

**U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY**

_____)
In the Matter of)
)
Alyeska Pipeline Service Company,)
)
Respondent.)
_____)

CPF 5-2014-5003S

CONSENT AGREEMENT

On March 13, 2013, the Pipeline and Hazardous Materials Safety Administration (PHMSA), U.S. Department of Transportation, issued to Alyeska Pipeline Service Company (Alyeska or Respondent) a Notice of Proposed Safety Order (NOPSO). The Notice alleged that conditions exist on Alyeska's pipeline facilities that pose a pipeline integrity risk to public safety, property, or the environment. The Notice also proposed that Respondent take certain corrective measures to correct the alleged conditions and ensure that the public, property, and the environment are protected from the potential risk.

Alyeska responded to the Notice by letter dated April 11, 2014 (Response). Alyeska acknowledged receipt of the proposed safety order and requested an informal consultation, which was held April 23 and May 8, 2014.

During the informal consultation, PHMSA and Alyeska agreed that settlement of this proceeding will avoid further administrative proceedings or litigation and that entry into this Consent Agreement is the most appropriate means of resolving the Notice; therefore, pursuant to 49 C.F.R. Part 190, without adjudication of any issue of fact or law, and upon consent and agreement of Respondent and PHMSA (the Parties), the Parties agree as follows:

I. General Provisions

1. Respondent acknowledges that as operator of the pipeline, Respondent and its pipeline system are subject to the jurisdiction of the Federal pipeline safety laws, 49 U.S.C. § 60101 et seq., and the regulations and administrative orders issued thereunder. For purposes of this Consent Agreement, Respondent acknowledges that it received proper notice of PHMSA's action in this proceeding and that the Notice states claims upon which relief may be granted pursuant to 49 U.S.C. 60101 et seq., and the regulations and orders issued thereunder.

2. Respondent does not admit or deny any allegation or conclusion in the Notice but agrees, for purposes of this Consent Agreement, that the condition identified in the Notice exists and agrees to address it by completing the actions specified in Section II of this agreement (Corrective Measures). These actions, including any work plans and schedules, shall

automatically be incorporated into this agreement. This Consent Agreement does not constitute a finding of violation of any Federal law or regulation and therefore may not be used in any civil proceeding of any kind as evidence or proof of any fact, fault or liability, or as evidence of the violation of any law, rule, regulation or requirement, except in a proceeding to enforce the provisions of this agreement or in future PHMSA enforcement actions.

3. After Respondent returns this signed agreement, PHMSA's representative will present it to the Associate Administrator for Pipeline Safety recommending that the Associate Administrator adopt the terms of this agreement by issuing an administrative order (Consent Order) incorporating the terms of this Consent Agreement. The terms of this agreement constitute an offer of settlement until accepted by the Associate Administrator.

4. Respondent consents to the issuance of the Consent Order, and hereby waives any further procedural requirements with respect to its issuance. Respondent waives all rights to contest the adequacy of notice, or the validity of the Consent Order or this Consent Agreement, including all rights to administrative or judicial hearings or appeals.

5. This Consent Agreement shall apply to and be binding upon PHMSA, and upon Respondent, its officers, directors, and employees, and its successors, assigns, or other entities or persons otherwise bound by law. Respondent agrees to provide a copy of this agreement and any incorporated work plans and schedules to all of Respondent's officers, employees, and agents whose duties might reasonably include compliance with this agreement.

6. For all transfers of ownership or operating responsibility of Respondent's pipeline, Respondent must provide a copy of this Consent Agreement to the prospective transferee at least 30 days prior to such transfer and simultaneously provide written notice of the prospective transfer to the PHMSA Region Director who issued the Notice.

7. This Consent Agreement constitutes the final, complete and exclusive agreement and understanding between the Parties with respect to the settlement embodied in this agreement, and the Parties acknowledge that there are no representations, agreements or understandings relating to the settlement other than those expressly contained in this agreement, except that the terms of this agreement may be construed by reference to the Notice.

8. Nothing in this Consent Agreement affects or relieves Respondent of its responsibility to comply with all applicable requirements of the Federal pipeline safety laws, 49 U.S.C. § 60101 *et seq.*, and the regulations and orders issued thereunder. Nothing in this agreement alters PHMSA's right of access, entry, inspection, and information gathering or PHMSA's authority to bring enforcement actions against Respondent pursuant to the Federal pipeline safety laws, the regulations and orders issued thereunder, or any other provision of Federal or State law.

9. This Consent Agreement does not waive or modify any Federal, State, or local laws or regulations that are applicable to Respondent's pipeline systems. This agreement is not a permit, or a modification of any permit, under any Federal, State, or local laws or regulations. Respondent remains responsible for achieving and maintaining compliance with all applicable Federal, State, and local laws, regulations and permits.

10. This Consent Agreement does not create rights in, or grant any cause of action to, any third party not party to this agreement. The U.S. Department of Transportation is not liable for

any injuries or damages to persons or property arising from acts or omissions of Respondent or its officers, employees, or agents carrying out the work required by this agreement. The U.S. Department of Transportation, its officers, employees, agents, and representatives are not liable for any cause of action arising from any acts or omissions of Respondent or its contractors in carrying out any work required by this agreement.

II. Corrective Measures

11. In addition to its regular pipeline system ground and aerial surveillance, Alyeska will perform weekly ground surveillance of all encapsulation sites along the pipeline with hand-held gas detectors until completion of the below Items 12, 13, 14, and 15. In the event a specific site cannot be accessed by ground due to personnel safety concerns for two consecutive weeks, the site will be accessed by air. Ground surveillances will be documented and when locations cannot be accessed it will be documented by recording the date and reason for non-access. The Encapsulation Surveillance Plan is attached to this document as Attachment A.

12. Alyeska will complete a phased array and shear wave ultrasonic testing of the three (3) remaining 10-inch and 12-inch encapsulations by July 31, 2014. If field testing at all three of these locations cannot be completed by July 31, 2014 due to site safety concerns, Alyeska will immediately provide specific reasoning and a new planned completion date in writing for PHMSA's review and approval. Alyeska will submit the testing report (test results, analysis of the results, conclusions reached, etc.) for each individual location to PHMSA no later than 30 days after testing is completed at each location.

13. Alyeska will complete a phased array and shear wave ultrasonic testing, magnetic particle examination, and radiographic examination of all 6-inch encapsulations listed on Attachment B to this order. Attachment B contains all encapsulation locations that both Alyeska and PHMSA agreed would provide a broad representation of 6-inch encapsulations throughout the system. The specific locations to be evaluated were chosen based on specific site risk factors such as: atmospheric temperature during encapsulation installation, pipeline pressure during encapsulation installation, condition of the thread-o-ring (TOR) at time of encapsulation, and in-line-inspection (ILI) data.

14. Alyeska will complete field testing of the listed 6" encapsulations identified in Attachment B by September 1, 2014. If field testing at individual locations cannot be completed by September 1, 2014, due to safety concerns, Alyeska will provide specific reasoning and a new planned completion date in writing by for PHMSA's review and approval. Alyeska will submit the testing report (test results, analysis of the results, conclusions reached, etc.) for each individual location to PHMSA no later than 30 days after testing is completed at each location.

15. Alyeska will remediate all integrity threats identified by the testing required by Items 12, 13, and 14 in accordance with 49 CFR § 195.452(h), regardless of whether the location of the threat is within a high consequence area (HCA).

16. Alyeska has engaged a consulting firm to evaluate pipeline structural integrity associated with the encapsulations and long term integrity risks related to epoxy within the encapsulations. The consulting firm will provide computational analysis, physical large scale model testing, and epoxy laboratory testing. Alyeska shall utilize all available information, including the findings

and recommendations from the consulting firm's engineering analysis and laboratory work, to develop an informed position regarding the remaining pressure within the installed encapsulations and plan for testing and relieving the pressure as necessary. Alyeska's position and plan for testing and relieving pressure, if necessary, shall be documented in a written report, including supporting information, and provided to PHMSA. Alyeska will provide a schedule for completing the components of this item within 30 days of receiving this order.

17. The Region Director may grant an extension of time for Respondent to complete any of the work to be performed if Respondent submits a timely written request demonstrating good cause for an extension.

III. Review and Approval Process

18. With respect to any submission under Section II of this Consent Agreement that requires the approval of the Region Director, the Director may: (a) approve, in whole or in part, the submission, (b) approve the submission on specified conditions, (c) disapprove, in whole or in part, the submission, or (d) any combination of the foregoing. If the Region Director approves, approves in part, or approves with conditions, Respondent will take all action as approved by the Director, subject to Respondent's right to invoke the dispute resolution procedures in Section IV with respect to any conditions the Director identifies. If the Director disapproves all or any portion of the submission, the Director will provide Respondent with a written notice of the deficiencies. Respondent will correct all deficiencies within the time specified by the Director and resubmit it for approval.

IV. Dispute Resolution

19. The Region Director and Respondent will informally attempt to resolve any disputes arising under this Consent Agreement. If Respondent and the Region Director are unable to informally resolve the dispute within 15 days, Respondent may request in writing, within 10 days, a written determination resolving the dispute from the Associate Administrator for Pipeline Safety providing all information that Respondent believes is relevant to the dispute. If the request is submitted as provided herein, the Associate Administrator will issue a final determination in writing. The existence of a dispute and PHMSA's consideration of matters placed in dispute will not excuse, toll, or suspend any term or timeframe for completion of any work to be performed under this agreement during the pendency of the dispute resolution process except as agreed by the Region Director or the Associate Administrator in writing.

V. Enforcement

20. This Consent Agreement, as adopted by the Consent Order, is subject to all enforcement authorities available to PHMSA under 49 U.S.C. § 60101 *et seq.*, and 49 C.F.R. Part 190, including administrative civil penalties under § 60122 of up to \$200,000 per violation for each day the violation continues, if PHMSA determines that Respondent is not proceeding according to the terms of the agreement, determinations made by the Region Director, or if appealed, decisions of the Associate Administrator. All work plans and associated schedules set forth or referenced in Section II will be automatically incorporated into this Consent Agreement and are enforceable in the same manner.

