

CPF 5-2002-5035



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

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

MAY 19 2006

Mr. James F. Johnson
Vice President for Pipeline Operations
Alyeska Pipeline Service Company
P.O. Box 60469
Fairbanks, Alaska 99706

Dear Mr. Johnson:

Enclosed is the Consent Order incorporating the Consent Agreement reached between Alyeska Pipeline Service Company and the Pipeline and Hazardous Materials Safety Administration. The Associate Administrator for Pipeline Safety is issuing this Consent Order. Your receipt of the Consent Order constitutes service of that document under 49 C.F.R. § 190.5.

Sincerely,

A handwritten signature in black ink, appearing to read "James Reynolds", with a long horizontal stroke extending to the right.

James Reynolds
Pipeline Compliance Registry
Office of Pipeline Safety

Enclosure

cc: Sheila Doody Bishop
Fairbanks Attorney

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
WASHINGTON, DC**

In the Matter of

Alyeska Pipeline Service Company

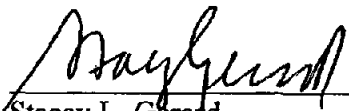
CONSENT ORDER

By the attached Agreement, Alyeska Pipeline Service Company (Alyeska) and the Pipeline and Hazardous Materials Safety Administration (PHMSA) have agreed to issuance of this Consent Order. The Agreement provides for Alyeska to maintain and inspect at twice yearly intervals certain valves on the Trans Alaska Pipeline System (TAPS). The Agreement settles the petition for reconsideration of the Final Order PHMSA issued in CPF No. 55501 and the allegations of the Notice of Probable Violation PHMSA issued in CPF No. 5-2002-5035 concerning valve inspections.

Accordingly, I hereby incorporate the terms of the attached Agreement and issue this Consent Order.

Failure to comply with this Consent 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.

The terms and conditions of this Consent Order are effective on receipt.



Stacey L. Gerard
Associate Administrator for
Pipeline Safety

MAY 19 2006

Date Issued

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, DC 20590**

Consent Agreement Between)
)
Pipeline and Hazardous Materials Safety Administration)
)
And)
)
Alyeska Pipeline Service Company)

AGREEMENT

WHEREAS, pursuant to 49 U.S.C. §60101 et seq., the Pipeline and Hazardous Materials Safety Administration (PHMSA)¹, U.S. Department of Transportation, issued to Alyeska Pipeline Service Company (Alyeska) a Final Order on November 30, 2000 in CPF 55501 and a Notice of Probable Violation, Proposed Compliance Order, Proposed Civil Penalty and Notice of Amendment (Notice) on December 31, 2002, in CPF 5-2002-5035;

WHEREAS, these administrative enforcement actions apply to the Trans Alaska Pipeline System (TAPS) operated by Alyeska in the state of Alaska;

WHEREAS, in CPF 55501 Alyeska petitioned for reconsideration of the finding in the Final Order that it had violated 49 C.F.R. §§195.420(a) and (b) and of the \$25,000 assessed civil penalty for the violations;

WHEREAS, in CPF No. 5-2002-5035, the Notice alleged, inter alia, a violation of 49 C.F.R. §195.420(b) for not performing a functional test of certain block valves, and proposed a civil penalty of \$3,000;

WHEREAS, Alyeska disputes that the valves cited in CPF 55501 and CPF 5-2002-5035 are valves subject to §195.420(b);

¹ The Research and Special Programs Administration (RSPA) issued these documents. On February 20, 2005, RSPA was split into two new federal agencies: the Pipeline and Hazardous Materials Safety Administration (PHMSA) and the Research and Innovative Technology Administration. (See, section 108 of the Norman Y. Mineta Research and Special Programs Improvement Act (Public Law 108-426, 118 Stat. 2423-2429 (November 30, 2004))). The pipeline safety functions were redelegated to the Administrator, PHMSA. (See, 70 Fed. Reg. 8299 (February 18, 2005)).

WHEREAS, PHMSA and Alyeska continue to disagree over which valves on TAPS should be categorized as mainline valves subject to 49 C.F.R. §195.420(b);

WHEREAS, Alyeska is willing to maintain and function test certain valves, and developed a Valve Maintenance Management Plan dated September 2001 that is intended to ensure valves are "maintained in good working order... to safely, economically and environmentally support 30+ years of TAPS service."

Pursuant to the pipeline safety laws at 49 U.S.C. §60101 et seq., and the regulations in 49 C.F.R. Part 190, Alyeska and PHMSA (also referred to as the Parties) have agreed to enter into a Consent Agreement to settle the Petition for Reconsideration in CPF 55501 and the allegations of the Notice in CPF 5-2002-5035 concerning the valve inspections according to the following terms:

1. For purposes of this proceeding, Alyeska, as operator of TAPS, is subject to the jurisdiction of the pipeline safety laws at 49 U.S.C. § 60101 et seq., the regulations promulgated pursuant to these laws, and administrative orders issued under authority of these laws.
2. Alyeska consents to the issuance of an administrative order (Consent Order) incorporating the terms of this Agreement and waives any further procedural requirements, other than notice, with respect to its issuance and all rights to seek judicial review or otherwise contest its validity.
3. This Agreement constitutes a settlement of the Petition for Reconsideration of the Final Order in CPF No. 55501 and the allegations of violation of 49 C.F.R. §195.420(b) in Notice CPF No. 5-2002-5035. PHMSA will not make any finding of violation with respect to whether Alyeska violated 49 C.F.R. §195.420(b) for the cited valves. PHMSA will withdraw the civil penalties of \$25,000 in CPF No. 55501 and \$3,000 in CPF No. 5-2002-5035.
4. Nothing in this Agreement bars PHMSA from taking action to address any future violation of the regulations or of the terms of paragraph #8 of this Agreement, or hazardous situation that may arise with respect to the facilities covered by the Agreement.
5. Compliance with the terms of this Agreement does not excuse any failure to comply with the pipeline safety laws and the regulations promulgated under these laws, except to the extent that the terms of this Agreement are more restrictive.
6. This Agreement constitutes the entire agreement of the Parties and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions among the Parties, whether oral or written,

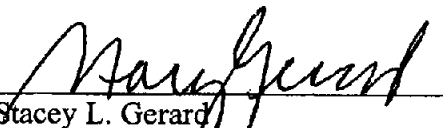
with respect to the subject matter hereof. The terms of this Agreement control in case of an inconsistency with the record in this matter.

7. The following valves are covered by this agreement. These valves include the valves cited in CPF No. 55501 and CPF No. 5-2002-5035, and other valves on TAPS.
 - a. All 48" full bore valves designated as Remote Gate Valves (RGV) up to and including 41-MOV-20BL1 and 41-MOV-20BL2 at Pump Station 11 and 58-MOV-972 at the end of the mainline at Valdez, and all 48" full bore Check Valves (CKV).
 - b. All ramped down pump station (PS) Battery Limit (BL) valves (at the date of this agreement, PS 2, 6, 8, 10 & 12).
 - c. All active pump station BL valves (at the date of this agreement, PS 1, 3, 4, 5, 7 & 9).
 - d. All operator installed 48" full bore manual gate valves (MGV).
 - e. All producer inlet valves at Pump Station 1 (PS 1)
 - f. All valves at the pump stations which isolate breakout tanks (the 20T0 series).
 - g. All refinery take-off and return valves from the 48" pipeline that can isolate refineries (at the date of this agreement, Flint Hills Refinery and PetroStar Refinery in North Pole, and PetroStar Refinery in Valdez).
8. For each of the valves listed in paragraph #7 of this Agreement, Alyeska must do the following –
 - a. keep them in good working order at all times per 49 C.F.R. §195.420(a);
 - b. inspect each valve to determine it is functioning properly at least twice each calendar year, but no longer than 7 ½ months between intervals per 49 C.F.R. §195.420(b);
 - c. have procedures in its Operations and Maintenance Manual for how personnel are to provide for safety during maintenance and normal operations of the valves per 49 C.F.R. §195.402(c);
 - d. maintain the documentation demonstrating that it has complied with these requirements per 49 C.F.R. §195.404(c); and

- e. provide protection for each valve from unauthorized operation and from vandalism per 49 C.F.R. §195.420(c).
9. For all other valves subject to PHMSA regulation, Alyeska must operate and maintain them in accordance with 49 C.F.R. §195.420(a), §195.420(c), and the TAPS Valve Maintenance Management Plan or its successor, and maintain the documentation demonstrating such compliance.
10. The location, addition, or removal of any valve defined in paragraph #7 must be in accordance with 49 C.F.R. §195.260.
11. Either Party may propose to modify this Agreement with notice to the other Party. If both Parties agree to the modification, the modification will be incorporated into the Agreement.

Exhibit One: Graphic depiction and listing of valves addressed in this Agreement.

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

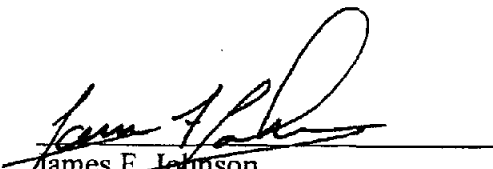


Stacey L. Gerard
Associate Administrator for
Pipeline Safety

MAY 19 2006

Date

ALYESKA PIPELINE SERVICE COMPANY



James F. Johnson
Vice President for Pipeline Operations

May 9th, 2006

Date

Exhibit 1

Valves required for safe operation upon which a biannual function test is performed.

