



U.S. Department
of Transportation

**Research and
Special Programs
Administration**

400 Seventh St., S.W.
Washington, D.C. 20590

MAR 11 2004

Mr. Robert Shoaf
Vice President
Regulatory Affairs
900 East Benson Boulevard
Alyeska Pipeline Service Company
Anchorage, AK 99508

Re: CPF No. 5-2002-5016

Dear Mr. Shoaf:

Enclosed is the Order Directing Amendment issued by the Associate Administrator for Pipeline Safety in the above-referenced case. It makes a finding of inadequate procedures and requires that you amend your integrity management program procedures. When the terms of the Order are completed, as determined by the Director, Western Region, OPS, this enforcement action will be closed. Your receipt of the Order Directing Amendment constitutes service of that document under 49 C.F.R. § 190.5.

Sincerely,

James Reynolds
Pipeline Compliance Registry
Office of Pipeline Safety

Enclosure

cc: Sheila Doody Bishop
Attorney
P.O. Box 60469
Fairbanks, Alaska 99706

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

DEPARTMENT OF TRANSPORTATION
RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION
WASHINGTON, DC 20590

)
In the Matter of)

)
Alyeska Pipeline Service Company,)

)
Respondent.)

CPF No. 5-2002-5016

FINAL ORDER

On April 8-9, 2002, pursuant to 49 U.S.C. § 60117, representatives of the Western Region, Office of Pipeline Safety (OPS), inspected Alyeska Pipeline Service Company's integrity management program at Respondent's facilities in Fairbanks, Alaska. As a result of the inspection, the Western Regional Director, OPS, issued to Respondent by letter dated May 7, 2002, a Notice of Amendment (NOA). The NOA alleged inadequacies in Respondent's integrity management program and proposed to require amendment of Respondent's procedures to comply with the requirements of 49 C.F.R. § 195.452(b).

Respondent acknowledged receipt of the NOA by letter dated May 30, 2002 and requested an extension to August 15, 2002 to submit its response. The Western Region granted a 60-day extension on June 18, 2002. Respondent requested an additional 60-day extension on August 6, 2002, which OPS granted on August 13, 2002. On October 9, 2002, Respondent submitted its response to the NOA (Response). Respondent contested the allegations, submitted information to address the allegations and reserved the right to a hearing if OPS did not withdraw the allegations based on the submitted information. Respondent requested a hearing on January 6, 2003. An informal hearing was held in the Western Region, OPS, on April 8, 2003. After the hearing, Respondent submitted a Closing Response dated June 6, 2003.

AMENDMENT OF PROCEDURES

The NOA alleged three inadequacies in Respondent's integrity management segment identification procedures:

- the spill volume Respondent used to calculate the 1/2-mile buffer zone for overland spill migration and transport of spilled oil by streams and rivers to high consequence areas was not adequate to identify areas that might be affected by larger spills.
- the results of the revised spill volume calculation should be incorporated into Respondent's stream transport analysis and overland spill modeling.

• situations where the analytical model predicts transport distances longer than an assumed buffer zone should be considered.

Respondent maintained that the spill volumes it used in its stream transport analysis and overland spill modeling were extremely conservative. Respondent explained that it considered a broad spectrum of spill sizes, scenarios and consequences and that the buffer zone it used for overland spill migration and transport of spilled oil by streams and rivers to high consequence areas is greater than 95% of all estimated spill volumes. Respondent contended that its method was supported by a reliable engineering evaluation and provides an equivalent level of protection to the public and the environment.

Respondent further maintained that since the spill volumes it used were so conservative, it did not need to modify its procedures. Respondent acknowledged that the aggregation of oil spilled on water may extend beyond the ten-mile buffer zone in some cases and agreed to amend its procedures to extend the buffer zone where calculations show greater distances. In its June 2003 Closing Statement, Respondent included a copy of its amended procedures that extend the buffer zone.

I do not accept Respondent's arguments that its procedures for identifying segments that could affect a high consequence area are adequate. Respondent's methodology was based on a leak occurring from a one-inch hole and a spill volume of 27,000 bbls. I do not consider this methodology as providing adequate protection to high consequence areas. Although Respondent's procedures have considered historical data, Respondent needs to consider if larger spills have the potential to affect the high consequence areas. Respondent may not have experienced a larger leak in the past, but it needs to do so for its segment identification procedures to ensure that these areas are protected. Respondent's methodology must, at minimum, consider high consequence areas that could be affected by leaks resulting from larger holes and larger spill volumes.

Respondent agreed to amend its integrity management program procedures to extend the buffer zone where calculations show greater water transport than the 10-mile buffer zone. Although Respondent amended its procedures, further amendment may be necessary based on the revised spill volume calculations and incorporation of any revised figures into the stream transport analysis and overland spill modeling.

Accordingly, I find that Respondent's integrity management program procedures are inadequate to ensure safe operation of its pipeline system. Pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237, Respondent is ordered to make the following changes to its integrity management program procedures. Respondent must -

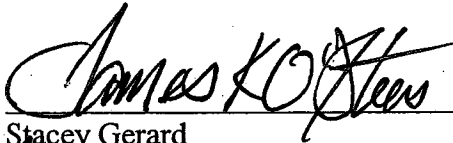
1. Amend its procedures to consider a broader range of failure sizes for identifying pipeline segments that could affect high consequence areas.
2. Amend its procedures to incorporate the results of the revised spill volume calculation into its stream transport analysis and its overland spill modeling.
3. Amend its procedures extending the buffer zone for water transport if the amendments in # 1 and # 2 above necessitate further amendment.

4. Submit the amended procedures to the Regional Director, Western Region, OPS within 30 days following receipt of the Order Directing Amendment.

The Regional Director may extend the period for complying with the required items if the Respondent requests an extension and adequately justifies the reasons for the extension.

The terms and conditions of this Order Directing Amendment are effective upon receipt.

Failure to comply with this Order may result in the assessment of civil penalties of up to \$100,000 per violation per day, or in the referral of the case for judicial enforcement.



Stacey Gerard
Associate Administrator
for Pipeline Safety

MAR 11 2004

Date Issued