

NATURAL GAS

June 2012

Distribution Integrity Management Programs

Industry Perspective

Christina Sames



AGA
American Gas
Association

Pipeline Safety Path Forward

- Successfully moving pipeline safety legislative and other initiatives will require:
 - Addressing Congressional mandates for transmission pipelines
 - Rate cases for gas utility infrastructure cost recovery
 - Extensive stakeholder discussions
 - Action on plastic pipe material updates
 - Billions of dollars in capital expenditures
 - Transparency for the public

Success Requires that Stakeholders Agree on the Path Forward at the State and Federal Level

Pipeline Safety Path Forward

- Gas utilities will not implement DIMP in a vacuum
- Operators have to consider resources required to simultaneously implement TIMP, DIMP, industry voluntary commitments to enhance safety, rate recovery and the changing supply infrastructure for natural gas.
- The performance-based structure of DIMP allows operators and regulators the flexibility to prioritize risks and allocate resources appropriately

Pipeline Safety Path Forward

- AGA Commitment to Enhance Safety
- Pipeline Safety Act of 2011
- DIMP Plans of Individual Operators and Orders from State PUCs
- State Rate Recovery Mechanisms



AGA's Commitment to Enhancing Safety

- AGA's Board adopted this voluntary plan to enhance safety beyond legislative & regulations
- Highlights AGA and its members commitment to the continued enhancement of pipeline safety
- Commits to
 - Proactive collaboration to improve safety
 - Supporting reasonable regulations
 - Specific actions to help ensure the safe and reliable operation of the nation's 2.4 M miles of natural gas pipeline
- Recognizes **significant role state regulators play** in supporting and funding these actions



AGA's Commitment to Enhance Safety – Build it Safely

Construction

- Expand OQ requirements to new construction
- Review oversight procedures and confirm adequacy

Emergency Shut-off Valves

- Expand use of EFVs to branch services, small multi-family facilities, and small commercial
- Support risk based installation of RCVs or ASVs sectionalizing block valves for new construction
- Develop guidelines for consideration of RCVs or ASVs on transmission lines already in service.



Actions: Operate it Safely

- **Integrity Management**
 - Advance IM programs & principles
 - Collaborate with stakeholders to develop & promote effective cost-recovery mechanisms
 - Develop guidelines for data mgmt
 - Support processes and guidelines that enable tracking/traceability
- **Excavation Damage Prevention**
 - Support strong damage prevention laws
 - Improve operator/excavator engagement



Excavation damage is the leading cause of serious pipeline accidents but progress is being made

AGA Commitment to Enhance Safety – Maintain it Safely

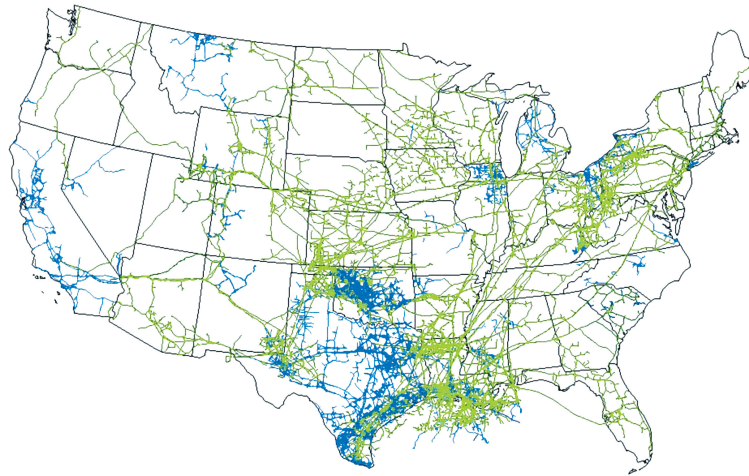
- **Share Knowledge**
- **Engage Stakeholders**
 - Find ways to more effectively communicate
 - Partner with emergency responders to improve emergency response coordination
 - Increase awareness of PIPA and risk based land use options
- **Advance Technology**
 - Increase investment and support of pipeline safety RD&D

Other AGA Actions to Raise Bar on Safety

- Safety Culture Statement
- Engagement: DOT, NTSB, NAPSR, NARUC
 - NARUC – Emphasis on innovative rate mechanisms
 - NAPSR – PL safety coordination
- Information Sharing
 - Best Practices programs
 - Events, inc. Exec Leadership Safety Summit
 - Publications
 - Safety Information Sharing Study
 - SOSs

Pipeline Safety Act *OF 2011*

- Complying with legislation will take millions of man-hours and billions of dollars.
- Fundamental changes to nation's infrastructure mandated
- While primary focus is transmission, actions will impact transmission and distribution systems and availability of capital and resources.



Pipeline Safety Act *OF 2011*

Excess Flow Valves for Non-SFR

- Requires DOT to issue a final report on evaluation of NTSB's recommendation (P-01-2)
- Requires DOT issue regulations, if appropriate, by January 2014 requiring use of EFVs, or equivalent technology, where economically, technically and operationally feasible on new and replaced branch services, multi-family and small commercial facilities

AGA members supported legislation, gave detailed implementation requirements in ANPRM comments and are ready to move forward without delay.

Pipeline Safety Act *of 2012*

Remote and Automated Valves

- GAO study on operators ability to respond to gas release. Due to Congress 1/13. Must include info on swiftness of leak detection and PL shutdown capabilities, nearest response personnel, and costs/risks/benefits of ASVs/RCVs
- DOT must issue regs by 1/14, if appropriate, to require use of ASVs/RCVs, or equivalent technology, where economically, technically & operationally feasible, on transmission PL facilities constructed or entirely replaced after final rule
- Support risk based retrofit on certain lines and new installations. Mandatory prescriptive installation of valves is NOT appropriate. Resources should be prioritized toward prevention
- 192.935(c) is adequate for operating assessments (retrofits) and 192.179 should be amended for new design
- Gas utilities have to evaluate the impact of RCV or ASV closure on distribution supply and safety

Pipeline Safety Act *OF 2012*

- **Remote and Automatic Valves**
 - Costs range from \$40,000 to over \$1,000,000



Pipeline Safety Act *of 2012*

Transmission MAOP Verification

- DOT to require operators confirm MAOP records of T lines in class 3/4 locations and class 1/2 HCAs using elements considered appropriate by DOT by July 2012

AGA members are more than 50% complete using 192.619, AGA White Paper and 1998 PHMSA Guidance

- Operators must identify and submit to DOT documentation on segments with insufficient records for *established* MAOP by 7/13
- For pipelines with insufficient MAOP records, DOT must:
 - Require operator to reconfirm a MAOP expeditiously
 - Determine what actions are appropriate until a MAOP is confirmed

Pipeline Safety Act *OF 2012*

MAOP Grandfathering Rulemaking

- DOT must issue regs for conducting tests to confirm material strength for untested gas lines in HCAs >30% SMYS by 7/13. DOT must consider safety testing methods, including pressure testing, ILI and methods determined equally effective.



AGA members have an estimated 6,000 miles (14%) of pipelines that will have to be hydro tested, have reduced pressure or be abandoned.

Decisions made on intrastate transmission pipe directly impact the supply available for distribution pipelines.

Pipeline Safety Act *OF 2011*

Government Reports and Oversight

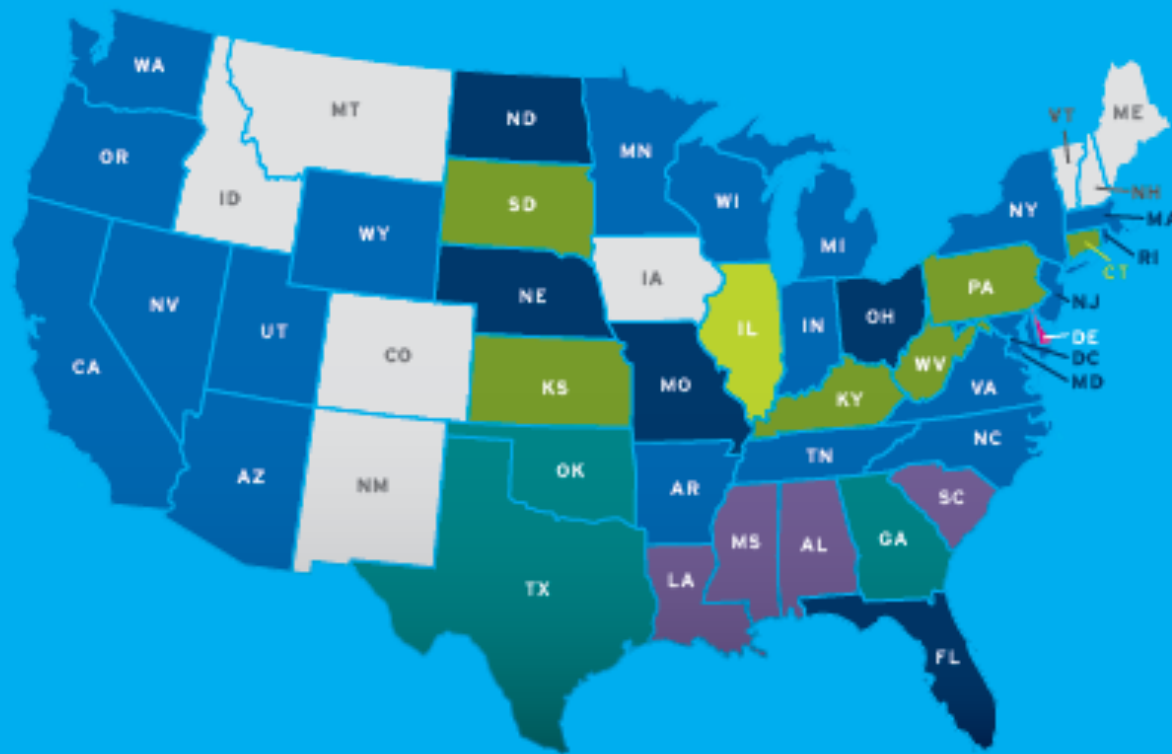
- ***Damage Prevention***: Requires DPT to conduct a study on the impact of excavation damage on pipeline safety, and report to congress by January 2014. Includes analysis of state exemptions and requirements
- ***Integrity Management***: Requires DOT to evaluate, by July 2013, whether TIMP requirements, or elements, should be expanded beyond HCAs. Analyze incremental costs of applying IM standards to PLs outside of HCAs where operators are already conducting assessments beyond requirements.
- ***Cast Iron Gas Pipelines***: Requires DOT to conduct a follow-up survey to measure the progress that operators have made implementing plans for the safe management and replacement of cast iron pipelines by January 2013 and every two years thereafter

State Replacement Projects

- Michigan: Relocation of inside meters
- Ohio: Court order regarding limited reimbursement for the replacement of selective risers
- Arkansas: PUC order to expedite cast iron replacement from 2027 to 2018
- Maryland: Replacement of certain compression couplings



STATES WITH Non-Volumetric Rates and WNA



- States with Decoupling (20)
- States with Flat Monthly Fees (5)
- States with Rate Stabilization (4)
- States with Both Decoupling and Flat Monthly Fees (1)
- States with Both Flat Monthly Fees and Rate Stabilization (3)
- States with Weather Normalization Adjustments (6)
- States with Pending Non-Volumetric Rate Designs (1)

Source: AGA



Final Comments

- Successfully moving pipeline safety forward requires that stakeholders agree on the path
- Support thoughtful regulation & actions
- Must manage existing infrastructure and finance “smart modernization”
- Committed to working with others to advance pipeline safety



Christina Sames

csames@aga.org

202-824-7214

Find s Online



aga.org



truebluenaturalgas.org



twitter.com/naturalgasflk



facebook.com/naturalgas