



U.S. Department  
of Transportation

**Pipeline and Hazardous  
Materials Safety Administration**

400 Seventh Street, S.W.  
Washington, D.C. 20590

AUG 31 2007

The Honorable John D. Dingell  
Chairman  
Committee on Energy and Commerce  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Dingell:

Thank you for the opportunity to testify before the Subcommittee on Oversight and Investigations on May 16, 2007 at the hearing entitled "2006 Prudhoe Bay Shutdown: Will Recent Regulatory Changes and BP Management Reforms Prevent Future Failures?"

I am pleased to submit these responses to the questions for the record. Please let me know if I can be of further assistance to you.

Sincerely,

Stacey Gerard  
Assistant Administrator/  
Chief Safety Officer

Cc: The Honorable Joe Barton, Ranking Member  
Committee on Energy and Commerce

The Honorable Bart Stupak, Chairman  
Subcommittee on Oversight and Investigations

The Honorable Ed Whitfield, Ranking Member  
Subcommittee on Oversight and Investigations

**QUESTIONS FOR THE RECORD SUBMITTED BY CHAIRMAN DINGELL TO  
THE U.S. DEPARTMENT OF TRANSPORTATION**

**The Honorable Bart Stupak**

**Question 1. Last September, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposed new regulations to cover the low stress oil transit lines, such as those that leaked at Prudhoe Bay. When will these rules be finalized?**

Answer: On May 18, 2007, we issued a supplemental notice of proposed rulemaking, modifying our September 2006 proposal in order to address certain additional requirements imposed by Section 4 of the Pipeline Inspection, Protection, Enforcement and Safety Act (PIPES) Act of 2006, which was signed into law in December 2006. We are finalizing our proposal to address the highest risk areas this year and are expeditiously working on a proposal to address those areas of lesser risk in a second phase of the rulemaking. We discussed our proposal in July with our Technical Hazardous Liquid Pipeline Safety Standards Advisory Committee, which endorsed the proposal.

**Question 2. For how long does PHMSA plan to keep BP under a compliance order at Prudhoe Bay?**

Answer: PHMSA will have BP North Slope operations under an order for as long as necessary to verify that BP has corrected the hazardous conditions in its pipeline operations. Because this involves the construction and start-up of new facilities; the implementation of new operating and maintenance procedures; and verification of compliance through repeated successful performance, we would expect to have BP under an order for at least five years. PHMSA will closely oversee BP's North Slope pipeline operations for the duration of the order.

**Question 3. How will PHMSA prevent cost cutting from compromising the safety and integrity of the BP pipeline systems it oversees? Will this include steps to assess the bonuses and incentives provided to managers to ensure they are not rewarded for cutting costs for process safety?**

Answer: PHMSA is using its full authority to direct BP to develop and implement better risk management processes and priorities, with a focus on the safety and integrity of its system, and to evaluate the effectiveness of these programs. As I explained above, we expect to continue this level of oversight for at least several more years and, in any case, as long as is necessary. By that time, all of BP's North Slope pipeline operations will be subject to full regulation, including PHMSA's integrity management requirements.

**Question 4. Was BP positioned to successfully respond to PHMSA's March 2006 order?**

Answer: Although we had twice extended the deadlines at BP's request, BP failed to complete cleaning and inspection of its pipelines by the dates required under the March 15, 2006 Corrective Action Order. BP could have met these deadlines if it had made reasonable efforts to do so.

**Question 5. What specific organizational and process safety weaknesses identified by the Chemical Safety Board at BP's Texas City Refinery were also observed by PHMSA in evaluating BP's Prudhoe Bay operation?**

Answer: In connection with our ongoing inspection and oversight activities arising out of the 2006 spills, PHMSA has observed organizational and process safety weaknesses in BP's North Slope operations that appear similar to findings of the Chemical Safety Board concerning the Texas City Refinery fire. Specifically, PHMSA has observed weaknesses in the following areas and activities:

- Pipeline threat and risk characterization, and segment prioritization
- Pipeline risk control
- Personnel risk characterization and control
- Clarity of responsibilities and sufficiency of resources
- Management process
- Performance characterization and management
- Safety culture and climate
- Communications.

**Question 6. Attached to this letter, please find an exhibit entered into the record for the May 16, 2007 hearing, pertaining to cutting the frequency of coupon pulls. BP's coupon program was designed to show how much corrosion was occurring on various pipelines. This document suggests that coupons pulls were reduced to "Make Stretch Budget" and that cutting it 25 percent would save 1.1 man-years or about \$250,000. If BP was so reliant on the coupon program, why would they want to reduce the number of coupons and pulls by 25 percent? Was this a wise move?**

Answer: The referenced exhibit suggests BP's proposal to reduce the frequency of coupon pulls on the pipelines was motivated by short-term cost-cutting. We understand that BP did reduce coupon pulls, and we believe that was not a wise move. Under PHMSA's oversight following the 2006 spills, BP has been required to significantly increase its corrosion control and monitoring activities.