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U.S. House of Representatives
Committee on
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April 8, 1991

Honorable H. Russel Holland
United States District Judge
U.S. District Court
222 West 7th Avenue No.4
Anchorage, Alaska 99513

Honorable Stanley Sporkin
United States District Judge
U.S. Court House
3rd and Constitution, N.W.
Washington, D.C. 20001

In Re:

United States of America v. Exxon Shipping Company and Exxon Corporation (No. A90-015 CR.)
[Criminal Plea Agreement]

United States of America v. Exxon Corporation, Exxon Shipping Company, and Exxon Pipeline Company,
in personam, and the T/V Exxon Valdez, in rem (A91082 Civil) [Agreement and Consent Decree]

State of Alaska v. Exxon Corporation, Exxon Shipping Company and Exxon Pipeline Company, in
personam, and the T/V Exxon Valdez, in rem (A91083 Civil) [Agreement and Consent Decree]

United States of America v. State of Alaska, and The State of Alaska v. United States of America (A91081
Civil) [Memorandum of Agreement and Consent Decree]

State of Alaska v. Exxon Corporation, et al., (3AN-89-6852 Civil)

The Native Village of Chenega Bay, et al., v. Manuel Lujan, Jr., et al. (91-483 SS Civil) and Chenega
Corporation, et al., v. Manuel Lujan, Jr., et al. (91-484 SS Civil)

Gentlemen:

For purposes of your review of the pending cases cited above and other claims arising from the Exxon Valdez oil spill of March 23, 1989, I want to bring to your attention some significant evidence concerning Exxon Corporation's and the Alyeska Pipeline Service Company's culpability.¹

¹The owner companies of Alyeska Pipeline Service Company ("Alyeska") are B.P. Pipelines Alaska, Inc. (50.01 percent); Exxon Pipeline Company (20.34 percent); Arco

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As Chairman of the Subcommittee on Water, Power and Offshore Energy Resources, I have conducted an investigation of matters related to the Exxon Valdez oil spill, including the cleanup response, damage to natural resources, and operation of the Trans-Alaska Pipeline System.² The Committee on Interior and Insular Affairs was a principal author of the Trans-Alaska Pipeline Authorization Act (P.L. 93-153) and has broad jurisdiction concerning public lands and natural resources in Alaska and a special interest in issues affecting Alaska Natives.

In the course of this investigation, Alyeska has provided me with documents which indicate that Exxon and the other owner companies which control Alyeska: (1) knew that Alyeska could not effectively respond to an oil spill in Prince William Sound; (2) failed to make necessary improvements in Alyeska's oil spill response capabilities; and, (3) secretly decided that Alyeska would not respond to an oil spill in Prince William Sound in the manner prescribed by Alyeska's Oil Spill Contingency Plan.

Alyeska's Promises

Before the Pipeline Was Approved

In 1971, during the consideration of the trans-Alaska pipeline project, Alyeska's pollution control specialist R.L. Benyon promised the public in testimony before the Department of the Interior that:

"The contingency plan which will be drawn up will detail methods for dealing promptly and effectively with any spill which may occur, so that its effect on the environment will be minimal. We have adequate knowledge for dealing with oil spills and improvements in techniques and equipment are continuing to become available through world-wide research. The best equipment, materials and expertise which will be made available as part of

Pipe Line Co. (20.34 percent); Mobil Alaska Pipeline Co. (4.08 percent); Amerada Hess Pipeline Corp. (1.5 percent); Unocal Pipeline Co. (1.36 percent); and Phillips Alaska Pipeline Corp. (1.36 percent).

²"Investigation of the Exxon Valdez Oil Spill, Prince William Sound, Alaska," Oversight Hearings before the Subcommittee on Water, Power and Offshore Energy Resources of the Committee on Interior and Insular Affairs (Serial No. 101-5, Parts I to V) (hereinafter "Investigation of the Exxon Valdez Oil Spill").

the oil spill contingency plan, will make operations at Port Valdez and in Prince William Sound the safest in the world. [Emphasis added.]"

On April 10, 1973, the President of Alyeska, E.L. Patten, in testimony urging approval of the pipeline project, promised Congress that the very best technology would be in place:

"In safety [sic] superior American tankers the light traffic between Valdez, Alaska, and the west coast involves hazards of less magnitude than any other tanker run of which I have knowledge. The most modern loading equipment and proposed vessel designs will reduce even these modest risks before pipeline authorization begins."³

In the Right-of-Way Agreements

In exchange for the right to build the Trans-Alaska Pipeline System on public lands, Alyeska signed right-of-way agreements with both the United States and the State of Alaska.

In the section on oil spill contingency plans in the right-of-way contract with the United States, Alyeska promised to control and clean up any oil spill:

"It is the policy of the Department of the Interior that there should be no discharge of Oil or other pollutant into or upon lands or waters. Permittees must therefore recognize their prime responsibility for the protection of the public and environment from effects of spillage.... Permittees shall demonstrate their capability and readiness to execute the [contingency] plans....If during any phase of the construction, operation, maintenance or termination of the Pipeline, any Oil or other pollutant should be discharged from the Pipeline System, the control and total removal, disposal and cleaning up of such Oil or other pollutant, wherever found, shall be the responsibility of Permittees, regardless of fault. [Emphasis added.]"

At the time of the Exxon Valdez spill

According to the "purpose" section of Alyeska's Oil Spill Contingency Plan (the "contingency plan") which was in effect on March 23, 1989, Alyeska promised rapid and effective response to any oil spill using state-of-the-art technology:

³ "Oil and Natural Gas Pipeline Rights-of-Way," Hearings before the Subcommittee on Public Lands of the Committee on Interior and Insular Affairs (Serial 93-12) at p.526.

"The objective of the Alyeska Oil Spill Contingency Plan is to minimize damage to the environment...in the event of an oil spill...the resources of [Alyeska] are organized in a preplanned manner to assure rapid and effective response to any oil spill emergency. This manual outlines the techniques which will be in accordance with state-of-the-art oil spill cleanup technology. [Emphasis added.]"⁴

In section 102 of the contingency plan, Alyeska promised that it is the policy of the owner companies to fully comply with the laws and to take "every reasonable action" to minimize environmental damage from oil spills:

"It is the policy of the eight owner companies, constituting the Permittees under the Federal Right-of-Way Grant and the Lessees under the State Right-of-Way Lease and represented by their agent, Alyeska Pipeline Service Company, to take every reasonable action to prevent oil spills and, if they occur, to minimize environmental damage. Alyeska will comply with the relevant pollution laws for the protection and conservation of environmental resources. [Emphasis added.]"⁵

Alyeska also promised in section 102 of the contingency plan that it will be fully prepared to implement the contingency plan even in the event of a major oil spill:

"Regularly scheduled training programs will be conducted....The objectives of this training program are:....To maintain the Plans as fully operable working documents [and] To update the Plans to reflect state-of-the-art capability....Full scale, company-wide field exercises will be held at least once per year to insure overall readiness for response to large scale oil spills.... [Emphasis added.]"

⁴ Section 101, Alyeska Pipeline Service Company Oil Spill Contingency Plan General Provisions (January, 1987).

⁵The "relevant pollution laws" according to Alyeska are: "Alaska Statute Title 46, and 18 AAC75, and the National Oil and Hazardous Substances Pollution Contingency Plan, and any revisions thereof, as issued by the Council on Environmental Quality (CEQ) under the authority of the Federal Water Control Act [sic], as amended (Public Law 92-500). Alyeska Policy and these plans are intended to be written and executed so as to comply with the Grant and Agreement of Right-of-Way and the Right-of-Way lease with the United States of America and the State of Alaska, respectfully. Alyeska Pipeline Service Company will ensure that the National Contingency Plan is followed during any spill event." p.1-1

Alyeska further promised in section 102 of the contingency plan that, as agent for the owner companies, it will effectively direct and conduct cleanup operations, including those related to any spill in Prince William Sound:

"[C]leanup operations within the areas of liability and responsibility [imposed by law] will be conducted by Alyeska as Agent for the Owner companies and will be conducted in a manner as not to require assumption of control of such cleanup operations by federal or state officials....Alyeska will direct cleanup operations of spills resulting from...[O]peration, involving tankers carrying or destined to carry crude oil transported though the Trans-Alaska Pipeline System, occurring at Valdez terminal, in Port Valdez, Valdez arm or Prince William Sound. [Emphasis added.]"

Promises Versus Performance

In an addendum to its Oil Spill Contingency Plan in 1982, Alyeska informed the Alaska Department of Environmental Conservation that, in the event of a spill in Prince William Sound, the "[e]stimated time of completion of spill cleanup of a 100,000 barrel spill would be less than 48 hours."⁶

At the urging of the State of Alaska's Department of Environmental Conservation, Alyeska reluctantly included a response scenario for a 200,000 barrel spill in the 1987 Oil Spill Contingency Plan for Prince William Sound. "Alyeska believes it is highly unlikely a spill of this magnitude would occur."⁷

This Prince William Sound response scenario assumed that the spill would occur 30 miles from the Valdez terminal and that weather conditions would be conducive to oil spill cleanup. The contingency plan called for equipment, including a barge, to be in place within 5 hours after the spill.

⁶Letter from B.L. Hilliker, manager, environmental protection and government reports, to Alaska Department of Environmental Conservation, dated June 22, 1982, reprinted in "Investigation of the Exxon Valdez Oil Spill," Part I at p. 894.

⁷ Oil Spill Contingency Plan Prince William Sound (January 1987), p.3-54. By letter to the Alaska Department of Environmental Conservation dated October 23, 1986, Alyeska predicted that the probability of a 200,000 barrel spill occurring in Prince William Sound would be once in 241 years. "Investigation of the Exxon Valdez Oil Spill," Part I at p. 834.

Alyeska's Prince William Sound contingency plan predicted that 35 percent of the oil would be recovered from the water (70,000 barrels), 30 percent recovered from shoreline cleanup, 30 percent to disperse naturally or evaporate, and only 5 percent to remain in the environment.⁸

Yet when the Exxon Valdez spilled some 260,000 barrels on March 23, 1989 the cumulative total of oil recovered within the first 72 hours was less than 3,000 barrels. As one example of the response failure, the equipment barge which the contingency plan relied upon was damaged and unloaded at the time of the spill. The barge did not reach the spill site for more than 14 hours, even though the contingency plan called for it to be on the scene within five hours. Based on my investigation, there were clearly not sufficient quantities of dispersants or application equipment available to make up for the utter failure of the mechanical recovery effort.⁹

Even under extraordinarily good weather conditions for the first three days, Alyeska did not have equipment or resources to contain and collect even a fraction of the amount specified in the contingency plan. The failure of Alyeska's cleanup response in the first 72 hours significantly contributed to the ultimate environmental impacts of the spill, since winds of over 70 miles per hour spread the slick completely out of control (more than 40 miles from Bligh Reef) by the fourth day.

The Exxon Valdez spill would eventually soil over 1,000 miles of Alaska's coastline, inflict one of the worst wildlife disasters in our nation's history, and disrupt the lives of thousands of Alaskans who depend on the natural resources of this region.

As the Alaska Oil Spill Commission concluded, "[p]ublic pronouncements by Alyeska and its owners that the company employed the best available technology and committed adequate resources to safety purposes turned out to be false."¹⁰

Exxon and the Alyeska Owner Companies Knew That Alyeska Was Not Equipped to Effectively Respond To An Oil Spill in Prince William Sound.

My investigation revealed that Alyeska was on notice in 1984 that its own personnel believed they were incapable of effectively responding to an oil spill in Prince William

⁸Oil Spill Contingency Plan Prince William Sound (January 1987) at p. 3-56.

⁹"Investigation of the Exxon Valdez Oil Spill, Prince William Sound, Alaska", Part I at p. 303.

¹⁰Final Report of the Alaska Oil Spill Commission (February 1990) at p.135.

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Sound. James K. Woodle, former commander of the U.S. Coast Guard's Marine Safety Office in Valdez, and marine superintendent at the Valdez terminal, informed Alyeska's President George M. Nelson that:

"Serious doubt exists that Alyeska would be able to contain and clean-up effectively a medium or large size oil spill....Response to any spill beyond the limits of Valdez narrows should not be attempted with present equipment and personnel. [Emphasis added.]"¹¹

A series of documents, which I have enclosed, reveal that Alyeska by 1988 -- one year prior to the Exxon Valdez oil spill -- had reached the same conclusion as James K. Woodle: it was seriously unprepared for an oil spill in Prince William Sound.

On April 18, 1988, W.D. Howitt, then Alyeska's Valdez Marine Terminal Superintendent, wrote to the Marine Services Subcommittee -- comprised of representatives of the owner companies, including Harvey Borgan of Exxon Shipping -- to inform them of a meeting in Bellingham, Washington on May 18, 1988. "Oil Spill Response Equipment" was listed on the agenda [Exhibit A].

On April 28, 1988, Howitt wrote to the Marine Services Sub-committee members with additional information for the May 18 meeting [Exhibit B]:

"The first part of the information package contains the T.L. Polasek briefing that was presented to the Operations Subcommittee on April 6-7, 1988, at the quarterly meeting. The briefing is the result of an action item from January's meeting during which a concern was raised by ARCO on Alyeska's capability to respond to oil spills at midpoint of Prince William Sound. [Emphasis added.]"¹²

¹¹Letter from James K. Woodle dated April 15, 1984 concerning operations of the Marine Department, Alyeska Marine Terminal, Valdez, Alaska, reprinted in "Investigation of the Exxon Valdez Oil Spill," Part I at p. 179 and 890.

¹²Howitt's letter also states that purchases of clean-up equipment for Alyeska, as recommended by Jeff Shaw of Arco, would be discussed at the May 18th meeting. In a document with the heading "Alyeska Equipment Project (for oil spill cleanup)" dated March 22, 1988, Jeff Shaw recommends: 1) a large oceangoing skimmer; 2) a 10,000 barrel barge; 3) an adds pack; 4) fast spill response vessels; 5) a destrail skimmer with power pack; and 6) an additional 5,000 feet of sea quality boom. [Exhibit D] In addition, a separate document indicates that the marine subcommittee members discussed an advanced skimmer recovery system which could operate in open waters, the "Dynamic Inclined Plan Oil Vessel." [Exhibit E]

Theo L. Polasek's (Alyeska's Vice President of Operations) briefing on April 6-7 for the Operations Subcommittee was entitled "Oil Spill Issues -- Status of Action Items from January Owners Meeting." [Exhibit C] The topic of "Alyeska's Response Capability to Spills at midpoint of Prince William Sound" is included under the heading "ARCO/Alyeska Response Equipment Discussions." What follows is a comparison of the equipment available to the "Clean Sound" Cooperative in Puget Sound, Washington. According to the document, Clean Sound's spill cleanup methodology is "immediate, fast response to spill, at any location, with boom to contain, exclude, and/or divert oil."

By contrast to the equipment available to Clean Sound, Polasek's briefing on "Present Alyeska Prince William Sound Capability" notes that "no new skimming vessels purchased since 1977." The list of Alyeska equipment is clearly deficient by comparison to Clean Sound.

Polasek's briefing on Alyeska's Prince William Sound cleanup response equipment includes the following indictment of Alyeska's capability to meet its obligations under its own Oil Spill Contingency Plan:

"Immediate, fast response to mid-point of Prince William Sound not possible with present equipment complement." (emphasis added)

Exxon and the Alyeska Owner Companies Failed to Improve Alyeska's Oil Spill Response Capabilities Before the Exxon Valdez Spill on March 23, 1989.

Theo Polasek's briefings to the owner company representatives in April and May 1988 outlined the deficiencies in Alyeska's equipment including the fact that "no new skimming vessels had been purchased since 1977."

When Polasek testified, under oath, at a hearing I chaired in Valdez on May 7, 1989, he acknowledged that: "the equipment in this plan was similar to the plan in 1977. We increased the amount of boom and take [sic] other actions, but essentially that was the same equipment decided upon."¹³

Polasek's briefing includes a reference to the planned acquisition of a 10,000 barrel tank barge by late 1988. In fact, this oil spill barge -- the "Betty-K" -- was stored in Washington state for the winter of 1989 and was not available in the Exxon Valdez cleanup.

¹³"Investigation of the Exxon Valdez Oil Spill, Prince William Sound," Part I at p. 155.

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Moreover, Polasek's briefing refers to a "mobile contingency command center with communications repeaters" which would be installed by "mid 1988." In fact, such a system was not in place at the time of the Exxon Valdez spill.

Exxon and the Alyeska Owner Companies Secretly Decided that Alyeska Would Not Respond to an Oil Spill In Prince William Sound in the Manner Prescribed in the Contingency Plan.

According to a June 30, 1988 telex from Roger A. Gale, Manager, Marine Operations, Sohio Oil (now BP) to Polasek of Alyeska, the Marine Services Subcommittee decided to make five recommendations to the Owners Committee as part of an "acceptable compromise" [Exhibit F]:

First, the "current stockpile of clean up equipment is adequate" for spills at the terminal, but "should be maintained to the highest state of readiness."

Second, for spills in Prince William Sound, additional equipment should be purchased of the "type best suited for near shore and beach operations."

Third a large barge (50-100,000 barrel capacity) equipped with ocean boom and skimmers was needed.

Fourth, a "study of the best and quickest methods of moving the barge around" including predeployment in Prince William Sound.

Fifth, that Alyeska and the owners "press" state and federal officials for "preapproval to use chemicals on a widespread basis."

However, on July 6, 1988, Stanley Factor, Vice President, Chartering and Evaluations, Arco Marine, Inc., objected to Roger Gale's recommendations because the owners had already decided that Alyeska would not respond to spills in Prince William Sound in the manner required by the Oil Spill Contingency Plan [Exhibit G]:

"Arco Marine Inc. does not agree with this telex nor do we concur that this represents the thoughts of the subcommittee.

"At the owners committee meeting in Phoenix, it was decided that Alyeska would provide immediate response to oil spills in Valdez Arm and Valdez Narrows only. Further efforts in the Prince William Sound would be

limited to the use of dispersants and any additional effort would be the responsibility of the spiller. [Emphasis added.]"¹⁴

Conclusion

At my subcommittee's hearing on May 7, 1989 in Valdez, Theo Polasek testified under oath on Alyeska's behalf that "[w]e fulfilled our promises in that [oil spill contingency] plan. We have not broken our promises to the people of this State."¹⁵

But the evidence I have set forth indicates that Alyeska broke the law as well as its promises to the State of Alaska and the Congress.

For example, section 309(c)(4) of the Clean Water Act (33 U.S.C. section 1319(c)(4)) provides that substantial criminal penalties may be imposed upon any corporation or responsible corporate official that files information with Federal authorities with knowledge that the documents contain material misstatements.¹⁶ In addition, criminal penalties may be imposed on any person who knowingly submits false information to any agency of the United States under 18 U.S.C. section 1001.¹⁷

Thus, since Alyeska knew that it could not and would not respond to an oil spill in Prince William Sound as required by its oil spill contingency plans, Alyeska and any responsible officer could be exposed to substantial criminal penalties.

However, the Department of Justice has not even filed any criminal charges against Alyeska or its owner companies other than Exxon. Furthermore, in the proposed Criminal Plea Agreement, the United States would waive its rights not only to pursue any

¹⁴The Chairman of the Owners Committee at the time was Darrell Warner, President of Exxon Pipeline Company.

¹⁵"Investigation of the Exxon Valdez Oil Spill," Part I at p. 169.

¹⁶ A fine of up to \$10,000, or a prison term of up to two years or both may be imposed under this section.

¹⁷A fine of up to \$10,000, or a prison term of up to five years, or both, may be imposed under this section.

criminal charges against Alyeska and its owner companies, but also waive its rights to pursue civil or administrative penalties against Alyeska and its owner companies.¹⁸

The proposed Agreement and Consent Decree also provides generous protection for Alyeska. The United States and the State of Alaska both waive their rights to raise claims against Alyeska for natural resource damages in Paragraph 20. In addition, should either government recover any amount from Alyeska for claims of any kind, Exxon is entitled to be reimbursed for 20.34 percent of the governments' recovery (this figure represents the percentage ownership by Exxon of Alyeska). Yet Alyeska, including its shareholders and owner companies other than Exxon Pipeline, expressly reserves their rights to sue the United States or the State of Alaska in Paragraph 19 of the proposed settlement agreement.

In my view, the inclusion of Alyeska in the proposed Criminal Plea Agreement and in the proposed settlement Agreement and Consent Decree is contrary to the public interest. Based on the evidence, it is inconceivable that the Department of Justice would waive its rights to pursue criminal claims, and virtually all civil claims, against Alyeska.

In sum, the proposed Exxon settlement fails to hold Alyeska accountable to the public for its wrongdoing and fails to serve as a deterrent for similar conduct in the future.¹⁹

After extensive debate about the environmental risks, the Trans-Alaska Pipeline System was approved in 1973 by only a one-vote margin in the U.S. Senate. In exchange for access to environmentally sensitive public lands, the Congress was assured by Alyeska and the owner companies that the pipeline system would be operated in a safe and environmentally sound manner, using state-of-the-art technology.

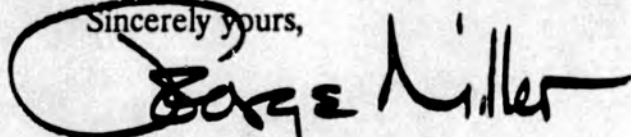
¹⁸ Section III.A. of the Plea Agreement states that "[t]he United States agrees not to seek additional criminal charges or any civil or administrative penalties.... against Alyeska Pipeline Service Company or any of its shareholders or owner companies or present or former shareholder representatives, for any violation of federal law arising out of the grounding of the 'EXXON VALDEZ,' the resulting oil spill, the containment or cleanup of that spill, or its or their conduct in connection with the preparation or submission of oil spill contingency plans or related, by Alyeska Pipeline Service Company to the federal or state government...." p.5.

¹⁹ Under Alaska law, punitive damages are awarded for the public policy reasons of punishment and deterrent when the defendant's conduct was outrageous, reckless, or malicious. In this instance, there is clear and convincing evidence that Alyeska's conduct merits the award of punitive damages.

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The oil industry betrayed its own promises and deceived the Congress with respect to operations of Alyeska and the Exxon Valdez oil spill. Without a commitment by the Department of Justice to prosecute this intentional deception, how is it that Congress and the people of the State of Alaska can rely on such assurances in the future?

Sincerely yours,



GEORGE MILLER
Vice Chairman

cc:

The Honorable Walter J. Hickel, Governor, State of Alaska
The Honorable Ben Grussendorf, Speaker, Alaska House of Representatives
The Honorable Richard Eliason, President, Alaska Senate
The Honorable Senator Ted Stevens
The Honorable Senator Frank Murkowski
The Honorable Representative Don Young
The Honorable Richard L. Thornburgh, Attorney General, U.S. Department of Justice
The Honorable Manuel Lujan Jr., Secretary, U.S. Department of the Interior
The Honorable Samuel K. Skinner, Secretary, U.S. Department of Transportation
The Honorable Edward R. Madigan, Secretary, U.S. Department of Agriculture
The Honorable William K. Reilly, Administrator, U.S. Environmental Protection Agency
The Honorable John A. Knauss, Undersecretary for Oceans and Administrator, National Oceanic and Atmospheric Administration, U.S. Department of Commerce
Members, Committee on Interior and Insular Affairs

Alyeska pipeline

SERVICE COMPANY

ALYESKA PIPELINE SERVICE COMPANY, 1835 SOUTH BRAGAW, ANCHORAGE, ALASKA 99512. TELEPHONE (907) 562-1234. TELEX 250 1234.

April 18, 1988

ATTN: CAPT.
Johnson

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John Weichert
Clean Sound Co-op.
Seattle, Washington

Theo L. Polasek
Alyeska Pipeline Service Company
1835 South Bragaw
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Gentlemen:

A meeting of the Marine Services Sub-Committee will be held May 18, 1988, in Bellingham, Washington.

Present agenda items are:

- Oil Spill Response Equipment (including a demonstration of large skimmer vessel by John Weichert of Clean Sound Co-op.)
- Port Information Manual status.
- Berth Equipment and Repair and Upgrade Schedule.

An information package will be mailed to confirmed attendees for review prior to the meeting.

The meeting will be held at Nendel's Hotel in Bellingham, the Compass Room, commencing at 8:00 am. The skimmer demonstration will commence at 1:00 pm, departing from the small boat harbor.

Roger Gale has informed me that there will be a joint meeting of the Operations Sub-Committee and the Marine Services Sub-Committee on the previous day, May 17th, at the same location. The agenda for this meeting will be advised separately.

Rooms have been blocked for May 17th at Nendel's Hotel, (206)671-1011, and must be confirmed by individual attendees. Arrangements have been made for a continental breakfast and luncheon buffet to be served in the meeting room on May 18th.

For travel planning; Bellingham is approximately 2 hours North of Sea-Tac airport by car or is served by commuter airlines, PSA, Horizon Air, and San Juan Air.

Please reply to C. F. (Chuck) O'Donnell (907)835-6526, indicating attendance or additional agenda items.

Regards,



W. D. Howitt
Valdez Marine Terminal Superintendent

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Theo L. Polasek
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Subject: Meeting Agenda and Information Package

Gentlemen:

As referenced in my April 18, 1988 meeting notification, an information package is enclosed concerning the agenda items for the upcoming Marine Service Subcommittee Meeting in Bellingham, Washington on May 18, 1988.

The first part of the information package contains the T. L. Polasek briefing that was presented to the Operations Subcommittee on April 6-7, 1988, at the quarterly meeting. The briefing is the result of an action item from January's meeting during which a concern was raised by ARCO on Alyeska's capability to respond to oil spills at midpoint of Prince William Sound. The specific concern stated was the use of the Terminal tugs for the response effort, thereby directly affecting the Terminal's ability to continue vessel loading operations. Alyeska and ARCO personnel visited the Clean Sound Oil Spill Cooperative because of the similarities/comparability of Puget Sound and Prince William Sound operating environments. The briefing summarizes the group's findings.

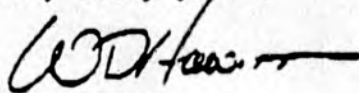
You will note that the briefing makes no recommendations with regard to additional equipment purchases. Mr. Jeff Shaw, ARCO, is prepared to discuss his specific recommendations during the meeting.

The Marine Services Subcommittee has been requested to review the alternatives, and recommend a course of action to the Operations Subcommittee.

The second agenda item covers the present status of the revised Port Information Manual. Enclosed you will find the financial responsibility statements that were presented to the Owners Committee and the Legal Subcommittee for incorporation into the revised manual. A final version of the statement that will be used in the manual will be issued before our meeting, and a distribution schedule of the new manual will be discussed at that time.

The third agenda item covers the Berths and Ballast Water Treatment Plant repair and upgrade schedule for this coming summer. Enclosed you will find a definition of scope and a implementation schedule for each of these projects.

Very truly yours,



W. D. Howitt
Superintendent
Valdez Marine Terminal

CFOD/WDH/pkk

cc: C. F. O'Donnell
L. D. Shier
T. L. Polasek

enclosures

OIL SPILL ISSUES

T. L. Polasek
April 6-7, 1988

OIL SPILL ISSUES

Status of Action Items from January Owners Meeting

- **Pursue Advance Approval for Dispersant Use**
 - **Regional Response Team (RRT) has issued first Draft of "Prince William Sound Guidelines" for review.**
 - **Most of Port Valdez and all of Tanker Lanes included in "Zone 1" where dispersant is approved for use, with consent of senior Federal official, USCG Captain of Port.**
 - **Follow up meetings scheduled.**

- **Expedite "ADDs Pack" AFE**
 - **AFE sent to Owners on March 4, 1988.**
 - **Approvals received from ARCO, Exxon, and Mobil.**
 - **Procurement package being prepared.**

OIL SPILL ISSUES

- **Conduct Survey of Commercial Ships Available for Oil Spill.**
 - **Preliminary Survey completed.**
 - **Several Hundred fishing vessels, fleet tenders, and supply boats available in Valdez and Cordova (45 ft. to 120 ft. lengths)**
 - **Several "Rig Tender" oil platform supply and service boats available in Kenai/Homer area (18 to 25 hours travel).**
 - **Four tour boats in Valdez (85' to 100') available for personnel support.**
 - **Availability of all dependent on season.**
 - **Private operators.**
 - **Will pursue negotiating rates for "on season" and "off season".**

OIL SPILL ISSUES

- **Desk Top ARCO/Alyeska Drill**
 - **Drill scheduled for May 3 and 4, 1988.**
 - **Located at Valdez Civic Center and other contingency sites in area.**
 - **Federal/State agencies will participate.**
- **Expeditious Clean-up Cost Reimbursement Procedures.**
 - **Proposed language and section revisions to the Port Information Manual sent to Legal Subcommittee.**
- **USCG Spill Take Over if Responsible Party Unwilling.**
 - **Informal discussions held with Valdez Coast Guard.**
 - **Coast Guard has no problem with concept**
 - **Would continue to use Alyeska as prime "Contractor".**
 - **Discussions with Alaska DEC will be necessary and revision to approved contingency Plan may be required.**
- **Discuss Oil Spill Response Equipment List with ARCO.**
 - **Discussions held.**
 - **Joint tour of "Clean Sound" facilities and equipment during March**
 - **Report follows in this presentation.**

**ARCO/Alyeska
Response Equipment Discussions**

**T. L. Polasek
April 6-7, 1988**

Response Equipment Discussions

- **Alyeska Response Capability to Spills at midpoint of Prince William Sound.**
 - Amount/Type of containment of boom.
 - Oil skimming vessels.
 - Fast response boats.
- **Equipment and Operating Plan Developed by "Clean Sound" Cooperative for Puget Sound.**
- **Similarities/Comparability of Puget Sound and Prince William Sound Operating Environments.**
 - Weather
 - Sea states and currents
 - Environmental sensitivity
 - Distances and access
 - Spill volume history/exposure

Response Equipment Discussions

Clean Sound

- **Non-profit, unincorporated organization of Oil and Oil Transportation Companies.**
- **All expenditures by Co-op funded wholly by the member companies.**

ARCO	Union	SPC Shipping
Mobil	US Oil & Refining	Olympic Pipeline
Shell	Foss Maritime	Trans-Mountain Pipeline
Texaco	Chevron	Four others
- **Clean Sound owns equipment and employs small staff.**
- **Contractors utilized for equipment maintenance and operation.**
- **Agreements with contractors assure quality of qualified operators and maintenance personnel**
- **Equipment staged at commercial facilities in five locations: Bellingham, Anacortes, Seattle, Port Angeles, and Tacoma.**

Response Equipment Discussions

Clean Sound

- Major Equipment and Materials

- 6 each fast response boats (27' to 34'): Each equipped with 1000 foot "Zoom" Boom, sorbent materials, and radar. May be equipped with small, portable hydraulic skimmers.**
- 1 each 42' fast response boat: Equipped with "Destroil" skimming system and 600 gallons recovered oil storage. Has bow door and is capable of beach landing.**
- 3 each 30' work boats: Medium speed response with 1000 foot "Zoom" boom and portable disk skimming units.**
- 1 each tank barge: 12,000 BBL capacity with 60' reach deck crane, 2 diesel powered pumps and tankerman's office/shelter.**
- 10 each highway trailers/vans (32' to 40'): Stocked with booms, sorbents, tools, skimmers, bird scare cannons.**
- 1 each Mobile Command Post: 34' Traller with charts, maps, contingency plans and communications equipment.**

Response Equipment Discussions

Clean Sound

Major Equipment (continued)

- 3 each "Belt Type" skimmer vessels (34' to 40'): Self-powered, twin hull units rated at 300 to 350 gpm recovery rates.
- 1 each 60' skimmer vessel: Catamaran hull with two each belt recovery units rated at 600 gpm total. Designed for all weather operations in all areas of Puget Sound.
- 1 each 75' skimmer vessel: Seagoing vessel designed for sustained operations with minimum crew. Has debris recovery and handling devices. Recovery is 500 gpm with 12,000 gallons on board storage.
- 6000 feet of Kepner "Sea Curtain".
- 30,000 feet of Bennett "Zoom Boom" compactable boom.

Response Equipment Discussions

Clean Sound

- Spill Cleanup Methodology

- Immediate, fast response to spill, at any location, with boom to contain, exclude, and/or divert oil.**
- After boom deployment, immediately begin light skimming operations with small units carried on response beats.**
- Follow up with large, self-propelled, high efficiency skimmers as required.**
- If necessary, deploy land-based support equipment to spill site for continued work.**
- Use contracted helicopters for spill recon and direction of vessel operations.**

Response Equipment Discussions

Present Alyeska Prince William Sound Capability

- **All equipment and material staged at Valdez Terminal.**
- **Alyeska employees are prime operators with back-up manpower from Northland Maintenance.**
- **Alyeska equipment maintenance contractor performs maintenance.**
- **Expenditures funded by Owner Companies.**
- **Mission: To immediately respond and perform initial cleanup of oil spills from vessels in the TAPS trade in Prince William Sound.**

Exposure magnitude: Approximately 940 tankers per year, from 30,000 to 265,000 DWT, transiting and loading in a non-congested area with high environmental concern.

Response Equipment Discussions

Present Alyeska Prince William Sound Capability

- **No new skimming vessels purchased since 1977.**
- **Work boat upgrade/replacement program in progress.**
- **Response Complement:**
 - **Fast response boats with sorbent boom and light duty skimmers.**
 - **Medium capacity self-propelled skimmer vessels.**
 - **Deck barge with sea skimmer and boom.**
 - **10,000 BBL tank barge (late 1988)**
 - **Airborne dispersant delivery (late 1988)**
 - **Contracted tug boats.**
 - **Mobile contingency command center with communications repeaters (mid-1988).**

Response Equipment Discussions

Alyeska

- **Present Major Equipment and Materials.**
 - **5 each fast response boats (21' to 26'):** Equipped with sorbent booms. May be equipped with portable hydraulic skimmers.
 - **2 each 26' work boats:** For support and supply delivery.
 - **2 each "Belt Type" skimmer vessels (36' and 45'):** Self-powered, twin hull units, rated at 300 GPM recovery.
 - **5 each Vikoma Sea Pack units:** 8000 total feet inflatable boom. Units must be towed to site by tugs.
 - **1 each deck barge:** 16,000 foot harbor boom packed in containers and Vikoma 240 EBL/hr sea skimmer. Must be towed to site by tugs.
 - **3 each 19' work platforms:** Powered by small outboards for calm water use.

Response Equipment Discussions

Alyeska

- **Prince William Sound Cleanup Methodology**
 - **Immediate, fast response to mid-point of Prince William Sound not possible with present equipment complement.**
 - **Dispatch available aircraft for recon and spill cleanup direction.**
 - **Dispatch equipment sets pulled by Crowley tugs and line boats.**
 - **Obtain additional USCG and commercial resources to continue cleanup and relieve Crowley tugs.**
 - **Turn over spill to responsible party or USCG after initial activities complete.**

ALYESKA EQUIPMENT PROJECT
(for oil spill cleanup)

RECOMMENDED PURCHASES

1. LARGE OCEAN GOING SKIMMER, SIMILAR TO THE CLEAN SOUND VESSEL THE NORTH SOUNDER. THIS VESSEL SHOULD BE LARGE ENOUGH TO KEEP THE CREW OUT OF THE WEATHER. THE VESSEL SHOULD HAVE RADAR, BUNKS, GALLEY AND A HEAD, CAPABLE OF A FEW DAYS OF OPERATION WITHOUT RETURNING TO PORT.

THE NORTH SOUNDER IS A BELT TYPE SKIMMER WHICH EVIDENTLY WORKS WELL. I SUGGEST THE SYSTEM THAT McLORI MAKES BE INVESTIGATED.

2. 10000 BARREL BARGE IS NEEDED TO HANDLE OIL THAT IS PICKED UP DURING A SPILL. A SPILL > 5000 bbls, ADDITIONAL BARGES WOULD BE REQUIRED. THE ADDITIONAL BARGES COULD COME FROM SEATTLE, AND BE ON SCENE IN 96 HOURS.

THE DESIRED BARGE SHOULD HAVE CLEAR WORKING SPACE SIMILAR TO CLEAN SOUNDS, CLEAN ONE. ROOM FOR A HELICOPTER PAD WOULD BE USEFUL. SOME "BUNK HOUSE" SHELTERS WOULD BE HANDY FOR EXTENDED CLEANUPS TO HOUSE THE CREWS.

3. ADDS PACK NEEDED. I UNDERSTAND THAT ALYESKA HAS ALREADY STARTED THIS PURCHASE.
4. FAST SPILL RESPONSE VESSELS ARE NEEDED, SUCH AS SEEN AT THE MUNSON BOAT YARD. ALSO, IT IS IMPORTANT TO HAVE A SHELTERED CABIN AND RADAR.
5. DESTROIL SKIMMER WITH POWER PACK, TO BE ABLE TO QUICKLY GET A SKIMMER ON SCENE OR SET UP IN AREAS WHERE THE VESSEL SKIMMERS CANNOT APPROACH. THIS HAS THE CAPABILITY TO USE FROM THE FAST SPILL RESPONSE VESSELS.
6. ADDITIONAL 5000 FEET OF SEA QUALITY BOOM.

JEFF SHAW 3/22/88

JBF DIP MODEL 5001A

DYNAMIC INCLINED PLANE
OIL RECOVERY VESSEL

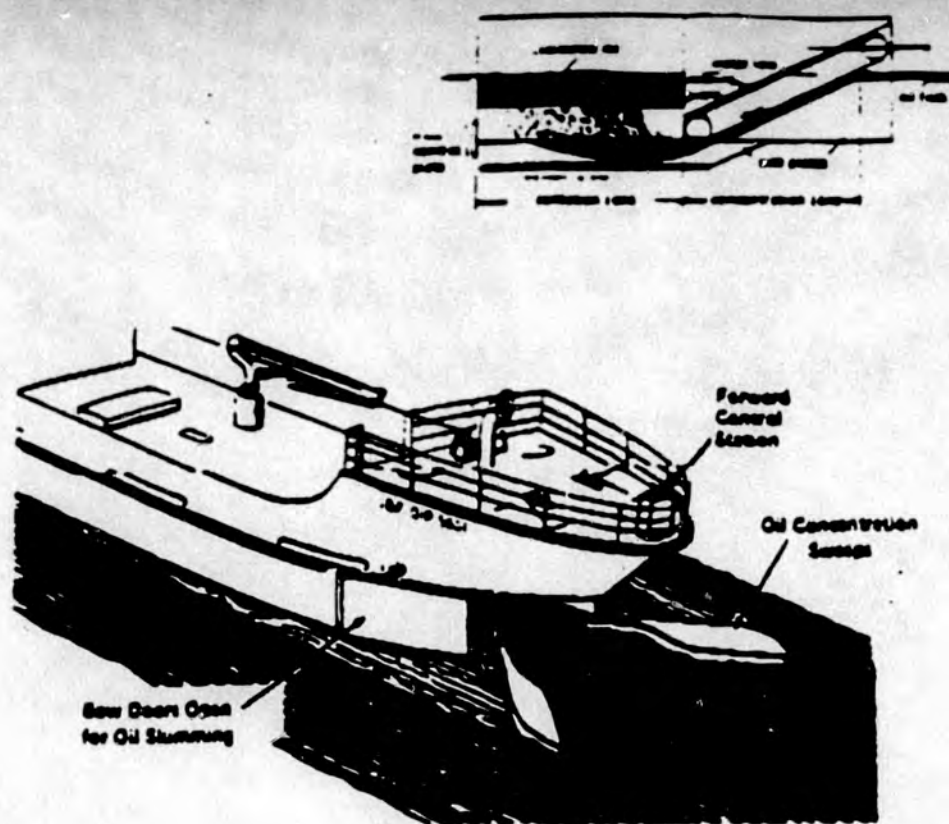


Figure 1-1. JBF DIP Concept and Oil Concentration Sweeps

1-1 PURPOSE OF SYSTEM/DIP CONCEPT

The JBF Model 5001A recovery system is designed to pick up spilled oil and debris from the water's surface. A conveyor forward of the oil recovery system first removes floating debris while water and oil flow through the open-mesh conveyor belt. The oil collection system then collects the oil, separates it from the water, and collected oil can then be pumped into on-board storage tanks from which it can subsequently be pumped to barges or to deckside receiving tanks. The cargo pump and valving system are also designed to allow collected oil to be pumped directly from the collection well to a barge or tank alongside. The vessel is self-propelled and is equipped with a complete and independent power system to drive all collection and pumping systems.

The DIP Model 5001A system is based on the concept (Figure 1-1) of collecting oil under the surface of the water, thus reducing the effect of waves. As the system moves through the water, the oil is forced to follow the surface of a moving inclined plane to a collection well underneath the hull. Buoyant forces cause the oil to surface in the well, forcing water out the bottom. When a sufficiently thick oil layer has collected, it is pumped into storage tanks. Separation occurs automatically and no water is collected.

The vessel can be used in both protected waters and in the more open waters. It can be used in a wide variety of operating modes that require stationary or self-propelled oil-skimming capability. The wide aperture formed by the sweep system makes it extremely effective against oil slicks in open waters. The skimmer can also be used successfully as a float in boom intercepting systems or as a means of picking up oil contained within a boomed-off area.

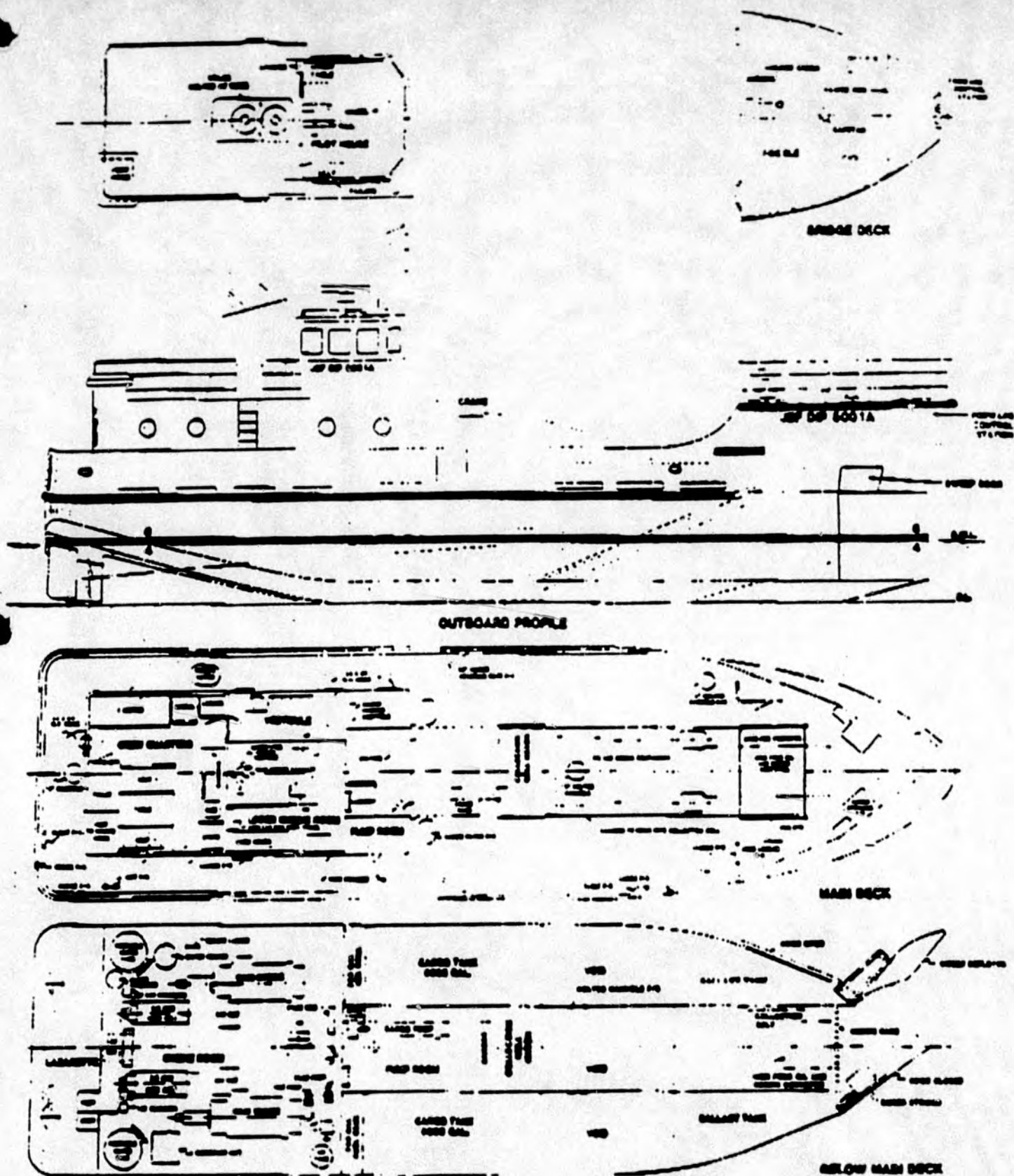


Figure 1-2. DIP 5001A Profile and Arrangements

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MR. THEO POLASEK
ALYESKA
ANCHORAGE, ALASKA

RE: ALYESKA OIL SPILL EQUIPMENT

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AS YOU KNOW THE MARINE SUBCOMMITTEE WAS ASKED TO PROVIDE THE OWNERS COMMITTEE WITH ITS THOUGHTS AND RECOMMENDATIONS REGARDING THE UPGRADING OF ALYESKA'S OIL SPILL RESPONSE EQUIPMENT FOR USE BOTH AT THE TERMINAL AND IN PRINCE WILLIAM SOUND.

A REVIEW OF THE HISTORY OF OIL SPILLS AT THE VALDEZ TERMINAL LEADS THE COMMITTEE TO THE CONCLUSION THAT THE CURRENT STOCKPILE OF CLEAN UP EQUIPMENT IS ADEQUATE. FROM THAT CONCLUSION, THE MARINE SUBCOMMITTEE'S FIRST RECOMMENDATION SHOULD BE THAT THE CURRENT STOCKPILE OF EQUIPMENT MUST BE MAINTAINED TO THE HIGHEST STATE OF READINESS, AND SHOULD BE REPLACED WITH SIMILAR EQUIPMENT AS AND WHEN APPROPRIATE. PRIOR TO ANY ACTUAL EQUIPMENT RENEWALS, A CAREFUL REVIEW OF ALL TECHNOLOGICAL IMPROVEMENTS SHOULD BE UNDERTAKEN. APPROPRIATE REPLACEMENT EQUIPMENT SHOULD THEN MEET BEST AVAILABLE TECHNOLOGY STANDARDS.

WHEN CONSIDERING ADDITIONAL EQUIPMENT FOR THE PURPOSES OF IMPROVING SPILL RESPONSE AND RECOVERY IN PRINCE WILLIAM SOUND, THE TOTAL LACK OF PRIOR SPILL EXPERIENCE IN THE SOUND IS BOTH A CURSE AND A BLESSING. WHAT SORT OF CASUALTY AND SIZE OF SPILL SHOULD BE PLANNED FOR? ANY SPILL IN PRINCE WILLIAM SOUND IS MOST LIKELY TO RESULT FROM EITHER A COLLISION OR A STRANDING. THE RELATIVELY LOW LEVEL OF TRAFFIC, THE TRAFFIC SEPARATION SCHEME AND THE U.S. COAST GUARDS VESSEL TRAFFIC SERVICE ALL CONTRIBUTE TOWARD LOWERING THE POSSIBILITY OF A COLLISION. A STRANDING AS A RESULT OF THE TOTAL LOSS OF POWER OR STEERING, IS IN THE COMMITTEE'S VIEW MUCH THE MORE LIKELY EVENT TO TRIGGER A SPILL.

WHILE THE ISSUE OF WHETHER A SPILL IS MORE LIKELY TO OCCUR AS A RESULT OF EITHER A COLLISION OR STRANDING IS A VEXING ONE, IT IS QUITE CLEAR THAT A DIFFERENT TYPE OF CLEAN UP EQUIPMENT WOULD BE REQUIRED IN EITHER CASE.

IT IS NOT UNREASONABLE TO ASSUME THAT ANY COLLISION LIKELY TO RESULT IN AN OIL SPILL WOULD MOST PROBABLY OCCUR IN MID-CHANNEL AND, THEREFORE, BE IN RELATIVELY OPEN WATER. WHEREAS A STRANDING BY DEFINITION WOULD PROBABLY BE ON A LEE SHORE, WHERE EQUIPMENT DESIGNED PRINCIPALLY FOR OPEN WATER WOULD BE OF LIMITED VALUE. THEREFORE, THE MARINE SUBCOMMITTEE'S SECOND RECOMMENDATION SHOULD BE THAT ANY ADDITIONAL EQUIPMENT PURCHASED BY ALYESKA FOR THE PURPOSE OF ENHANCING SPILL RESPONSE AVAILABILITY IN PRINCE WILLIAM SOUND SHOULD BE OF THE TYPE BEST SUITED FOR NEAR SHORE AND BEACH OPERATIONS.

CONSIDERING THE LACK OF REAL BEACH THROUGHOUT PRINCE WILLIAM SOUND, THE NEED FOR A STABLE WORKING PLATFORM AND FLOATING STORAGE FOR RECOVERED MATERIAL MAKES THE ACQUISITION OF BARGE WITH SUBSTANTIAL DECK SPACE AND TANK VOLUME A PRIORITY. AGAIN, BECAUSE THE CLEAN UP ACTIVITY IS LIKELY TO BE CLOSE INSHORE WITHOUT A BEACH, WORK BOATS MOUNTED ON THE BARGE WILL BE REQUIRED FOR DEPLOYING BOOMS AND SKIMMERS, ETC.

THE MARINE SUBCOMMITTEE'S THIRD RECOMMENDATION SHOULD BE THAT A BARGE (50-100 HBSLS.) OUTFITTED WITH VARIOUS LENGTHS AND TYPE OF BOOM (INCLUDING OPEN WATER BOOM), SKIMMERS (LARGE, SMALL AND VISCOUS), CRANE AND WORKABOUTS BE ACQUIRED. DEPLOYMENT AND/OR PRE-STAGING OF THE BARGE ARE REALLY SEPARATE ISSUES, BUT ISSUES THAT SHOULD BE ADDRESSED AT THIS TIME IF A PURCHASED BARGE IS TO BE EFFECTIVE. OUR FOURTH RECOMMENDATION SHOULD BE THAT ALYESKA UNDERTAKE A STUDY OF THE BEST AND QUICKEST METHODS OF MOVING THE BARGE AROUND AND WHETHER THE BARGE SHOULD BE PRE-DEPLOYED IN A SAFE COVE SOMEWHERE BETWEEN ROCKY POINT AND THE NARROWS. THE STUDY SHOULD ALSO DETERMINE WHETHER OR NOT PERSONNEL FROM MIDDLE ROCK, INC. (THE PILOT BOAT SERVICE) COULD BE EFFECTIVELY AND ECONOMICALLY EMPLOYED IN MAINTAINING THE PRE-DEPLOYED BARGE.

THE IMPORTANCE OF CHEMICAL DISPERSANTS SHOULD NOT BE IGNORED AND THE SUBCOMMITTEE'S FINAL RECOMMENDATION SHOULD BE THAT ALYESKA, AIDED BY THE OWNER COMPANY'S AS APPROPRIATE, CONTINUE TO PRESS STATE AND FEDERAL AUTHORITIES FOR PRE-APPROVAL TO USE CHEMICALS ON A WIDE SPREAD BASIS. THE OWNERS COMMITTEE HAS APPROVED THE PURCHASE OF AN ADDS PACK AND DISPERSANTS CONTINGENT ON OBTAINING STATE AND FEDERAL PRE-APPROVAL.

I BELIEVE THE FOREGOING REPRESENTS AN ACCEPTABLE COMPROMISE OF THE SLIGHTLY DIFFERING VIEWS EXPRESSED BY THE TASK GROUP MEMBERS. THE OPERATIONS COMMITTEE IS DUE TO MEET ON JULY 6 AND THEREFORE I WOULD APPRECIATE YOUR ADVISING ME BY TELEX, COPIED TO THEO POLASEK (TELEX: 09025127 -- ANSWER BACK; TRANSPICEANG) AT ALYESKA, NO LATER THAN JULY 5 THAT YOUR COMPANY CAN SUPPORT ALL FIVE RECOMMENDATIONS.

ROGER A. GALE
MANAGER, MARINE OPERATIONS
SOMIO OIL, CLEVELAND

CC: F. G. GARIBALDI
J. P. G. CROXSON

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ROGER A. GALE
SOMIO OIL.
CLEVELAND, OHIO

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EXHIBIT G

REF: YOUR TELEX 6/30/88 - ALYESKA OIL SPILL EQUIPMENT

ARCO MARINE, INC. DOES NOT AGREE WITH THIS TELEX NOR DO WE CONCUR THAT THIS REPRESENTS THE THOUGHTS OF THE SUB-COMMITTEE.

AT THE OWNERS COMMITTEE MEETING IN PHOENIX, IT WAS DECIDED THAT ALYESKA WOULD PROVIDE IMMEDIATE RESPONSE TO OIL SPILLS IN VALDEZ ARM AND VALDEZ NARROWS ONLY. FURTHER EFFORTS IN THE PRINCE WILLIAM SOUND WOULD BE LIMITED TO THE USE OF DISPERSANTS AND ANY ADDITIONAL EFFORT WOULD BE THE RESPONSIBILITY OF THE SPILLER. THE DELAY IN PURCHASING THE AODS PACK IS INEXCUSABLE; NO FURTHER APPROVAL WAS REQUIRED.

THE OWNERS ALSO DIRECTED ALYESKA TO REVIEW ITS ADMINISTRATIVE AND EQUIPMENT PLANS TO MEET THE INITIAL RESPONSE. IN OUR OPINION THE ADMINISTRATIVE PLAN MEETS ALL CRITERIA FOR A SUCCESSFUL CLEANUP. ON THE OTHER HAND, THE FINDINGS WERE THAT SOME ADDITIONAL EQUIPMENT WAS NEEDED TO MEET THE INITIAL NEEDS OF SPILL CLEANUP, IN PARTICULAR ADDITIONAL LARGER WORK BOATS. ALYESKA HAS REVIEWED THEIR EQUIPMENT NEEDS AND SUBMITTED A PROPOSAL. ARCO MARINE, INC. SUPPORTS ALYESKA'S RECOMMENDATION AND NOT THOSE AS OUTLINED IN THE TELEX.

STANLEY FACTOR,
VICE PRESIDENT, CHARTERING & EVALUATIONS
ARCO MARINE, INC.

CC: THEO POLASEK

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