



U.S. Department  
Of Transportation

1200 New Jersey Ave., SE  
Washington, DC 20590

**Pipeline and  
Hazardous Materials  
Safety Administration**

May 18, 2016

Mr. Bob Gorham  
Program Manager/Supervising Pipeline Safety Engineer  
Pipeline Safety Division  
California State Fire Marshal  
3500 Paramount Boulevard, Suite 210  
Lakewood, CA 90712

Dear Mr. Gorham:

This letter serves to memorialize the understanding between the Pipeline and Hazardous Materials Safety Administration (PHMSA) and the California State Fire Marshal (CASFM) with respect to the transfer or regulatory oversight over Plains Pipeline, LP's (Plains) Lines 901 and 903 located in Santa Barbara County, California.

On May 19, 2015, Plains' Line 901 pipeline ruptured, releasing approximately 2,934 barrels of heavy crude oil into the environment (Failure). As a result, Line 901 and Line 903, which carries all of Line 901's crude oil throughput, were shut down.<sup>1</sup> Two days later, on May 21, 2015, PHMSA issued a Corrective Action Order (CAO) shutting down Line 901 and requiring immediate remedial actions. PHMSA has since amended the CAO twice,<sup>2</sup> requiring, among other actions, a shutdown of Line 903 between Gaviota and Pentland Station. Both lines remain shut down as of the date of this letter. PHMSA is currently conducting an investigation into the cause of the Failure.

Prior to the accident, Plains operated Lines 901 and 903 as interstate pipelines under Federal Energy Regulatory Commission (FERC) tariffs and were subject to PHMSA's regulatory, inspection and enforcement jurisdiction. After the Failure, Plains cancelled its FERC tariffs on Line 901 and Line 903. Specifically, it cancelled its FERC tariff on Line 901 on February 12, 2016, and Line 903 on April 29, 2016 (collectively, Transfer Dates). Effective as of the Transfer Dates, Lines 901 and 903 are now considered intrastate hazardous liquid pipelines subject to the regulatory and enforcement jurisdiction of CASFM, pursuant to state certification from PHMSA.

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<sup>1</sup> Lines 901 and 903 provide transportation service from Santa Barbara County to Pentland Station, Kern County.

<sup>2</sup> The first amendment was issued on June 3, 2015, and the second was issued on November 12, 2015.

The post-accident transfer of regulatory authority from PHMSA to CASFM does not affect or otherwise impact PHMSA's ongoing investigation(s) of, and any enforcement action(s) related to, the Failure or to any other events involving the operation of Lines 901 and 903 occurring prior to the Transfer Dates. As a result, PHMSA will continue to assert its enforcement authority with respect to all actions and incidents occurring on Lines 901 and 903 prior to the Transfer Dates. CASFM, meanwhile, will exercise jurisdiction over any actions or events related to Lines 901 and 903 occurring after the Transfer Dates. CASFM will continue to implement and enforce the federal minimum pipeline safety regulations relating to Lines 901 and 903 beginning as of the Transfer Dates, and may adopt and enforce additional or more stringent standards for intrastate hazardous liquid pipelines under 49 U.S.C. § 60104(c). PHMSA and CASFM will cooperate and collaborate with each other, as necessary, on PHMSA's investigatory and enforcement activities relating to the Failure and on any other matters relating to Lines 901 and 903.

More specifically, PHMSA will be responsible for:

- Completing and finalizing the root-cause investigation of the Failure ;
- Issuing and finalizing any enforcement actions arising out of the investigation and any other events occurring prior to the Transfer Dates, including, but not limited to, the following types of actions: Notice of Probable Violation, Proposed Civil Penalty, Proposed Compliance Order, and/or Corrective Action Order (CAO), etc.;
- Completing the CAO issued to Plains on May 21, 2015, and any amendments thereto, and issuing any future CAOs related to the Failure;
- Collaborating with CASFM on any additional or modified safety requirements that may be needed in connection with any CAO that has been or may be imposed by PHMSA relating to Lines 901 and 903, including any potential re-start of the pipelines; and
- Transitioning full regulatory authority from PHMSA to CASFM once all PHMSA investigations and enforcement actions have been completed and closed.

CASFM will be responsible for:

- Including Lines 901 and 903 in CASFM's Annual Inspection Program (SB 295);
- Including Lines 901 and 903 in CASFM's Leak Detection Program (AB 864);
- Including Line 901 in the CASFM Higher Risk pipeline program, due to the release and absence of effective Cathodic Protection. This will require the pipeline to be tested annually for 5 years; and
- Exercising authority over Lines 901 and 903 under existing and future regulations established by CASFM.

If either pipeline is replaced rather than repaired, such work will be considered new construction, and the design, construction, operation, and maintenance would fall under the regulatory authority of the CASFM.

This Letter Agreement is subject to change based on any future events or newly-discovered facts that may impact any terms set forth herein. Please sign below and email me a PDF of the signed letter to [zach.barrett@dot.gov](mailto:zach.barrett@dot.gov). Thank you for your assistance and cooperation in this matter.

Sincerely,



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Zach Barrett  
Director for State Programs  
Office of Pipeline Safety

ACKNOWLEDGED:



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Bob Gorham  
Program Manager/Supervising Pipeline Safety Engineer  
Pipeline Safety Division  
California State Fire Marshal