WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

January 4, 2010

The Honorable Edward S. Itta
Mayor
North Slope Borough
P.O. Box 69
Barrow, Alaska 99723

CPF 5-2010-0003W

Dear Mayor Itta:

Between October 26 and 28, 2009, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected the North Slope Boroughs (NSB) procedures, records and facilities in Barrow, 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. §192.465 External corrosion control: Monitoring.
   (a) Each pipeline that is under cathodic protection must be tested at least once each calendar year, but with intervals not exceeding 15 months, to determine whether the cathodic protection meets the requirements of §192.463.

The NSB failed to provide any records of pipe-to-soil monitoring at intervals of 1 per year not to exceed 15 months on the Barrow transmission line.
2. §192.605 Procedural manual for operations, maintenance, and emergencies
   (a) General. Each operator shall prepare and follow for each pipeline, a manual of written
   procedures for conducting operations and maintenance activities and for emergency response.
   For transmission lines, the manual must also include procedures for handling abnormal
   operations. This manual must be reviewed and updated by the operator at intervals not
   exceeding 15 months, but at least one each calendar year. This manual must be prepared
   before operations of a pipeline system commence. Appropriate parts of the manual must be
   kept at locations where operations and maintenance activities are conducted.

   The NSB failed to provide a manual of written procedures for conducting operations and maintenance
   activities and for emergency response for the Barrow transmission line. The NSB did submit an O&M
   manual that was written for the Nuiqsut pipeline. Many of the same procedures that apply to the Nuiqsut
   gas pipeline also apply to the Barrow gas transmission pipeline. However, many procedures cannot be
   written in a generic form and must be site specific to the Barrow gas pipeline.

3. §192.705 Transmission lines: Patrolling.
   (a) Each operator shall have a patrol program to observe surface conditions on and adjacent to
   the transmission line right-of-way for indications of leaks, construction activity, and other
   factors affecting safety and operation.
   (b) The frequency of patrols is determined by the size of the line, the operating pressures, the
   class location, terrain, weather, and other relevant factors, but intervals between patrols may
   not be longer than prescribed in the following table:

<table>
<thead>
<tr>
<th>Class location of line</th>
<th>Maximum interval between patrols</th>
</tr>
</thead>
<tbody>
<tr>
<td>At highway and rail-road crossing</td>
<td>At all other places</td>
</tr>
<tr>
<td>3</td>
<td>4 ½ months; but at least four times each calendar year.</td>
</tr>
</tbody>
</table>

   (c) Methods of patrolling include walking, driving, flying or other appropriate means of
   traversing the right-of-way.

   The NSB failed to provide records of patrolling at intervals of 2 per year not to exceed 7 ½ months in the
   Class 3 locations on the Barrow transmission line.

4. §192.706 Transmission lines: Leakage surveys
   Leakage surveys of a transmission line must be conducted at intervals not exceeding 15 months,
   but at least once each calendar year.

   The NSB failed to provide any records of leak surveys at intervals of 1 per year not to exceed 15 months
   in the Class 3 locations on the Barrow transmission line. The transmission line is odorized.

5. §192.739 Pressure limiting and regulating stations: Inspection and testing.
(a) Each pressure limiting station, relief device (except rupture discs), and Pressure regulating
station and its equipment must be subjected at intervals not exceeding 15 months, but at least
once each calendar year, to inspections and tests to determine that it is—
   (1) In good mechanical condition;
   (2) Adequate from the standpoint of capacity and reliability of operation for the service in
       which it is employed;
   (3) Except as provided in paragraph (b) of this section, set to control or relieve at the correct
       pressure consistent with the pressure limits of §192.201(a); and
   (4) Properly installed and protected from dirt, liquids, or other conditions that might prevent
       proper operation.

The NSB failed to provide records for PCV-214A, PCV-214B, PCV-237A, PCV-237B, PCV-1 and PCV-
2 for the year 2008 at the Primary and Secondary gas handling facilities.

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. 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 correct the item(s) identified in this letter. Failure to do so will result in the North
Slope Borough being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to
CPF 5-2010-0003W 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. 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).

Sincerely,

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

cc: PHP-60 Compliance Registry
    PHP-500 J. Strawn (#127263)
    Marvin Olson, Director, North Slope Borough