



U.S. Department
of Transportation

Pipeline and Hazardous Materials
Safety Administration

12300 W. Dakota Ave., Suite 110
Lakewood, CO 80228

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

July 10, 2015

Mr. Thomas Barrett
President & CEO
Alyeska Pipeline Service Company
P.O. Box 196660
Anchorage, AK 99519

CPF 5-2015-5015

Dear Mr. Stokes:

Between April 23, 2013 and March 27, 2014, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected the records and facilities of Alyeska Pipeline Service Company's (Alyeska) Trans Alaska Pipeline System, known as TAPS. This inspection included site visits to Pump Station 1 through Pump Station 12 and the Valdez Marine Terminal (VMT). In addition, operating and maintenance procedures and supporting implementation records were reviewed in your Anchorage, Alaska office.

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. §195.432 Inspection of in-service breakout tanks.

(b) Each operator must inspect the physical integrity of in-service atmospheric and low-pressure steel aboveground breakout tanks according to API Standard 653 (incorporated by reference, see § 195.3).

Alyeska did not perform monthly in-service inspections of low pressure steel aboveground breakout tanks required by API Standard 653 section 6.3.1.2. During the inspection performed by PHMSA and in additional discussions with Alyeska compliance personnel, Alyeska staff stated that monthly inspections were not being conducted at Pump Station 7 from August 2010 through September 2011. Furthermore, our staff learned that only quarterly inspections were being conducted at Pump Station 12 from July 2012 through March 2014. Alyeska staff stated the rationale was it was a cold restart tank only and not considered to be “in-service.” Alyeska must conduct monthly inspections of all PHMSA regulated aboveground breakout tanks that are defined to be part of the “pipeline system,” and in accordance with API Standard 653 section 6.3.1.2.

2. §195.412 Inspection of rights-of-way and crossings under navigable waters.

(b) Except for offshore pipelines, each operator shall, at intervals not exceeding 5 years, inspect each crossing under a navigable waterway to determine the condition of the crossing.

Alyeska did not inspect each crossing under a navigable waterway to determine the condition of the crossing at intervals not exceeding five years. When requested to provide the inspection records for inspections of TAPS’ buried navigable waterway crossings, Alyeska staff only provided a record for the Chena River crossing. Alyeska staff further stated that the Chena River crossing was the only waterway crossing the company inspected per §195.412(b).

Alyeska identifies several navigable waters which the TAPS crosses. In Table 52 of Alyeska document, *DB-180 – Design Basis Update, Edition 6, Revision 2*, dated March 27, 2013, Alyeska identified the Klutina River, Lowe River, Salcha River, and several other buried waterway crossings they considered navigable. In addition, the United States Coast Guard (USCG) has published a list of navigable waters of Alaska (Navigable Waters of the United States within the Seventeenth Coast Guard District, Revision Date: March 2012). The USCG’s list of navigable waters includes several navigable waterways where TAPS was installed utilizing a buried, trench crossing. These trenched crossings include but are not limited to the Klutina River, Lowe River, and Salcha River.

Alyeska is required to inspect each crossing under a navigable waterway to determine the condition of the crossing at intervals not exceeding five years. Currently, Alyeska is only

inspecting the Chena River crossing and is not inspecting the other rivers designated as navigable by the USCG.

3. §195.573 What must I do to monitor external corrosion control?

(d) Breakout tanks. You must inspect each cathodic protection system used to control corrosion on the bottom of an aboveground breakout tank to ensure that operation and maintenance of the system are in accordance with API Recommended Practice 651.

Alyeska is required by §195.573 to inspect each cathodic protection system used to control corrosion on the bottom of an aboveground breakout tank to ensure that operation and maintenance of the system are in accordance with API Recommended Practice 651. Alyeska did not provide tank cathodic protection potential survey records for the PS12 breakout tank for the year 2010. Alyeska was able to provide cathodic protection survey records for 2011 and 2012.

Proposed Civil Penalty

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$200,000 per violation per day the violation persists up to a maximum of \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a related series of violations. The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violation(s) and has recommended that you be preliminarily assessed a civil penalty of \$104,500 as follows:

<u>Item number</u>	<u>PENALTY</u>
Item 1	\$ 26,100
Item 2	\$ 52,500
Item 3	\$ 25,900

Proposed Compliance Order

With respect to item 2 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Alyeska. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

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. All material submit in response to this enforcement action may be 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 on this matter, please refer to **CPF 5-2015-5015** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Hoidal", written in a cursive style.

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

Enclosure: Response Options for Pipeline Operators in Compliance Proceedings

cc: PHP-60 Compliance Registry
PHP-500 R. Guisinger/D. Johnson (#143270)

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 ensure the compliance of Alyeska with the pipeline safety regulations:

1. In regard to Item Number 2 of the Notice pertaining to the inspection of each crossing under a navigable waterway to determine the condition of the crossing at intervals not exceeding five years, Alyeska must do the following:
 - a. Identify and list all locations where TAPS crosses under a navigable waterway within 30 days after receipt of the Final Order.
 - b. Modify Alyeska's Operation and Maintenance (O&M) procedures to require inspection of each crossing under a navigable waterway to determine the condition of the crossing at intervals not exceeding five years. Our Advisory Bulletin (ADB-2015-01) regarding flooding, scour and river migration, dated April 9, 2015, should be reviewed and addressed in your procedure modifications. Complete the O&M revisions within 90 days after receipt of the Final Order.
 - c. Inspect each TAPS crossing under a navigable waterway to determine the condition of the crossing. Complete inspection of each navigable water crossing within 365 days after receipt of the Final Order. This Proposed Compliance Order does not modify the current inspection cycle for the Chena River crossing.
2. It is requested (not mandated) that Alyeska maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs 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.