Applicant's Compliance Summary Statement

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I. Introduction

The Trans-Alaska Pipeline System (TAPS) is owned by six companies who have selected Alyeska Pipeline Service Company (Alyeska) as their common agent for the operation and maintenance of TAPS. Alyeska maintains compliance with the Federal Grant and State Lease requirements and with applicable laws and regulations through the institution of corporate policy, the application of systems and processes, and the employment and training of knowledgeable personnel. Separate and apart from Alyeska's compliance systems, there are numerous state and federal regulatory agencies that work to provide public assurance of compliance with TAPS requirements.

II. Alyeska's Corporate Policy

Alyeska has implemented Corporate Policies that set standards for the actions of employees and contractors working on TAPS. Several of these policies are quoted below.

- Corporate Compliance Policy: "Alyeska Pipeline Service Company employees and its contractors will comply with all applicable laws and regulations, State and Federal Right-of-Way agreements, permits, other binding agency agreements or authorizations and with all our Policies."
- Corporate Environment Policy: "Alyeska Pipeline Service Company employees and its contractors will conduct business in a manner to protect and preserve the spectacular scenic beauty and sensitive ecosystems in which the Trans Alaska Pipeline System operates."
- Corporate Safety and Loss Prevention Policy: "Alyeska Pipeline Service Company will conduct its business in accordance with the highest transportation and petroleum industry safety standards."
- Corporate Employee Code of Conduct Policy: "Alyeska Pipeline Service Company employees and its contractors will conduct business operations in a manner that conforms to the highest ethical, moral and legal principles."

III. **Alyeska's Compliance Systems and Processes**

Alyeska has a comprehensive collection of systems and processes that provide the framework for the compliance system. A fundamental premise of the program is the expectation and commitment to continuously improve these activities. The primary systems and components include: (a) the Alyeska Integrity Management System (AIMS), (b) the Quality Assurance Program (QA-36), (c) the Corporate Safety Program, (d) the Environmental Management System, (e) the Operations and Maintenance Programs, (f) the Alyeska Regulatory Compliance System (ARCS), (g) the Internal Audit Program, (h) the Training Program, and (i) the Employee Concerns Program.

(a) Alyeska Integrity Management System (AIMS). AIMS is a program used to document and communicate management's expectations for good business practices to be found in Alyeska's systems and processes. It is a tool for assessing the performance of management systems and integrating continuous improvement into those systems. There are several elements in AIMS, one of which is the Compliance Element. This element states: "Full compliance with all applicable regulatory, legal, and company requirements is a commitment of Alyeska Pipeline Service Company. Consequently, changes in laws and regulations must be reflected in facilities and operating practices to ensure ongoing compliance." Regular assessments of the status and effectiveness of systems are an integral part of AIMS.

(b) Quality Assurance Program (QA-36). Alyeska's Quality Assurance Program is for the purpose of preventing, detecting and abating actual or potential conditions adverse to quality. The Alyeska Quality Assurance Program is defined in the Quality Program Manual (QA-36) and attendant implementing procedures. Integral to this program, however, are other Alyeska programs, such as the environment and safety programs and the operations and maintenance-related programs discussed below. The Quality Assurance Program provides the management controls to implement corporate policy, including maintaining the safety and integrity of TAPS as specified in the Right-of-Way Grant and Lease agreements. The Quality Program includes regular assessment and surveillance activities, and tools such as the corrective action report (CARs) and non-conformance report (NCRs) which identify and track quality-related issues to appropriate resolution.

(c) Corporate Safety Program. Alyeska's Corporate Safety Program ensures Alyeska complies with federal, state and corporate requirements for fire, safety, industrial hygiene and health. The Corporate Safety Program utilizes a core manual referred to as SA-38 and knowledgeable personnel in numerous fields along with internal reviews, surveillances and inspections. The safety program at Alyeska is assessed using standard industry measures and safety inspections. In addition, accident and incident investigations are conducted as needed.

(d) Environmental Management System. Alyeska's Environmental Management System is defined in the Alyeska Annual Environmental Management Plan (Annual Business Plan) and the Environmental Management System Compliance Manual (EMS Compliance Manual). The Annual Business Plan is designed to provide for the allocation of personnel and resources to support the APSC Environmental Teams for that year. It includes the general responsibilities of the Environment Team, Alyeska's Environmental Policy and Values and the Strategic, Program and Financial Plans for the current year. The EMS Compliance Manual is a detailed compilation, by program such as air, water, waste and wildlife, of the environmental regulatory requirements applicable to TAPS, an identification of the work required to maintain compliance, and a road-map for the procedures or controls. It is also updated on an annual basis. The Alyeska Environmental Manual (EN-43) provides the details on how to meet state and federal requirements and includes the environmental safe operating procedures to ensure compliance with applicable federal and state requirements, including environmental permits and agency authorizations, and the Grant and Lease.

The Environment Team conducts environmental surveillance activities to support and facilitate the systematic evaluation of compliance with environmental requirements for the operation and maintenance of TAPS. The surveillance activities are performed to provide an accurate and timely assessment of compliance with environmental requirements, as well as the effectiveness of procedures to address the requirements. Environmental surveillances look both at controls (procedures, manuals, training, and systems) as well as point-in-time compliance (verification). Review of environmental performance also includes the performance of the contractors that work on TAPS for Alyeska.

These programs ensure Alyeska complies with applicable environmental stipulations and requirements and minimize environmental issues that could adversely affect health and safety; air and water quality; fish, wildlife and their habitats; and cultural resources.

(e) Operations and Maintenance Programs. There are several programs that provide the framework for the safe operation and maintenance of TAPS. Integral to these programs is the employment of qualified and knowledgeable personnel and the utilization of manuals that contain standards and procedures. The key manuals include: operations manuals for the mainline pipe and the fuel gas line (OM-1 and FG-78); the TAPS Controller Operating Manual (DO-14); the maintenance and repair manual for the right-of-way and the pipeline (MR-48); the Surveillance Manual for the mainline pipe and fuel gas line (MS-31); the System Integrity Monitoring Program Procedures (MP-166); the Maintenance System Manual (MP-167); the Design Basis Manual (DB-180); the TAPS Engineering Manual (PM 2001); the Pipeline Operating Procedures (PL-123); the Pipeline Oil Discharge Prevention and Contingency Plan (CP-35); and the Emergency Contingency Action Plan (EC-71).

A new manual, the Grant and Lease Manual (GL-2), is currently under development. This manual will provide a centralized location for requirements in the Grant and Lease and corresponding implementing processes and procedures.

(f) Alyeska Regulatory Compliance System (ARCS). ARCS is an internal intranet-based system designed to assist management and employees by providing a centralized listing of regulatory requirements applicable to the safe operation, maintenance, and modification of TAPS. It also lists the in-house regulatory specialists (approximately 42) and the implementing methods of compliance, such as the manuals, procedures, and training courses. ARCS is updated, as needed, based on information provided by in-house regulatory specialists.

(g) Internal Audit Program. The TAPS Internal Audit Program provides an objective assessment of TAPS business practices. Alyeska management is charged with ensuring that effective systems of sound financial, operational and management control of the organization are formulated and maintained. Internal Audit is a key part of the control environment as it works to evaluate systems, make recommendations and report on the adequacy and effectiveness of the system of internal control in place for all business activities of the Company.

An up-to-date register of audit opportunities, known as the audit registry, is maintained. Identifiable business activities are included in the register and are assigned an audit cycle of typically 2 to 4 years. Each year an audit plan is prepared, based on the registry and current concerns. The scope and frequency of each audit is determined by the exposure each area represents to TAPS.

The Audit group also serves as a point of contact for audits conducted by the TAPS Owners, public accountants and audits conducted by external agencies, such as the Bureau of Land Management.

(h) Training Program. Alyeska's training program is implemented through the use of computerized databases and knowledgeable training staff. The databases identify and track training requirements and certifications. There are four main categories of training: Regulatory-required, company-directed, technical and developmental. Each year there are approximately 100,000 hours of training provided for Alyeska employees and contractors. Each employee's annual performance is evaluated in part on the completion of the regulatory-required training.

(i) Employee Concerns Program (ECP). ECP is a program designed to give employees and contractors an opportunity to anonymously report safety, compliance and integrity concerns. ECP's duty is to evaluate and investigate the concerns or issues raised. Alyeska encourages and expects all employees to report compliance and safety issues or concerns. Alyeska has created various avenues for this reporting to occur. Alyeska's preference is for employees to raise concerns directly with their supervisors. If for whatever reason the employee is not comfortable doing so they may raise their concerns with other supervisors or managers, executive management, the ECP, or the Joint Pipeline Office.

IV. Alyeska's Knowledgeable Personnel

Alyeska employs personnel with knowledge or expertise in fields relevant to the operation and maintenance of TAPS. For example, there are individuals with knowledge in environmental subject matters areas such as air, water, and waste handling. There are also individuals with knowledge in technical subject matter areas such as valves, pipeline hydraulics and corrosion detection and prevention. These individuals maintain the necessary training and are in regular contact with agency staff and peers in the industry to ensure they are aware of the latest research, technologies or regulations in their field of expertise.

In addition, there are regulatory specialists who are subject matter experts on specific regulations, stipulations, or regulatory requirements Alyeska has committed to follow. A current list of these regulatory specialists is maintained in the Alyeska Regulatory Compliance System database (ARCS). A regulatory specialist is obligated to be the "one voice" or knowledgeable source on his or her assigned regulatory subject matter. As needed, regulatory specialists will call on internal and external sources for assistance when interpreting and applying regulatory requirements.

V. Government Oversight

There are some twenty state and federal regulatory agencies that monitor TAPS on behalf of the public. This results in TAPS being one of the most regulated pipelines in the United States. These agencies monitor ongoing operations, projects and other activities to ensure that pipeline integrity, environmental protection and public safety are achieved and maintained on TAPS.

(a) Joint Pipeline Office. The Joint Pipeline Office (JPO) was created to co-locate and facilitate coordination amongst the various federal and state agencies that regulate TAPS on a day-to-day basis. The lead coordinating agencies in that office are the Alaska Department of Natural Resources (DNR) for the state government and the Bureau of Land Management (BLM) within the Department of Interior for the federal government. The DNR and BLM have system-wide environmental, safety and system integrity compliance accountability to administer the State Lease and Federal Grant. They are also the lead agencies for TAPS Right-of-Way renewal. The DNR and BLM each issues the applicable land related permits and authorizations to Alyeska, as appropriate, for TAPS construction, operations and maintenance activities.

JPO instituted a program known as the Comprehensive Monitoring Program (CMP) as part of its compliance monitoring activities. It provides systematic monitoring of TAPS compliance through the use of periodic and focused surveillances, assessments and formal reports. Part of the CMP process involves the use of field-based JPO staff that on a day-to-day basis review and verify TAPS compliance with state and federal requirements. Some of the other agencies participating in the JPO or separately conducting TAPS oversight are mentioned below.

(b) U.S. Department of Transportation Office of Pipeline Safety (DOT-OPS). DOT-OPS monitors compliance with pipeline safety regulations (both for the mainline and fuel gas line) through the assignment of dedicated personnel. DOT-OPS personnel conduct frequent inspections and system reviews as part of their daily oversight activities. DOT-OPS coordinates closely with JPO agencies on systems integrity and safety issues. DOT-OPS also performs a comprehensive annual inspection as required by the regulations. DOT-OPS and Alyeska staffs maintain open and regular dialogue on compliance issues and the applicability of new or existing regulations. DOT-OPS receives and responds, as appropriate, to accident or safety-related condition reports submitted by Alyeska. The pipeline safety regulations require the operator to develop, maintain and update comprehensive manuals annually covering operations, maintenance, and abnormal and emergency conditions.

(c) Alaska Department of Environmental Conservation (ADEC). ADEC evaluates TAPS compliance through several program components. There are regular inspections of TAPS facilities for ADEC program requirements, such as for ADEC's air, water, and waste programs. ADEC also conducts periodic reviews of the state required oil spill contingency plans for TAPS. ADEC receives and reviews TAPS discharge, emissions and other monitoring reports (monthly or quarterly depending upon the permit). In addition, ADEC evaluates and monitors TAPS compliance as part of its permit acquisition and renewal process, and through the assignment of staff, both within and outside of JPO, dedicated to TAPS compliance. ADEC and Alyeska staffs maintain open and regular dialogue on compliance issues, participate in applicable rule-making processes, and implementation of new or existing regulations that may become applicable to TAPS.

(d) U.S. Environmental Protection Agency (EPA). EPA evaluates TAPS compliance through several program components. There are inspections of facilities for EPA's program requirements such as the NPDES, CAA, RCRA, and TSCA programs. EPA receives and reviews TAPS discharge, emissions and other monitoring reports (monthly, quarterly, semiannually or annually depending upon the permit or regulation). In addition, EPA evaluates and monitors TAPS compliance as part of its permit acquisition and permit renewal processes. EPA and Alyeska staffs maintain open and regular dialogue on compliance issues, participate in applicable rule-making processes, and implementation of new or existing regulations applicable to TAPS. EPA receives and reviews potential deficiencies reported by Alyeska consistent with EPA's policy

regarding self-disclosure. EPA stations a senior environmental specialist with the JPO to help coordinate and provide expertise in oil spill contingency plan review. EPA is also the Federal On-Scene Coordinator of spills along the TAPS mainline.

(e) Alaska Department of Fish and Game (ADF&G) / U.S. Fish and Wildlife (USF&W). ADF&G and USF&W work closely together through interagency reviews and permit pre-application meetings to provide oversight to avoid or minimize TAPS impacts to fish and wildlife, and their habitat. Impact mitigation is provided through permits and routine reviews with Alyeska. In some instances, environmental protection is achieved through special conditions administered under the provisions of the ROW Grant and Lease agreements. ADF&G has additional oversight and involvement through the assignment of one of its staff to the Joint Pipeline Office. Both agencies also actively participate in the review and implementation of the oil spill plans for the pipeline and marine terminal.

(f) Alaska Department of Labor (ADOL), Occupational Safety and Health (AKOSH). The Occupational Safety and Health Section protects Alaska workers from industrial accidents and job-related illness through the enforcement of state and federal standards (on behalf of US-DOL), and by training employers and employees to follow safe and healthful work practices. ADOL assigns staff to JPO for enforcement of the National Electric Code and AKOSH compliance and to monitor worker and public safety. ADOL further provides safety expertise to JPO to help administer safety stipulations of the State Lease and Federal Grant. In this capacity, ADOL/JPO staff conduct frequent safety and electrical inspections as well as investigating related incidents, accidents and events.

(g) Alaska Division of Governmental Coordination (ADGC). ADGC is located in the Office of the Governor and is the lead agency for coordinating the Alaska Coastal Management Program as it relates to TAPS.

(h) Alaska Department of Public Safety, Fire Marshal. The Fire Marshal concentrates its TAPS oversight efforts on fire and life safety inspections. The Fire Marshal provides staff to the JPO to enforce regulatory requirements and to provide expertise to assist JPO in monitoring fire-related stipulations of the State Lease and Federal Grant.

(i) U.S. Coast Guard. The U.S. Coast Guard's mission as it pertains to TAPS is to eliminate environmental damage and obstructions to navigable waters of the United States both inland and on the coast. They also monitor the Tanker Vapor Control System, tanker docking /loading, berth work activities and Prince William Sound tanker traffic.

(j) U. S. Army Corps of Engineers. The U.S. Army Corps of Engineers implements the Clean Water Act requirements governing the placement of dredge and fill materials into waters of the United States. In addition they implement the Rivers and Harbors Act, which governs activities that affect navigation in navigable waters of the United States.

VI. Conclusion

TAPS compliance with the Federal Grant and State Lease requirements and with laws and regulations is maintained through the institution of corporate policy, the application of systems and processes, and the employment and training of knowledgeable personnel. In addition, TAPS policies, systems and processes are regularly evaluated to enhance ongoing compliance. State and federal agencies, on behalf of the public, provide independent day to day oversight and additional assurance of TAPS compliance.

Internal and external independent review of TAPS systems and processes have demonstrated that they have been effective in maintaining compliance with State Lease and Federal Grant requirements. When compliance issues are discovered, TAPS Owners seek to ensure they are properly addressed and resolved. Therefore, TAPS meets the compliance requirement for renewal of the State Lease and Federal Grant of Right-of-Way.

Applicant's State Tax Statement

Applicant is current in all tax filings required under the laws of the State of Alaska, pertaining to Applicant's interest in the "Pipeline," as that term is defined in the Right-of-Way Lease for the Trans-Alaska Pipeline between the State of Alaska and Amerada Hess Corporation, et al., dated May 3, 1974. Such tax filings reside in the records of the relevant taxing authorities.