is enclosed and made a part of this Notice.

Warning Items

With respect to item(s) 1A, 2A, 3A, 4A, 4B, 4C, 5A and 6A, 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 promptly correct these items. Be advised that failure to do so may result in Silicon Valley Power being subject to additional enforcement action.

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 5-2008-1001** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

for Huy Van Nguyen

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

cc: PHP-60 Compliance Registry
PHP-500 J. Gilliam (#118623)

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

PROPOSED COMPLIANCE ORDER

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

1. In regard to Item Number 3B of the Notice pertaining to remediation of anomalies with accelerated corrosion growth rates that would require reassessment to be performed prior to the seven (7) year reassessment interval, Silicon Valley Power must reassess the six-inch (6") high pressure delivery pipeline using ILI. Silicon Valley Power must calculate the corrosion growth rate for each anomaly found to exist on the pipeline with a depth greater than five percent (5%) through wall measurement or a length greater than one (1) inch in any direction.

   Furthermore, Silicon Valley Power must provide a report with the following:

   a. Each anomaly and its disposition in regard to remediation or monitored status.

   b. Future assessment and monitoring plans for this pipeline after completing remediation of this current assessment.

   c. Detail description as to the cause and remediation of the accelerated corrosion mechanism(s).

2. Silicon Valley Power must complete the work within one (1) year of receipt of the Final Order.

3. Silicon Valley Power 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.