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Thomas J. Barrett
President

September 4, 2018

Dear Governor, Alaska Legislators and Commissioners:

I want to address you directly about actions that Alyeska Pipeline Service Company will be taking this fall and early next year, and the context behind them.

The Trans Alaska Pipeline System is an indispensable Alaska oil transportation asset. For over 41 years, TAPS has served Alaska and the nation well, delivering more than 17 billion barrels of Alaska North Slope crude oil to market. The people of Alyeska and our contractor partners share a track record of proudly moving oil safely and reliably with great care for Alaska's environment.

TAPS owners and APSC have as our goal to keep this unique asset technically and economically viable for decades into the future, irrespective of throughput and price variations. As Alyeska president, it is my responsibility and privilege to set a course that upholds our commitments to safety, operating reliability, and protecting Alaska's environment, while modernizing the pipeline system and how we conduct our long-term business. Because TAPS carries all of Alaska's North Slope crude oil, our long-term reliability and cost structure impacts every North Slope producer and every Alaskan.

To address these goals, in 2017 we launched a strategic initiative to answer the question: "What actions will be necessary to ensure TAPS is technically and economically viable for the next 40 years?" A talented and diverse team of Alyeska employees, with input and insights from across the TAPS workforce as well as outside experts, created the fundamental strategy which APSC recommended and the TAPS owners have endorsed. Our plan is built on four elements: simplify processes by focusing on maintenance; optimize our operating infrastructure; continue evolving with technology; and strengthen our high performance culture.

Directly or indirectly, Alyeska spends the majority of its time, energy and resources on maintenance-related activities. Yet we are organized and operate more like a construction company, which is sub-optimal for the future. Going into our fifth decade of service, we are simplifying the maintenance processes to better identify high-priority work and apply risk-based decision criteria to complete that urgent work, as well as other maintenance work, more quickly and efficiently. A new maintenance department will lead improved planning, scheduling and system-wide maintenance. Simultaneously, we will leverage our expertise in engineering and risk management to improve and strengthen technical controls. We will also centralize emergency planning and response functions to support best practices across the pipeline, Valdez Marine Terminal and the marine escort system.

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And we will continue expanding the use of modern technology. The outcomes will be a more efficient and cost-effective system that can continue delivering operational excellence that meets our high standards of safety, reliability, environmental stewardship and legal compliance.

To achieve this, we are realigning the APSC organization into three divisions: Operations and Maintenance; Engineering and Risk; and Chief Financial Officer. This week, I announced the leadership team I am putting in place, and they have begun planning and implementing the many actions needed to successfully execute this strategy. APSC will be a functionally aligned organization, with system directors consolidated in Anchorage. Decision authority will be clarified with more authority delegated to managers in the field regarding activities for which they are responsible. This will expedite decisions and actions, and better empower those closer to the work – something employees have asked for.

These changes will directly and indirectly impact most jobs on TAPS. The overall size of the TAPS workforce will shrink by roughly 10 percent. Many jobs will be modified, and some eliminated, at Alyeska and in some contractor companies. This will have negative impacts for some individuals and create new opportunities for others. It will affect personnel at all levels of the organization, and at Anchorage, Fairbanks, Valdez and field locations.

It will be a fundamental and challenging change to our work, but one that is necessary to ensure the future operational reliability and efficiency of TAPS. I am acutely sensitive to the impacts this will have on our people, who in the past and moving forward are the foundation of our success. As we move implementation forward, we will apply sound personnel processes designed to provide fairness, respect, and support for affected employees. We expect to notify all employees of actions affecting them by early November.

I will continue to update you as our plans progress. If you have questions, please feel free to contact me or Michelle Egan, my Chief Communications Officer (michelle.egan@alyeska-pipeline.com).

Sincerely,

A handwritten signature in black ink that reads "Tom Barnett". The signature is written in a cursive, flowing style.

via email, hard copy to follow