

Assessment of Risks and Safety Culture at Valdez Marine Terminal

May 2025
Status Update

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TABLE OF CONTENTS

01

Purpose of Status Update

02

RECAP: Report Findings

03

**Status of
Recommendations**

04

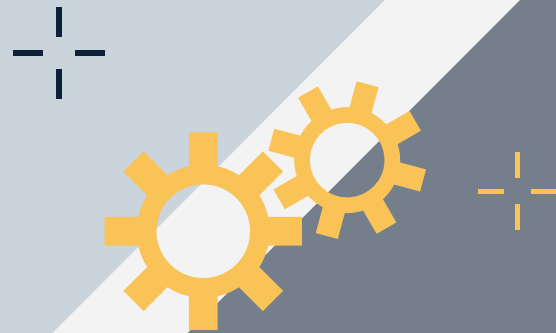
**Outstanding Concerns &
Updated Recommendations
for Council**

As of April 30, 2025

01 Purpose of Status Update

- 1) Identification of actions taken by Alyeska in response to the April 2023 Report - initiated by Alyeska, regulators, and the Council.
- 2) Overview of issues remaining regarding oversight, safety culture, and risk assessment.
- 3) Updated revised recommendation for the Council which incorporate the actions taken and decisions made by Alyeska and regulators in response to the Report; and addresses the continued employee concerns coming directly to the Council.

02 RECAP: Report Findings



HISTORY OF REPORT

- 2020-2022 events leading up to commissioning of report.

FINDINGS

- Inadequate resources and budget pressure
- Loss of institutional knowledge
- Reduction in Quality inspections, audits, and oversight
- Aging equipment, deferred maintenance and backlog
- Poor safety culture and leadership challenges

CONCLUSION

- “No reasonable assurance that VMT is operating safely and in compliance with its regulatory requirements.”

History of Report

After the 2022 snow load vent damage incident, current and former employees (Concerned Individuals or CIs) raised concerns about VMT processes, operations, safety culture, safety, and management challenges to PWSRCAC.

After consideration of these issues PWSRCAC requested this assessment of that information, and additional concerns from numerous current and former employees.

Initial Issues raised by numerous CIs included:

- Failure to adequately prepare for, avoid, or mitigate the safety risk from excessive snow in the Winter-Spring of 2022
- Concerns about an imminent safety risk from a potential spark to unknown vapor releases from damaged tank vents
- Concerns about compliance with Process Safety Management (PSM) at VMT
- Lack of responsiveness to historical PSM audit findings
- Inadequate quality assurance resources and integrity risk assessments for effective risk management

Report Findings: Repeated Themes Confirmed

1. Inadequate resources
2. Budget pressures, not commensurate with maintaining safety margins
3. Staffing concerns, significant loss of historical and institutional knowledge
4. Reductions in quality assurance and integrity management, with commensurate increase in risk
5. Deferred maintenance and backlogs
6. Lack of safety basis prioritization of deferred maintenance backlog
7. Process Safety Management concerns about VMT operations
8. Leadership issues and resulting low morale
9. Concerns about safety culture and willingness to raise concerns

2023 Report Distribution

The draft 2023 Report was initially shared with Alyeska for input, and their feedback was addressed prior to finalization.

When finalized, the report was:

1. Made publicly available through PWSRCAC's website
2. Provided to state and federal regulators
3. Provided to the Alaska Congressional Delegation

03 Report Recommendation #1 (to PWSRCAC)

“Recommend that the PWSRCAC request Congress to initiate a Government Accountability Office (GAO) audit to determine the adequacy of present regulatory oversight of Alyeska’s VMT operations by federal agencies with responsibility over the VMT, including compliance with the Federal Grant of Right-of-Way and Stipulations, and the State Lease. The audit should also:

- identify any gaps in regulatory oversight created by the changes in recent years within federal agency responsibilities;
- determine if the TAPS Improvement Plan, submitted to Congress in 1994 following the 1993 Oversight Committee hearings, and the Updated Plan in 1997, remains a commitment to Congress with expected conformance;
- encompass a detailed review of the Alyeska Quality and Audit departments, their independence, resources, effectiveness, and reliability; and,
- consider legislation that requires Agency coordination at the VMT. “

CURRENT STATUS: Report Recommendation #1

In October 2024, the Alaska Delegation requested the GAO review the Joint Pipeline Office (JPO) and address the following questions:

1. What is the current structure of the JPO and the roles of the federal and state agencies that are members?
2. How has the structure, budget, and responsibilities of the JPO changed over time?
3. To what extent have JPO members effectively collaborated to ensure the safety of the Trans Alaska Pipeline System including the Valdez Marine Terminal?
4. Does the JPO have sufficient personnel, resources, and authorities to carry out its coordinating responsibilities?

CURRENT STATUS: Report Recommendation #1

- GAO launched its review in April 2024.
 - PWSRCAC, Alyeska, related current and former regulators, and others are interviewed in Valdez/Anchorage, Alaska, during the month of August 2024.
 - Former employees and CIs, and the Council Report's author also interviewed.
- PWSRCAC has been advised GAO Report is forthcoming in May-June 2025.

Report Recommendation #2 (to PWSRCAC)

“Recommend that the PWSRCAC request the federal Occupational Safety and Health Administration (OSHA) conduct or commission a full independent audit of applicable VMT systems for compliance with PSM. This audit should have a particular emphasis on the PSM elements of Process Hazard Analysis, Compliance with Standards, Hazard Identification and Risk Analysis, Management of Change (MOC), Audits, and the adequacy of the Quality Assurance/Quality Control (QA/QC) programs.”

Report, at 7.

CURRENT STATUS: Report Recommendation #2

- In April 2023, PWSRCAC transmitted the Report to the U.S. Department of Labor, requesting OSHA conduct or commission a full independent audit of applicable VMT systems for compliance with PSM per the report recommendations. PWSRCAC also provided numerous employee concerns that had originally been filed with the Alaska Department of Occupational Safety and Health (AKOSH), but no action had been taken to address.
- OSHA responded in May 2023, advising that PWSRCAC's request was being handled as a Complaint Against State Program Administration (CASPA) about the Alaska Department of Occupational Safety and Health (AKOSH). It did not conduct or request a full PSM audit.
- On March 25, 2025, OSHA provides a final determination letter to the Council after auditing AKOSH.

CURRENT STATUS: Report Recommendation #2

- On March 25, 2025, OSHA provided their response to PWSRCAC about the 2023 concerns. OSHA's investigation compressed the concerns into two process allegations.
 - - "OSHA substantiated that AKOSH did not follow their policies and procedures for processing and inspecting employee complaints at the Alyeska Pipeline Service Company Valdez Marine Terminal **after** inspection 1449993 was contested."
 - - "OSHA did not substantiate that on May 26, 2023, inspection 1449993 was subject to a Notice of Dismissal for lack of prosecution by the State of Alaska's Office of Attorney General. The failure of the State to pursue this case calls into question the effectiveness of the entire AKOSH oversight function, and the ability of Alyeska to avoid meaningful oversight of AKOSH and Process Safety Management (PSM) requirements."

(The Council notes that at the time of the Report in April 2023, the litigation between the State of Alaska and Alyeska was inactive, but in June 2023, after the Report was issued it reactivated the case, which remains ongoing regarding a 2019-2020 AKOSH inspection and 2020 enforcement action from that inspection regarding PSM violations substantiated by AKOSH in 2020.)

Report, at 84-85.

CURRENT STATUS: Report Recommendation #2

- During the two-year OSHA review, AKOSH made significant changes to its Field Operations Manual (FOM); mirroring federal OSHA requirements and processes for responding to employee allegations and investigating complaints of retaliation.
- March 24, 2025, OSHA's letter recommended AKOSH:
 "ensure that their complaint policies and procedures are followed in accordance with the AKOSH FOM."

If OSHA follows its FOM for all employee concerns it receives that issue of concern will be addressed.

Report Recommendation #3 (Alyeska)

“Recommend that the PWSRCAC request Alyeska and the TAPS Owners to commission an independent full assessment of the Alyeska safety management systems against the American Petroleum Institute (API) Pipeline Safety Management System 1173, and identify any gaps between the current program capabilities and a compliant program. Once the audit is completed and recommendations are made, the recommendations should address a specific timeline for actual completion of the necessary changes to ensure safe operations. To be meaningful, Alyeska must agree to actually take action to respond to any findings and provide the resources to do so.”

Report, at 7.

Report Recommendation #4 (Alyeska)

“Recommend to Alyeska and the TAPS Owners that they commission an immediate independent audit to be conducted of all deferred maintenance at the VMT, including any deferred work listed on all backlog lists. This audit should determine if the risk ranking of deferred maintenance is consistent with all compliance requirements. It should also review any requested or required formal Process Hazard Analyses and Work Orders requesting the same. Finally, the audit should determine if the risk rankings of identified issues are being inappropriately downgraded, such that there is an inadequate process for managing the reality of hazards between initial identification and repair or replacement.”

Report, at 7.

Report Recommendation #5 (Alyeska]

“Recommend to Alyeska that it provide mandatory training for all supervisory and management personnel on their responsibilities to promote a strong safety culture, uphold a compliance culture, and to not tolerate harassment, intimidation, retaliation, or discrimination (HIRD). (This training should also be a mandatory part of new manager orientation and be provided on at least a biennial basis to all managers.) “

Report, at 7.

CURRENT STATUS: Report Recommendation #3, 4 & 5

- Alyeska's reaction and response to the Report was stated as:
 - "Be accountable and focus on review and improvements for VMT and TAPS."
 - "Address the Report's three recommendations to Alyeska, and look for learning opportunities."
 - "Use the Management Action Plan (MAP) process to understand issues, recommend changes, and take action."

(MAP, p. 2)

CURRENT STATUS: Report Recommendation #3, 4 & 5

We acknowledge and appreciate that Alyeska engaged in a substantial amount of work to address the recommendations directed towards them.

The following slides are drawn from Alyeska's MAP closeout report, which was provided to PWSRCAC.



Action items Alyeska stated it has taken that are positive



Arrows indicate areas that warrant further follow up on completion status

CURRENT STATUS: Report Recommendation #3,4 & 5

1. Alyeska provided a comprehensive briefing on its actions taken in response to the Report. Many of the concerns identified in the Report have been, or are in the process of being, addressed. Many issues remain; Alyeska continues to challenge the 2019-2020 AKOSH civil penalty and enforcement action.
2. Alyeska did not address the issue of the lack of resources within the Quality and Integrity Management program, nor did it provide a direct response to the example given about the staffing issues in the control room contained in the Report.
3. Most importantly, Alyeska's position on applying all PSM standards to the entire VMT and all operations and maintenance functions remains unclear. Its statement about bringing PSM boundaries "into compliance" was to remove certain things – not add more; and responsive to OSHA as a result of an unrelated accident at another facility.
4. Safety culture survey results from 2024 show that, while willing to raise safety concerns, their willingness to raise issues, suggestions, and ideas with management is the lowest its every been. More work needs to be done, and safety culture does not improve by itself.

CURRENT STATUS: Report Recommendation #3

4

Alyeska Safety Management System (AMS)

Report recommendation #1: *Independent safety management system assessment per API RP 1173*

What we found

- Updates to program were needed.
- Metrics discussions identified as a missing program component.
- Assessment methods need refresh.
- Additional training and communications are needed.
- Some implementing documents had redundancies, unclear hierarchies and opportunities for simplification.

What we've done

- Initiated monthly metrics review meetings.
- Developed management system implementing document review process.
- Initiated AMS training for all employees.
- Conducted review of human factors.
- Reviewed all past assessments for relevant actions.

What continues

- Ongoing metrics refinement and technology updates to include data structure framework, dashboard, and reporting tool.
- Continue to build on assessment, training, communications, and implementing document refinement work.
- Document review and simplification effort resourced and targets were included in companywide Performance Contract.
- API 1173 assessment is planned and budgeted for 2025.
- Developing human factors program for TAPS; phased implementation will begin in 2025 or 2026.



CURRENT STATUS: Report Recommendation #3

Process Safety Management

5

What we found

- Updates to program were needed.
- Metrics discussions identified as a missing program component.
- Assessment methods need refreshed.
- Assessment of training and communication warranted

What we've done

- Reviewed APSC documentation and OSHA PSM requirements.
- Conducted 3rd party audit of PSM program with ABS.
- Corrective actions from the PSM audit were completed in a timely manner, none outstanding as of October 2024.
- Conducted 3rd party assessment of VMT Vapor Recovery System.
- Adjusted boundaries of PSM program to include East Tank Farm and Ballast Water Tank headspace and Power Vapor boilers as recommended by ABS.
- Developed integrated PSM program that describes system boundaries and methods of compliance.
- Compiled list of tag numbers associated with IPLs.
- Developed database queries that returned IPL tag numbers and associated PMs.

What continues

- Complete alignment of APSC documentation regarding PSM, including a PSM Compliance Manual, by December 2024.
- Confirm equipment associated with safety critical IPLs has appropriate PM, target completion by December 2024.
- VMT Operations and Maintenance teams will complete training on PSM program by December 2024.



CURRENT STATUS: Report Recommendation #3

6

Maintenance Backlog & Engineering Query

What we found

- Legacy engineering work orders did not have a priority score.
- Maintenance backlog did not have common definition or established targets.
- Safety critical equipment not identified in work management system.
- No critical equipment maintenance (which are included in the MMS system's PR category) was found in the maintenance backlog.

What we've done

- Evaluated and prioritized all unscored engineering work orders.
- Closed engineering work orders that did not have sufficient basis or were already completed.
- Maintenance backlog definition and targets were established for each area.
- Maintenance backlog metrics developed and TAPS-wide target of 8-week average backlog included in 2024 Performance Contract.
- Assigned resources for PMCR backlog reduction resulting in reduction of overall open PMCRs and time to approval.
- Identified safety critical equipment in work management system.
- MOC procedures were updated to address gaps, streamline the process and provide additional training.

What continues

- Develop plan to action high priority engineering work orders.
- Improvements underway to better manage engineering work order prioritization and disposition.
- Identify and evaluate opportunities within the PMCR process to efficiently identify and manage PM changes.
- Continue backlog metric refinement.



If implemented
as conveyed

CURRENT STATUS: Report Recommendation #3

7

Open Work Environment/Employee Concerns Program

What we found

- Employees understand and support OWE; strong compliance of initial and recurring annual training for management (>99%).
- More support in creating safe speak up culture needed.
- ECP reporting structure best practice at executive level.
- Alyeska met commitments to 1994, 1997 TAPS Improvement Plan

What we've done

- Update of OWE training ongoing.
- ECP to continue direct report to GC, dotted line report to Alyeska President.
- Reviewed and verified Alyeska meets commitments to 1994, 1997 TAPS Improvement Plan.
- Conducted OWE survey in 3Q, topline results to workforce later this year.
- Added clarity around mission, vision, goals, charter; addressing culture through leadership work sessions, open forums and discussions with the workforce.

What continues

- Leadership continues to actively address workforce morale and the future direction of the company.
- Proactively manage OWE/ECP, promptly complete ECP investigations, and increase proactive intervention process.

CURRENT STATUS: Report Recommendation #4

Audits

8

Report recommendation #2: Independent deferred maintenance audit and process safety (PSM) audit of the VMT

What we found

- Corrective actions were generally effective and implemented, however, in some instances, sustained and effective closure could not be confirmed.
- Corrective actions were not always implemented within the timeframe originally committed.
- No critical equipment maintenance was improperly prioritized and planned.
- PSM audit identified that VMT has implemented a PSM program aimed at meeting the requirements of the PSM regulation.

What we've done

- Prioritized outstanding audit corrective actions and actioned to closure.
- Increased frequency of review of past due and upcoming commitments.
- Broadened the audience reviewing past due commitments.
- Created an escalation process for approval of extension of due dates for audit corrective actions.
- Safety program, maintenance and PSM audits completed as part of the 2023 Audit Plan; corrective actions entered into MAC with closure date of no later than 1Q 2025.

What continues

- Monitor status of past due audit related corrective actions monthly through metrics process.
- Extension of original commitment dates for audit-related corrective actions requires at least Vice President and President approval.



CURRENT STATUS: Report Recommendation #5

9

Training

Report recommendation #3: Alyeska to provide mandatory initial and biennial OWE and culture training for management

What we found

- Current learning system not fully serving needs of organization; underutilized and not integrated.
- Data and records not well organized or easy to access.
- Change management not prioritized for system changes.
- OWE/HIRD training required w/in 90 days of employment (99.9% compliance); employee (98% compliance) & line manager refresher training (96% compliance) in place.

What we've done

- Engaged with vendors to increase training offerings of technical and non-technical classes in 2024.
- Initiated RFP for new HR system including a Learning Management System (LMS). Vendor selected in 2024.
- Training data cleanup project begun and progressing.
- Made revisions to AMS-034 – Employee Issue and Concerns Resolution Process.
- Updated annual HR training (HR196/194).
- Leadership intensive sessions held around TAPS in Q1 2024 for all Alyeska leaders.

What continues

- Progress replacement of HR system, including learning system for late 2025/early 2026 implementation.
- Addressing interim data & training record improvements
- Providing more training opportunities for employees.



CURRENT STATUS: Report Recommendation #5

10

Stakeholder Engagement

What we found

- An established “No surprises” communication strategy for internal/external stakeholders.

What we’ve done

- Monthly meetings with RCAC staff to update status/actions from MAP.
- Regular updates/talking points for managers and supervisors.
- Regular updates with elected officials/regulators.
- Presentations at RCAC board meetings from September 2023 – September 2024.
- Engaged with GAO regarding audit

What continues

- Stakeholder updates as needed.

Report Recommendation #6 (to PWSRCAC)

“Consider the establishment of a PWSRCAC Human Factors advisory committee to advise the Council on the status of the risks to operations and maintenance of the VMT created by Human Factor risks, as recognized by PSM requirements and industry experts, such as the loss of institutional knowledge, staffing, transition issues, fatigue, training, and Safety Culture issues.”

Report, at 8.

CURRENT STATUS: Report Recommendation #6

On March 7, 2025, at a scheduled public meeting, the PWSRCAC Terminal Operations and Environmental Monitoring (TOEM) Committee tentatively agreed to oversee the process for the Billie Garde recommendation to create a Human Factors committee to analyze risks at the VMT created by human factors, pending further discussions about what their role would be and key factors to address.

The Committee voted to continue discussions about what this would entail but requested assistance for a framework to analyze risks at the VMT created by Human Factors.

Report Recommendation #7

“Consider the establishment of an appropriate Concerned Individual (CI) protocol for PWSRCAC for the handling of any employee concerns it may receive from concerned VMT employees or contractors in the future.”

Report, pg 8

CURRENT STATUS: Report Recommendation #7

PWSRCAC staff met with an Alyeska ECP representative, as facilitated by Alyeska, to understand the manner in which the Alyeska ECP program works.

The Council staff has drafted a CI protocol to handle any employee concerns it may receive from concerned VMT employees or contractors in the future.

The Council is working with the Report's author to further refine this draft protocol; and to determine whether there is a viable option for PWSRCAC and Alyeska to cooperate on referral of such concerns. If not, how should such allegations be addressed; whether "imminent safety" concerns, technical issues, PSM violations, safety risks or safety culture issues?

04 Outstanding Concerns

1. Loss of institutional knowledge continues; loss of 5 key female executives with over 110 years of operational, organizational, and oversight experience since January 1.
2. PSM applicability at the VMT not yet clarified on scope of voluntary versus mandatory coverage for terminal operations and process activities.
3. The continued lack of resources within Quality and Integrity Management and lack of visibility within the management organization. (MAP did not address these issues, although included in report.)
4. Continued employee concerns to PWSRCAC and the Report's author.

Outstanding Concerns, cont'd

5. Patchwork of regulatory oversight and gaps in present regulatory coverage., with at least some areas with no regulatory coverage at all, i.e., tank farm bottom processing.
6. Inconsistent cooperation by Alyeska with PWSRCAC information requests and consequential impact on PWSRCAC's ability to perform its responsibilities.
7. Loss of opportunities from the current relationship.

Outstanding Concerns, cont'd

8. Some results of the 2024 Dittman Open Work Environment Survey show decline in scores in safety culture/work environment.

Only 4 questions asked in 2024 were also asked in 2022. All the responses to those questions showed worse outcomes than 2022 and 2020:

“Most importantly, Alyeska employees and contractors show very serious negative results in important area like accountability, direction and culture, and budget/spending.”

The response to the question whether the respondents “were confident in Alyeska’s ability to achieve zero accidents and spills,” and “achieve zero operational subsets” was alarming, scored in the “red,” and lower scores than two years ago.

Updated Observation and Recommendation

Process Safety Management (PSM) and Human Factor metrics and performance indicators are the leading tools for maintaining safety and integrity in a proactive manner. A robust voluntary PSM program has taken the place of the 1980-1990s Quality program, and the 2000s Integrity Management processes.

The Report's author has a lack of clarity on whether Alyeska is implementing Process Safety Management practices, on a voluntary basis, across the entire Terminal (e.g., all operations and maintenance activities that present inherent). If so, are the triennial audits reviewing the entirety of VMT operations and maintenance activities that present safety inherent risks in the operations at the terminal.

It is also the author's understanding that Alyeska has delayed or deferred the implementation of Human Factors Assessment Tools beyond 2025. These two processes, PSM and Human Factors assessment, provide significant enhancement to maintaining safety and integrity in high-risk industries and operations. It provides the benchmarks upon which any incident or accident will be assessed and is "best in class" for managing such operations.

In response, I propose that PWSRCAC develop performance indicators from the American Petroleum Institute (API) Process Safety Performance Indicators and Human Factors Standards (API 754) to use to track leading/lagging indicators in a proactive manner on Alyeska's safety performance.

Updated Recommendation

“PWSRCAC should undertake the development of performance indicators to utilize during information exchange with Alyeska in order to have an objective framework for a more useful dialogue [1]. Ideally, Alyeska will agree to the use of providing information relevant to these performance indicators during regularly scheduled PWSRCAC-Alyeska meetings. In addition, PWSRCAC should develop a protocol for the receipt and evaluation of those employee concerns provided directly to PWSRCAC, using the same indicators.”

Footnotes:

[1] These performance indicators would be developed using the American Petroleum Institute (API) Process Safety Performance indicators and Human Factors Standard 754, (Tier 1 and 2), which would permit the evaluation of indicators that the industry and oversight agencies utilize to measure safety performance and indicators of potential risks and trends.

THANKS

Questions?

