

Statement of Tom Barrett  
President  
Alyeska Pipeline Service Company  
P.O. Box 196660  
Anchorage, AK 99519-6660

before the  
Committee on Energy and Natural Resources  
United States Senate

Regarding  
Benefits and Opportunities of Alaska Resource Production

March 28, 2016  
1:00 p.m.  
Pipeline Training Center  
3605 Cartwright Court, Building C  
Fairbanks, Alaska

Statement of Tom Barrett  
President  
Alyeska Pipeline Service Company  
P.O. Box 196660  
Anchorage, AK 99519-6660  
before the  
Committee on Energy and Natural Resources  
United States Senate  
Regarding  
Benefits and Opportunities of Alaska Resource Production  
March 28, 2016  
1:00 p.m.  
Pipeline Training Center  
3605 Cartwright Court, Building C  
Fairbanks, Alaska

Chairman Murkowski, thank you for the opportunity to discuss the benefits and opportunities of Alaska resource production as it relates to the Trans-Alaska Pipeline System (TAPS). I believe we must strengthen Alaska resource production opportunities so that we may continue into the future the benefits that TAPS provides Alaska, our nation, and the American people.

TAPS is a remarkable pipeline system, operated by remarkable people who deliver a wide spectrum of direct and indirect benefits to Alaska and the nation. That being said, if you ask Alyeska employees what “no easy day” means, paraphrasing the Navy Seal motto, they will tell you that, “the only easy day was yesterday.” TAPS operations are increasingly difficult because Alaska production has declined over the years, and we now operate well below our design capacity. The most direct solution to this operating challenge is more oil flowing down our line. Oil and gas resources are abundant in northern Alaska lands and waters. However, access to those resources is limited and difficult to achieve. Making those resources more readily available for responsible development and getting them into TAPS is the best path to sustain the benefits our existing TAPS infrastructure offers.

I joined Alyeska in 2011. Previously, I had the privilege of a thirty-five year career in the U.S. Coast Guard, including tours in Kodiak and Juneau, Command of Coast Guard operations in Alaska and the North Pacific, and service as the Vice Commandant. I also served as the first Administrator of the U.S. Pipeline and Hazardous Materials Safety Administration, and as the United States Deputy Secretary of Transportation. I am especially pleased to testify here at the Pipeline Training Center. Alyeska has been proud to support this center in a variety of ways since its beginning. The center provides us, and many other Alaska companies, highly skilled technical workers essential to our operations: people with a wealth of arctic Alaska experience who, for me, define Alaska true grit; men and women who can safely maintain pipeline systems or complete a perfect field weld on the first try in twenty below zero temperatures. Our modest investment in the Pipeline Training Center has been returned many times over by the high quality of people the center trains, and I thank the center staff for their work.

Over 1,600 Alyeska employees and contractors operate and maintain TAPS and transport crude oil across three mountain ranges, thirty four major stream crossings, permafrost, and forests, from Alaska's North Slope to our marine terminal at the deep water port of Valdez, where it is loaded for shipment to the west coast of the United States. TAPS is a key component of Alaska's and the nation's energy infrastructure, and delivers the oil that is a foundation element of the Alaska economy. Directly, and through numerous contractor partners, the Alyeska Pipeline Service Company supports meaningful well-paying jobs for thousands of working men and women. These jobs directly benefit families and communities in Alaska and elsewhere, where Americans live, work, and play. Because of Alaska resource development, Alaska communities can provide better infrastructure and education for their people. Workers can successfully raise families, enjoy preferred lifestyles, including traditional native cultures and subsistence lifestyles, and have a much higher quality of life and health because of economic benefits they obtain from jobs on TAPS and in the Alaska oil and gas industry.

Alyeska Pipeline works cooperatively with our neighbors on the North Slope, in Fairbanks, in Valdez, in Anchorage, and all along the 800-mile pipeline corridor. We have vital partnerships with Alaska Natives whose land we cross, and partnerships with strong, quality-driven Alaska Native corporations, including ASRC, Ahtna, Doyon, NANA, and Chugach. We are proud of our diversity and the strength it adds to our company. Alaska Natives comprise 20% of the Alyeska workforce. Our employee makeup includes over 30% women and 33% minorities.

Today, the remarkable TAPS workforce faces unprecedented operational challenges because of declining throughput. Since startup in June 1977, TAPS has transported more than 17 billion barrels of crude oil. At peak, we transported 2.1 million barrels per day, which was 24% of U.S. domestic crude oil supply. However, today we move only about 508,000 barrels per day.

Transporting lower volumes of crude oil than our large 48" diameter mainline was designed for creates serious operational challenges. Oil moves through the system at a slower speed with significantly longer transit times. This means more exposure to cold in our frigid winter environment. Colder crude oil creates potential for ice to form in the pipeline and interfere with operations. We experience more wax precipitation, which increases the risk of corrosion in our system. To keep the pipeline operating safely while moving decreasing volumes, we must make significant new and costly investments to adapt the pipeline to lower throughputs and lower temperatures. The changing hydraulic profile on TAPS has already triggered replacement of mainline pumps and in-station piping. We have had to add infrastructure for recirculation to heat the oil, additional pigging to clean the pipe, and additional pig launcher and receiver capability.

While we are confident in our handling of these and other issues that require significant attention and costly investment, we know that these challenges will grow as long as throughput continues to decline. The best long-term solution to these challenges, and the most assured way for us to continue to provide the many benefits TAPS provides, is to produce and deliver more oil into TAPS from the North Slope of Alaska.

We understand the need for our operations to be conducted safely. We know safe operations, effective maintenance and emergency preparedness require an all day, every day, round the clock

commitment to excellence on TAPS. Safety, operating integrity, and teamwork are core values at Alyeska and top priorities for every employee. Managers and employees all along the line understand that not just what we do, but how well we do it, matters to everyone in Alaska, matters to Alaska's spectacular environment, and matters to the wildlife that surround us on land, in the streams we cross, and in our marine waters. In 2015, we had the best safety record in our history. We worked 5.9 million hours with zero lost-time injuries. We were recently named one of the World's Most Ethical Companies by the Ethisphere Institute for the fifth year in a row, which noted among other accomplishments our sustained strong safety and environmental performance. Last year, due to the efforts of our personnel, we received the Large Operator Environmental Performance Award from the American Petroleum Institute and a Governor's Safety Award from the State of Alaska. Alyeska SERVS' Vessel of Opportunity Program received a 2015 Alaska Ocean Leadership Award for stewardship and sustainability from the Alaska Sea Life Center. (The Vessel of Opportunity Program includes over 400 fishing vessels and thousands of fishermen from Alaska's coastal communities.) Our record for protecting the environment is one of the best in our industry, or any industry, in Alaska. And, our reliability is over 99.5%. "TAPS pride" is not simply a slogan; it is how the people who operate and maintain TAPS define themselves.

Our workforce, often quietly, greatly contributes to the communities where they live and work with volunteerism, leadership and financial support. In 2015, the Anchorage Heart Walk included 130 TAPS walkers, raising \$29,000 in pledges. Our employees have augmented children reading programs at Anchorage's Russian Jack elementary school for over 18 years. Alyeska's annual Traveling Health Fair supports rural Prince William Sound communities. Last year in Fairbanks, Alyeska's Track and Field Day drew 400 children. The TAPS workforce raised \$565,000 for United Way, and more for local food banks. In 2015, Alyeska provided direct support for nearly 200 Alaska-based nonprofit agencies, including the Alaska Native Science and Engineering Program at the University of Alaska. Alyeska Pipeline employees used our matching gift program to support 118 of those agencies. All this is in addition to the sports coaching, churches, schools, arts, and other civic activities and associations many of these individuals and families personally support. Alaska communities are healthier and more vibrant places to live because people from TAPS and Alaska's oil and gas and other resource industries live in and contribute to them.

Our goal is to build on our successes, learn from our experiences and sustain TAPS' high performance for years to come. The TAPS workforce is made up of professionals who value integrity and respect. They are true-grit Alaskans who are smart, tough, and proven problem-solvers, leveraging teamwork and ingenuity in the face of incredible challenges. That being said, oil throughput is ultimately the key to our sustainability. Better access to energy on the North Slope of Alaska, onshore and offshore, is essential. Responsible development can bring benefits to TAPS and to all of us. In order for that development to succeed, it will require a stable fiscal climate, an improved regulatory regime, and strong industry and government partnerships.

Senator, I personally thank you and the Committee for your ongoing efforts to help achieve this responsible development and for the opportunity to testify today. I would be pleased to answer any questions.