STATE OF WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION
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CERTIFIED MAIL

November 12, 2014

Vincent DiCosimo
VP Petroleum Logistics
Targa Resources
1000 Louisiana, Suite 4300
Houston, TX 77002

Dear Mr. DiCosimo:

RE: 2014 Hazardous Liquid Pipeline Integrity Management Inspection – Targa Sound Terminal LLC, (Insp. No. 5827)

Staff from the Washington Utilities and Transportation Commission (staff) conducted a hazardous liquid inspection from August 18 - 21, 2014, at the Targa Sound Terminal LLC (Targa) in Tacoma, WA.

The inspection included 127 questions from the Pipeline and Hazardous Materials Safety Administration (PHMSA) Inspection Assistance (IA) modules for Assessment and Repair, Integrity Management, and Reporting.

Targa operates an inbound pipeline between Targa Sound Terminal and Olympic Pipe Line at the Port of Tacoma. The pipeline was commissioned on January 20, 2013, to transport refined product about 2.85 miles. Future integrity management projects include inline inspection within five years of the successful hydrostatic test in December 2012.

Our inspection found no probable violations and identified nine areas of concern which unless corrected, could potentially lead to future violation of state and/or federal pipeline safety rules. Each item is referenced to the inspection form with brackets { } around the IA question number, module, and section titles.

Your response needed
Please review the attached report and respond in writing by December 19, 2014. The response should include how and when you plan to review and revise your IM program processes and procedures in response to the areas of concern.

If you have any questions or if we may be of any assistance, please contact Al Jones at (360) 664-1321. Please refer to the subject matter described above in any future correspondence pertaining to this inspection.

Sincerely,

David D. Lykken
Pipeline Safety Director

Enclosure

cc: Troy Goodman, Area Manager, Targa Resources / President, Targa Sound Terminal LLC
Tim Huffer, Manager, Regulatory Compliance, Targa Resources
Matthew J. Kolata, Environment, Health & Safety Specialist, Targa Sound Terminal LLC

UTILITIES AND TRANSPORTATION COMMISSION
2014 Hazardous Liquid Pipeline Integrity Management Inspection
Targa Sound Terminal LLC – Tacoma, WA

The following areas of concerns of Title 49 CFR Part 195 were noted as a result of the 2014 integrity management inspection at the Targa Sound Terminal LLC in Tacoma, WA.

AREAS OF CONCERN

1. **49 CFR §195.452 Pipeline Integrity Management in High Consequence Area**
{IA **Procedure** Question #9 for Repair Criteria – Pressure Reduction}

(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 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 the condition is unlikely to pose a threat to the long-term integrity of the pipeline. An operator must comply with § 195.422 when making a repair.

(4) Special requirements for scheduling remediation —

(i) Immediate repair conditions. An operator's evaluation and remediation schedule must provide for immediate repair conditions. To maintain safety, an operator must temporarily reduce operating pressure or shut down the pipeline until the operator completes the repair of these conditions. An operator must calculate the temporary reduction in operating pressure using the formula in Section 451.6.2.2 (b) of ANSI/ASME B31.4 (incorporated by reference, see § 195.3).

Finding(s):
Targa's procedure (IMP – Section 4.1) does not specify a reduction of normal operating pressure when an immediate repair condition is discovered.

2. **49 CFR §195.452 Pipeline Integrity Management in High Consequence Area**
{IA **Procedure** Question #4 for P&M Measures Risk Analysis Application}

(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:

(6) Identification of preventive and mitigative measures to protect the high consequence area (see paragraph (i) of this section);

Finding(s):
Targa's procedure (Section 6.1) did not include a process for reducing the likelihood of consequences of pipeline releases specifically for ground fault currents. The Port of Tacoma has industrial power cables buried below ground and on poles along the pipeline right-of-way. Also, the procedure should address the threat of a lahar flow from Mt. Rainier.

3. **49 CFR §195.452 Pipeline Integrity Management in High Consequence Area**
{IA **Record** Question #5 for P&M Measures Risk Analysis Application}

(l) What records must be kept?
(1) An operator must maintain for review during an inspection:
(ii) Documents to support the decisions and analyses, including any modifications, justifications, variances, deviations and determinations made, and actions taken, to implement and evaluate each element of the integrity management program listed in paragraph (f) of this section.

Finding(s):
Targa's records did not include an evaluation of the effects of potential actions to reduce the likelihood and consequences of pipeline releases. Specifically, records should include an analysis of electrical ground fault from AC current and natural disasters such as lahar flow from Mt. Rainier.

4. **49 CFR §195.452 Pipeline Integrity Management in High Consequence Area**
{IA **Procedure** Question #13 for HCA Air Dispersion Analysis}

(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:
(1) A process for identifying which pipeline segments could affect a high consequence area;

Finding(s):
Targa's procedure (Section 1.3.6) did not include an air dispersion analysis for the commodities transported and release scenarios.

5. **49 CFR §195.452 Pipeline Integrity Management in High Consequence Area**
{IA **Record** Question #14 for HCA Air Dispersion Analysis}

(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:

(1) A process for identifying which pipeline segments could affect a high consequence area;

Finding(s):
Targa has not developed records of air analysis for dispersion of vapors.

6. **49 CFR §195.452 Pipeline Integrity Management in High Consequence Area**
{IA **Procedure** Question #6 for Preventive & Mitigative Measures – Decision Basis}

(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:

(6) Identification of preventive and mitigative measures to protect the high consequence area (see paragraph (i) of this section);

Finding(s):
Targa's procedure does not include information about a systematic decision-making process involving input from operations, maintenance, engineering, corrosion control and other sources of information for risk analysis and for decisions about which preventive and mitigative actions to implement.

7. **49 CFR §195.452 Pipeline Integrity Management in High Consequence Area**
{IA **Record** Question #7 for Preventive & Mitigative Measures – Decision Basis}

(l) What records must be kept?

(1) An operator must maintain for review during an inspection:

(ii) Documents to support the decisions and analyses, including any modifications, justifications, variances, deviations and determinations made, and actions taken, to implement and evaluate each element of the integrity management program listed in paragraph (f) of this section.

Finding(s):
Targa's records did not include information about a systematic decision-making process involving input from operations, maintenance, engineering, corrosion control that considers the results of the risk analysis along with other information in making decisions about which preventive and mitigative actions to implement.

8. **49 CFR §195.452 Pipeline Integrity Management in High Consequence Area**
{IA **Record** Question #6 for Risk Analysis – Input Information}

(l) What records must be kept?
(1) An operator must maintain for review during an inspection:
(ii) Documents to support the decisions and analyses, including any modifications, justifications, variances, deviations and determinations made, and actions taken, to implement and evaluate each element of the integrity management program listed in paragraph (f) of this section.

Finding(s):
Targa's records include data, but the data has not been formatted for any type of analysis. For example, monthly CP and rectifier data is available and not formatted to identify trends in current demand, changes in pipe-to-soil readings at foreign line crossings, and changes in rectifier output voltage and current.

9. **49 CFR §195.452 Pipeline Integrity Management in High Consequence Area**
{IA **Observation** Question #7 for Risk Analysis – Input Information}

(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:
(3) An analysis that integrates all available information about the integrity of the entire pipeline and the consequences of a failure (see paragraph (g) of this section);

Finding(s):
The field conditions observed along the pipeline right-of-way is accurately reflected in Targa's risk assessment information except for ground fault current from AC power and lahar flow from Mt. Rainier.