



WRITTEN STATEMENT
OF
CYNTHIA L. QUARTERMAN
ADMINISTRATOR
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
BEFORE THE
COMMITTEE ON NATURAL RESOURCES
SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES
UNITED STATES HOUSE OF REPRESENTATIVES

Domestic Oil and Natural Gas: Alaskan Resources, Access and Infrastructure

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I. Introduction

Chairman Lamborn, Ranking Member Holt, members of the Subcommittee, thank you for the opportunity to appear today to discuss the Pipeline and Hazardous Materials Safety Administration's (PHMSA) oversight of America's 2.5-million-mile energy pipeline system. Safety is the number one priority of Secretary Ray LaHood, myself, and the employees of PHMSA and we are all strongly committed to reducing transportation risks to the public and environment. Our Nation's reliance on the safe and environmentally sound transportation of energy fuels and hazardous materials is increasing. PHMSA's safety oversight of the pipeline network that delivers these products is providing critical protections for the American people.

PHMSA is responsible for establishing and enforcing safety standards for the design, construction, operation, and maintenance of the nation's pipeline transportation system. PHMSA's authority to regulate pipelines includes oversight of the Trans Alaska Pipeline System (TAPS), North Slope pipelines, certain pipelines in the Cook Inlet area, Liquefied Natural Gas (or LNG) facilities, and the distribution systems that deliver natural gas to homes, businesses, and power plants. Alaska oil and gas resources are critical to the nation's energy needs, and PHMSA recognizes its role in ensuring that this energy is transported safely and efficiently. For this reason, PHMSA has invested significant time and resources working with the State of Alaska and operators to ensure the safety of both existing and proposed interstate and intrastate pipelines, including the Trans Alaska Pipeline System and Alaska natural gas pipeline projects. The support of Congress is critical for the continued safe operation of oil and natural gas pipelines in Alaska. PHMSA seeks to increase the safety of Alaska's pipelines by providing the agency with additional staffing, enhancing our ability to collect information and data from pipeline operators, eliminating certain statutory limitations applicable to the regulation of gathering lines, and providing for reimbursement of expenses related to reviewing new pipeline projects.

II. PHMSA Coordination with the State of Alaska

PHMSA is an active member in the pipeline regulatory community in Alaska. Alaska is only one of two states that have not accepted jurisdiction over its intrastate pipelines, therefore PHMSA is responsible for enforcing its Pipeline Safety Regulations on both interstate and intrastate oil and natural gas pipelines in Alaska. The State of Alaska and the Environmental Protection Agency (EPA) regulate the production facilities, including pipelines, upstream of the processing centers on the North Slope. PHMSA regulates the North Slope oil transit lines downstream of the processing centers, as well as the Trans Alaska Pipeline System, the Cook Inlet pipelines, and local distribution pipelines. PHMSA has a six-person staff in Anchorage that conducts comprehensive inspection and enforcement activities to ensure that pipeline operators are complying with its Pipeline Safety Regulations. PHMSA routinely coordinates with:

- The Joint Pipeline Office, a consortium of 12 Federal and State Agencies;
- The Petroleum Systems Integrity Office, which is part of the Alaska Department of Natural Resources;
- The Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects; and
- The Alaska Gasline Development Corporation, which is working to develop a plan for an in-state natural gas pipeline project.

PHMSA also regularly provides Alaska state agencies with technical support. For example, we recently collaborated with the Department of Natural Resources on a special permit for a pipeline facility that connects a new natural gas field on the Kenai Peninsula to a transmission line that serves the Cook Inlet. The special permit allows the pipeline operator to use advanced pipeline materials, but also requires the operator to take additional safety measures beyond our regulations to safeguard the pipeline's operation. In addition, a senior PHMSA leadership and technical team, including myself, will be traveling to Anchorage in the next few months to meet with State officials on pipeline matters including the proposed interstate and intrastate gas pipelines.

PHMSA is committed to achieving coordinated and effective oversight of Alaska pipeline systems. We would like to achieve more coordinated inter-agency inspections; the development of state-of-the art programs designed to better manage the integrity risks associated with operating pipeline systems in the unique conditions of Alaska; the development of enhanced inspection protocols and training programs; and the execution of cooperative agreements with other Federal and State agencies for the purpose of achieving effective oversight.

III. PHMSA Oversight of the Trans Alaska Pipeline System and the North Slope

PHMSA recognizes the importance of TAPS and the pipelines on the North Slope, and is vigilant in overseeing those that are within our jurisdiction. PHMSA works with the Joint Pipeline Office to ensure oversight that helps protect the public and the environment, and ensures operating reliability. Federal oversight is limited, however, and PHMSA can only provide oversight and protections for transportation-related pipelines under our jurisdiction.

Historically, gathering and low-stress lines in rural areas, such as the BP Exploration Alaska (BPXA) pipelines that leaked in 2006, were exempt from the Pipeline Safety Statutes and regulations. In the absence of Federal oversight, Alaska had been regulating these gathering lines and flow lines on the North Slope under State law. In March 2006, approximately 5,000 barrels of crude oil were released from BPXA's Western Operating Area pipeline. A smaller spill on the Eastern Operating Area pipeline occurred in August 2006. Since the affected BPXA pipeline was considered to be a transportation pipeline, PHMSA issued a Corrective Action Order (CAO) in response to the spills requiring BPXA to perform certain corrective measures. Ultimately, PHMSA identified seven different violations of the CAO, each violation involving BPXA's failure to timely complete either maintenance pigging or in-line inspection of one of the pipelines. At the joint request of DOT and EPA, the Department of Justice filed a complaint in the US District Court for the District of Alaska in March 2009. We recently reached a consent agreement that, once it is approved by the court, will provide for heightened Federal oversight of BPXA's production related pipelines in Prudhoe Bay and require BPXA to pay \$25 million. This accident highlighted the importance of PHMSA's enforcement program and jurisdiction over the nation's pipelines.

PHMSA has made significant progress in regulating these lines. In June 2008, PHMSA issued a final rule that established new safety requirements for regulated rural hazardous liquid gathering lines. This rule brought BPXA's and other low-stress pipelines that had been exempt from PHMSA regulations under our jurisdiction. However, PHMSA still does not have complete authority to regulate certain gathering lines in rural areas. Removing the statutory exemption for gathering lines would clarify the extent of PHMSA's jurisdiction and provide additional safety for the nation's pipelines in rural areas. Even those lines that we do have jurisdiction to regulate pose a challenge that requires focused and dedicated resources. The integrity of TAPS is challenged by the unique conditions in Alaska, the reduction in the volume of oil transported, and the age of the pipeline. The continued safe operation of TAPS will require technical ingenuity as well as ongoing monitoring and attention.

A leak that occurred at Pump Station 1 in January highlights this challenge. The leak appears to have been the result of internal corrosion and occurred in a piece of pipe that could not be assessed using in-line inspection tools. Following the discovery of that leak, PHMSA and other federal and state agencies worked together to address it and to prevent adverse environmental impact. PHMSA issued a Notice of Proposed Safety Order to Alyeska in response to this accident that proposed corrective measures that will help assure the future safe operation of TAPS. One proposed requirement is for Alyeska to remove all sections of pipe that cannot be assessed using in-line inspection tools. We have been working with Alyeska to reach an agreement for the resolution of this notice and other alleged violations of the pipeline safety laws.

IV. PHMSA's Oversight of Alaska Natural Gas Pipeline Projects

The proposed Alaska interstate and intrastate natural gas pipeline projects will tap into gas reserves on North Slope fields next to the Beaufort Sea for transportation to markets in Alaska and the lower 48 states. Both the State and Federal authorities will regulate these

proposed projects. PHMSA is fully engaged with the Department of Natural Resources and other state agencies responsible under the Alaska Gas Inducement Act (AGIA) to advance the Alaska Gas Pipeline Project. We are also in regular contact with the Office of the Federal Coordinator, the lead federal agency charged with facilitating the federal review of the gas pipeline project, and our federal partners at the Federal Energy Regulatory Commission and the Bureau of Land Management. PHMSA conducts periodic meetings with TransCanada/Exxon Mobil, the AGIA sanctioned operator of the proposed Alaska Gas Pipeline Project, to review the technical requirements of the pipeline that will incorporate unique design scenarios.

We are also aware of and fully engaged in the Alaska Stand Alone Gas Pipeline Project pursued by the Alaska Gasline Development Corporation to bring North Slope gas to the Fairbanks and Anchorage areas. PHMSA has been coordinating with state authorities overseeing the project and the U.S. Army Corps of Engineers and other federal agencies to support the project.

For these proposed pipelines, PHMSA will need to conduct reviews of design, material, construction, commissioning, and operation and maintenance plans. These pipeline projects will incorporate novel design concepts needed for the unique Arctic operating environment, which will likely require special permits. These projects will be of unprecedented size, and will require significant involvement from PHMSA for oversight and planning. The costs associated with these activities should be allocated to the beneficiary pipeline operators through reimbursement and permit fees.

V. Conclusion

In closing, we look forward to working with Congress to address any issues you may have concerning PHMSA's pipeline safety program and the regulation of gas and hazardous liquid pipelines in Alaska. PHMSA very much appreciates the opportunity to report on our oversight role of these pipelines and the opportunities that exist to strengthen oversight.

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