NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

April 23, 2008

Mr. Thomas Mushovic
General Manager
Aircraft Services International Group (ASIG)
6000 DeHavilland Drive
Anchorage, AK  99519

CPF 5-2008-5009M

Dear Mr. Mushovic:

Between November 11-14, 2007, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected ASIG’s records and procedures for its Integrity Management program in Anchorage, Alaska.

On the basis of the inspection, PHMSA has identified apparent inadequacies found within ASIGs’ plans or procedures, as described below:

1. Preventative and Mitigative Measures
   §195.452 Pipeline integrity management in high consequence areas.
   (i) What preventive and mitigative measures must an operator take to protect the high consequence area?
   (2) Risk analysis criteria. In identifying the need for additional preventive and mitigative measures, an operator must evaluate the likelihood of a pipeline release occurring and how a release could affect the high consequence area. This determination must consider all relevant risk factors, including, but not limited to:
   (i) Terrain surrounding the pipeline segment, including drainage systems such as
small streams and other smaller waterways that could act as a conduit to the high consequence area;
(ii) Elevation profile;
(iii) Characteristics of the product transported;
(iv) Amount of product that could be released;
(v) Possibility of a spillage in a farm field following the drain tile into a waterway;
(vi) Ditches along side a roadway the pipeline crosses;
(vii) Physical support of the pipeline segment such as by a cable suspension bridge;
(viii) Exposure of the pipeline to operating pressure exceeding established maximum operating pressure.

- Item 1A: §194.452 (i)(2)

ASIG did not have adequate procedures that considers the items in §195. 452 (i) (2). ASIG must consider all risk factors, including, but not limited to:
(i) Terrain surrounding the pipeline segment, including drainage systems such as small streams and other smaller waterways that could act as a conduit to the high consequence area; (ii) Elevation profile; (iii) Characteristics of the product transported; (iv) Amount of product that could be released; (v) Possibility of a spillage in a farm field following the drain tile into a waterway; (vi) Ditches along side a roadway the pipeline crosses; (vii) Physical support of the pipeline segment such as by a cable suspension bridge; (viii) Exposure of the pipeline to operating pressure exceeding established maximum operating pressure.

2. Preventative and Mitigative Measures

§195.452 Pipeline integrity management in high consequence areas.
(i) What preventive and mitigative measures must an operator take to protect the high consequence area?
3) Leak detection. An operator must have a means to detect leaks on its pipeline system. An operator must evaluate the capability of its leak detection means and modify, as necessary, to protect the high consequence area. An operator's evaluation must, at least, consider, the following factors—length and size of the pipeline, type of product carried, the pipeline's proximity to the high consequence area, the swiftness of leak detection, location of nearest response personnel, leak history, and risk assessment results.

- Item 1A: §194.452 (i)(3)

ASIG did not have adequate procedures to take into account the factors outlined in §195.452(1)(3). ASIG did not conduct a formal analysis to assess the capability of its leak detection means and modify, as necessary, to protect the high consequence area. An operator’s evaluation must, at least, consider the following factors—length and size of the pipeline, type of product carried, the pipeline’s proximity to high consequence area, the swiftness of leak detection, location of nearest response personnel, leak history, and risk assessment results.
3. Preventative and Mitigative Measures

§195.452 Pipeline integrity management in high consequence areas.

(i) What preventive and mitigative measures must an operator take to protect the high consequence area?

(4) Emergency Flow Restricting Devices (EFRD). If an operator determines that an EFRD is needed on a pipeline segment to protect a high consequence area in the event of a hazardous liquid pipeline release, an operator must install the EFRD. In making this determination, an operator must, at least, consider the following factors—the swiftness of leak detection and pipeline shutdown capabilities, the type of commodity carried, the rate of potential leakage, the volume that can be released, topography or pipeline profile, the potential for ignition, proximity to power sources, location of nearest response personnel, specific terrain between the pipeline segment and the high consequence area, and benefits expected by reducing the spill size.

- Item 1A: §194.452 (i)(4)

ASIG procedures did not consider all of the factors outlined in 452 (i)(4). ASIG did not complete an evaluation of the need for additional EFRDs to respond to releases during transient conditions. ASIG did not consider the potential effects of additional EFRDs, including a) conducting proper valve sequencing during intended EFRD activations, b) the operator’s ability to promptly detect and react to inadvertent EFRD activations, and c) possible elevated pressures caused by transient conditions during EFRD activations.

4. Preventative and Mitigative Measures

§195.452 Pipeline integrity management in high consequence areas.

(j) What is a continual process of evaluation and assessment to maintain a pipeline's integrity?

(2) Evaluation. An operator must conduct a periodic evaluation as frequently as needed to assure pipeline integrity. An operator must base the frequency of evaluation on risk factors specific to its pipeline, including the factors specified in paragraph (e) of this section. The evaluation must consider the results of the baseline and periodic integrity assessments, information analysis (paragraph (g) of this section), and decisions about remediation, and preventive and mitigative actions (paragraphs (h) and (i) of this section).

- Item 1A: §194.452 (j)(2)

ASIG did not have adequate procedures to identify continual processes and procedures that meet the requirements of §195.452 (j)(2). All relevant information was not adequately considered and adequate justifications were not developed for reassessment intervals.
5. Preventative and Mitigative Measures

§195.452 Pipeline integrity management in high consequence areas.
(j) What is a continual process of evaluation and assessment to maintain a pipeline's integrity?
(4) Variance from the 5-year intervals in limited situations-
(i) Engineering basis. An operator may be able to justify an engineering basis for a longer assessment interval on a segment of line pipe. The justification must be supported by a reliable engineering evaluation combined with the use of other technology, such as external monitoring technology, that provides an understanding of the condition of the line pipe equivalent to that which can be obtained from the assessment methods allowed in paragraph (j)(5) of this section. An operator must notify OPS 270 days before the end of the five-year (or less) interval of the justification for a longer interval, and propose an alternative interval. An operator must send the notice to the address specified in paragraph (m) of this section.
(ii) Unavailable technology. An operator may require a longer assessment period for a segment of line pipe (for example, because sophisticated internal inspection technology is not available). An operator must justify the reasons why it cannot comply with the required assessment period and must also demonstrate the actions it is taking to evaluate the integrity of the pipeline segment in the interim. An operator must notify OPS 180 days before the end of the five-year (or less) interval that the operator may require a longer assessment interval, and provide an estimate of when the assessment can be completed. An operator must send a notice to the address specified in paragraph (m) of this section.

• Item 1A: §194.452 (j)(4)

ASIG does not have adequate procedures in their IM Program to include provisions for submitting variance notifications to PHMSA for assessment intervals longer than the 5-year maximum assessment interval?

6. Program Evaluation

(f) What are the elements of an integrity management program? An integrity management program begins with the initial framework. An operator must continually change the program to reflect operating experience, conclusions drawn from results of the integrity assessments, and other maintenance and surveillance data, and evaluation of consequences of a failure on the high consequence area. An operator must include, at minimum, each of the following elements in its written integrity management program:
(7) Methods to measure the program's effectiveness (see paragraph (k) of this section);

• Item 1A: §194.452 (f)(7)
ASIG does not have adequate procedures to demonstrate that they have an effective root cause analysis and a lessons learned program.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Compliance Proceedings*. Please refer to this document and note the response options. Be advised that all material you submit in response to this enforcement action is subject to being made publicly available. If you believe that any portion of your responsive material qualifies for confidential treatment under 5 U.S.C. 552(b), along with the complete original document you must provide a second copy of the document with the portions you believe qualify for confidential treatment redacted and an explanation of why you believe the redacted information qualifies for confidential treatment under 5 U.S.C. 552(b). If you do not respond within 30 days of receipt of this Notice, this constitutes a waiver of your right to contest the allegations in this Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in this Notice without further notice to you and to issue a Final Order.

If, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 30 days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

In correspondence concerning this matter, please refer to **CPF 5-2008-5009M** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

[Signature]

Chris Hoidal
Director, Western Region
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry
    PHP-500 J. Strawn (#119912)

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*