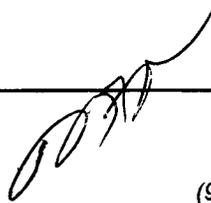


From the desk of



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To: White House Task Force on Energy Project
Streamlining

Date: July 17, 2002

Re: Trans-Alaska Pipeline System (TAPS) Grant and Lease Renewal

Thank you for the opportunity to share the serious and well-grounded and competently documented concern that the Trans-Alaska Pipeline System (TAPS) Owners and their operating agent, the Alyeska Pipeline Service Co., place at needless risk Alaska's environment and the 1.0 million barrels of oil per day that is critical to the West Coast's social functioning and economy. Unfortunately, the Grant and Lease renewal process is speeding toward the final stages without addressing the fundamental problems that lie at the heart of this troublesome condition.

Since your mission is accelerating projects to promote this nation's economy, at first glance we might seem to seek divergent goals. I do not believe this is the case. As I understand it, you are also mandated to find an appropriate balance between environmental amenities and economic development. If streamlining tilts the scales too far away from the environmental side, two results follow. First, the environmental community may feel compelled to drag its heels or dig in to slow down the process. Secondly, if the argument of the report I recently prepared on TAPS (*The Emperor's New Hose: How Big Oil Gets Rich Gambling with Alaska's Environment* [Alaska Forum for Environmental Responsibility, June 2002]) has merit and if the current, accelerated review process is inadequate, the consequent erosion of safe operating and maintenance practices could lead to a spill or catastrophic accident that could damage local water supply and subsistence activities, disrupt the West Coast energy supply and put a brake on economic growth. Therefore, I believe we share a common goal: the implementation of a balanced energy policy on TAPS (and, of course, on projects beyond the scope of this discussion). Put otherwise: Since the accelerated TAPS renewal process thus far has effectively disenfranchised many concerned citizens, we are rapidly reaching the point at which we will have no choice but to use all legal means at our disposal to ensure that reason and common sense will prevail to prevent serious environmental and economic harm.

It might be useful to summarize briefly what my TAPS report does: By focusing on events on TAPS since 1997 (when the Alaska Forum last issued a status report on TAPS), this report places events on TAPS in a context quite different from that shared by the State and Federal monitors of the Joint Pipeline Office. In summary, the report indicates that the TAPS Owners and Alyeska are chronically slow to ameliorate potentially unsafe conditions of three kinds on TAPS. Specifically, the TAPS operators are:

- consistently slow to identify and abate operational problems;
- tardy in replacing failing physical facilities; and

- similarly glacial in recognizing and correcting management processes that are also demonstrably dysfunctional.

Continuing for a moment at the general policy level, I want to make two other broad points: These three categories of chronic and thoroughly documented performance problems on TAPS appear to have a common root: Inexorable pressure of the TAPS Owners to seek reduced expenditures on TAPS in the interest of maximizing profits. While some may debate the causes of this condition, the results are empirical phenomena that are clearly visible on the front and back covers of *The Emperor's New Hose*. Examples can be found throughout the report – and throughout the JPO Comprehensive Monitoring Program (CMP) reports.

This point leads to the final broad point that emerges from my analysis of TAPS: The conclusions of the JPO simply are not supported by the contents of the documentary record, invalidating the principal findings on which the State and Federal TAPS monitors purport to rely. Sometimes, in fact, JPO field reports clearly contradict the JPO conclusions those reports are supposed to support. And more than occasionally those contradictions are evident in the material contained in the JPO's CMP reports. I could give you many examples from the report but you will find them, clearly documented, in the report; there are so many that the recitation would take far more time than we have today. I will summarize a few of them for you below.

Take restarting the pipeline. In each of the past seven years, the TAPS operators have experienced a significant problem in restarting the pipeline after a shutdown. I will provide you the documentation package I presented, on behalf of the Alaska Forum, to support written testimony I presented during the EIS scoping meetings in the fall of 2001. In those materials you will find examples from only six years; that's because the seventh had not yet occurred. Purely by chance, it happened two days later. When I noted the pattern for the EIS record on Sept. 20, 2001, I was contradicting the JPO CMP reports, which had concluded that TAPS restarts were well-monitored and safe. I found that conclusion startlingly strange because the JPO report drawing that conclusion also contained a detailed explanation of Alyeska's faulty change to its restart procedures that created a pressure hammer on the south side of Atigun Pass (which you probably flew over on return from the North Slope yesterday), causing the damage to TAPS pictured in that report (and on the front cover of *The Emperor's New Hose*). In any event, the consequences of Alyeska's persistent restart problems became clear on September 22, 2001. On that date, following a planned maintenance shutdown, Alyeska experienced oil spills at three separate pump stations during the restart period (two were directly associated with the restart; the third was due to a faulty maintenance procedure that was being finished on an accelerated basis so that the restart could proceed).

How could JPO come to the wrong conclusion on such an obvious point? The monitors view each restart as an isolated incident. Consequently, they find countless observed "attributes" of individual restarts to be within narrowly defined technical parameters and therefore deem the procedure safe.

Two weeks after the restart oil spills that confirmed the potential consequences of this chronic operational problem occurred, that mishap was pushed out of public consciousness – before its lessons could be learned – by the bullet hole spill at Livengood (MP 400). As you know, government officials and Alyeska heaped lavish praise on the response. To be sure, certain aspects of that response were excellent. But spill response is multi-faceted, and a primary concern is to control the discharge. In this key aspect, Alyeska failed miserably. In fact, Alyeska's oil spill prevention and contingency plan claims the operators have a variety of clamps readily available, including something called a bullet hole clamp. But when the time came to implement the C-plan (and ability to execute is a clearly condition of operation under Alaska state law, among other oil spill requirements), the claimed equipment could not be used. Consequently, a thick stream of crude shot onto the tundra, unabated, for an agonizing 36 hours. Although several acres of trees were oil-soaked and killed, it wasn't an environmental catastrophe. But it was a clear indication of what the Alaska Forum and other observers who live in the pipeline corridor had been trying to tell monitors and the public: Despite the improvements made in the twelve years after the *Exxon Valdez* unleashed the nation's worst oil spill in Prince William Sound, the TAPS C-plan is still inadequate.

Here again, the conclusions of the JPO to the contrary are contradicted by the evidence. The wide gap between reality and JPO's conclusions becomes crucial to TAPS Grant and Lease renewal process for this reason: Both the federal Draft Environmental Impact Statement (DEIS) and the state's Proposed Determination, issued two weeks ago, rely on the JPO's arguably (and, in my estimation, demonstrably) faulty conclusions.

The small restart spills of Sept. 22-23, 2001, may be more significant than the Livengood spill two weeks later. That's because these spills point to the importance of TAPS maintenance procedures. To beef up those procedures, JPO (and, consequently, the federal DEIS and state Proposed Determination) rely on something called Streamlined Reliability Centered Maintenance (SRCM). I do not propose to tell you whether SRCM – or RCM itself – is capable of becoming the magic bullet that finally delivers adequate performance on TAPS. But I can tell you that Alyeska and JPO have relied on other promised magic bullets in the past – Total Quality Management (1993-94) and the quality program itself (1995-1996). Each vaunted industrial procedural remedy eventually gets relegated to the shelves because it proves to be less than promised. In my estimation, these textbook management schemes fail in the face of the fundamental, systemic problem that bedevils TAPS: cost-cutting pressures by the TAPS Owners.

The recommendations presented in *The Emperor's New Hose* were designed to deal with that problem. For example, a Citizens' Oversight Group (COG) would provide a means for an informed citizenry to evaluate whether the maintenance strategies of the TAPS Owners and Alyeska were consonant with protection of Alaska's environment and the West Coast's oil supply. Without such a group, these decisions become the domain of relatively low-level bureaucrats and industry engineers and technicians. I respectfully suggest that these folks have demonstrated they are no match for British Petroleum's

Lord Browne and his minions. The means to fund both the advisory group and the much larger expenditures necessary for TAPS upkeep and operations is already at hand: the funds precollected through the TAPS tariff for dismantling, removal and restoration of TAPS (DR&R). Unfortunately, however, these common-sense suggestions have been by-passed in the TAPS Grant and Lease renewal process.

In sum: The accelerated course of this renewal process has disenfranchised concerned citizens. The results may be time-consuming challenges to that process by environmental groups in the short-term and operational failures with national economic consequences in the long run. We therefore share a common objective in ensuring that acceleration does not undermine balance.

Whether we find agreement at day's end, I believe you will find the documentation in my report to be accurate and valid. I therefore commend the implications and the implementation issues to your attention. I am available to provide substantiation or answer questions.

Again, I thank you for your time, and for the opportunity to address you.

Attachments