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North Slope Borough

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Edward S. Itta, Mayor

March 14, 2006

Kurt Fredriksson, Commissioner
Department of Environmental Conservation
P.O. Box 111800
Juneau, AK 99811-1800
Telephone: (907) 465-5066
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Re: Prudhoe Bay Unit, Gathering Center No. 2 (GC2) Pipeline Oil Spill

Dear Commissioner Fredriksson:

The North Slope Borough (Borough) of course shares the Department of Environmental Conservation's (DEC's) extreme concern over the March 2 Gathering Center No 2 (GC2) Pipeline oil spill, and has been working through the Unified Command structure with DEC, other agencies, and BP to respond to the release of an unprecedented amount of oil on the North Slope. The spill is currently estimated to be 201,000 to 267,000 gallons of crude oil. As of March 10, the Unified Command reported that less than 25% of the oil had been recovered after almost 8 days of oil spill response effort. We remain confident, however, that all spilled product will be recovered. Better than any other agency participating, we understand the challenging conditions under which this recovery effort has been mounted, and commend BP and the agencies and individuals involved.

The Borough also shares your commitments, and those of the other agencies and BP, to determine the cause of the spill and to take all actions necessary to ensure that a similar incident never occurs again. We are pleased that, as is standard in the industry, the incident is being investigated by an independent team, and that BP has in every way cooperated with that effort. We are pleased that BP will not put the GC2-to-GC1 pipeline segment back into operation until it has been inspected by a "smart pig" and found safe.

We are deeply troubled, however, by preliminary indications that the pipeline leak detection system in place at the time of the spill did not in fact fail, but was simply unable to detect this event as it occurred. It is sobering to recognize that, were it not for some luck and a diligent worker, the volume of spilled oil could have been far greater. We are likewise troubled that the subject pipe segment had been previously inspected on several occasions, and that it appears likely that the extent of corrosion and hole that resulted in the spill came on relatively quickly or escaped detection during those earlier inspections. Whether the corrosion at the point of the spill was caused by bacteria, water removed from emulsion, sedimentation, other factors, or a combination of some or all of these, the failure here calls into question the integrity of the entire North Slope oil transport system.

Accordingly, the Borough requests that the State of Alaska:

1. Continue oversight of the spill response until all affected areas are clean and remediated;
2. Ensure that the GC2-to-GC1 pipeline segment and adjoining segments are fully inspected, repaired, and tested before being returned to operation;
3. Require that all comparable pipelines be immediately and regularly inspected using the most accurate available technology;
4. Reassess Best Available Technology (BAT) for North Slope leak detection systems, and the compatibility of operating practices that render such systems ineffective or mask leaks;
5. Require BAT for North Slope leak detection systems and operating practices that will allow for detection of pipeline spills of this nature;
6. Strengthen the oil spill prevention regulations by establishing leak detection standards that comply with the points above; and
7. Fully involve the North Slope Borough in these efforts.

In particular, with respect to Point 4 above, the Borough requests that the State of Alaska reassess the BAT determination for the Prudhoe Bay pipeline leak detection systems. The Borough requests that the State of Alaska verify that these pipelines meet the state leak detection standards of 18 AAC 75.055(a)(1) and the BAT standards of 18 AAC 75.425(e)(4)(A)(iv).

We are aware, for instance, that turbine meters have been installed on a number of large diameter pipeline systems as an integral and essential part of a BAT leak detection system. Installation of a high quality turbine meter on both ends of a pipeline allows for accurate measurement of the fluid going into the pipeline segment and accurate measurement of the fluid exiting the pipeline segment. Any discrepancy between the two meters should trigger an alarm of the pipeline leak detection system. Both the Northstar pipeline and Lisburne pipeline use turbine meters in their leak detection systems. BP's Northstar Oil Discharge Prevention and Contingency Plan (c-plan) states that "the higher the meter accuracy, the faster and more sensitive the mass balance system can perform. Therefore, use of high quality meters is essential to a high quality leak detection system." The BAT section of Prudhoe Bay c-plan states, however, that BP chose not to install turbine meters on the GC2 pipeline due to a \$1.2

million dollar estimated installation cost, and the potential for a four-day shutdown to complete the installation, among other reasons. The Borough has been unable to

locate any DEC decision document that explains the reason for approving a leak detection system without turbine meters. The Borough requests that DEC provide us

with a copy of its record of decision on the GC2 pipeline leak detection system. We also request that DEC explain why it was not economical for BP to install turbine meters on this pipeline to improve the leak detection system performance, especially in light of 1) the known problems with solid build-up in this pipeline, 2) the likelihood of solid contamination interfering with the performance of a system which relies on inexpensive ultrasonic meters strapped on the outside of the pipeline, and 3) the fact that the turbine meters were determined to be BAT for other North Slope pipelines.

The Borough requests that the BAT determinations for the PBU pipeline leak detection systems be reassessed and that any BAT upgrades required be expeditiously completed. We would like to work closely with DEC on this BAT reassessment. Please contact the our Planning Director, Johnny Aiken, at (907) 852-0320 to coordinate this effort.

With respect to Point 6 above, the Borough has actively participated in DEC's Contingency Plan Review (CPR) Project to upgrade the State's oil spill prevention and response regulations over the past several years. During the first phase of this four-phase effort, DEC determined it was the highest priority to revise the Exploration, Production and Refinery regulations. The Borough agreed with this approach, and provided many recommendations for improving oil spill prevention and response regulations for North Slope exploration and production operations. However, the Borough was disappointed at DEC's decision to exclude oil spill prevention from the first phase of the regulatory revision effort in 2003, instead deferring it by several years. This was especially true in light of the oil spill statistics on the North Slope that clearly showed oil pipelines as a major contributor to the number of oil spills. The data clearly showed that aging infrastructure and corrosion were leading to an increasing number of pipeline spills, and the State regulations needed to be improved to provide the tools necessary to work with the oil industry to prevent oil spills by inspecting potentially problematic pipelines and enforcing regulations. We urged DEC to address pipeline oil spill prevention in 2003, but were unsuccessful in altering your agency's priorities.

Three years have now passed, and DEC's February 2006 proposed regulation package still does not incorporate the Borough's recommendation to impose improved leak detection requirements on crude oil transmission pipelines. While DEC initially supported our recommendation to improve the leak detection standards, it later reconsidered this change based on industry opposition.

In light of the recent GC2 oil spill, and the failure of this pipeline's leak detection system to detect the spill, it is clear that DEC must reconsider the need for improved leak detection standards for crude oil transmission pipelines and incorporate the Borough recommendations on this matter in the final regulation package proposed for the summer of 2006. Please contact Johnny Aiken at (907) 852-0320 to further discuss our recommendations.

Sincerely,



Edward S. Itta
Mayor

- cc: Unified Command Members of GC2 Pipeline Spill Response
- Steve Marshall, BP Alaska, President
- Johnny Aiken, NSB Director, Planning
- Taqulik Hepa, NSB Director, Wildlife
- Harold Curran, NSB Borough Attorney
- Karla Kolash, NSB Assistant to the Mayor
- Dennis Roper, NSB Governmental Affairs