



STATE OF WASHINGTON

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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Ref. No. Docket PL-110009

CERTIFIED MAIL

June 10, 2011

Gary Koegeboehn
Vice President General Manager
NuStar Pipeline Operating Partnership L.P.
7340 W. 21st Street N.
Wichita, KS 67205

Dear Mr. Koegeboehn:

RE: 2011 Hazardous Liquid Standard Inspection – Pasco, Washington

The Washington Utilities and Transportation Commission (commission) conducted an inspection of NuStar Pipeline Operating Partnership L.P. Snake River – Pasco Burlington Northern Rail Road storage facility during the week of April 11, 2011. The inspection included a review of maintenance records, revisions to procedures, and programs effecting: Public Awareness, Operator Qualification, Anti-Drug and Alcohol Misuse Prevention.

Our inspection indicates four probable violations as noted in the enclosed report. We also noted two areas of concern, which unless corrected, could potentially lead to a future violation of state and/or federal pipeline safety rules.

Your response needed

Please review the attached report and respond in writing by July 12, 2011. The response should include how and when you plan to bring the probable violations into full compliance.

What happens after you respond to this letter?

The attached report presents staff's decision on probable violations and does not constitute a finding of violation by the commission at this time.

After you respond in writing to this letter, there are several possible actions the commission, in its discretion, may take with respect to this matter. For example, the commission may:

- Issue an administrative penalty under RCW 81.88.040, or



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- Institute a complaint, seeking monetary penalties, changes in the company's, practices, or other relief authorized by law, and justified by the circumstances, or
- Consider the matter resolved without further commission action.

We have not yet decided whether to pursue a complaint or penalty in this matter. Should an administrative law judge decide to pursue a complaint or penalty, your company will have an opportunity to present its position directly to the commissioners.

If you have any questions, or if we may be of any assistance, please contact Scott Rukke at (360) 664-1241. Please refer to Docket PL-110009 in any future correspondence regarding this inspection.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Lykken" with a stylized flourish at the end.

David D. Lykken
Pipeline Safety Director

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
2011 Hazardous Liquid Pipeline Safety Inspection
NuStar Pipeline Operating Partnership – Diesel Fuel
Docket PL-110009

The following probable violations of Title 49 CFR Part 195 were noted as a result of the inspection of the NuStar's Snake River – Pasco BN pipeline system. The inspection included a random selection of records, operation and maintenance (O&M), emergency response, and field inspection of the pipeline facilities. The inspection included a review of NuStar's public awareness, operator qualification, and anti-drug and alcohol misuse prevention programs.

PROBABLE VIOLATIONS

1. **49 CFR §195.420(b) Valve maintenance.**

(b) *Each operator shall, at intervals not exceeding 7 1/2 months, but at least twice each calendar year, inspect each mainline valve to determine that it is functioning properly.*

Finding(s):

Records indicate that valves 926A0662-1-3, L-6716-01-02, 92GA0662-7-4 and L-6716-01-03 were not operated twice in calendar year 2009 as required.

2. **WAC 480-75-660(2) Procedural manual for operations, maintenance, and emergencies**

(2) *Each pipeline company shall submit a copy of its current procedural manual to the commission and must submit any revisions to the procedural manual to the commission within thirty days of the procedural manual change. A new pipeline company must submit its procedural manual no later than sixty days prior to startup.*

Finding(s):

NuStar has not submitted revised procedures to the Commission, as required, since 10/12/2007. Preparation for this inspection was based on a 2007 copy of your manual.

3. **49 CFR §195.402(a) Procedural manual for operations, maintenance, and emergencies.**

(a) *General. Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.*

Finding(s):

NuStar's procedure manual indicates that the Maximum Operating Pressure (MOP) is 550 psig. This may not be accurate as over pressure protection (OPP) devices have an approximate set point of 900 psig. This would not comply with the requirements that OPP not allow the pressure to exceed 110% of MOP. In addition, records indicate that on numerous occasions, the pressure exceeded 110% of MOP with a high pressure of 784 psig recorded on 12/13/2009 at 15:00:00.

Although records indicate that NuStar reviewed their manual at least annually, they failed to recognize this discrepancy and make the necessary changes to ensure the manual is accurate.

4. **49 CFR §195.402(a) Procedural manual for operations, maintenance, and emergencies.**

(a) *General. Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.*

Finding(s):

NuStar procedure, Kaneb Section 4-G, requires fire extinguishers to be maintained on a monthly basis and that records are maintained. Since manual updates were not provided as required we are unsure if this procedure has been incorporated into the NuStar Procedures manual that was recently provided to us. If it is, we have been unable to find it.

NuStar contract maintenance personnel did not keep records of the fire extinguisher maintenance until February 2011, but did indicate that the maintenance has been performed as required.

AREAS OF CONCERN

1. Pressure records were reviewed that indicate a segment of the pipeline experienced negative pressures up to a recorded -249 psig on November 24 and 23, 2010. NuStar operating personnel indicated that this may have been due to temperature changes of the product during shut-in. No Abnormal Operating Condition (AOC) was detected.
 - a) Please provide an explanation of the negative pressures recorded on the pipeline and indicate if there are any issues or concerns.
 - b) Would this be considered an AOC?
 - c) How would this affect your ability to detect leaks during shut-in?
 - d) Was this negative pressure detected and investigated by NuStar's personnel?

2. Please explain why engineering, supervisory and operating personnel, especially those who are Operator Qualified, did not detect any issues with an MOP of 550 psig and a relief set point of 900 psig. This would exceed the 110% of MOP pressure limitation allowed by code.