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Thomas J. Barrett
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February 15, 2011

Government Letter No: 22907
APSC File No: 2.11

Mr. Chris Hoidal
Director, Western Region
PHMSA, Office of Pipeline Safety
12300 West Dakota Avenue, Suite 110
Lakewood, Co 80228

Reference: Notice of Proposed Safety Order CPF No. 5-2011-5001S

Dear Mr. Hoidal:

Alyeska Pipeline Service Company (Alyeska) provides this response to the Notice of Proposed Safety Order, CPF 5-2011-5001S, issued February 1, 2011. Pursuant to 49 CFR §190.239(b)(2), Alyeska requests informal consultation with PHMSA to discuss the proposed safety order.

Alyeska is committed to operating TAPS safely, reliably, with sound environmental stewardship and good business practices. Restoration of full TAPS operation following the January 8, 2011 Pump Station (PS) 1 incident was successfully achieved in challenging arctic conditions without serious injury to personnel or harm to the environment. We support actions in the proposed order that will enhance safe operation of TAPS.

However, Alyeska believes that some of PHMSA's preliminary findings and proposed actions fail to reflect sound operational practice, propose out of sequence activities or address matters external to TAPS. We look forward to discussing our specific concerns with PHMSA. To assist the discussion we offer the comments below:

Concerning your preliminary findings: (For ease of reference, we have sequentially numbered the bulletized paragraphs of the preliminary findings.)

In preliminary finding 3, PHMSA states that "reduced throughput has resulted in numerous integrity challenges that have not been fully addressed by Alyeska's operational and maintenance activities." Alyeska believes such a vague generalization does little to advance safety and is inconsistent with your paragraph 6. Alyeska has been, and will continue to be proactive to address risks resulting from declining flow. A number of activities related to the proposed safety order were commenced prior to the incident, and we are looking at opportunities for accelerating others where it is prudent to do so. As PHMSA is aware, Alyeska has increased the frequency and aggressiveness of our cleaning pigs and we have

adapted use of different technologies for smart pigs to improve detection capability. Our pigging program exceeds regulatory requirements. We have implemented multiple changes in operations as a result of studies conducted of low flow conditions and will continue to prudently do so as we reassess our risk mitigation.

PHMSA includes paragraph 4 on the history of piping upstream of PS 1 that is operated by others and is not part of TAPS. Alyeska takes exception to its inclusion in any enforcement action addressed to Alyeska.

While PHMSA acknowledges in preliminary finding 14 that Alyeska conducted an interim restart of the pipeline with containment and recovery in place, PHMSA fails to acknowledge that the Unified Command and PHMSA agreed with the interim restart procedures. Alyeska acted with regulatory concurrence.

In paragraph 15, PHMSA states that "Alyeska indicated that this Cold Restart Plan had never been used in operation or tested under cold weather conditions." Full "testing" of the Cold Restart contingency plan under winter conditions is impractical, and would put the pipeline at increased risk. This has been discussed with PHMSA in the past. The operational conditions are the subject of our requested discussion regarding proposed action 8, below.

In preliminary finding 16, PHMSA states that "Alyeska had difficulty implementing the latest version of the Cold Restart procedures, partially due to the inability to quickly move equipment to the necessary locations along the pipeline." To the contrary, Alyeska successfully executed the Cold Restart contingency plan as written. Moving equipment up and down the 800 miles of pipeline was conducted in a measured manner. The pipeline was not in a circumstance that dictated the need to implement the plan, so moving equipment into place was precautionary. There was no need to hastily move heavy equipment on winter roads in limited daylight in a hurried or unsafe manner. We will not compromise personnel safety because PHMSA or anyone else thinks we should perform some operational activity more quickly. At all times, we acted prudently and responsibly in carrying out these activities.

In that same paragraph, PHMSA states that "the procedures required that certain regulatory requirements be disregarded in order to be implemented." Alyeska would like to clarify which regulatory requirements you reference, so we can address your concern.

In paragraph 17, PHMSA states that "the only permanent pig receiver that could have been used to remove the pigs from the pipeline was located at the Valdez Marine Terminal." Although the only permanent pig receiver available to remove the pigs which were trapped in the pipeline when it was shut down is located at VMT, Alyeska has a spool piece of pipe that can be, and was, successfully and safely used to capture the pig at PS 8. Alyeska just demonstrated that a permanent pig receiver is not the only method capable of safely recovering pigs.

In preliminary finding 18, combined with statements of production rates, tank capacity, and proration of North Slope producers, PHMSA reaches what Alyeska believes are questionable conclusions about the impact to North Slope production facilities when TAPS is shut down. These statements are not relevant to any PHMSA enforcement order directed to Alyeska. Alyeska's decision to restart the pipeline was based on safely managing the risks to the pipeline system.

PHMSA also advances questionable conclusions in paragraph 20. Alyeska has the ability to capture or launch cleaning or smart pigs at the spool piece interim location at PS 8. Storage facilities upstream of PS 1 are not something that Alyeska has the ability to control operationally or legally. This statement does not belong in any enforcement action against Alyeska. Further, the size of storage facilities along the pipeline has no causal connection to the length of prorations or increased risk of product release in cold weather. Finally, the time it takes to implement the Cold Restart contingency plan is factored into any decision to trigger the plan well in advance of potential need for the equipment.

Concerning the proposed actions:

Item 1: Alyeska has already discussed with PHMSA hiring Det Norske Veritas (DNV) to investigate and evaluate the cause of the leak at PS 1 and received PHMSA's concurrence. As you know, Alyeska began its investigation of the leak site at PS 1 on January 20. We started the investigation by taking initial samples of the oil, sediment and free liquids, and swabs of the pipe surface. We conducted an internal visual inspection of the dead leg on the booster pump discharge header piping. We invited your inspectors to observe the sampling. Your Anchorage office declined to participate. We are on track to submit a written investigation plan by February 15 as required, however, there are serious operational and safety issues which may preclude completing the investigation in the time frame proposed by PHMSA. Therefore, we would like to discuss the July 1 deadline to provide results from the investigation.

Item 2: Alyeska seeks clarification of the requirement to "replace any piping along TAPS that cannot be assessed...." Alyeska understands that this requirement addresses crude oil piping and wants to confirm that PHMSA agrees that this is the only piping covered under this requirement.

Item 3: Alyeska has extensive and detailed third party information gathered as part of the ongoing low flow studies that relates directly to potential need for additional permanent pig launchers and receivers. We believe this information will satisfy PHMSA's requirement.

Item 4: Alyeska agrees a permanent pig launcher and receiver between PS 5 and PS 10 may be desirable. However, the design considerations behind such a decision are substantial and we want to clarify the date for providing the plan to you.

Item 5: Alyeska requests further discussion of the underlying assumptions and proposed deadline to evaluate the need for increased storage tank capacity at pump stations. The proposed requirement assumes a causal connection between additional storage tanks and the implementation of Cold Restart. Alyeska would like to explore this assumption with PHMSA.

Item 6: As you know, the Cold Restart equipment is already positioned at the locations designated in the Cold Restart Plan. We intend to leave the equipment pre-staged until May. However, the requirement to apply for regulatory permits and demonstrate that Cold Restart can be implemented after receipt of the regulatory permits is premature given the requirement of Item 7, which requires a revised Cold Restart Plan that incorporates lessons learned from this incident. We would like to discuss dates that flow logically from preparatory work needed to revise the Plan.

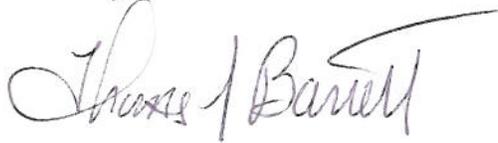
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Item 7: Alyeska is now reviewing the incident for lessons learned. Alyeska routinely conducts engineering reviews of all operational components, including restart components, to ensure compliance with 49 CFR Part 195. Alyeska would like to clarify that these engineering reviews will meet PHMSA's expectations.

Item 8: Alyeska would like to review with PHMSA the operational construct of the Cold Restart equipment. Alyeska wants to ensure that PHMSA understands the purpose of the Cold Restart contingency and its intrusive impact on normal operations.

Thank you for your consideration of our comments. Alyeska looks forward to a productive informal consultation. If you have any questions, please contact Joseph Robertson at 907-787-8061.

Sincerely,

A handwritten signature in cursive script, appearing to read "Joseph Robertson". The signature is written in black ink and is positioned below the word "Sincerely,".

cc: Jeff Wiese
Dennis Hinnah