May 26, 1977

Mr. E. L. Patton
Chairman of the Board
Alyeska Pipeline Service Company
1835 S. Bragaw Street
Anchorage, Alaska 99504

Dear Mr. Patton:

This is in furtherance to my letter of March 4, to Mr. Darch, and our meeting in Dallas, Texas, on March 15, 1977, regarding Mr. O'Connell's letters to Mr. Knodell of September 16, 1976, and January 25, 1977, concerning the extent of Department of Transportation (DOT) jurisdiction over (1) pipelines operated at a stress level of 20 percent or less of specified minimum yield strength (SMYS) and (2) gravity flow pipes at the Valdez terminal.

In our meeting in Dallas, Texas, attended by members of Alyeska and Materials Transportation Bureau (MTB) staff, we reviewed piping drawings of the pipelines that are of concern to Alyeska.

With regard to the pipelines which operate at less than 20 percent SMYS, the Alyeska drawing, "Inventory Line Diagram, Pump Station No. 8," dated October 26, 1976, which was provided us in Dallas, depicts these pipelines in yellow. The Alyeska personnel explained that these lines are 12-inch circulating lines within a pump station.

The question of DOT jurisdiction over these circulating lines is not dependent on the relationship between the stress level of those lines and the SMYS of the line pipe in the system. Rather, it depends on whether the circulating lines are transporting crude oil in interstate or foreign commerce.

MTB staff was informed that these lines are used during startup of a pump and during low flow conditions to keep the pump case temperature from becoming too high and serve only to draw off crude oil from the discharge side of the pumps and deliver the oil to a tank. MTB was further informed that this oil is later reintroduced into the upstream side of the pump station through a 36-inch relief line.

Based on this information, it appears that the circulating lines, when used, are taking crude oil out of the transportation stream for purposes of aiding in the proper operation of the pump station. It also appears that the circulating lines are not necessary for that part of the operation of the pump station affecting the safe transportation of crude oil in interstate or foreign commerce.

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This information leads me to conclude that the circulating lines within a pump station are not transporting crude oil in interstate or foreign commerce and, therefore, are not subject to the requirements of 49 CFR Part 195.

With regard to the gravity flow lines at the Valdez terminal, the Fluor Ocean Services, Inc. drawing "D-50-M1558," dated August 9, 1976, Valdez Terminal, Crude Systems - B31.4 49 CFR 195 and drawing "D-50-M1559," dated August 9, 1976, Valdez Terminal, Crude, Crude Transfer and Relief ANSI-B31.4, which were provided us in Dallas, depict these pipelines.

Alyeska personnel advised us in Dallas that the lines which were described in the letters of September 16, 1976, and January 25, 1977, were not limited to being used as gravity lines at all times since the tanks could be bypassed and the crude oil could be pumped directly to the ship through these lines from the 48-inch main line. Consequently, these lines are not a unique gravity pipeline system and are in fact a continuation of the pipeline system all the way to the ship docking berths and as such are subject to the requirements of 49 CFR Part 195.

Drawing D-50-M1559 also indicates in heavy dark lines crude transfer lines, relief lines, and lines from the common manifold or "feed-in" line to each tank. MTB was informed that the heavy dark line indicated pipeline that Alyeska considered subject to ANSI-B31.4 but not 49 CFR Part 195. However, during the Dallas meeting, Alyeska personnel indicated that the drawing, in relation to the relief lines, was in error because Alyeska correctly considers such relief lines to be subject to 49 CFR Part 195. In addition, Alyeska personnel sought MTB concurrence on the nonapplicability of 49 CFR Part 195 to the crude transfer lines and the lines from the manifold or "feed-in" line to each tank on the basis that these lines operate at stress levels of 20 percent or less of the SMYS of the line pipe in the system.

The MTB cannot concur that the requirements of 49 CFR Part 195 are not applicable to the lines from the manifold or "feed-in" line to each tank. Because crude oil is delivered directly from the 48-inch main line to tanks through these lines they are an integral part of the regulated main line system and, therefore, cannot be considered a unique system in order to qualify for the exception provided under 49 CFR 195.1(b)(3). As stated in my March 4 letter, "The applicability of Part 195 is determined not in relation to portions or segments of a pipeline system, but rather in relation to a pipeline system in its entirety. . . ."

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Under ?195.1(b)(3) only a "pipeline system," as that term is defined in ?195.2, that operates at a stress level of 20 percent or less of SMYS of the line pipe in the system is excepted. This

exception is not applicable to segments of a system that meet this criteria unless the entire system also meets this criteria.

As to the crude transfer lines that Alyeska considers subject to ANSI-B31.4 but not 49 CFR Part 195, I have concluded that the regulations do not apply. These lines are used exclusively to transfer crude oil from one tank to another. Like our discussion regarding the 12-inch circulating lines, MTB believes the DOT jurisdiction over the crude transfer lines is not dependent on whether they qualify for the exception under ?195.1(b)(3). Rather, MTB believes that during the transfer of crude oil from one tank to another the oil is not in interstate or foreign commerce and, therefore, the pipelines used to accomplish that transfer are not subject to the requirements of 49 CFR Part 195.

I trust that these findings will prove helpful to Alyeska in assuring continued compliance with DOT's liquid pipeline safety regulations.

In anticipation of my conclusion that the regulations are applicable to the "gravity flow" lines at the Valdez terminal and having been advised by the Department of the Interior's Alaska Pipeline Office that it had issued nonconformance reports on 13 girth welds at the terminal, Mr. Cesar DeLeon, Acting Director of the Office of Pipeline Safety Operations, met with management and senior staff personnel of Alyeska, the Alaska Pipeline Office, and Mechanics Research Incorporated, in Valdez, Alaska, on May 12, 1977, to discuss the Valdez terminal lines and conduct an onsite inspection of these girth welds. Mr. DeLeon will communicate directly with Mr. M. J. Robinson of Alyeska Quality Assurance regarding his evaluation of the circumstances with respect to each of the repaired welds.

Sincerely,

James T. Curtis, Jr.

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MEMORANDUM

DATE: January 7, 1977

SUBJECT: Scope of 49 CFR 195.1(b)(2)(3) exceptions to Part 195 applicability

FROM: Robert L. Beauregard, TGC-50

TO: Director, Materials Transportation Bureau

Quinn O'Connell's letter dated September 16, 1976, concludes that Part 195 safety regulations do not apply to (1) gravity flow of pipes at the Valdez Terminal which will carry crude from nearby storage tanks down to the tanker loading facility, and (2) the pipes utilized under certain circumstances to transport crude to tankage located at the various pump stations along the entire length of the pipeline, which pipes will always operate at a stress level of 20 percent or less of specified minimum yield. The support advanced for these conclusions is the exceptions to Part 195 contained in ?195.1(b)(2)(3):

> (b) This part does not apply to--
>
> * * *
>
> (2) Transportation through a pipeline by gravity;
>
> (3) Transportation through pipelines that operate at a stress level of 20 percent or less of the line pipe in the system; and
>
> * * *

Although O'Connell is willing to assert that ?195.1(b)(2)(3), standing alone, will support the above conclusion, he cites the definition of "pipeline system" or "pipeline" as further support:

> ?195.2 Definitions.

As used in this part--

* * *

'Pipeline system' or 'pipeline' means all parts of a carrier's physical facilities through which commodities move in transportation that is subject to this part . . . .

* * *

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O'Connell asserts that this definition, viewed in conjunction with the ?195.1 exceptions, recognizes that "parts" of a pipeline system are severable and therefore may be viewed separately for purposes of regulation.

It is my opinion that one of O'Connell's conclusions and the bases for both conclusions are incorrect.

Part 195 is written to apply to certain "transportation by pipeline". Likewise, Part 195 excepts from its applicability certain "transportation by pipeline". To determine the true applicability of the regulations the phrase "transportation by pipeline" must be construed consistent with how terms are defined for purposes of Part 195.

By definition "pipeline" is synonymous to "pipeline system". The definitions also expressly state that a "pipe" or "line pipe" is only one part of a "pipeline system" as are valves and other appurtenances connected to line pipe, pumping units, etc., Therefore, Part 195 applicability is determined by looking to the system in its entirety rather than individual segments or parts of the system. To take advantage of the exceptions contained in ?195.1(b)(2)(3) therefore demands this kind of determination.

Under ?195.1(b)(2) only a "pipeline system" that accomplishes transportation by gravity is excepted. The exception cannot be applied to segments of a system that meet this criteria if the entire system does not.

Likewise, under ?195.1(b)(3) only a "pipeline system" that operates at a stress level of 20 percent or less of specified minimum yield strength of the line pipe in the system is excepted. The exception cannot be applied to segments of a system that meet this criteria if the entire system does not.

These determinations are contra to O'Connell's and therefore remove the underpinning of his conclusions. However, because I view the gravity flow pipes at the Valdez terminal which will

carry crude from nearby storage tanks down to the tanker loading facility as an integral system and not a part of the main line system, I would conclude that those pipes fall within the ?195.1(b)(2) exception and need not comply with Part 195.

I cannot reach the same conclusion with regard to the relief lines that are alleged to operate at 20 percent or less of specified minimum yield. These lines clearly are an integral part of the main line system and because the entire main line system does not operate at the 20 percent or less stress level, the subject relief lines cannot be excepted from Part 195.

O'Connell's discussion and interpretation of regulatory history is sloppy. From the first ICC proposed regulation regarding pipeline safety to existing pipeline standards, the applicability and exceptions to applicability have been worded in terms of pipeline systems. However, O'Connell chooses to ignore that and talk in terms of pipes (only a part of a system) which allows him to reach his desired conclusions (pipeline, pipeline system, pipe, and line pipe have been consistently defined through the years).

It is interesting to note that certain portions of the main line system operate on the principal of gravity and many miles of that system (especially on the suction side of pump stations) operate at a stress level of 20 percent or less of specified minimum yield. However, Alyeska has never asserted that these segments of the system should be excepted from the regulations.

Robert L. Beauregard