



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

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12300 W Dakota Ave , Suite 110
Lakewood, CO 80228

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

January 28, 2008

Mr. Kevin Hostler
President & CEO
Alyeska Pipeline Service Company
900 East Benson Boulevard
Anchorage, AK 99508

CPF 5-2008-0002

Dear Mr. Hostler.

On September 10 to 11, 2007, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected Alyeska Pipeline Service Company's (APSC) Fuel Gas Line (FGL) integrity management procedures in Fairbanks, 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. **§192.911 What are the elements of an integrity management program?**

An operator's initial integrity management program begins with a framework (see §192.907) and evolves into a more detailed and comprehensive integrity

management program, as information is gained and incorporated into the program. An operator must make continual improvements to its program. The initial program framework and subsequent program must, at minimum, contain the following elements. (When indicated, refer to ASME/ANSI B31.8S (incorporated by reference, see §192.7) for more detailed information on the listed element.)

(p) A process for identification and assessment of newly-identified high consequence areas. (See §192.905 and §192.921.)

● **Item 1.A: §192.905(a) and §192.905(b)**

APSC does not have an integrity management process for identifying high consequence areas (HCAs) associated with their Fuel Gas Line (FGL). A process for identifying HCAs is needed to ensure consistency during periodic checks by an operator for newly identified HCAs. This process must ensure that responsible personnel are informed of changes to the pipeline or the area surrounding the pipeline. The process will also ensure that a timely HCA determination due to those changes.

● **Item 1.B: §192.903**

APSC's procedures for their FGL does not contain a process detailing how the Potential Impact Radius (PIR) is to be applied to the FGL to determine if the FGL has an HCA. A written process for determining the PIR of a pipeline is required to ensure consistency in the application of the PIR to an operator's pipeline throughout the life of the pipeline.

● **Item 1.C: §192.905(c)**

APSC does not have a process or procedure for their FGL that contains a description and time line for actions to be taken as soon as an HCA is identified. A process or procedure describing actions to be taken when an HCA is identified and the timeline for completing those actions is required to ensure an operator takes consistent, appropriate and timely actions once an HCA is identified.

2. §192.911 What are the elements of an integrity management program?

(i) A performance plan as outlined in ASME/ANSI B31.8S, section 9 that includes performance measures meeting the requirements of § 192.945

APSC has no integrity management procedure for submitting semi-annual reviews to reflect that no new HCAs have been created along their FGL. Additionally, APSC has no process for submitting the four overall performance measures for HCAs specified in ASME/ANSI B31.8S, section 9.4, and the specific measures for each identified threat specified in ASME/ANSI B31.8S, Appendix A, should an HCA be created along any FGL segment. An operator is required to submit semi-annual reviews of their pipelines' integrity management activities, which includes reporting that there are no newly-created HCAs. A procedure that requires semi-annual reporting is required to ensure that an operator makes these reports consistently and on time. Additionally this process must

include enough detail to permit operator personnel to adequately report performance measures semi-annually if or when an HCA is determined.

3. §192.945 What methods must an operator use to measure program effectiveness?

(a) General. An operator must include in its integrity management program methods to measure, on a semi-annual basis, whether the program is effective in assessing and evaluating the integrity of each covered pipeline segment and in protecting the high consequence areas. These measures must include the four overall performance measures specified in ASME/ANSI B31.8S (incorporated by reference, see §192.7), section 9.4, and the specific measures for each identified threat specified in ASME/ANSI B31.8S, Appendix A. An operator must submit the four overall performance measures, by electronic or other means, on a semi-annual frequency to OPS in accordance with §192.951. An operator must submit its first report on overall performance measures by August 31, 2004. Thereafter, the performance measures must be complete through June 30 and December 31 of each year and must be submitted within 2 months after those dates.

APSC failed to submit their initial semi-annual performance measures report to PHMSA beginning on August 31, 2004. Additionally APSC filed their next five semi-annual performance measures reports in late March 2007. The result was that APSC's March 1, 2005 report was 25 months late; the August 30, 2005 report was 19 months late; the March 2006 report was 13 months late; the August 2006 report was 7 months late; and the March 1, 2007 report was late by ½ month. Though an operator may have not HCA's, they are still required to report on a semi-annual basis that they do not have HCA's to which performance measures can be applied. -

Warning Items

With respect to Item 3 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 promptly correct this item. Be advised that failure to do so may result in APSC being subject to additional enforcement action.

Proposed Compliance Order

With respect to Items 1.A, 1.B, 1.C and 2, pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to APSC. 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. 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). 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 5-2008-0002** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,



Chris Hoidal
Director, Western
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry
PHP-500 G Davis (#119571)

Enclosures. *Proposed Compliance Order*
Response Options for Pipeline Operators in Compliance Proceedings

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 APSC with the pipeline safety regulations:

1. In regard to Item Number 1.A of the Notice pertaining to a process for identifying HCAs:

APSC must develop and adopt a procedure for identifying HCAs during periodic checks by operator personnel. This process must ensure that responsible personnel are informed of changes to the pipeline or the area surrounding the pipeline. The process will also ensure that a timely HCA determination due to those changes.

Provide the new procedure to the Director, Western Region.

2. In regard to Item Number 1.B of the Notice pertaining to procedure that details how the Potential Impact Radius (PIR) is to be applied to the FGL:

APSC must develop and adopt a procedure that details how the Potential Impact Radius (PIR) is to be applied to the FGL to determine if the FGL has an HCA.

Provide the new procedure to the Director, Western Region.

3. In regard to Item Number 1.C of the Notice pertaining to a process or procedure describing actions to be taken when an HCA is identified;

APSC must develop and adopt a procedure that describes actions to be taken when an HCA is identified which includes the timeline for completing those actions once an HCA is identified.

Provide the new procedure to the Director, Western Region.

4. In regard to Item Number 2 of the Notice pertaining to a procedure for review of integrity management performance measures and the semi-annual reporting of performance measures

APSC must develop a procedure with provisions for reporting that no HCAs have been identified. The procedure must include provisions that direct personnel to review of the FGL integrity management performance measures effectiveness, once HCAs have been determined. This procedure must require that these reports be submitted on a semi-annual basis for time periods January 1 through June 30, and July 1 through December 31 of each year. These semi-annual reports must be submitted within two (2) months after those dates.

Provide the new procedure to the Director, Western Region.

5. APSC must complete the above items 30 days after receipt of the Final Order.
6. APSC shall 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. Costs shall 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.