

WARNING LETTER

VIA E-MAIL TO MR. TODD DENTON

April 25, 2022

Mr. Todd Denton
President
Phillips 66 Pipeline, LLC
3010 Briarpark Drive
PWC-7109
Houston, TX 77042

CPF 5-2022-034-WL

Dear Mr. Denton:

From October 4 through October 8, 2021, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, (U.S.C.) inspected Phillips 66's California Gas Lines in San Obispo, California.

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. **§ 192.605 Procedural manual for operations, maintenance, and emergencies.**
 - (a) ***General.*** Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response. For transmission lines, the manual must also include procedures for handling abnormal operations. This manual must be reviewed and updated by the operator at intervals not exceeding 15 months, but at least once each calendar year. This manual must be prepared before operations of a pipeline system commence. Appropriate parts of the manual must be kept at locations where operations and maintenance activities are conducted.

Phillips 66 failed to follow their written procedure, identified as P66-MPR-9001 Inspection and Testing - Natural or Other Gas Pipeline Leakage Surveys, Rev. 7, effective date 11/06/2018, for conducting operations and maintenance activities.

Section 5.3.6 states: “Leak detection equipment shall be calibrated prior to the start of the survey. Calibrate the instrument with calibration gas that is recommended for the gas being transported in the pipelines being surveyed.”

During the inspection, calibration records for the leak survey equipment could not be provided for any of the leak surveys performed from 2017 to October 2021.

2. § 192.706 Transmission Lines: Leakage surveys.

Leakage surveys of a transmission line must be conducted at intervals not exceeding 15 months, but at least once each calendar year. However, in the case of a transmission line which transports gas in conformity with § 192.625 without an odor or odorant, leakage surveys using leak detector equipment must be conducted –

(a) In Class 3 locations, at intervals not exceeding 7 ½ months, but at least twice each calendar year; and

(b) In Class 4 locations, at intervals not exceeding 4 ½ months, but at least four times each calendar year.

Phillips 66 failed to conduct leak surveys pursuant to the intervals required by § 192.706. Specifically, during the inspection, PHMSA reviewed leak survey records that indicated the intervals were exceeded for the following locations:

- Middlewater Gas Line: leak surveys performed on December 6, 2016, and September 3, 2021.
- Junction Station Gas Line: leak surveys performed on April 22, 2016, and April 26, 2021.

3. § 192.745 Valve maintenance: Transmission lines.

(a) Each transmission line valve that might be required during any emergency must be inspected and partially operated at intervals not exceeding 15 months, but at least once each calendar year.

Phillips 66 failed to conduct valve inspections on the Middlewater Station valve (NG-14) from the SoCal tie-in into the station. This valve is the only valve on the pipeline system that could be used as an emergency valve to shut off gas from the tie-in, and therefore must be inspected and partially operated at intervals not exceeding 15 months, but least once each calendar year. During the inspection, Phillips 66 could not provide any records for annual valve inspections for NG-14.¹

4. § 192.465 External corrosion control: Monitoring.

(a)...

(c) Each reverse current switch, each diode, and each interference bond whose failure would jeopardize structure protection must be electrically checked for proper

¹ See 192.709(c) (requiring operators to keep a record of each test required by subparts L and M of Part 192 for at least 5 years or until the next test is completed, whichever is longer).

performance six times each calendar year, but with intervals not exceeding 2½ months. Each other interference bond must be checked at least once each calendar year, but with intervals not exceeding 15 months.

Phillips 66 failed to electrically check for proper performance each interference bond whose failure would jeopardize structure protection at the requisite intervals. Specifically, Phillips 66 failed to conduct tests associated with the critical bond located on the NG-27 line at Lemon Grove, identified as test station 3-38-05, six times each calendar year, but with intervals not exceeding 2 ½ months, to check for proper performance. This critical bond connects the NG-27 and NG-24 lines, providing structure protection to NG-24.

During the inspection, Phillips 66 informed PHMSA that they did not conduct the requisite testing while the line was idled. However, during this time, PHMSA did not recognize “idle” status. PHMSA Advisory Bulletin 2016-05. The regulations consider pipelines to be either active and fully subject to all parts of the safety regulations or abandoned.² Phillips 66 had not physically abandoned the pipeline and was therefore required to maintain cathodic protection. Furthermore, the critical bond at this location was the only way Phillips 66 could protect the NG-24 line, regardless of its serviceability.

5. § 192.615 Emergency plans.

(a)...

(c) Each operator shall establish and maintain liaison with appropriate fire, police, and other public officials to:

(1) Learn the responsibility and resources of each government organization that may respond to a gas pipeline emergency;

Phillips 66 failed to establish and maintain liaison with appropriate fire, police, and other public officials to achieve the objectives of § 192.615(c)(1)-(4). During the inspection, Phillips 66 provided PHMSA with attendance records for Local Emergency Planning Committee (LEPC) meetings. These records, however, only indicated the operator attended the meetings; the sign-in sheets do not have dates or agendas associated with them. As a result, the records fail to demonstrate if the operator has achieved the objectives set forth in § 192.615(c)(1)-(4).³ Furthermore, Phillips 66 is encouraged to consider the guidance set forth in PHMSA Advisory Bulletin 05-03. For example, emergency response planning should include liaison with owners of electric and other utilities in the vicinity of the pipeline system in order to pre-plan and coordinate response to pipeline emergencies.

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$239,142 per violation per day the violation persists, up to a maximum of \$2,391,142 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

² PHMSA will accept deferral of certain activities for purged but active pipelines, but operators must notify PHMSA in advance of any deferred actions.

³ For example, PHMSA was unable to confirm whether Phillips 66 learned the responsibility and resources of each government organization that may respond to a gas pipeline emergency, or whether they had planned how they and officials would engage in mutual assistance to minimize hazards to life or property.

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. For violation occurring on or after November 27, 2018 and before July 31, 2019, the maximum penalty may not exceed \$213,268 per violation per day, with a maximum penalty not to exceed \$2,132,679. For violation occurring on or after November 2, 2015 and before November 27, 2018, the maximum penalty may not exceed \$209,002 per violation per day, with a maximum penalty not to exceed \$2,090,022.

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 items identified in this letter. Failure to do so will result in Phillips 66 Pipeline, LLC 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 5-2022-034-WL**. 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,

Dustin Hubbard
Director, Western Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry
PHP-500 D. Fehling (#21-231738)