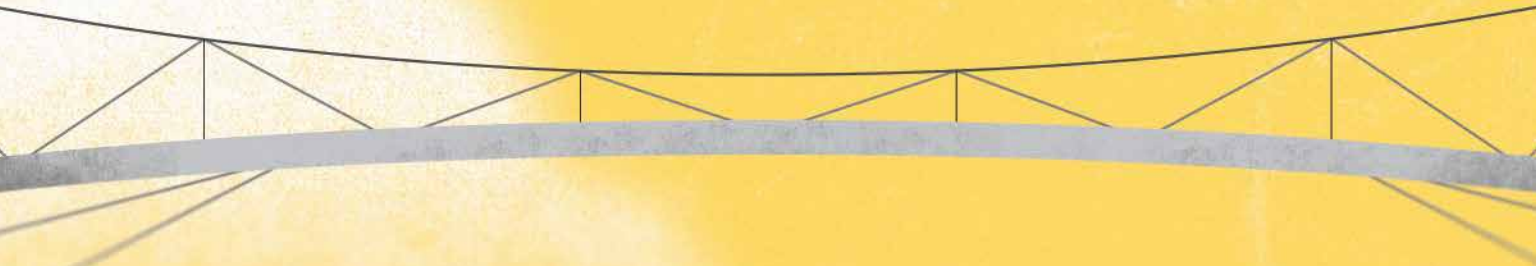




SUSTAINABILITY

2016



40TH
ANNIVERSARY
• ALYESKA PIPELINE SERVICE COMPANY •



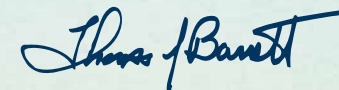
PRESIDENT'S MESSAGE

Many people have stories about the Trans Alaska Pipeline System (TAPS). Maybe they helped build TAPS more than 40 years ago. Maybe their family took advantage of those boom days and launched a business. Maybe they're among the Alyeska workforce now, team members united by a mission of safely moving Alaska's oil every day. The people who built TAPS were generally not Alaskans. The people who operate it today are. Ninety-five percent of Alyeska employees live in this state and 70 percent of the contractors we do business with are headquartered here.

At Alyeska Pipeline Service Company, the pipeline story reverberates with purpose, innovation, pride and performance. It's a story of transforming Alaska's communities and economy. As we head into 2017 – our 40th anniversary of operations – we can reflect on the positive impact TAPS had on Alaska and Alaskans, and we look forward to shaping our future and Alaska's future for continued success.

We feel TAPS pride. TAPS people are special. We know our work, what we do, and how well we do it matters all across Alaska. And we are vigilant about delivering excellence 24 hours a day, 365 days a year.

This booklet contains data on 2016 performance, snapshots of some of our people, and a look at our work to remain a resilient, sustainable organization well into the future. When TAPS was built, no one anticipated it would be around for 40 years, yet here we are. And as long as Alaska wants us to go to work, we will proudly rise to the occasion.



TOM BARRETT
President

RENEWAL

Alyeska, TAPS, North Slope producers and Alaska charted an exciting path in 2016. In November, the State of Alaska released data that indicated a 2.5 percent increase in oil production in Alaska over the previous fiscal year. The momentum was palpable, as TAPS annual throughput increased for the first time since 2002. In 2016, TAPS moved more than 189.5 million barrels of oil, averaging 517,868 barrels a day, compared to a daily average of 508,446 in 2015. More throughput in TAPS benefits the entire state. Alyeska closed the year with 99.65 percent operational reliability. There were four planned pipeline shutdowns in 2016 – one for 10 hours, two for 12 hours and one for 36 hours – which allowed for critical heavy maintenance work along TAPS. All shutdown work was completed without injury.

Along the line, teams completed a four-year project to assure integrity of 176 mainline valves. The three laboratories on TAPS – at Pump Station 1, the North Pole Metering station and the Valdez Marine Terminal – received significant software and tools upgrades that improved data management. Teams substantially completed major Electrification & Automation work at Pump Station 1. At the Valdez Marine Terminal, hundreds of feet of construction-era piping in the Power Vapor Facility were replaced with a more reliable and durable trench system, and a lighting replacement project improved lighting, energy efficiency and cost savings. Alyeska's Ship Escort / Response Vessel System passed a major milestone as the 13,000th tanker was safely escorted since SERVS was established. More than 9.75 billion barrels of oil have been loaded onto tankers during that time. Some 1,800 people from six Alaska ports representing 444 vessels were trained in on-water and near-shore spill response tactics. As part of our commitment to workforce renewal, the Technical Development Program launched its 100th new or refreshed technical training course.

Mini profile:

FLARE TIP REPLACEMENT



This summer, one of the biggest, brightest and most unique components on TAPS was replaced with new-and-improved equipment. It's hard to miss the 16-foot, 48-inch diameter, nearly 10,000-pound flare tip that sits atop a 121-foot flare stack at Pump Station 1. The flare tip combusts hydrocarbon vapor emissions from tanks 110 and 111 around the clock. It was permanently extinguished on August 1 after 22 years of service. The replacement was completed on August 7, with the ignition of a new flare tip. More than 50 people from many TAPS teams worked safely and played roles in the critical replacement project.

SAFETY

As work on TAPS grows more complex, Alyeska's focus on safety is intensifying to ensure all TAPS employees go home safely every day. This emphasis is the nucleus of culture on TAPS: every shift, meeting and gathering begins with a safety minute, and every employee is empowered to stop work for any reason. The motto "nobody gets hurt" is well known along the line.

Employees finished 2016 with zero days away from work due to serious injuries. The recordable rate – a calculation of on-the-job injuries compared to hours worked – was higher than in 2015. Some individual teams continue to exemplify best safety practices and results. Alyeska's Materials team, for example, in 2016 surpassed 20 years without a recordable injury. However, while the recordable rate remains low by industry standards, this slide in performance prompted a system-wide push for employees and contractors to refocus on personal and process safety. Special emphasis was placed on maintaining attention to process controls, safe-working procedures, and individual safety accountabilities, including during routine and repetitive tasks, remembering that no task is ever truly routine.

TAPS employees routinely helped others when needed along the Haul Road. As part of our safety culture, and as a demonstration of commitment to environmental protection, dozens of TAPS employees were involved in more than 180 readiness and response exercises throughout the year.

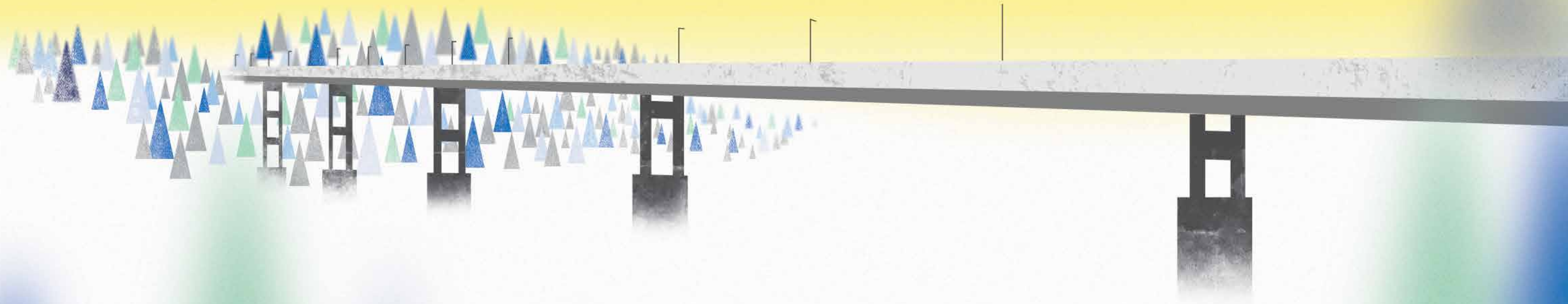
For 2017, the pipeline's 40th year, employees are focused on learning from past incidents, continuing to embody professionalism, monitoring changing conditions, stopping work anytime a safety issue is present, and proceeding only if safe conditions and safe behaviors are evident.

Mini profile:

BUS RESCUE



When emergencies arise, TAPS employees are ready. A recent example occurred when three employees from Pump Station 1 methodically battled a ferocious storm to rescue three busloads of stranded North Slope workers. Far from being impetuous, they launched into action only after they all agreed the effort could be performed safely. Adam McAllister, Ben Pennington and Jacob Shultz received the 2016 Atigun Awards for Safety for their outstanding rescue effort.



Mini profile:

LISA KANGAS



The hands-on work of Alyeska's Environment team often takes place behind the scenes and in some of Alaska's most distant and demanding locations. This year, Alyeska's environmental coordinator Lisa Kangas put a worldwide spotlight on that work. As guest host of Alyeska's social media channels, the lifelong Alaskan shared stories, photos and videos from her team's diverse field work on TAPS – from stream work to protect fish runs and response exercise experiences to showing off her teammates, favorite wildlife photos and unique modes of field transportation. Lisa exemplifies day-to-day efforts that help keep TAPS operating with pride in protecting Alaska's environment.

ENVIRONMENT

The 800-mile TAPS route crosses some of Alaska's most uncompromising and breathtaking landscapes and shares the right-of-way with wildlife, waterways, communities and Alaskans. Alyeska, its employees and TAPS contractors maintain the highest environmental standards and a commitment to being good stewards for the natural environment, always minimizing the impact of TAPS operations. In 2016, TAPS experienced no significant spills.

Alyeska's environmental specialists ensure that work is both of the highest quality and in compliance with environmental laws and regulations. In 2016, Alyeska's fish stream work stood out, from mitigation work at Moose Creek to annual surveillance of 686 fish stream structures. Alyeska's Environment team joined others in January to examine the impacts of a 7.1 magnitude earthquake – no damage was detected. And there were dozens of drills and exercises that kept numerous Alyeska teams and contractor personnel sharp and equipment ready in the event of an emergency.

Crews at the Valdez Marine Terminal internally inspected and cleaned some 5,710 feet of buried and previously uninspectable piping. The project stretched across more than five years at five different worksites. Among the various tools and tactics deployed, teams used four crawler pigs to measure piping between 16 and 36 inches in diameter. The challenging, complex work fortified the Terminal's integrity and helped to protect the unique environment of Valdez and Prince William Sound.

BUSINESS PERFORMANCE

During a very challenging economic year for the oil industry and Alaska as a whole, Alyeska's business was a key component of financial conversations as topics including TAPS throughput, lease sales and development, oil taxes and TAPS operational efficiency came more into the foreground.

TAPS employees stepped up to address these financial challenges while staying focused on moving oil safely, reliably, and with care for the environment. Working groups captured cost savings and called on employees to offer ideas. Alyeska worked closely with contractor partners to streamline efforts, find financial and work efficiencies, seeking out new, creative ways to complete our jobs.

Success for TAPS is shared by these professional business partners and others; a strong pipeline is good for Alaskans, for communities, and for the economy. Notably, since TAPS' startup and in the last decade, the competitive environment in the oil and gas industry has shifted. The United States is now the number one producer of oil globally. Meanwhile, Alaska remains a challenging place to do business, with harsh light and weather conditions, geographic isolation, and shifting regulatory and tax environments, all driving higher operational costs than in other oil states. As pipeline employees work to keep TAPS operationally safe and economically viable, they look externally for a competitive business environment that favors energy business investment in Alaska to help create a long-term sustainable future.

Mini profile:

IDLING TRUCKS



Many TAPS employees in 2016 submitted ideas for cost savings. A shop foreman pointed out the many hours that light duty vehicles are idled equate to millions of miles driven. Reducing idling by even one percent would improve air quality, save on vehicle wear and achieve an estimated fuel savings of at least \$42,000 per year. This suggestion was adopted and resulted in changes to TAPS' vehicle operating practices to achieve savings.



COMMUNITY

Alyeska personnel remain committed to being steadfast community partners. TAPS employees have a legacy of deep community connections across Alaska. In 2016, despite new financial challenges, Alyeska supported a broad range of nonprofit organizations with tens of thousands of dollars, while numerous employees generously gave time, talents and financial gifts to their favorite charities.

Collective giving is embodied by Alyeska's annual United Way workplace campaign. In 2016, Alyeska, its employees and TAPS contractors raised more than \$530,000 as workers hosted creative events to build momentum and giving while the organization matched employees' enthusiasm and financial gifts. The giving reached into other areas – to youth (Track & Field Day in Fairbanks, building a new playground in Valdez, reading to and providing Thanksgiving meals for elementary school students in Anchorage); to healthy lifestyles (successful food drives across the state, the Traveling Health Fair in Prince William Sound, the Heart Walk in Anchorage); to the arts, culture and diversity (museums, media and performance groups across the state). Alyeska continues to invest substantially in scholarships and educational programs for Alaska youth.

Mini profile:
**JACQUELYNN
TOWNER**



Alyeska's United Way workplace campaign is a marathon, not a sprint. To keep engagement, spirits and giving high, employees hosted creative events that ranged from fun runs to car washes and raffles to bake sales. When it comes to flavorful philanthropy, Alyeska recruiter Jacquelynn Towner has the title wrapped up. This year, a team of co-workers volunteered to help her wrap more than 4,500 special order egg rolls, filled with Jacquelynn's family recipe. As she does every year, she gives all sales proceeds to the United Way campaign.



TAPS PEOPLE

Every company has a culture, core beliefs and values that bind its employees together. At Alyeska, that culture is one that celebrates innovation, emphasizes safe behaviors, promotes proactive action, and insists on treating each other with respect.

Alyeska employees demonstrate a fierce loyalty to TAPS, born out of pride and professionalism. As of year-end 2016, 151 people had worked for Alyeska for 20 years or more. Alyeska emphasizes diverse recruitment, employment and development opportunities. Thirty percent of Alyeska employees are women and 33 percent are minorities. Alyeska's flagship Alaska Native Program continues to support educational scholarship and development initiatives.

In 2016, for the fifth year in a row, Alyeska was named one of the World's Most Ethical Companies® by the Ethisphere Institute®. And the year closed with Alyeska receiving a special honor: the 2016 Friends of First Alaskans Ted Stevens Award for the organization and employees' unique relationship with Alaska Native people.



PROFESSIONALS OF THE YEAR

Mini profile:

2016 Atigun Awards for professionalism went to Jim Lawlor and Eliza Tiulana, both Professionals of the Year, and to Vinnie Szymkowiak, TAPS Engineer of the Year. A Lifetime Achievement Award went to John Baldrige, Senior Director of Pipeline Operations, who will mark his 40th anniversary on TAPS in 2017.



OUR 40TH

They didn't know it couldn't be done. That's what history tells us about the original designers and builders of TAPS. Facing a Herculean project, inhospitable and inaccessible terrain, and geographic, scientific and political barriers too numerous to list, they still got it done: they built the Trans Alaska Pipeline System, and today, 40 years later, it has exceeded everyone's original expectations for operational life and performance.

Employees of TAPS still exemplify that motto. They are proud, they are tough, and they are determined. And they are innovative and committed enough to imagine 40 more years of Alyeska operations.

In TAPS' 40th year, employees celebrate the pipeline's sustained, positive influence on people, communities and Alaska, while caring for and demonstrating minimal impact on the environment. They are proud of our legacy in strengthening and supporting Alaska's economy. Looking forward, they are focused on the technical and fiscal sustainability of TAPS, its workforce and communities, and on protecting the environment across Alaska.

Most of all, they are confident that as long as there is oil to be moved, Alyeska employees will safely and efficiently do their part.

#MYPIPELINESTORY #TAPSPRIDE #40MORE



40TH
ANNIVERSARY
- ALYESKA PIPELINE SERVICE COMPANY -

