

**MAR 15 2010**

Mr. Kevin Hostler  
President & Chief Executive Officer  
Alyeska Pipeline Service Company  
900 East Benson Boulevard  
Anchorage, AK 99508

**Re: CPF No. 5-2008-0002**

Dear Mr. Hostler:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation and finds that Alyeska Pipeline Service Company has completed the actions specified in the Notice to comply with the pipeline safety regulations. It also issues your company a warning for another probable violation and advises you to correct that condition. This case is now closed. Service of the Final Order by certified mail is deemed effective upon the date of mailing, or as otherwise provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Jeffrey D. Wiese  
Associate Administrator  
for Pipeline Safety

Enclosure

cc: Mr. Chris Hoidal, Director, Western Region, PHMSA

**CERTIFIED MAIL – RETURN RECEIPT REQUESTED [7009 1410 0000 2472 5217]**

**U.S. DEPARTMENT OF TRANSPORTATION  
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION  
OFFICE OF PIPELINE SAFETY  
WASHINGTON, D.C. 20590**

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<b>In the Matter of</b> )	
)	
<b>Alyeska Pipeline Service</b> )	<b>CPF No. 5-2008-0002</b>
<b>Company,</b> )	
)	
<b>Respondent.</b> )	
_____ )	

**FINAL ORDER**

On September 10 to 11, 2007, pursuant to 49 U.S.C. § 60117, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), conducted an on-site pipeline safety inspection of the facilities and records of Alyeska Pipeline Service Company (Alyeska or Respondent) in Fairbanks, Alaska. Alyeska is the operator of the Trans Alaska Pipeline System (TAPS), an 800-mile-long hazardous liquid pipeline system that transports crude oil from production facilities in Prudhoe Bay to a marine terminal in Valdez, Alaska.<sup>1</sup> Respondent also operates a 148-mile-long natural gas pipeline system, the facility subject to the September 2007 OPS inspection.

As a result of the inspection, the Director, Western Region, OPS (Director), issued to Alyeska, by letter dated January 28, 2008, a Notice of Probable Violation and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Respondent had committed various violations of 49 C.F.R. Part 192 and proposed ordering the company to take certain measures to correct the alleged violations. The Notice also proposed finding that Respondent had committed another probable violation of 49 C.F.R. Part 192 and warning it to take appropriate corrective action to address this item or be subject to future enforcement action.

Alyeska responded to the Notice by letter dated February 28, 2008 (Response). Respondent did not contest the allegations of violation covered by the proposed compliance order but provided information concerning the corrective actions it had taken. Alyeska did, however, dispute the allegation of violation that led to the proposed warning. Respondent did not request a hearing and therefore has waived its right to one.

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<sup>1</sup> <http://www.alyeska-pipe.com> (accessed on Feb. 14, 2010).

## FINDINGS OF VIOLATION

In its Response, Alyeska did not contest the allegations in the Notice that it violated 49 C.F.R. Part 192, as follows:

**Item 1:** The Notice alleged that Respondent violated 49 C.F.R. § 192.911(p), which states, in relevant part:

**§ 192.911 What are the elements of an integrity management program?**

An operator's initial integrity management program begins with a framework (*see* § 192.907) and evolves into a more detailed and comprehensive integrity management program, as information is gained and incorporated into the program. An operator must make continual improvements to its program. The initial program framework and subsequent program must, at a minimum, contain the following elements. (When indicated, refer to ASME/ANSI B31.8S (incorporated by reference, *see* § 192.7) for more detailed information on the listed element.)

(a) . . . .

(p) A process for identification and assessment of newly-identified high consequence areas. (See § 192.905 and 192.921).

Specifically, Item 1A of the Notice alleged that Alyeska violated 49 C.F.R. § 192.911(p) by failing to have a process for identifying high consequence areas (HCAs) along its fuel gas line, as further required under § 192.905(a) and (b). Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Alyeska violated 49 C.F.R. § 192.911(p), which incorporates by reference 49 C.F.R. § 192.905(a) and (b).

Likewise, Item 1B of the Notice alleged that Alyeska also violated 49 C.F.R. § 192.911(p) by failing to have a written procedure for applying the potential impact radius method to determine if an HCA would be affected by a failure on the company's fuel gas line. This requirement is listed in § 192.903 and incorporated by reference into § 192.911(p). Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Alyeska violated 49 C.F.R. § 192.911(p), which incorporates by reference 49 C.F.R. § 192.903, by failing to have a written procedure for applying the potential impact radius method to determine if an HCA would be affected by a failure of its fuel gas line.

Finally, Item 1C of the Notice alleged that Alyeska violated 49 C.F.R. § 192.911(p) by failing to have a written procedure for the actions that must be taken if a new HCA is identified. This procedure is required by § 192.905(c), which is incorporated by reference into § 192.911(p), and must be followed to ensure that personnel take timely action in addressing new HCAs.

Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Alyeska violated 49 C.F.R. § 192.911(p), which incorporates by reference the requirement in 49 C.F.R. § 192.905(c) to have a written procedure for the actions that must be taken if a new HCA is identified.

**Item 2:** The Notice alleged that Respondent violated 49 C.F.R. § 192.911(i), which states in relevant part:

**§ 192.911 What are the elements of an integrity management program?**

An operator's initial integrity management program begins with a framework (*see* § 192.907) and evolves into a more detailed and comprehensive integrity management program, as information is gained and incorporated into the program. An operator must make continual improvements to its program. The initial program framework and subsequent program must, at a minimum, contain the following elements. (When indicated, refer to ASME/ANSI B31.8S (incorporated by reference, *see* § 192.7) for more detailed information on the listed element.)

(a) . . . .

(i) A performance plan as outlined in ASME/ANSI B31.8S, section 9 that includes performance measures meeting the requirements of § 192.945.

In particular, the Notice alleged that Alyeska violated 49 C.F.R. 192.911(i) by failing to have a written procedure for submitting semi-annual reviews of its integrity management activities. This requirement is outlined in detail in § 192.945 and incorporated by reference into § 192.911(i). It is important that an operator review its integrity management program on a semi-annual basis to determine if it is effective. Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 192.911(i) by failing to have a written procedure for submitting semi-annual reviews of its integrity management activities.

These findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent.

**COMPLIANCE ORDER**

The Notice proposed a compliance order with respect to Items 1 and 2 in the Notice for violations of 49 C.F.R. § 192.911. Under 49 U.S.C. § 60118(a), each person who engages in the transportation of gas or who owns or operates a pipeline facility is required to comply with the

applicable safety standards established under chapter 601. The Director has indicated that Respondent has taken the following actions specified in the proposed compliance order:

In response to Item 1, Alyeska submitted written procedures for identifying an HCA on its fuel gas line, applying the potential impact radius method, and describing the actions that must be taken once an HCA is identified.

In response to Item 2, Alyeska supplied written procedures for submitting semi-annual reviews of its integrity management activities.

The Director has reviewed these written procedures and supporting documentation and determined that they are sufficient to comply with the Gas Transmission Pipeline Integrity Management requirements of Subpart O.

Accordingly, I find that compliance has been achieved with respect to these violations. Therefore, the compliance terms proposed in the Notice are not included in this Order.

### **WARNING ITEM**

With respect to Item 3, the Notice alleged a probable violation of Part 192 but did not propose a civil penalty or compliance order for this item. Therefore, it is considered to be a warning item. The warning was for:

49 C.F.R. § 192.945(a) (**Item 3**) — Respondent's alleged failure to file the company's first semi-annual integrity management report for its fuel gas line on or before August 31, 2004, the applicable regulatory deadline, and its alleged failure to file its next five semi-annual reports for that line on or before the applicable regulatory deadlines.

In its Response, Alyeska disputed these allegations and stated that the company had in fact filed these reports. Respondent also stated that it had contacted Roger Little, PHMSA's Director of Information and Analysis, after receiving notification that these reports were missing. According to Alyeska, Mr. Little told the company that PHMSA lost its reports during a database failure. Alyeska also submitted several supporting documents, including a written receipt showing that Respondent had submitted its semi-annual report for the January 1 to June 30, 2005 reporting period on September 27, 2005. Alyeska also submitted email records showing that the company had allegedly re-submitted its reports for the periods ending December 31, 2004, June 30, 2005, December 31, 2005, and June 30, 2006, respectively, on March 28, 2007.

Respondent's own evidence shows that its semi-annual report for the January 1 to June 30, 2005 period was not timely filed—i.e., the written receipt confirms that this report was not submitted until September 27, 2005, several weeks after the applicable 2-month deadline. Alyeska also had no written procedure for filing these reports, which are required even if an operator has no HCAs, and PHMSA has no record of timely receiving the reports or experiencing a subsequent

database failure. Accordingly, having considered such information, I find, pursuant to 49 C.F.R. § 190.205, that a probable violation of 49 C.F.R. § 192.945(a) (Notice Item 3) occurred and Respondent is hereby advised to correct such conditions. In the event that OPS finds a violation of this provision in a subsequent inspection, Respondent may be subject to future enforcement action.

The terms and conditions of this Final Order are effective upon receipt of service.

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Jeffrey D. Wiese  
Associate Administrator  
for Pipeline Safety

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Date Issued