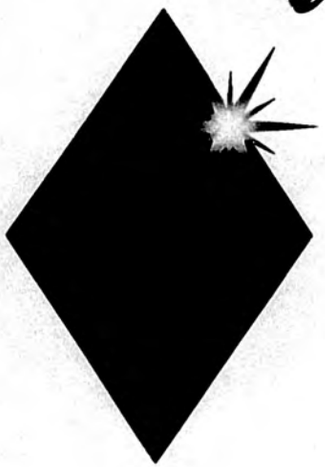
SCOMM

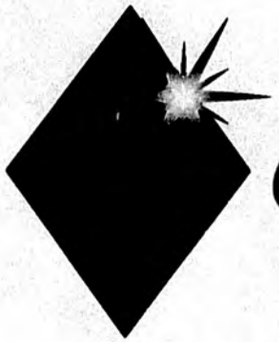
118:5

Alyeska Pipeline Service Company



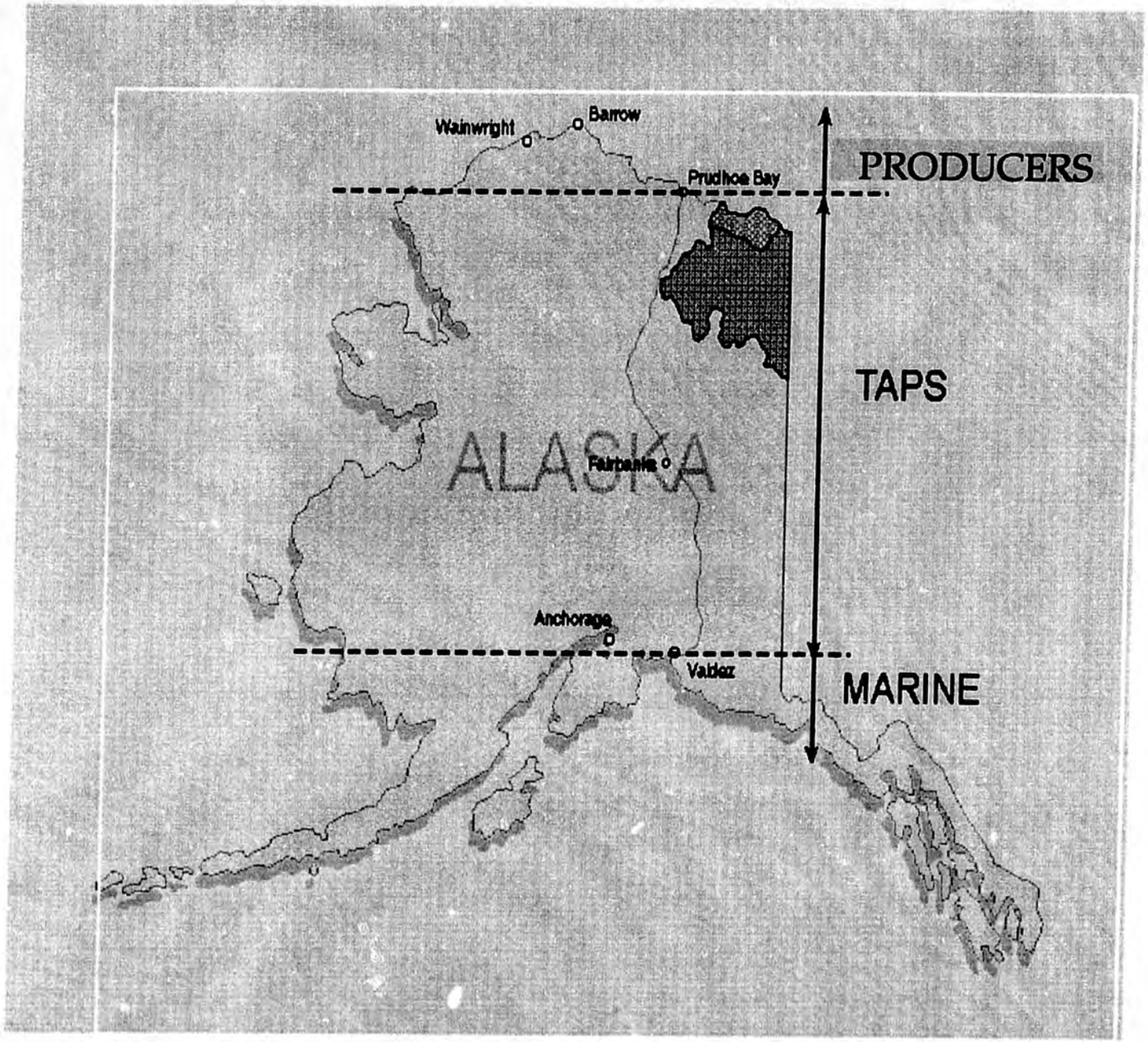
Presentation to House Special Committee on Oil & Gas

March 9, 1999



Contents

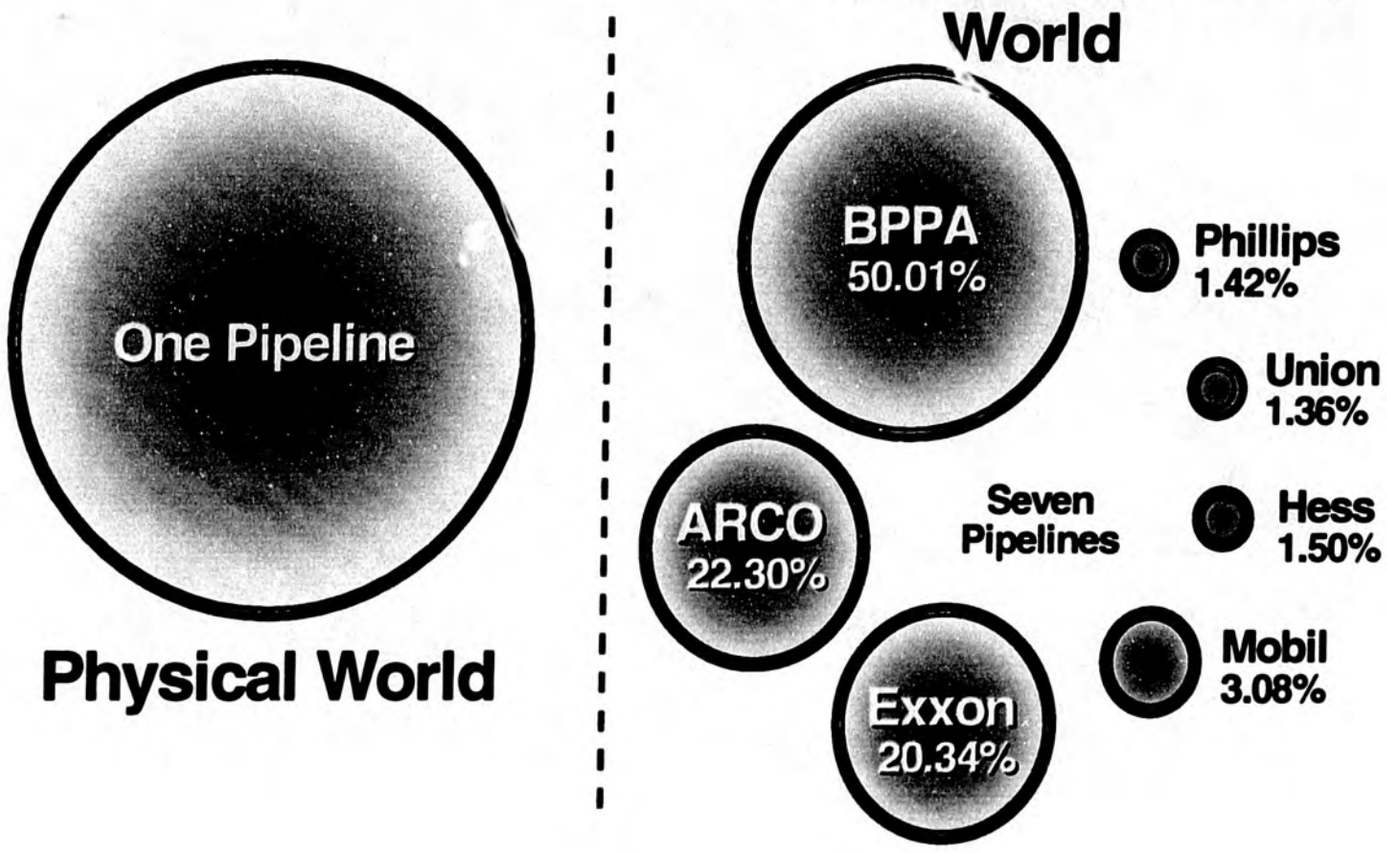
- TAPS Key Background
- TAPS History
- TAPS Cost 1998
- How the State of Alaska Shares TAPS Costs
- TAPS Impact to State of Alaska
- Conclusion


Wainwright
Barrow
Prudhoe Bay
PRODUCERS
TAPS
ALASKA
Fairbanks
Anchorage
Valdez
MARINE

Trans Alaska Pipeline System (TAPS) Key Background

- **Seven Owners hold undivided joint interest in TAPS**
- **TAPS operates as seven separate common carrier pipelines**
- **Each Owner sets its' own tariff rate for crude oil transport through the pipeline**
- **Owners operate under numerous legal, regulatory and contractual constraints**

Undivided Joint Interests

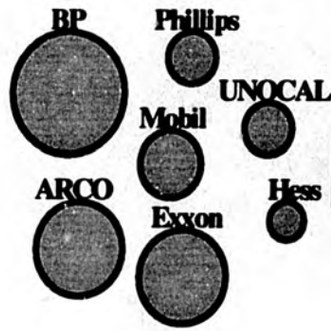


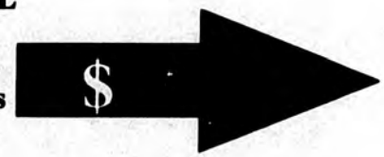
How APSC is Funded

Producers/Shippers
Pay a Tariff to Transport Crude Oil in TAPS

7 Carriers (Owners)

Each Carrier sets their own Tariff





Alyeska Pipeline Service Company

TAPS Operating Expenses and Capital are paid by Carriers from Tariff Revenue

Carrier Expenses
Taxes
Regulated Return

TAPS Owners Companies

TAPS History

1974 - 1977

Design and Construction

1978 - 1980

Shakedown

1980 - 1988

Relative Stability

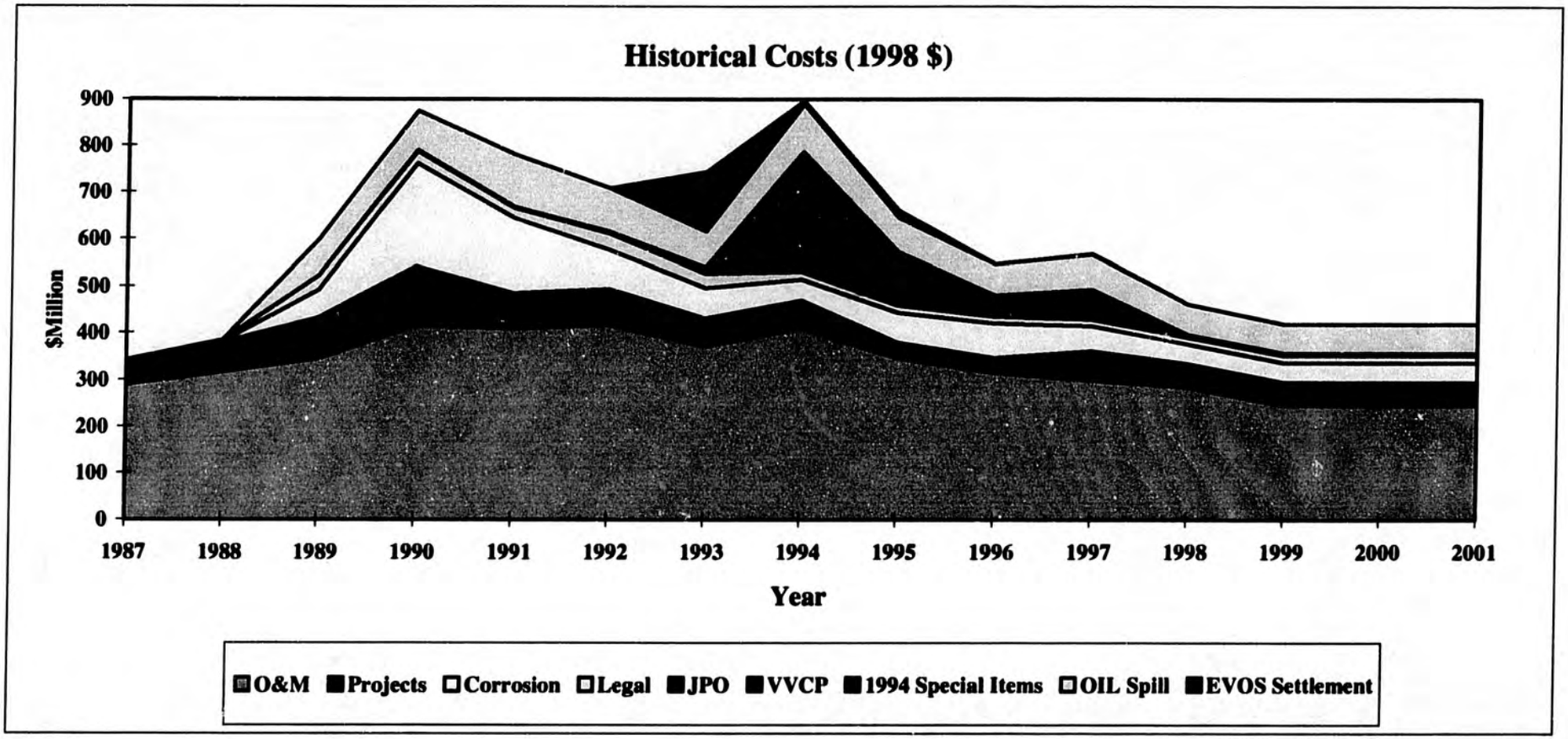
1989 - 1995

Crisis

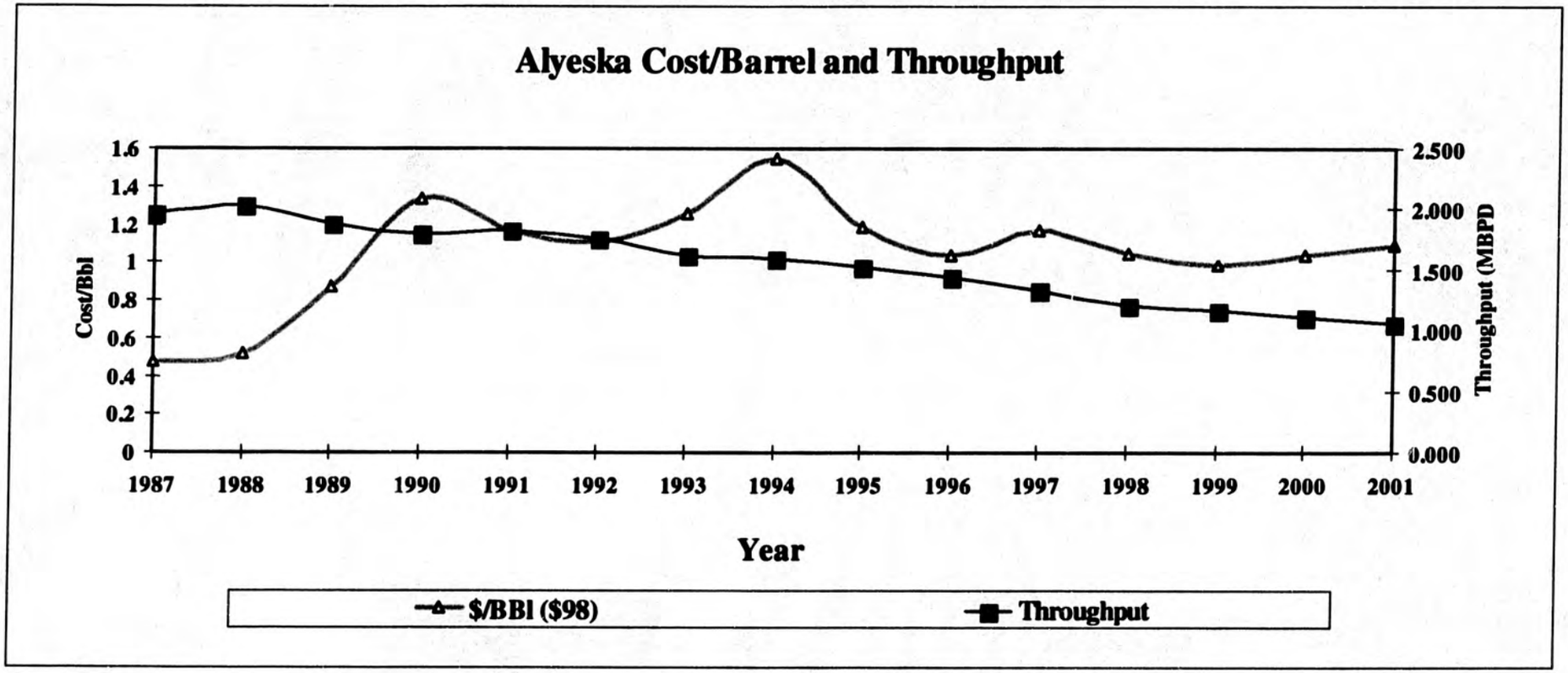
1996 -

Redesign

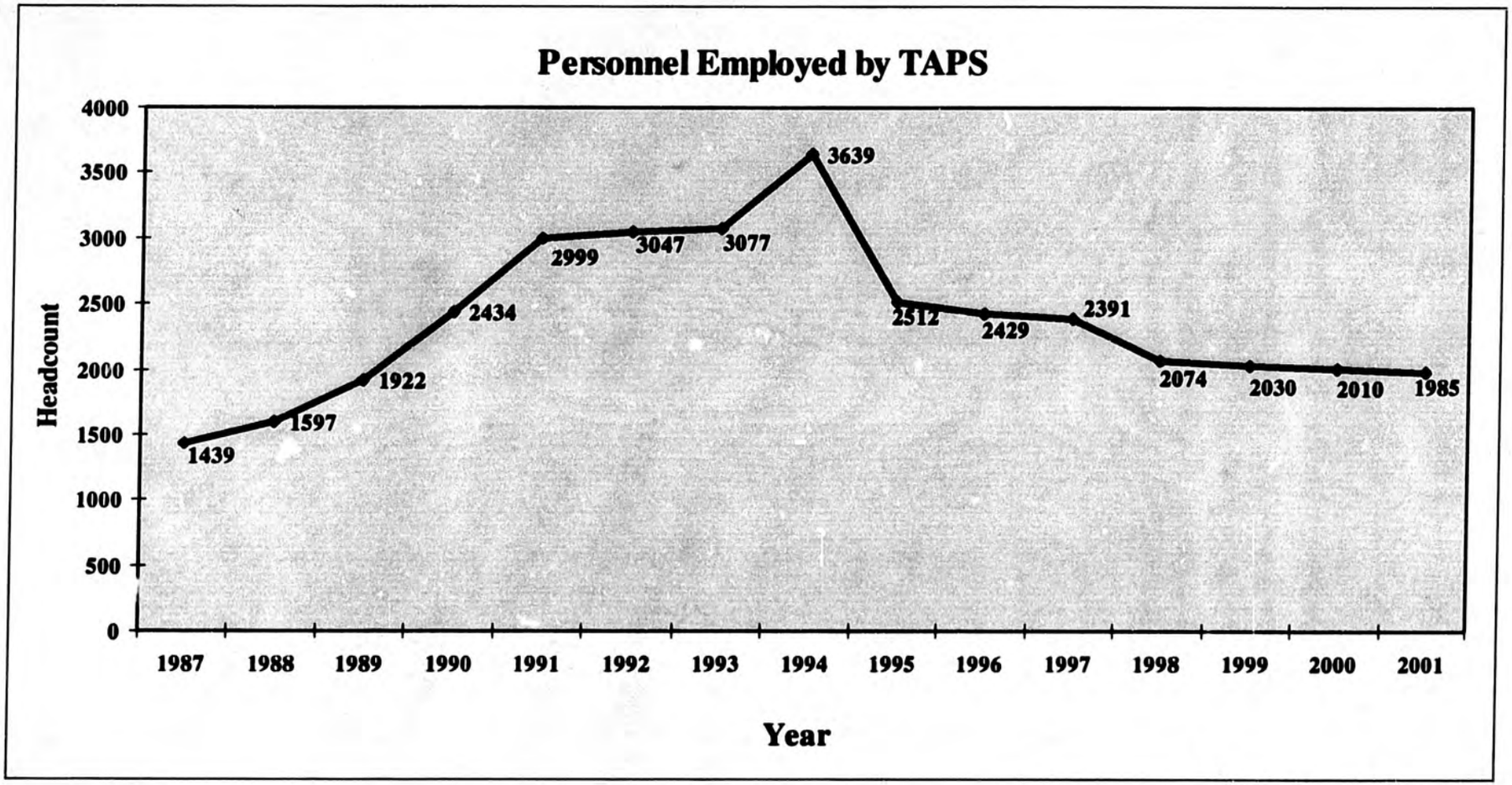
Historical Costs



Historical Costs & Throughput



Total Employed by TAPS



Expense Breakdown - 1998

($Millions)

Oil Spill Preparedness
14 Cents per Barrel

Taxes & Government Oversight
17 Cents per Barrel

Operations & Maintenance
88 Cents per Barrel

How the State of Alaska Shares TAPS' Costs

- TAPS' costs are paid by the tariff charged to transport oil in the system.
- State owns approximately 13% of North Slope production due to royalties.
- State levies a production tax based on value of North Slope oil. This averages approximately 10% for North Slope production.
- Value of North Slope crude is found by taking west coast value and subtracting transportation costs. Both TAPS and marine.
- Result: Due to royalty oil and production tax, the State pays approximately 23% of TAPS costs.

TAPS Impact to State of Alaska

- **TAPS Employees**
  - **2100 Alyeska Employees & Contractors**
  - **850 Alyeska employees**
  - **96% of Alyeska employees are Alaska residents**
  - **Alyeska payroll was $96 million for 1998**
- **Contractors and Vendors**
  - **Approximately $330 million spent in Alaska in 1998**
  - **To about 2,800 Alaska organizations**

Conclusion

As throughput declines to keep unit costs flat, the Trans Alaska Pipeline System must adapt to the number of barrels moving through the system by finding ways to be more efficient.

- **This means:**
  - **more Pump Stations in standby**
  - **continued consolidation of work and in the way we contract**
  - **less berths in operation as the number of tankers calling on Valdez decreases**
  - **invest in new technology to enhance safety and reduce costs**
  - **develop new methods for oil spill preparedness**
- **The Trans Alaska Pipeline System must be as efficient as possible; we will not compromise the safety, reliability, or integrity of our system to do it.**