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January 23, 2017

RE: API Pipeline Awards Program for Performance in 2016

Dear Pipeline Company:

Attached are the materials for the API awards program for hazardous liquid pipeline safety and environmental performance for the year 2016. All hazardous liquid pipeline operators that are members of API and/or AOPL may apply for the awards, so long as they meet the eligibility criteria. The awards program is managed and maintained by the API Pipeline Environment, Health and Safety Group (EHSG).

The awards program includes the following awards:

- an **Occupational Safety Award** for each class of Operator, Large and Small
- an **Environmental Award** for each class of Operator, Large and Small, and
- a **Distinguished Safety and Environmental Award** for each class of Operator, Large and Small

Awards will be presented at the API Pipeline Conference at the luncheon on Tuesday, April 25, in San Antonio, Texas at the Hyatt Regency Hill Country. The Conference is April 25-26, with onsite registration April 24. Please see API's website at <http://www.api.org/products-and-services/events/calendar/2017/pipeline> for more details and registration information.

The awards are described in *Attachment A*. Application forms and certifications of eligibility for the awards are included as attachments to the email transmitting this letter. This information will also be available on API's public website the week of January 23, 2017 at <http://www.api.org/oil-and-natural-gas-overview/transporting-oil-and-natural-gas/pipeline/awards>.

To be eligible for the various awards, specific eligibility criteria must be met as described in *Attachment A*. The **highest-ranking officer/manager in the domestic pipeline operation** of the applicant company is required to certify eligibility of the company to receive the award. **If the information certified in the application proves to be incorrect, the company will be disqualified from receiving the award in that category.** If the highest-ranking officer/manager is not available when the application is being prepared, a person at the Executive level may be delegated the signature authority (i.e., Executive V.P., Senior V.P., COO, etc.). **Please indicate the reason on the application if someone other than the highest-ranking officer/manager did not sign the form.**



API must receive your completed and signed applications for the 2016 award year by COB Thursday, March 9, 2017. You may apply for the awards electronically (by e-mail) or by mail. The application forms may be signed electronically or e-mailed with the signature as a pdf file sent to pipelineawards@api.org. This email address was created specifically for the pipeline award program. I will respond acknowledging receipt. If you do not get a response within a day or two, please contact me at simonk@api.org to ensure I received your application. To apply by mail, complete the attached forms and return to Karen Simon, API, at 1220 L Street, NW, Washington, DC, 20005-4070. **(Electronic is preferred – please notify me if you plan to submit by mail).**

Special Guidance for the Safety Award

Instructions for participation in the *API Survey on Petroleum Industry Occupational Injuries, Illnesses and Fatalities (OII Survey)* are included as an attachment to the email transmitting this letter. The OII survey, conducted by API for over seventy years, provides performance data for the safety award, and establishes benchmarking capability for companies to gauge safety performance from year-to-year. You must participate in the survey to be eligible for the Occupational Safety Award. You must also provide information on **type of case** (i.e., injury or illness) **and include number of hours** for **both** employees and contractors. **This information is not optional for those applying for the Safety Award.**

To participate, please go to <http://oii.api.org> and log in to enter your 2016 data. If you do not have a Company ID and Password, complete the form on the login page and click on the Send Email button. A Company ID and Password that allows you to access the OII Reporting System will be emailed to you.

Please note that Appendix B in the OII Guidelines and Definitions (under the Data Entry tab online) also contains optional guidance for estimating contractor exposure hours. The API Pipeline Safety Managers Work Group developed an estimation method, approved by the EHSG, which is more focused for pipeline operators. That method is included in Attachment B of this letter, as well as at the end of Appendix B in the OII Guidelines and Definitions. For those applying for the awards, if you need to estimate contractor hours, please use only the method developed by the API Pipeline Safety Managers Work Group.

The deadline for submitting API OII survey responses for performance year 2016 is Friday, February 17, 2017.

Alexa Carlson at API is the contact for all questions on the OII Survey (CarlsonA@api.org or 202-682-8039).



Special Guidance for the Environmental Award

To be eligible for the environmental awards, an operator must be a participant in the Pipeline Performance Tracking System (PPTS). Participants in PPTS provide detailed information on releases from liquid pipeline systems of 5 gallons and more (plus all spills to water), and infrastructure data related to the physical characteristics of the system, and certain integrity management activities completed during the year.

Submittals are made in an online system. Instructions are included as an attachment to the email transmitting this letter. Information on PPTS can be found at www.api.org/ppts/.

PPTS submittals for Environmental Award applicants on 2016 incidents and infrastructure must be entered by Tuesday, February 28, 2017.

Adebukola (Bukky) Adeiya at API is the contact for all PPTS questions (AdeiyaA@api.org or 202-682-8548).

Please note that the information available in the PPTS database as of the close of business February 28 will be the data used for your ranking in the environmental award calculations. Therefore, the data entered into PPTS **must** be accurate and complete. It is required that the **highest-ranking officer/manager in the domestic pipeline operation certify** on the application that the data within PPTS is accurate and complete. If the highest-ranking officer/manager is not available when the application is being prepared, a person at the Executive level may be delegated the signature authority (i.e., Executive V.P., Senior V.P., COO, etc.). **Please indicate the reason on the application if someone other than the highest-ranking officer/manager did not sign the form.**

The Pipeline Leadership is eager to recognize outstanding performance in our industry, to encourage continuous improvement of performance by the industry, and to improve the standing of the industry in the eyes of the public. Your participation in this awards program is welcomed and encouraged.

Sincerely,

A handwritten signature in black ink that reads "Karen A. Simon".

Karen A. Simon, P.E.
Senior Policy Advisor, Pipeline
Midstream and Industry Operations

API SAFETY AND ENVIRONMENTAL AWARDS PROGRAM

The pipeline industry leadership has established the following awards for performance in the year 2016. Frequently Asked Questions and answers are posted at <http://www.api.org/oil-and-natural-gas/wells-to-consumer/transporting-oil-natural-gas/pipeline/pipeline-safety-awards>.

Definitions:

Company -- The definition of a company, for purposes of eligibility to apply for these awards, is the *Operator* responsible for the operations and maintenance of the pipeline and related facilities (e.g., pump and meter stations, terminals and tank farms). All subsidiaries and/or consortiums, and all assets that the *Operator of Record* controls should be consolidated. Company employees should include all employees, including those in human resources, administrative support, etc., for purposes of OII data.

Note for the Safety Award only: *Truck rack loading operations should be included; however, tanker fuel transportation operations should be excluded.* The intent of this definition is to include all operations where an operator's Health, Safety, and Environmental programs apply.

Note: "**Operator of Record**", per the PPTS definition, means that PHMSA recognizes the pipeline company as responsible for the compliance of the asset, even if the pipeline company does not operate the asset. "**Operator**" means the company runs day-to-day activities including operation of product movement.

Contractor (excerpted from page 2 of the OII instructions) -- Any company or individual that is under contract, subcontract or purchase order who performs work or provides services for your company. At this time API is not requiring data be included on visitors, tour groups, public officials, mail couriers, vending machine, floor mat, laundry/uniform supply companies, and other similar incidental contractors.

Reportable Hospitalization (OSHA Definition-Federal) (for award purposes, this applies to contractor employees also) –29 CFR 1904.39(a) Basic requirement. Within eight (8) hours after the death of any employee as a result of a work-related incident, you must report the fatality to the Occupational Safety and Health Administration (OSHA), U.S. Department of Labor. Within twenty-four (24) hours after the in-patient hospitalization of one or more employees or an employee's amputation or an employee's loss of an eye, as a result of a work-related incident, you must report the in-patient hospitalization, amputation, or loss of an eye to OSHA. You must report the fatality, inpatient hospitalization, amputation, or loss of an eye using one of the following methods: By telephone or in person to the OSHA Area Office that is nearest to the site of the incident; By telephone to the OSHA toll-free central telephone number, 1-800-321-OSHA (1-800-321-6742); By electronic submission using the reporting application located on OSHA's public Web site at www.osha.gov.

Small Operator -- Eligibility for participation as a Small Operator requires a company to satisfy **any two** of the following three criteria:

- Less than **2500** miles of active pipeline
- Less than **50** billion barrel miles of commodity transported
- Less than **1,248,000** combined contractor and employee work hours

Note: If contractor hours are not directly tracked by the Company, contractor hours **must** be estimated by using the method described in Attachment B. The contractor hour estimation tools were implemented as a temporary process to allow companies who do not currently track contractor hours an opportunity to participate in the awards program.

OCCUPATIONAL SAFETY AWARD

This award is based on **employee and contractor** safety performance submitted to the *API Survey on Petroleum Industry Occupational Injuries, Illnesses and Fatalities* for the Year 2016 (OII Survey). Awards will be issued to eligible companies that have the best **employee and contractor** OSHA Total Recordable Incident Rates.

An Occupational Safety Award will be given to each company with a zero Total Recordable Incident Rate (TRIR) for employee and contractor safety performance, or to the top performer in each category of Operator, Large and Small, provided the API eligibility criteria (listed below) are met. Occupational safety performance is established as defined by federal OSHA definitions and criteria.

Contractor OSHA incident rates shall be based on recorded contractor hours and incidents related to company work and consistent with OSHA definitions and criteria for employee incidents - not necessarily whether the contractor records the incident. Please see the "Note" above for estimating contractor hours if contractor hours, all or partial, are not directly tracked. The preference is always to use actual hours rather than an estimate. The estimate is only to be used if contractor hours are not currently tracked. Please see "Frequently Asked Questions" on API's website for further information on contractor hours.

Award Process:

This award is based on the company's TRIR (including contractor data) as calculated from data submitted to the *API Survey on Petroleum Industry Occupational Injuries, Illnesses and Fatalities* for the Year 2016. Note that award applicants **must** complete information on **type of case, illness or injury, and include number of hours** for **both** employees and contractors. This information is not optional for award applicants. **The deadline for submittal of the on-line survey information is February 17, 2017. Applicants must also submit an award application and self-certification of eligibility by COB March 9, 2017.** A company's eligibility status may be audited prior to award notification.

Eligibility Criteria: (for Award Year 2016)

- Member of API and/or AOPL
- Participation in the *API Survey on Petroleum Industry Occupational Injuries, Illnesses and Fatalities* for the Year 2016
- OSHA recordable incidents related to maintenance and construction activities (for employees and contractors) associated with new and existing pipelines and facilities are included
- No fatality (employee, contractor, public)
- No hospitalization of the public
- No OSHA Reportable Hospitalization (includes employees and contractors; see “Reportable Hospitalization” under **Definitions** above)
- No OSHA Willful Violation (employees and contractors)
- Company has documented contractor safety requirements (contracts, work permits, protocols) that specify contractors must notify the company of safety related incidents that occur during or on behalf of company work.
- Company has documented contractor safety performance criteria that are required to qualify contractors to work for the company.
- Approval to release the performance record in the event of award.
(*Note: this is the combined company and contractor performance record*)

ENVIRONMENTAL AWARD

This award is based on the performance record submitted to the Pipeline Performance Tracking System (PPTS) for all releases. **The deadline for on-line submission of PPTS data for those companies applying for the environmental award is Tuesday, February 28, 2017. Please note that all PPTS information from applicants, whether related to incidents or to infrastructure, is due by this deadline.** The award will be for best performance, giving equal weight to the total number of incidents per mile of operated pipeline and the volume released per barrel-mile transported, as reported in the PPTS for 2016. (For more information on PPTS and guidance on release reporting and other reporting advisories, please see Frequently Asked Questions at www.api.org/ppts/).

An award will be given to each company with zero releases, or to the top performer in each category of Operator, Large and Small, provided the API eligibility criteria (listed below) are met. The award is based on company-wide performance, not individual pipeline segments, regions or lines within a Company.

Award Process:

This award will be given to the company (or companies, in the event of a tie) with the best performance record of releases in each category of Operator, Large and Small. The performance records of all applicants will be given a relative ranking for each of the two PPTS reporting factors - number of incidents per mile and the volume of releases per barrel-mile. Each factor will have equal weight in arriving at the final metric that determines the award. **Applicants must submit an award application and self-certification of eligibility by COB March 9, 2017.**

Attachment A

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Eligibility Criteria: (for Award Year 2016)

- Member of API and/or AOPL
- Participation in the Pipeline Performance Tracking System (PPTS) for the Year 2016
- Releases related to maintenance and construction activities associated with pipeline construction projects are included.
- No fatality (employee, contractor, public) due to any pipeline release.
- No hospitalization of the public due to any pipeline release.
- No shutdown of any community drinking water supply due to any pipeline release.
- No environmental enforcement action by the U.S. Department of Justice is received against the company in the year of the award.
- No settlement agreement, Consent Decree or other similar legal instrument to resolve an enforcement action by the Department of Justice is received in the year of the award.
- Approval to release company performance record in the event of award.

DISTINGUISHED SAFETY AND ENVIRONMENTAL AWARD (2 awards)

This award will be presented to each category of Operator, Large and Small. The award will be based on the previously defined safety and environmental performance metrics, plus consideration of the Operator's record of accomplishment in proactively enhancing public safety, environmental and occupational safety performance, and in community and stakeholder outreach. The application for this award outlines the specific factors that will be considered in selecting the recipients.

Award process:

To be eligible to apply for the award, a company's performance must fall within the top quartile for industry performance in all of the following three (3) threshold metrics: number of incidents per 1,000 miles, volume of spills per billion barrel-miles, and combined employee and contractor TRIR. The top quartile performance will be based on a 3-yr rolling average (2013 to 2015).

If a Large and/or Small Operator are eligible to apply for the Distinguished Award (based on the 3 threshold metrics), there will be an award in the categories unless the Selection Team, through its due diligence, determines there are extenuating circumstances or evidence beyond the statistics that would cause the industry, public or regulators to question the validity and integrity of the award program.

Companies will be notified of their eligibility approximately **March 21, 2017**. The deadline for receipt of completed applications and self-certification of eligibility is **COB March 29, 2017**.

There is an eleven-page limit on the length of the application for this award. Due to the time constraints associated with the preparation of the application, the application and self-certification form will be posted online for the Distinguished Award, so that those who believe they may be eligible to apply are able to start the application prior to notification of eligibility, if they so choose. For those wanting to assess their eligibility status early, the metrics, along with the application and self-certification form, will be on the API website by **the week of February 13** at <http://www.api.org/oil-and-natural-gas/wells-to-consumer/transporting-oil-natural-gas/pipeline/pipeline-safety-awards>.

The application is the same for Large and Small Operators. When completing the application, **please be cautious to provide only information that may be available to the public**, as this information will be reviewed by competitors, and if the company approves, shared for continuous improvement purposes among the API EHS members and the API pipeline safety managers and safety/environmental subject matter experts.

The API Pipeline Subcommittee will appoint a 3-member panel (the Selection Team) to determine the final award. The panel will be selected on a rotating basis from API member companies, but no company being considered for the award will have representation on the panel.

The final awardees for Large and Small Operators will be selected based on industry leadership and quantifiable results achieved.

Eligibility: A company must meet all the eligibility criteria for both the safety and environmental awards.

- Member of API and/or AOPL
- Participation in the Pipeline Performance Tracking System (PPTS) for the Year 2016.
- Participation in the *API Survey on Petroleum Industry Occupational Injuries, Illnesses and Fatalities* for the Year 2016.
- OSHA recordable incidents related to maintenance and construction activities (for employees and contractors) associated with new and existing pipelines and facilities are included.
- Releases related to maintenance and construction activities associated with pipeline construction projects are included.
- No fatality (employee, contractor, public).
- No hospitalization of the public.
- No OSHA Reportable Hospitalization (includes employees and contractors).
- No OSHA Willful Violation (includes employees and contractors).
- Company has documented contractor safety requirements (contracts, work permits, protocols) that specify contractors must notify the company of safety related incidents that occur during or on behalf of company work.

- Company has documented contractor safety performance criteria that are required to qualify contractors to work for the company.
- No shutdown of any community drinking water supply due to any pipeline release.
- No environmental enforcement action by the U.S. Department of Justice is received against the company in the year of the award.
- No settlement agreement, Consent Decree or other similar legal instrument to resolve an enforcement action by the Department of Justice is received in the year of the award.
- Approval to release performance data from PPTS and the *API Survey on Petroleum Industry Occupational Injuries, Illnesses and Fatalities* in the event of award.

SIGNATORIES FOR ALL AWARD APPLICATIONS

Note that the **highest-ranking officer or manager in the domestic pipeline operation** must certify the company's eligibility for the awards. **Please note that this certification is also to the accuracy of the information and data provided. If the information or data proves incorrect, the company will be disqualified.** If the highest-ranking officer/manager is not available when the application is being prepared, a person at the Executive level may be delegated the signature authority (i.e., Executive V.P., Senior V.P., COO, etc.). Please indicate the reason on the application if someone other than the highest-ranking officer/manager did not sign the form.

KEY DEADLINES FOR AWARD APPLICANTS

Activity	Date*
Deadline for data submission for <i>API Survey on Petroleum Industry Occupational Injuries, Illnesses and Fatalities</i> for the Year 2016	2/17/17
Deadline for data submission for PPTS for the Year 2016	2/28/17
Deadline for application submission for safety and environmental awards	3/09/17
Approximate date for notification to eligible operators for the Distinguished Award, and sending of the application and self-certification information	3/21/17
Deadline for submission of Distinguished Award applications	3/29/17
API Pipeline Conference (Hyatt Regency Hill Country, San Antonio, Texas) (Awards Ceremony Tuesday, 4/25/17)	4/25/17-4/26/17

* Unless otherwise specified, the time due is close of business (as long as it is within that day).

Estimating Contractor Hours

This section provides guidance on estimating contract worker hours. Recording contractor hours is mandatory for participation in the API Pipeline Awards program and if contractor hours are not directly tracked, this estimation tool provides a basis for consistency in reporting contractor hours.

As stated in the cover letter, Appendix B in the OII Guidelines and Definitions (under the Data Entry tab online) also contains optional guidance for estimating contractor exposure hours. The API Pipeline Safety Managers Work Group developed the estimation method below, approved by the API Pipeline Environment, Health and Safety Group (EHSG), which is more focused for pipeline operators. For those applying for the awards, if you need to estimate contractor hours, please use **only** the method below.

Contractor Estimation Method for Award Applicants

Contractor hours may be estimated using award period (annual) contractor expenditures and the following assumptions:

- Contract labor is 50% of total contractor dollars spent
- Contractor hours are equal to contractor labor expense divided by \$40/hr.

Or simply divide total contractor spend by 80

Example:

- Total contractor spend for the year = \$6,000,000
 - $6,000,000 / 80 = 75,000$ hours