

**NOTICE OF PROBABLE VIOLATION
PROPOSED CIVIL PENALTY
and
PROPOSED COMPLIANCE ORDER**

Via Federal Express and Facsimile To: (907) 787-8778

April 21, 2009

Mr. Mike Joynor
Pipeline Vice President
Alyeska Pipeline Service Company
900 East Benson Blvd.
P.O. Box 196660
Anchorage, AK 99519-6660

CPF 5-2009-5019

Dear Mr. Joynor:

On September 8 through 12, 2008, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected Alyeska Pipeline Service Company's (ASPC) pipeline segment between Pump Station 1 and Milepost 126 near Prudhoe Bay, Alaska.

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

1. §195.126 Flange connection.

Each component of a flange connection must be compatible with each other component and the connection as a unit must be suitable for the service in which it is to be used.

The relief header at Pump Station 03 in the Manifold Building should be designed to be suitable for the service in which it is to be used, i.e. to handle the pressures experienced during a relief event. However, a component of this relief header does not appear to be suitable to withstand surge pressure experienced during a relief event. The ANSI 150 (274 psi) blind flange was found to have released crude oil onto the floor of Pump Station 03, probably during the past relief events. The release of oil from the ANSI 150 blind flange is evidence that the flange connection is not suitable for the service in which it is to be used. A similar relief header at Pump Station 05 has an ANSI 600 (1440 psi) blind flange installed, and showed no sign of crude oil release.

Evidence:

1. Photographs of ANSI 150 blind flange on relief header at Pump Station 03.
2. Photograph of crude oil on the floor under the ANSI 150 blind flange, on relief header at Pump Station 03.
3. Photograph of crude oil on the floor under the ANSI 150 blind flange, on relief header at Pump Station 03.
4. Photograph of ANSI 600 flanges on relief header at Pump Station 05.
5. Photograph of ANSI 600 Blind flange on relief header at Pump Station 05.
6. Safety Related Condition Report 19950041 dated 09/26/1995
7. Safety Related Condition Report 19990039 dated 10/22/1999
8. Safety Related Condition Report 19990045 dated 12/29/1999
9. Safety Related Condition Report 20040077 dated 12/20/2004
10. Procedure OCC-3.01-SR, page 8

2. **§195.402 Procedural manual for operations, maintenance, and emergencies.**
 - (c) **Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:**
 - (3) **Operating, maintaining, and repairing the pipeline system in accordance with each of the requirements of this subpart and subpart H of this part.**

Alyeska's Facility Corrosion Integrity Monitoring Procedure, MP-166-3.03-01, states:

“The allowable period of time that may lapse between inspections as determined by either half-life calculation or API 570 classifications. The maximum interval is generally determined using the calculation of not more than half the remaining life of the subject piping contingent to its measured corrosion condition, as projected by the established corrosion rate. Sample ultrasonic testing (UT) inspection intervals should not exceed 5 years for Class 1 piping and 10 years for Class 2 and 3 piping. Visual inspection intervals are directed to be 5 years for Class 1 and 2 piping and 10 years for Class 3 piping. The inspection intervals described above are based upon API 570. The PIT Program uses this definition for piping in all design classes.”

Alyeska's procedure allows for only a sample of locations to be tested every ten years. Alyeska has found internal corrosion which has a measured corrosion rate greater than 50 MPY and which if left uninvestigated for 10 years, would leak. (Alyeska's 2004 Pipeline and Terminal Facilities Corrosion Monitoring Report stated that one location had a 150 MPY rate.) The sampling and re-inspection must take into consideration the possibility of new future corrosion colonies developing.

Evidence:

1. Facility Corrosion Integrity Monitoring Procedure MP-166-3.03-01
2. Spread sheet of 2008 Pit Program for Pump Station 01
3. 2004 Pipeline and Terminal Facilities Corrosion Monitoring Report

Proposed Civil Penalty

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$100,000 for each violation for each day the violation persists up to a maximum of \$1,000,000 for any related series of violations. The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violations and has recommended that you be preliminarily assessed a civil penalty of \$43,800.00 as follows:

<u>Item Number</u>	<u>PENALTY</u>
1	\$43,800

Proposed Compliance Order

With respect to Item 1 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Alyeska Pipeline Service Company. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Warning Item

With respect to Item 2, we have reviewed the circumstances and supporting documents involved in this case and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to promptly correct this item. Be advised that failure to do so may result in Alyeska Pipeline Service Company being subject to additional enforcement action.

Response to this Notice

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.

In your correspondence concerning this matter, please refer to **CPF 5-2009-5019** and send all responses to my attention at 222 W. 7th Ave. # 200, PO Box 37, Anchorage, Alaska 99513. For each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Dennis Hinnah
Deputy Director, Western Region
Pipeline and Hazardous Materials Safety Administration

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Compliance Proceedings

cc: PHP-60 Compliance Registry
PHP-500 B. Flanders (#120686)

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Alyeska Pipeline Service Company a Compliance Order incorporating the following remedial requirements to require that the Alyeska Pipeline Service Company complies with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to the ANSI 150 blind Flange on the relief header at Pump Station 03. Alyeska Pipeline Service Company shall install a blind flange of the same pressure rating as was found on the relief header at Pump Station 05.
2. Alyeska Pipeline Service Company shall complete the above-listed requirements, and submit documentation of such completion within 180 days of receipt of the Final Order.
3. Alyeska Pipeline Service Company shall maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Chris Hoidal, Director, Western, Pipeline and Hazardous Materials Safety Administration. Costs shall be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.