



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

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

JUN 19 2006

By Federal Express and Facsimile: (907-450-5415)

Mr. Rob Shoaf
Vice President- Regulatory Affairs
Alyeska Pipeline Service Company
P.O. Box 196660
Anchorage, AK 99519-6660

Re: CPF No. 5-2004-5011M

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 with respect to Items 1c and 1d of the Notice of Amendment and requires that you amend your integrity management program procedures. For the remaining items listed in the Notice of Amendment, the Order finds that with respect to the Notice, no further revisions of your procedures are required. 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

cc: Chris Hoidal P.E., Regional Director
Western Region, OPS

Shelia Doody-Bishop, Legal Counsel
Alyeska Pipeline Service Company

Enclosure

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

_____))
In the Matter of))
_____))
Alyeska Pipeline Service Company,) **CPF No. 5-2004-5011M**
_____))
Respondent))
_____)

ORDER DIRECTING AMENDMENT

Between May 6 and 9, 2003, pursuant to 49 U.S.C. § 60117, representatives of the Pipeline and Hazardous Materials Safety Administration, Office of Pipeline Safety (OPS), inspected Respondent's integrity management program (IMP) for the Trans Alaska Pipeline System (TAPS). As a result of the inspection, the Director, Western Region, OPS, issued to Respondent, by letter dated April 1, 2004, a Notice of Amendment (NOA). The NOA alleged inadequacies in Respondent's IMP and proposed to require amendment of Respondent's procedures to comply with the requirements of 49 C.F.R. § 195.452.

Respondent requested a 60-day extension by letter dated May 6, 2004. OPS granted the request by letter dated May 6, 2004. Respondent requested an additional extension by letter dated June 9, 2004. In a letter dated August 16, 2004, Respondent answered the NOA by requesting a hearing and providing a statement of issues it wished to raise. On November 16, 2004, Respondent presented its plans for compliance with the NOA. In a letter dated December 7, 2004, OPS found that this presentation did not fulfill the requirement of the NOA. In a letter dated July 15, 2005, Respondent submitted updated IMP procedures. In an August 9, 2005 letter, OPS confirmed a telephone conversation between OPS and Respondent regarding a hearing. A hearing was held on September 21, 2005. Respondent submitted post-hearing comments in a letter dated November 18, 2005.

Findings

NOA **Item 1c** alleged that Respondent improperly used its segment-specific risk assessment (SSRA) to deselect "could affect" pipeline segments from its IMP. In response, Respondent submitted revised procedures for assessing risks to High Consequence Areas (HCA).¹ Respondent stated that its revised risk ranking procedure would be used to identify the need for additional preventive and mitigative measures and to determine if pipeline segments could

¹ Respondent's September 21, 2005 Hearing Presentation, Determining Risk Rank, pp.16-24.

affect a HCA.² Respondent used the revised procedure to create a risk matrix chart that displays combinations of spill likelihoods and consequences and determines a resulting policy of action.³ Respondent erroneously concludes that its risk ranking procedure reveals risks low enough to justify deselecting some “could affect” pipeline segments from its IMP.⁴

Section 195.452(a) requires Respondent’s IMP to include all pipeline segments that could affect a HCA.⁵ Respondent continues to improperly employ its SSRA to deselect pipeline segments that could impact HCAs. A risk rank classification of minimal risk, while useful in the context of considering the need for additional preventative and mitigative measures to reduce risk to HCAs,⁶ is an unsound justification for exclusion of pipeline segments from Respondent’s IMP. Respondent’s current practice of deselecting pipeline segments where there is possible risk to HCAs is contrary to the requirements of Section 195.452(a).

Respondent asserts that when applying the regulation, OPS is only concerned with consequences to HCAs and does not consider the likelihood of impact.⁷ This statement mischaracterizes OPS’s regulatory mandate. When assessing Respondent’s compliance with §195.452(a), OPS applies the language of that section as it is clearly written. “Could affect” means any effect, from the smallest likelihood to the greatest certainty. This finding is consistent with past PHMSA findings that any impact to a HCA requires inclusion of the respective pipeline segment in Respondent’s IMP.⁸

Item 1d alleged that Respondent failed to consider additional preventative and mitigative measures to reduce risks to HCAs. The NOA found that Respondent’s risk analysis lacked the rigorous level of detail required under the regulations. In response to the NOA, Respondent amended its procedures for consideration of risk factors when it identifies the need for and nature of additional preventative and mitigative measures to protect HCAs. At the hearing, Respondent presented a risk ranking methodology and “Leak Probability Chart.”⁹ Respondent’s methodology and chart only considers risks originating from the types of hazards that have actually occurred, and not those risks that could otherwise be anticipated.

Section 195.452(i) requires Respondent to identify and add preventative and mitigative measures to protect HCAs that could be affected by a pipeline segment. To identify the need for and nature of these measures, Respondent must undertake a SSRA of each “could affect” segment. Respondent’s SSRA must include all relevant risk factors.¹⁰ Instead, Respondent improperly excludes a wide range of important risk factors from its SSRA by only listing risks from hazards

² *Id.* at 16.

³ *Id.* at 20.

⁴ *Id.* at 20-22. Respondent asserts that risks low enough to fit into Risk Rank 4 do not justify inclusion in its IMP.

⁵ Only by demonstration through Risk Assessment that the pipeline could not affect an HCA may that particular pipeline segment be removed from Respondent’s IMP. *See* 49 C.F.R. §195.452(a). Respondent may not make an end run around the requirements of §195.452(a) by identifying a “could affect” segment and later deselecting it because the risk is determined to be low as a result of a §195.452(i) mandated SRA.

⁶ *See* §192.452(i) Risk assessment is used to “identify additional actions to enhance public safety or environmental protection.”

⁷ Respondent’s November 18, 2005, Post-hearing letter, p. 3.

⁸ *In the matter of BP Exploration Alaska, Inc.*, Order Directing Amendment, p.2, CPF No. 5-2002-5024M (Apr. 25, 2006) (holding that segments which presented even minimal risk to a HCA must be included in Respondent’s IMP); *In the matter of BP Exploration Alaska, Inc.*, Order Directing Amendment, p.2, CPF No. 5-2004-5019M (Apr. 25, 2006) (holding that absent clear evidence that a HCA is not affected by a given pipeline segment, that segment must be included in Respondent’s segment identification analysis).

⁹ Respondent’s September 21, 2005, Hearing Presentation, Linewide Threat Results, p. 11

¹⁰ §195.452(i)(2) provides a non-exclusive list of relevant risk factors.

that have actually occurred in the past. Respondent has failed to consider anticipated risks such as potential overpressure situations due to an uncommanded valve closure, human error, or a fast transient pressure spike. Respondent's failure to include anticipated hazards limits the usefulness of its SSRA and is not protective of pipeline safety. Preventative and mitigative measures cannot be meaningfully assessed without consideration of a full range of risk factors, including those Respondent is fortunate enough not to have experienced in the past.

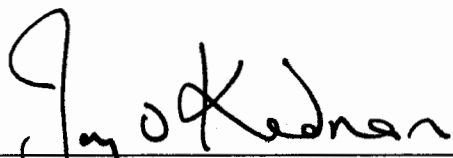
The Director, Western Region, reviewed the revised procedures and the materials presented at the hearing and afterward. Based on the results of that review, I find that Respondent's original IMP procedures, as described in the NOA, were inadequate to ensure safe operation of its pipeline system, but that Respondent has corrected the inadequacies identified in NOA Items 1a and 1b. Respondent need not make any further revisions based on the NOA with respect to these items. With respect to Items 1c and 1d, I find that Respondent's IMP procedures remain 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 revisions to its integrity management program procedures. Respondent must –

1. Include in its IMP any pipeline segments that could affect an HCA, regardless of the magnitude of that potential impact and not use an SSRA finding of minimal impact as justification for deselection of pipeline segments.
2. Include in its SSRA a thorough and careful weighing of risk factors, including all relevant anticipated and known risks. The amended SSRA must then be used to assess the need for and nature of mitigative and preventative measures to protect HCAs that could be affected by a pipeline segment.
3. Submit the amended procedures to the Director, Western Region, OPS within 30 days following receipt of this Order Directing Amendment. With respect to the submission of amended procedures, the Director may notify Respondent if any or all of the procedures have been amended satisfactorily, or, if further modification is necessary, require respondent to modify the submission to cure deficiencies. If the Director finds deficiencies and orders further modification, Respondent must proceed to take all action to correct its procedures to comply with this order. Respondent must correct all deficiencies within the time specified by the Director, and resubmit the procedures for review. If a resubmitted item is disapproved in whole or in part, the Director may again require Respondent to correct the deficiencies in accordance with the foregoing procedure, or the Director may otherwise proceed to enforce the terms of this Order.

The Director may grant an extension of time to comply with any of the required items upon a written request timely submitted by the Respondent demonstrating good cause for an extension.

Failure to comply with this Order may result in the assessment of administrative 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 Order Directing Amendment are effective upon receipt.



for Stacey Gerard
Associate Administrator for Pipeline Safety

JUN 19 2006

Date Issued