



STATE OF WASHINGTON
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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CERTIFIED MAIL

December 21, 2012

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

Dear Mr. Koegeboehn:

RE: **2012 Control Room Management Technical Assistance Inspection - NuStar Pipeline Operating Partnership L.P**

Staff from the Washington Utilities and Transportation Commission (staff) conducted Control Room Management inspection of NuStar Pipeline Operating Partnership L.P (NuStar) control room from July 23 to July 27, 2012. This inspection was conducted jointly with representatives from the federal Pipeline and Hazardous Materials Safety Administration (PHMSA). The inspection included a review of NuStar's Control Room Management Program, the control room itself and associated records.

Although staff conducted this inspection jointly with representatives from the Pipeline and Hazardous Material Safety Administration (PHMSA), each agency has separate hazardous liquid pipeline safety jurisdiction and will independently exercise that jurisdiction with respect to this inspection. Therefore, this letter is from the State of Washington, Utilities and Transportation Commission only.

As the attached PHMSA Control Room Management Inspection Form notates under the "Findings" section, there are 18 areas of concern which unless corrected, could potentially lead to future violations of state and/or federal pipeline safety rules.

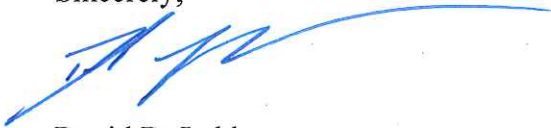
As we understand the current relationship between Tidewater Terminal Company (Tidewater) and NuStar, Tidewater is now the owner of the pipeline, and NuStar will continue operating the pipeline until Tidewater has their own SCADA system up, running and verified. As such, the commission would still regulate NuStar as the operator and any response to PHMSA on the findings will also need be copied to staff.

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Please notify me in writing when Tidewater takes over operational responsibility for this pipeline facility so we can make the appropriate changes in our database. We appreciate your cooperation during this transition time.

If you have questions or if we may be of any assistance, please contact Dennis Ritter at (360) 664-1159.

Sincerely,



David D. Lykken
Pipeline Safety Director

Enclosure

cc: Andy Stephens, V.P. of Business Development and Terminals, Tidewater Terminal
Pat Jensen, General Manager, Tidewater Terminal

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
2012 Control Room Management Technical Assistance Inspection
NuStar Headquarters, San Antonio, TX

The following findings were made by PHMSA following the Federal/State technical assistance inspection at NuStar's San Antonio Headquarters for Control Room Management. The numbering system for each finding is taken directly from the Control Room Management Inspection Form (02-29-2012) used during the inspection.

A1-2: The team suggested to NuStar that they develop a sign - off sheet to be used as a record of the annual review.(3.2.1 O&M 304 Communication, all operations are coordinated through the Control Room department, may need to revise, asked for a copy of the procedure). The team requested the OQ task for pilot that would instruct him/her to contact the Control Room in the event of a leak).

A1-3: (Requested Dates for verification of implementation) this information was provided and reviewed by Buddy Sheets. The team suggested that NuStar capture all of the activities associated with the program implementation and capture in a document and have an official of the company develop and sign a document so stating when the program was finalized. There was a 7/20/2012 revision date in the manual. It doesn't appear to be a MOC for the implementation of CRM even though it should have been according to their MOC Procedure #1.2.12.1 page 2 of 12.

C1-3: There is a potential issue with color blindness; the employee job description addresses, but there is no formal testing for color blindness.

C2-2: There is an issue with Inhibited Alarms, where is the process defined? NuStar needs to formalize the process defined in the Shift Supervisor Best Practice Checklist.

C3-1 & C3-2: NuStar needs to develop procedures that describe the practices that they currently use (each quarter) in regards to the testing and verifying the internal communication plan for manual operation of the pipeline safely at least once each a year. Actual testing needs to be documented.

D4-4: There aren't any countermeasures on NuStar's deviation form. NuStar needs to develop a procedure and associate form for capturing items addressed in D4-4.

D4-8: NuStar needs to change language on page 18, Section 4.4.1 of CRMP to reflect actual practice.

E1-2: NuStar needs procedures that address a closure mechanism for safety related alarms and a form that documents closure.

E3-1: Nustar needs a procedure to ensure all safety related alarm setpoint values and alarm descriptions are verified and documented at least once each calendar year.

E4-1: NuStar needs to develop a procedure that documents their current activities associated with the review of the alarm management plan and a form to capture each time this activity is conducted.

E5-1, E5-2, E5-3, & E5-4: NuStar needs to develop a procedure and matrix that documents their current activities associated with the review of the alarm management plan and a form to capture each time this activity is conducted for E5-1 through E5-4.

E6-1: NuStar needs to develop procedures to address how deficiencies found in implementing (e)(1) through (e) (5) will be resolved.

H1-1 & H1-2: Nustar needs to develop a matrix for H1-1 & H1-2.