

Statement of Rod Hanson  
Vice President, System Integrity, Engineering & Projects  
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before the  
Subcommittee on Fisheries, Water and Wildlife  
Committee on Environment and Public Works  
United States Senate

regarding  
Impacts of the Proposed Waters of the United States Rule  
on State and Local Governments and Stakeholders

April 6, 2015  
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3600 Denali Street  
Anchorage, AK 99503

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Chairman Sullivan, thank you for the opportunity to appear here today to discuss the proposed rule regarding Waters of the United States, and its possible impact on Alyeska Pipeline Service Company's management of the Trans-Alaska Pipeline System. I am Rod Hanson, Vice President of System Integrity, Engineering and Projects for Alyeska Pipeline Service Company. I joined Alyeska in 1991 as a civil/structural engineer, and have held a variety of positions in the company since then, serving as Pipeline Manager, Valdez Marine Terminal Operations and Maintenance Manager, Commercial Supply Chain Manager, and Health, Safety and Environment Director, before being appointed to my current position in late 2013. I am proud to work for an Alaska company, having lived in Alaska since 1978. My wife and I raised our children here, and our grown children are now raising their own families in Alaska, too.

I am here representing the 1,600 Alyeska employees and contractors who operate and maintain the 800-mile Trans-Alaska Pipeline System or TAPS, transporting crude oil from Alaska's North Slope to Valdez, where it is shipped to the West Coast of the lower 48. Today, TAPS carries about 5½ percent of the nation's domestic oil production. Since startup in June 1977, we have transported more than 17 billion barrels of crude oil. At peak, we transported 2.1 million barrels per day, which was 24 percent of US domestic crude oil supply. However, production from

existing development on the North Slope has been declining by approximately 3 to 6 percent per year. We currently transport approximately 514,000 barrels per day.

Transporting lower volumes of crude oil, known as “throughput,” creates serious operational challenges. Lower throughput means significantly longer transport times and therefore, lower crude temperatures. Colder crude oil creates potential for wax and ice to build up in the pipeline and interfere with operations. To keep the pipeline operating safely while moving decreasing volumes, we must make significant new investments to adapt the pipeline to lower throughputs and lower temperatures. The changing hydraulic profile on TAPS has already triggered the replacement of our mainline pumps and in-station piping. We have also had to add infrastructure for recirculation to heat the oil, additional pigging to clean the pipe, and an additional pig launcher and receiver.

While we are confident in our handling of these and other issues that require significant attention and considerable resources and investment, we know that these challenges will grow as long as throughput continues to decline. We continue to meet these challenges in accordance with our robust environmental compliance programs, policies and procedures. We, as a company, are committed to protecting the Alaska environment in which we work, and this includes protecting the nation’s waters. Therefore, we fully support efforts to protect and maintain the quality of those waters.

Our work on TAPS is overseen by twenty-one different federal and state agencies, each with its own authorizing legislation and accompanying regulations. We work hard to ensure we comply with all regulations; we obtain all permits and authorizations as required, and we keep our regulators informed of the status of the work we are doing to ensure the safety and integrity of our system.

Occasionally though, a new regulation is proposed which does not seem to consider the arctic environment of Alaska or the practical difficulties of operating an 800-mile pipeline through harsh climates and remote diverse landscapes, and which therefore presents unique challenges for companies like ours. That is the case with the proposed rule on Waters of the United States.

Under our reading of the proposal, it would significantly expand Clean Water Act jurisdiction to cover many more waterbodies and features than currently are covered under the law. As a result, we believe this proposed rule will subject many more TAPS activities and operations to regulation under the Clean Water Act than currently are covered by the statute and regulations. Many of the discharges associated with TAPS operations consist of water removed from construction project sites and drainage from precipitation events which do not reach Waters of the United States. The expansive definition of Waters of the United States could make these discharges jurisdictional, and subject to Clean Water Act permitting and regulatory requirements. This could significantly delay our ability to get critical work done, in the short season we have to do that work in Alaska, by causing delays in screening, permitting and other approvals for critical inspection, repair and maintenance projects. The proposed rule may also require new or significant changes of our water discharge management and treatment strategies and systems.

In reviewing the proposed rule, we have identified numerous potential impacts to TAPS and our operations. These include, but are not limited to, the following:

- Unique geographical and water features common to Alaska (permafrost, wet tundra, muskegs/bogs, etc.) may end up being considered jurisdictional waters, or result in designation of other waters as jurisdictional that have not normally been qualified as waters of the United States. Therefore, any TAPS discharges to upland, dry, and isolated areas that are hydrologically connected to or even in the vicinity of these geographical and water features may become subject to the Clean Water Act requirements;
- Discharges to dry stream channels, tundra and upland areas could now be considered discharges to jurisdictional waters and subject to new or additional permitting and treatment requirements;
- Manmade impoundments, retention structures, ditches, effluent channels and storage pits may themselves become jurisdictional under the proposal. This could extend jurisdiction to engineered structures and features associated with wastewater management or treatment, including impoundments and conveyance systems, such as stormwater

management structures and surge and oil spill ponds designed to minimize environmental risks at the Valdez Marine Terminal;

- If these engineered stormwater management features and structures were to be considered jurisdictional waters, we may be required to manage the water quality *within* these features and structures, as well as the water quality at the end point source discharges downstream;
- These same concerns arise with *naturally* occurring stormwater drainage features, such as road-side ditches and other natural culverts on or adjacent to TAPS property;
- Numerous individual projects that qualify for coverage under Clean Water Act section 404 Nationwide Permits may no longer qualify, and therefore would require permit coverage through the more lengthy and onerous individual section 404 discharge permit process in order to proceed;
- Measures employed by Alyeska for pipeline protection and stability projects along our right-of-way in areas not currently considered jurisdictional may now be covered, requiring individual permits for the placement of materials, such as soils or riprap; and,
- Even gravel pits formerly used by Alyeska and other operators could be subject to Clean Water Act requirements, since manmade impoundments, such as ponds, lagoons or other water storage structures could be considered jurisdictional.

These are just a few of the ways we believe the proposed rule could impact our management of TAPS if it were to be promulgated in its current form. We are hopeful that the proposal will be withdrawn, or dramatically changed, so that these impacts are not added to our current challenges. We at Alyeska take pride in our ability to meet all of our challenges, safely operating our pipeline system in a difficult environment.

Safety and integrity of the pipeline are core values at Alyeska and top priorities for every employee. I am proud to report that we currently have the best safety record in our history. We were recently named one of the World's Most Ethical Companies by the Ethisphere Institute for

the fourth year in a row. Alyeska's Vessel of Opportunity Program received a 2015 Alaska Ocean Leadership Award for stewardship and sustainability from the Alaska SeaLife Center. Just last week, we received a Governor's Safety Award. And, over the years, we have been honored several times with both the American Petroleum Institute's Distinguished Operator Award and Environmental Performance Award. Our record for protecting the environment is one of the best in our industry or any other industry in Alaska. We will continue to work to achieve the same high level of performance, delivering oil to the State of Alaska and the country in a safe and secure manner.

Thank you for the opportunity to testify today. I will be happy to answer any questions.