

Broken Promises

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Alyeska Record Shows How Big Oil Neglected Alaskan Environment

Pipeline Firm Cut Corners And Scrapped Safeguards, Raising Risk of Disaster

Allegation of Fabricated Data

By CHARLES MCCOY

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VALDEZ, Alaska—The Alaska oil pipeline was going to show Big Oil at its environmental best.

The oil companies made many pledges in the anxious days nearly 20 years ago when Congress was weighing their audacious plan to run an 800-mile pipe, filled with hot petroleum, across the fragile frozen wilderness. The industry would offer the world's finest high-tech pollution controls. There would be crack emergency spill-response teams, incinerators to burn off sludge and toxic vapors, gauges to measure any water dumped in the Valdez harbor. In charge of it all would be Alyeska Pipeline Service Co., the consortium set up by the oil companies that were about to strike it rich.

One of those member companies, Exxon Corp., has come in for a firestorm of blame since the March wreck of the Exxon Valdez caused an 11-million-gallon oil spill here. But there is another story about the oil companies' performance in Alaska over the past 19 years, during which they have taken home what the state of Alaska estimates is \$45 billion in profits. It is Alyeska's story.

The pipeline operator's track record, as shown in internal documents, state records, talks with regulators, public testimony and interviews with current and former employees, paints a picture of a consortium that has long pursued a policy of cutting corners on the environment.

Wars of Attrition

Over the years, Alyeska has gradually and quietly scrapped many safeguards and never even built others that it told Congress it planned. Several past and present employees say they occasionally fabricated environmental records. Alyeska has fought proposed new regulatory controls in long, expensive legal wars of attrition that have enabled it to dump pollutants into the environment in excess of what regulators now consider safe. It allowed its defenses against a major accident to fall into disrepair. And many Alyeska statements—both before and after the spill—appear now to have been misleading at best.

an environmental disaster more likely to occur than it need have been, and make the Exxon Valdez spill worse than it need have been.

"Based on my experience with Alyeska," says James Woodie, who has been both Coast Guard commander for the port of Valdez and an Alyeska marine superintendent, "the only surprise is that disaster didn't strike sooner."

Adds Dennis Kelso, head of Alaska's Department of Environmental Conservation: "Alyeska stands as a monument to a powerful and rich industry's fundamental failure to keep its commitments. They have operated as if they were a sovereign state, with terrible consequences. As a nation, we have to ask ourselves: 'Can we trust them anymore?'"

Interpreting the Record

Yes, Alyeska can be trusted, it insists. It defends its performance after the March spill, saying that until the crackup its environmental record in Alaska was exemplary: more than 8,000 tankers in and out without a catastrophe—providing 25% of the nation's domestic oil supply. "We have not broken our promises to the people of this state," declares Theo Polasek, Alyeska's vice president of operations.

Alyeska is owned and funded by seven oil companies. A British Petroleum unit has just over 50% of Alyeska (part of it acquired in the takeover of Standard Oil of Ohio), and units of Arco and Exxon have a bit more than 20% each. Smaller stakes are held by Mobil, Amerada Hess, Unocal and Phillips Petroleum. A committee drawn from the seven, chaired by BP Oil Co. vice president Fred Garibaldi, oversees Alyeska like a board of directors.

Alyeska built the pipeline, snaking over and under some of the most treacherous terrain in the world, for \$10 billion. That was about \$5.5 billion above budget, partly because of problems such as thousands of suspect welds that had to be dug up and redone because X-rays of some welds were faked. When the spigot was cranked open in June 1977, the focus of Alyeska's operations shifted to its marine terminal at Valdez—and to a dogged pursuit of savings.

Missing Incinerator

Set against a mountain backdrop across the bay from town, the marine terminal is gray and imposing: 18 mammoth storage tanks hunched in the snow. Missing, though, are many of the things the oil companies said the terminal would include to reduce risks of catastrophe. Alyeska never built 14 of the storage tanks called for in construction plans approved by Congress in 1974. Nor did it build an incinerator to destroy toxic sludge produced by the terminal's operations. Pipe on other incinerators that Alyeska said would be stainless steel instead is of less-expensive—and more easily corroded—carbon steel.

Alyeska's owners also told Congress there would be a fleet of double-hulled tankers resistant to puncture. But the Exxon Valdez and almost all other ships that

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call here don't have double hulls.

When oil prices began falling in 1981, the owners of Alyeska ordered it to save even more on costs. In late 1982, Alyeska managers prepared what they thought was a lean budget and presented it to a meeting of the owners' committee in San Francisco. According to former Alyeska officials who were briefed on the meeting at the time, committee members cited a figure, roughly \$220 million, and asked if the budget was under that; told it wasn't, they rejected it out of hand.

"There was an overall attitude of petty cheapness that severely affected our ability to operate safely," recalls Mr. Woodie, who came over from the Coast Guard to run the terminal's marine operations just in time to see their budget slashed by about a third. "I was shocked at the shabbiness of the operation."

As cost-cutting deepened, many water-pollution controls went down the drain. The terminal has a facility to clean the oily ballast water carried by inbound tankers before it is discharged into the harbor. According to former employees and EPA investigative reports, Alyeska never installed a planned system for continuously monitoring the quality of water flowing into the harbor, and dismantled heaters designed to help separate oil from the water. Alyeska says it couldn't find a reliable continuous monitoring system, and the heaters were a maintenance nightmare.

Mr. Woodie says Alyeska management told him when he arrived that the treatment facility probably couldn't meet EPA standards. One way Alyeska got around this, he and some other current and former employees say, was to send samples of treated ballast water 1,200 miles to Seattle for testing; by the time it got there, some of the pollutants had decayed, so test results were usually within limits.

"Had we tested them in Valdez, they would have been off the scale," Mr. Woodie says. In any case, he adds, Alyeska dumped the water into the harbor long before the test results came back from Seattle. (Alyeska says it sent the samples out only because before 1985 it didn't have the ability to test properly in Valdez.)

The 'Miracle Barrel'

Alyeska also tests the oil extracted from ballast water before putting the oil into the terminal's storage tanks, to make sure it doesn't contain too much water. Erlene Blake, a technician in Alyeska's testing laboratory from 1977 to 1983, asserts that it was "standard operating procedure" to doctor test results if they weren't within the limits. She and some other past and present employees say that if repeated tests of oil samples didn't produce accept-

eventually got a look, but Alyeska succeeded in stalling the probe for months. EPA lawyers say Mr. Nelson ducked their inquiries for weeks at a time, and when they finally got him to schedule an interview in the fall of 1985, he didn't show up. Mr. Nelson says he doesn't recall ever missing any interviews with the EPA. Eventually, he was questioned.

Last year, the EPA issued an investigatory finding that, contrary to Mr. Nelson's assertions, Alyeska in fact had routinely recycled sludge through its ballast-water system. Although the EPA said it was unable to substantiate allegations of doctored tests, it found that much of Alyeska's data was inaccurate and some of its equipment was broken down or disconnected. During and since the three-year probe, Alyeska has made several improvements ordered by the EPA. But after six years it is still fighting regulators' demands to cut the amounts of toxic hydrocarbons it can discharge into Valdez harbor, and it continues to dump water that is sometimes far above the levels regulators seek.

"With all the money Alyeska and the U.S. taxpayer have spent squabbling over this thing, you could have built a real fine treatment system," says Harold Geren, an EPA water-quality expert.

Wrangling Over Air Pollution

Alyeska has shown similar resistance to improving its air-pollution controls. In the early 1980s, the Valdez city council tried to get Alyeska and its oil-company owners to make tankers burn low-sulfur fuel while in port to reduce pollution. Alyeska and its owners argued, among other things, that they couldn't do that because tankers would have to be refitted at high cost. However, many of the tankers are already equipped for low-sulfur fuel because it is required at certain West Coast terminals. The oil-industry argument was "a lie, and we knew it was a lie," says Jerry Nebel, a former Alyeska supervisor whose last position at the terminal, in 1983, was oil-spill coordinator.

More recently, the terminal has drawn fire for its system for burning off poisonous vapors that build up in the oil storage tanks. A long pipe funnels the gases into a series of incinerators, where they're burned. If the system can't draw the gases off fast enough, emergency vents in the tanks open and the toxic vapors shoot untreated into the sky. About a year and a half ago, the pipe sprang a leak in a hard-to-reach spot near the terminal's power plant. Periodically, Alyeska workers familiar with the system say, liquid hydrocarbons dribbled out, collecting in puddles. From time to time, vapors wafting from the leak triggered warning alarms of potentially dangerous gas buildup.

way into the pipe; and that in any case the alarms are designed to measure hydrocarbons and only in rare circumstances could be triggered by anything else. "We think their explanation is sheerest fiction," says Bill MacClarence, a DEC air-quality expert. The state has begun an investigation of the leak.

Troubled System

Alyeska's vapor disposal system has been trouble almost since the start. To save money, Alyeska built only three of the four incinerators called for in designs approved by Congress. Internal Alyeska documents show the incinerators have been operated at lower temperatures than they're designed for—again, to save money, workers familiar with the system say. Special fixtures meant to assure that as much of the vapor as possible is burned up were disconnected—to save money.

These and other procedures have left the incinerators cracked and decrepit long before their time. What's more, partly because Alyeska built the system's loop of pipe out of carbon steel instead of stainless, the loop has sprung dozens of leaks over the years, say regulators and Alyeska employees.

As early as 1961, the whole system had to be shut down for nine months, during which time literally tons of hydrocarbons streamed into the atmosphere. Internal Alyeska records show that between 1980 and 1985, the system was shut down an average of one day in five. State regulators and the EPA say pollution from system failures skyrocketed when the pipeline started carrying high levels of natural-gas liquids in January 1987. The liquids vaporize more readily than oil.

Alyeska Responds

Alyeska's response to problems in its vapor system has followed the same pattern as the reaction to water-pollution charges. First, it denied them. For example, in the summer of 1987, Mr. Henman was maintaining to regulators and in public comments that Alyeska didn't know until late 1986 that natural-gas liquids would present any undue problems. Yet an internal Alyeska study had warned in March 1985 that the expected increase in natural-gas liquids would burden the system and recommended that all the incinerators "be brought up to maximum operational/mechanical efficiency" beforehand. They weren't. Mr. Henman now says that he never misled anyone on the issue, but that the liquids posed unanticipated problems for the system's incinerators.

After resisting pressure to improve the system for years, Alyeska finally embarked on a \$15 million upgrade just before the spill in March. At a meeting in Bellevue, Wash., state and EPA officials say,

able readings, their supervisors would draw a new sample from what became known as the "the miracle barrel" - a container of oil that always tested within legal limits.

Steve Eward, a technician from 1977 to 1986, says he was frequently ordered to disconnect the meter that measures how much treated ballast water was being flushed into the harbor. The rates and amounts Alyeska is permitted to dump are set by federal law, but Mr. Eward and others say the laws were often ignored. "The way around it was to shut off the mechanism for gauging how much we dumped," he says. "There was no other way for the regulators to check it."

Alyeska always has heatedly denied falsifying test results or deliberately disconnecting equipment to skirt environmental regulations. Mr. Blake, another former technician and a current employee all testified before the state public utility commission that they had fabricated test results. However, the commission ruled in 1987 that Alyeska hadn't knowingly done so, finding only testing "irregularities."

Unending Disputes

Nonetheless, the water Alyeska pours in the harbor has been the focus of unending disputes, and despite the occasional negative publicity these disputes engendered, Alyeska has dug in its heels. The company once had a permit to dump water containing concentrations of highly toxic aromatic hydrocarbons, mainly benzene, toluene and xylene, as high as nine parts per million. When that permit expired in 1983, state and federal regulators demanded that in a new permit the limit be cut as much as 85%. Alyeska tied them up in the EPA's administrative process, while continuing to dump at far higher levels than the regulators considered acceptable.

By 1985, regulators suspected Alyeska was recycling sludge through the ballast-water system and discharging it in the harbor, in violation of the federal Clean Water Act. George Nelson, the Alyeska president, denied this repeatedly, saying the terminal had produced only 480 cubic yards of sludge in its nine years of operation between 1977 and 1986. But Alyeska's records show that as early as 1983, it was looking for ways to dispose promptly of 4,300 cubic yards of sludge. Alyeska says most of that turned out not to be sludge after all.

EPA Probe

Alyeska initially refused to comply with a subpoena the EPA issued in an investigation of water quality. The agency sued and

Unplugged Leak

Alyeska at times placed patches over the leak, but didn't get around to a permanent repair job for nearly 18 months. Alyeska didn't report the problem to state regulators until the day it began repairs last month - an apparent violation of law, regulators say.

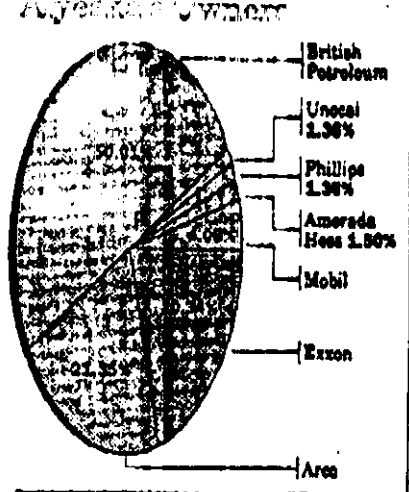
Ivan Heninan, Alyeska's vice president for environmental operations, contends that the only thing coming out of the hole was nitrogen, a few other harmless gases and a little water. He says the alarms must have been triggered by oxygen leaching in. But state regulatory experts and Alyeska employees familiar with the system say that gases where the leak occurred usually contain very little nitrogen or the other components Mr. Heninan cites: that oxygen can't easily force its

Alyeska also agreed to test emission levels from the incinerators before overhauling them, so regulators could judge whether the upgrade really improves air quality.

Pollutants From Tankers

But in May, Alyeska changed its mind, arguing in a letter to a state attorney general that the incinerators are "in a state of unrepaired malfunction," so tests wouldn't be representative. This argument astounded regulators, who have spent years hearing Alyeska insist its incinerators were fine. (Pressured by the state and the EPA, Alyeska says it will go ahead with tests.)

Alyeska also is battling regulators' efforts to limit the tons of gaseous pollutants that stream into the air during tanker loading. The state estimates that as much as



1,000 tons of hydrocarbons a week shoot into the air through vents on tankers decks. Alyeska argues that emissions from tanker loading come from the tankers, and thus aren't its responsibility. Negotiations over the issue drag on while toxic hydrocarbons waft upward.

Alyeska's attitude toward environmental matters spilled over into its disaster preparedness. In March 1988, it conducted a routine inventory of cleanup equipment. According to internal Alyeska memos, handlers could find only half of the emergency lights required by its oil-spill contingency plan; the rest, it was later learned, were off being readied for use in Valdez's winter carnival.

Half of the required length of six-inch hose was missing. So was some 3,700 feet of boom—nearly 15% of the required amount. Eight of the 10 blinking barricades listed in the plan weren't there. Regulators, who were never alerted to the shortfalls, say that they would have eroded Alyeska's ability to respond had a big spill occurred at the time. Yet Judith Brendel, the Alyeska executive who oversaw the inventory, congratulated the officials in charge of the equipment: "Your people have done a good job." (Eventually the shortfalls were corrected.)

Running Aground

Drills for honing responses to oil spills, fires and other trouble sometimes were near-disasters themselves. "Drills were a farce, comic opera," says Mr. Nebel, the former oil-spill coordinator. In an early 1980s drill, a boat carrying the top Alyeska manager in Valdez and other oil-industry executives ran aground. In 1984, state inspector Tom McCarty witnessed a chaotic drill that had to be canceled when containment boom sank; in a memo to superiors, he said Alyeska's spill-response capability had "regressed to a dangerous level."

A year later, an Alyeska official told another state inspector at a sloppily run drill that Alyeska wouldn't practice deploying a hose because "it would be too much trou-

who knew how to run both a forklift and the cranes used to load equipment. He ran from forklift to crane, forklift to crane.

Despite the efforts of certain regulators, Alyeska has had relatively few scrapes with regulatory or legislative bodies over the years. The state has imposed only a handful of fines, the largest being \$10,000 for a 1986 air-pollution conviction. Bills to bolster the budget of the department of environmental conservation have died in the legislature of Alaska, a state that gets over 80% of its revenue from the oil industry (and whose legislators get millions in oil contributions).

Barred Inspector

When individual regulators do lean on Alyeska, its response can be fierce. Dan Lawn, the state's top Alyeska inspector, was thrown off Alyeska's premises one day in 1986 while videotaping some operations. Alyeska complained to state officials that Mr. Lawn was "harassing" it, tried to get him fired and attempted to limit his access to the terminal, state officials say. Says Mr. Lawn: "I would characterize their attitude toward regulators as utter contempt." Alyeska says it has sometimes complained about Mr. Lawn, but denies it ever tried to get him fired.

In defending its response to the Exxon Valdez spill, Alyeska has sometimes marshaled arguments that seem to contradict its own past statements. For instance, Alyeska had told state regulators on June 22, 1982, that the "estimated time of completion of spill clean up of 100,000 barrel spill would be less than 48 hours"; that assurance was one reason regulators approved its spill contingency plan, without which the pipeline couldn't operate.

But after the big spill, Alyeska's Mr. Polasek testified to a House Interior subcommittee that "Alyeska had never promised to pick up 100,000 barrels of oil in 48 hours." In 1982, he says, Alyeska was merely talking about the manufacturer's rating for the equipment, and didn't really mean it as an estimate.

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ble to roll it up again," state documents show. Such performances were all the more striking given that Alyeska often participated in drawing up the drill scenarios. "We knew exactly what was coming, where we were supposed to be, and we still messed it up," says Mr. Nebel.

Fire drills also caused problems. An Alyeska memo describes one in March 1987: One fire engine was parked "in a hazardous position" only a few yards from the simulated flames; another arrived with a driver but no crew; and "communication was poor throughout the process." In a drill last summer, Alyeska employees say, dummies were placed at the center of a ring of fire. One fire engine's hose malfunctioned. A fire hydrant failed because someone had forgotten to turn on a pump. "Had those dummies been people, they would've been french fried," says an Alyeska worker familiar with the drill.

Asked about it, Thomas F. Brennan, an Alyeska spokesman, says the drill was designed to feature equipment failures "so the crew could be trained and adaptable to that kind of situation." An employee familiar with the drill says that isn't so. "In a fire drill you're supposed to put out the fire," he says. "That didn't happen. The equipment didn't work."

The Exxon Spill

On the night of the Exxon Valdez's grounding, Alyeska performed the way it practiced. New details of the initial response indicate it was even more troubled than has already been chronicled. Fenders needed so a second tanker could come alongside the Exxon Valdez and siphon off its remaining oil couldn't be located for hours because they were buried under 14 feet of snow. Deep-water skimmers, rarely deployed in pipeline history even during drills, had to be dug out from under stacks of containment boom and other equipment. For a while, only one man was on hand

Out of Action

Alyeska also has been criticized because at the time of the spill, the barge that carries cleanup equipment was damaged, unloaded and basically out of action. Reloading the barge and getting it out to the tanker took 14 hours, nearly triple the time Alyeska had estimated for responding to a spill in the area. But before the House panel, Mr. Polasek offered the argument that the plan doesn't specifically "call for the barge being loaded."

Indeed, Alyeska now contends it wasn't actually required to be able to do the things it said it was able to do in its contingency plan. Larry Shier, manager of the marine terminal, told investigators from the National Transportation Safety Board at hearings last month that Alyeska considered that key parts of the plan mere "guidelines . . . that cannot really be extrapolated to the real world."

Replies Mr. Kelso, director of the Alaska DEC: "That's like saying the fire code is just a set of guidelines. It's just an incredible and appalling fabrication."

Alyeska also defends the 1982 disbanding of its emergency 12-person spill-response team. After that, spill response was assigned to workers who also had other duties. Mr. Polasek argued to Congress that this arrangement was actually superior to the old one, because it meant "we now have 120 people trained in oil spill response. . . ."

Some of the cited 120 scoff at this. One senior employee says he has had "zero oil-spill training, none." He recalls being summoned to two spills over the years. "I didn't know what the hell I was supposed to do, and when I found the guy I was supposed to report to, he didn't know what the hell we were supposed to do either. We just stood there watching."

For many, the true measure of Alyeska Pipeline Service Co. was captured by a single gesture on the morning of the disaster. Chuck O'Donnell is Alyeska's top executive in Valdez, the one who presumably would run the show in the event of any catastrophe. He was awakened at about 12:30 a.m. by a call from the terminal informing him that a supertanker was possibly aground on Bligh Reef—news that had already provoked horror among Coast Guard and state officials.

Mr. O'Donnell gathered it in and reflected on it for a moment. He ordered a subordinate to head to the terminal. Then, Alyeska acknowledges, he rolled over and went back to sleep.

He won't comment now. But an Alyeska spokesman says Mr. O'Donnell's actions were in accordance with accepted consortium procedures for dealing with possible disasters. "This was not a sleep of neglect," the spokesman says.