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**Senate Energy and Natural Resources Committee  
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**Kevin Hostler  
President & CEO  
Alyeska Pipeline Service Company  
Written Testimony**

My name is Kevin Hostler and I am the President & CEO of Alyeska Pipeline Service Company. I represent the 1600 people who operate and maintain the Trans Alaska Pipeline System – or TAPS. Our company was founded in 1970 to design, construct, and operate TAPS to safely and efficiently move oil from the North Slope of Alaska through the Valdez Marine Terminal 800 miles to the south. Alyeska Pipeline Service Company is owned by five pipeline companies: BP Pipelines (Alaska) Inc., ConocoPhillips Transportation Alaska, Inc., ExxonMobil Pipeline Company, Koch Alaska Pipeline Company, and Unocal Pipeline Company.

I know that many have questions about the security of the supply of oil through Alaska to the rest of the United States. We understand the importance of this energy asset. It is the economic pipeline for Alaska and a critical transportation link for the nation. We have an integrity management program that gives us assurance that our system integrity is sound. I am here to provide you with the assurance that the integrity of our system is intact and to share the confidence I have in our employees in maintaining this asset.

TAPS was originally designed to move two million barrels of oil per day. Prior to the events on the North Slope in August, we were operating at 800,000 barrels per day and as we entered September our daily throughput has averaged about 625,000 barrels per day. As a result of the announcement of possible shutdown at Prudhoe Bay on August 6th, we did investigate the impacts of lower throughputs to TAPS and how we would manage them to maintain operations. I will discuss our short and long term approach to managing throughput fluctuations.

**CORROSION CONTROL AND INTEGRITY MANAGEMENT ON TAPS**

Since the March 2006 Prudhoe Bay spill – and continuing through the August spill and production shutdown, we evaluated many aspects of our system to ensure ourselves and our stakeholders that our approach to corrosion control was appropriately rigorous. Alyeska's operations and engineering personnel reviewed the corrosion control program

and have been implementing the following steps to ensure that accelerated corrosion is not adversely impacting TAPS:

- We have rescheduled our 2007 inline investigation tool (smart pig) run and are running it this year. These tools provide a comprehensive insight into the integrity of the line and indicate any anomalies. Alyeska normally runs a smart pig every three years. Our last run was in 2004. The pig run for this year is nearly complete and I have requested an expedited review of this data. TAPS has run 60 instrumentation pigs since the start up of operations in 1977. This pig run will be our 61<sup>st</sup>.
- We completed a thorough investigation of the piping at Pump Station 1. As the entry point into the TAPS mainline this was where we believed we may see accelerated corrosion if it was present in TAPS. While the work is ongoing, reports to date indicate no accelerated corrosion in the station piping. We have also reviewed piping at other pump stations and the Valdez Marine Terminal.
- We increased corrosion inhibitor injection throughout the system by 25%. It is added to our pump station and Valdez Marine Terminal piping.
- We are conducting an integrity investigation of the inlet line from Prudhoe Bay to Pump Station 1.

Corrosion control is a key component of our Integrity Management Program. Alyeska's Integrity Management Program meets the expectations of the U.S. Department of Transportation Office of Pipeline Safety regulations and is subject to periodic review by the DOT. The DOT has reviewed or audited Alyeska's execution of the program in 2002, 2003, 2005 and will do so again this October. Additionally, the Grant and Lease Right of Way agreements require Alyeska to have a comprehensive corrosion control program which is monitored by the Joint Pipeline Office.

Alyeska's Integrity Management Program has the following objectives:

- Prevent leaks to protect public safety and the environment
- Comply with State and Federal regulations
- Manage risks – assess, prevent, or mitigate
- Preserve our assets thus providing reliable oil transportation
- Provide stakeholder assurance

Security remains the biggest risk to TAPS. We work closely with Federal and State Agencies to ensure the safety and security of our pipeline. Mechanical Damage, environmental impacts and corrosion are other risks.

Our integrity management program is focused on preventing any accidental release to the environment. Should we encounter a pipeline discharge however, we have also worked diligently to be prepared to respond to an incident. We have an approved oil discharge prevention and contingency plan (C-Plan) that guides our response efforts. The plan is reviewed and approved by four regulatory agencies: the Environmental Protection Agency; the Alaska Department of Environmental Conservation; the U.S. Department of Transportation; and the Bureau of Land Management.

We also have contingency repair plan through which we maintain a large inventory of contingency repair equipment and materials that includes a wide range of replacement piping, stopples, and leak clamps. We exercise our personnel and equipment on a regular basis. It remains our goal through our Integrity Management program to avoid an oil discharge. However, I want the committee to know that we are prepared for an incident and can respond in a timely manner.

### **OPERATING TAPS AT REDUCED THROUGHPUT**

We are confident we can operate normally down to 500,000 barrels per day. We will face challenges as throughput drops below this rate. Among the more significant challenges we are currently evaluating are:

- Managing issues associated with cooler temperatures of the oil, particularly in the winter, and the potential for water and paraffin (i.e., wax) drop out from the oil;
- Managing the efficiency of the biological treatment process of our ballast water plant because of lower ballast water flows due to reduced tanker traffic to the Valdez Marine Terminal; and
- Managing the potential for increased vibration due to slack line conditions at the three mountain passes the pipeline must cross;

Alyeska technical experts are evaluating all of these issues to determine the full extent of the potential impacts upon TAPS. They are establishing appropriate mitigating plans for my management team to consider.

It is worth noting that our \$500 million dollar pipeline upgrade project will introduce significantly more flexibility into our ability to manage through a situation like the one we are facing today. It is designed to allow us to more efficiently handle throughputs as low as 300,000 barrels per day and higher than one million barrels per day, with the flexibility to operate at even higher throughputs. We can increase throughput by adding more pumping power to the pump stations.

In conclusion, I wish to restate that we have a comprehensive integrity management system and have considered the corrosion information from the Prudhoe Bay spill into that system. I recognize that we have challenges in front of us due to the Prudhoe Bay shutdown. We are looking at all of the potential impacts this will have on our system and will develop responsible plans to mitigate these impacts. I also know that I have some of the best technical resources available for this situation. Our decisions will be based upon the safe operation of TAPS and with no adverse impacts to the integrity of TAPS. Our daily goal is the safe and environmentally responsible management of the system.

I thank you for this opportunity to discuss Alyeska and TAPS operations and welcome any questions you may have about our operations.