

Mr. John S. Dayton
Senior Vice President
Operations and Engineering
Alyeska Pipeline Service Company
1835 South Bragaw Street
Anchorage, Alaska 99512

Re: CPF No. 54516

Dear Mr. Dayton:

Enclosed is the Final Order issued by the Associate Administrator for Pipeline Safety in the above-referenced case. It makes findings of violation and assesses a civil penalty of \$72,500. The penalty payment terms are set forth in the Final Order. Your receipt of the Final Order constitutes service of that document under 49 C.F.R. § 190.5.

Sincerely,

Gwendolyn M. Hill
Pipeline Compliance Registry
Office of Pipeline Safety

Enclosure

cc: Margaret S. Jones
Senior Attorney
MS 569

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

DEPARTMENT OF TRANSPORTATION
RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION
WASHINGTON, DC

_____)
In the Matter of)
Alyeska Pipeline Service Company,) CPF No. 54516
Respondent.)
_____)

FINAL ORDER

Pursuant to 49 U.S.C. § 60117, a representative of the Office of Pipeline Safety (OPS), initiated an investigation of Respondent's report of a safety-related condition that had occurred on August 12, 1994 on Respondent's pipeline system in Alaska. As a result of the investigation, the Director, Western Region, OPS, issued to Respondent, by letter dated October 17, 1994, a Notice of Probable Violation, Proposed Civil Penalty and Notice of Amendment (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Respondent had violated 49 C.F.R. §§ 195.402 and 195.406 and proposed assessing a civil penalty of \$120,000 for the alleged violations. The Notice also proposed, in accordance with 49 C.F.R. § 190.237, that Respondent amend its procedures for Operations, Maintenance and Emergencies.

Respondent responded to the Notice by letter dated November 23, 1994 (Response). Respondent contested some of the allegations, offered information to support its position, and requested a hearing that was held in the Western Region, OPS on January 18, 1995. After the hearing, Respondent submitted a Closing Statement dated February 16, 1995 (Closing Response).

FINDINGS OF VIOLATION

Item 1a in the Notice alleged that Respondent had violated 49 C.F.R. § 195.402, which requires that an operator prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. The Notice alleged

that during routine preventive maintenance on remote gate valve (RGV) 95B, Respondent's personnel did not follow the required procedure (procedure for performing task 023: Battery Drawdown Test for RGV 95B), when a technician pressed the close button instead of the open button, resulting in an overpressure between Pump Station 10 and RGV 95B.

Respondent agreed that the technician did not follow proper procedure. Accordingly, I find that Respondent violated 49 C.F.R. § 195.402.

Item 2 alleged two violations of 49 C.F.R. § 195.406. This regulation requires that an operator not permit the pressure in a pipeline during surges to exceed 110 percent of the maximum operating pressure (MOP) limit, and that an operator provide adequate controls and protective equipment to control the pressure within this limit. The Notice first alleged that on August 12, 1994, Respondent allowed the pressure at MP 615.952, accounting for a computer modeling error factor of ± 6 percent, to reach at least 112 percent of MOP. The Notice further alleged that Respondent did not have adequate controls and protective equipment to control the line pressure within the prescribed limit.

Respondent agreed that the pipeline pressure exceeded 110 percent of MOP, but noted that the overpressure lasted less than 20 seconds. Respondent disagreed with the second allegation that it did not have adequate controls and protective equipment. Respondent maintained that the pipeline has state of the art preventive and mitigative design features, including several levels of redundancy, and that the over pressure had resulted from human error when the employee pushed the close button, not from inadequate controls. The closure of RGV 95B, whether from an intentional or unintentional act, resulted in an overpressure on the pipeline. If Respondent's controls had been adequate, the pressure in the line would not have been able to increase to a point 110 percent above MOP.

Accordingly, I find that Respondent committed both violations of 49 C.F.R. § 195.406.

These findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent.

ASSESSMENT OF PENALTY

Under 49 U.S.C. § 60122, Respondent is subject to a civil penalty not to exceed \$25,000 per violation for each day of the violation up to a maximum of \$500,000 for any related series of violations. The Notice proposed a civil penalty of \$120,000.

49 U.S.C. § 60122 and 49 C.F.R. § 190.225 require that, in determining the amount of the civil penalty, I consider the following criteria: nature, circumstances, and gravity of the violation, degree of Respondent's culpability, history of Respondent's prior offenses, Respondent's ability to pay the penalty, good faith by Respondent in attempting to achieve compliance, the effect on Respondent's ability to continue in business, and such other matters as justice may require.

With respect to violation of 49 C.F.R. § 195.402 (Item 1a), Respondent explained that it had taken steps to reduce human error, such as issuing a lessons learned report to field personnel, conducting additional training, stationing a person at the valve during the valve travel part of the procedure, and adding spring loaded covers for the close buttons and travel indicators inside and outside the RGV building. I will accept the Region's recommendation that a civil penalty not be assessed for this violation in lieu of Respondent's corrective actions.

With respect to violation of 49 C.F.R. § 195.406 (Item 2a), Respondent explained that the overpressure lasted less than 20 seconds, was below the pipeline's original hydrostatic test pressure, and never posed a threat to the public or the environment. Respondent further noted that the proposed civil penalty exceeded the maximum daily civil penalty allowed by statute. When pressure on a hazardous liquid pipeline exceeds the MOP, even for a few seconds, the integrity of the line is compromised and the environment is threatened because of the risk of the pipeline's failure. However, a reduction will be made to account for the error made in the proposed penalty amount.

As for Respondent's second violation of § 195.406 for failure to have adequate controls to control the pressure within MOP (Item 2b), Respondent explained that it had implemented additional procedures to avoid the risk of human error on sensitive operations: implementing an RGV training program, installing spring-loaded close button covers and adding valve closure-time labels and indicator lights. Respondent's actions to prevent a similar recurrence are commendable. However, Respondent was previously found to have violated § 195.406 (CPF No. 52511) for not having adequate controls and protective equipment when an RGV closed uncommanded. Respondent then said it was taking action to prevent similar recurrences.

Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$72,500.

Payment of the civil penalty **must be made within 20 days of service**. Federal regulations (49 C.F.R. § 89.21(b)(3)) require this **payment be made by wire transfer**, through the Federal Reserve Communications System (Fedwire), to the account of the U.S. Treasury. **Detailed instructions are contained in the**

enclosure. After completing the wire transfer, send a copy of the **electronic funds transfer receipt** to the **Office of the Chief Counsel** (DCC-1), Research and Special Programs Administration, Room 8407, U.S. Department of Transportation, 400 Seventh Street, SW, Washington, D.C. 20590-0001.

Questions concerning wire transfers should be directed to: **Valeria Dungee**, Federal Aviation Administration, Mike Monroney Aeronautical Center, Financial Operations Division (AMZ-320), P.O. Box 25770, Oklahoma City, OK 73125; **(405) 954-4719**.

Failure to pay the \$72,500 civil penalty will result in accrual of interest at the current annual rate in accordance with 31 U.S.C. § 3717, 4 C.F.R. § 102.13 and 49 C.F.R. § 89.23. Pursuant to those same authorities, a late penalty charge of six percent (6%) per annum will be charged if payment is not made within 110 days of service. Furthermore, failure to pay the civil penalty may result in referral of the matter to the Attorney General for appropriate action in an United States District Court.

AMENDMENT OF PROCEDURES

The Notice (Item 1b) alleged inadequacies in Respondent's Operations, Maintenance and Emergencies Manual and proposed to require amendment of Respondent's electrical preventive maintenance procedure. The Notice alleged the procedure did not give guidance to personnel on how to return the RGV to the normal open position.

Respondent agreed that the procedure did not instruct how to reopen the valve but noted that the failure to include an open valve command did not create a safety problem. Respondent explained that it had modified its procedure to be used for electric preventive maintenance work to include the open command. Respondent submitted a copy of its amended procedure, which the Director, Western Region, OPS has accepted as adequate to assure safe operation of Respondent's pipeline system. Accordingly, no need exists to issue an order directing amendment.

Under 49 C.F.R. § 190.215, Respondent has a right to petition for reconsideration of this Final Order. The petition must be received within 20 days of Respondent's receipt of this Final Order and must contain a brief statement of the issue(s). In accordance with 49 C.F.R. § 190.215(d), filing the petition does not stay the

effectiveness of this Final Order. However, in the petition Respondent may request, with explanation, that the Final Order be stayed. The terms and conditions of this Final Order are effective upon receipt.

Richard B. Felder
Associate Administrator
for Pipeline Safety

Date: 3/25/1997