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Dockets Facility
U.S. Department of Transportation
Room PL –401
400 Seventh Street, SW
Washington, D.C. 20590-0001

RE: (Docket NO. RSPA-00 –7666; Notice 4)
Pipeline Safety: Pipeline Integrity Management in High Consequence Areas
(Gas Transmission Pipelines)

INGAA is a trade association that represents interstate natural gas transmission pipeline companies. INGAA 's members in the United States are interstate pipeline companies that are regulated by the Office of Pipeline Safety ("OPS"). INGAA members represent over 60% (180,000 miles) of the total natural gas transmission piping in the U. S. and has spent over $3 million in the last three years documenting best practices and performing related to better understand pipeline integrity issues.

INGAA members have committed to implement an extensive pipeline integrity program in high consequences areas as envisioned by Congress. This program is expected to directly cost gas consumers $2.8 Billion over the next 20 years and will require extraordinary efforts to prevent additional price impacts on delivered natural gas.

INGAA feels, in general, that the proposed integrity management rule, published on January 28, 2003, will accomplish Congress's goal. But some sections of the proposed rule, as drafted, will add significant costs to consumers with little or no additional public safety benefit. INGAA has developed amendments to these sections of the proposed rule that will improve the implementation of this program.

INGAA submits the following amendment to 49 CFR 192. 763 (k)(3)concerning the Overlap of Baseline Assessment and Reassessment.

Sincerely,

Terry D. Boss

3. Overlap of Assessment During the Baseline Period and Reassessment Within Seven Years

Recommendation: Modify the rule to clarify that the Initiation of the First Reassessment is not mandatory until completion of the Baseline Period[1].

Background:

The rule as proposed requires that operators conduct a reassessment within seven years of the first assessment. OPS asserts that this is required by the newly enacted Pipeline Safety Bill signed by President Bush on December 17, 2002. This will lead to what has been referred to as an overlap between the baseline and reassessment. This will mean that operators will be conducting reassessments on their systems in HCAs at the same time as they are conducting baseline assessments. In the simplest case, 24 percent of the HCAs could be out of service or at reduced pressure, during the last three years of the baseline period. This is derived by assuming that an operator will assess the HCAs in the system in a constant proportion each year, so that the operator will assess 10 percent of the system, each year during the baseline period, and 14 percent of the system during the seven-year reassessment period. This is the best case; an operator may find it prudent or necessary to assess or reassess in a more rapid manner. This could require that an operator to assess 12 percent during the baseline period, for example, and 16 percent, during reassessment. The requirements will be different for each operator based on the risk assessment conducted specifically for the HCAs in their system. Where direct assessment is used, the overlap imposes an even greater hardship, as up to 34% of the operator's system may have to be assessed in year six, if one presumes a constant rate of testing. This effect is further exacerbated in view of a potential one-year loss due to delay in implementing this rule.

The proposal herein is made so that there is no overlap. There are two consequences of this overlap that we are believe are unintended and perhaps not fully understood or recognized by OPS. The first of these is in direct conflict with the intent of the legislation and with the intent with the rule. The mandated overlap preempts the process of prioritization, a fundamental precept of the OPS approach. In effect an operator will be reassessing, including consideration of new priorities at the same time they are making a first assessment. This effectively precludes the ability to adjust priorities based on prior findings and remediation actions. If an operator must reassess on a precisely prescribed interval plus add in higher priority areas, the second consequence below becomes even more severe.

The second consequence is the potential for significant price spikes caused by outages on multiple systems occurring at the same time, possibly inter-regionally, and in the worst case, intra-regionally. There is the potential that impacts caused by multiple

[1] Baseline period refers to the ten year period following enactment of the Pipeline Safety Legislation signed by President Bush on December 17, 2002. It is the period from December 17, 2002 through December 16, 2012.

portions of multiple operator's systems being out of service or at reduced pressures to yield supply shortfalls that are unprecedented.

The best-case scenario entails having the overlap occur in years eight, nine and ten of the baseline period. However, it is possible, based on risk assessment, an operator may need to reassess a pipeline prior the seventh year, and that the overlap could extend back as far as year four. The ramifications of this to supply impacts could be even greater.

It is also important to understand that the potential for outages is compounded as there are multiple steps in the first assessment process. Many operators will have to make their systems suitable for in-line inspection. This may require installation of launchers and receivers, and in some instances replacement of non-full opening valves. Installation of launchers and receivers requires that the pipeline be taken out of service, for two to four days. The pipeline may require a first inspection with a caliper tool to identify constrictions in the pipeline that will prevent passage of an in-line inspection tool, such as a tight bend. This will require that the line be operated at reduced throughput for one to four days. Following this, the in-line tool will be run, and this will require the system to be operated at reduced throughput for two to six days. Subsequent to this, when data are available and have been interpreted and validated, indications requiring immediate response, will need to be excavated and where necessary, repaired or replaced. The excavation will require reduced throughput for one to two days, per excavation, and the line to be shut down for repairs, for one to two days, per repair. The extent to which making the line suitable for assessment, running tools, conducting excavations and making repairs overlap, the impact of outages can be substantial, even within a single operator's system. This could be further exacerbated by delays in the start or completion of work by contractors and suppliers, especially during the overlap period as well as by equipment or data collection problems that then require repeat runs. There is also a fundamental business question as to whether service providers will plan for sufficient capacity during the overlap years, knowing that at the end of the baseline the demand will fall off significantly.

Recommended language

INGAA proposes the following wording in lieu of the present wording on inspection overlap in 192.763 (k)

(k)…

(1) General. After completing the baseline integrity assessment of a covered segment, an operator must continue to assess that segment at the intervals specified in paragraph (k)(3)[2] and periodically evaluate the integrity of each covered segment as provided in paragraph (k)(2). The reassessment period for segments on which the Baseline Inspection is conducted during the Baseline Period shall commence

[2] Paragraph (k)(3) requires a seven-year interval unless a shorter reassessment period is established due to the type of assessment performed.

following December 17, 2012, shall be prioritized based on the findings of the Baseline Inspection and the subsequent risk assessment, but in no case shall exceed 10 years from the date of the Baseline Assessment.

Change in the Cost/Benefit Due to Inspection Overlap Amendment

The total amount of onshore natural gas transmission mileage in the United States is approximately 300,000 miles. INGAA represents approximately 180,000 miles of that amount and it is believed that an additional 45,000 miles of the onshore natural gas transmission pipelines have similar characteristics. The remainder of the natural gas transmission mileage (75,000 miles) probably has characteristics similar the investor owned and public utilities represented by AGA and APGA. INGAA conducted an analysis of the costs and benefits of several options to the proposed rule to determine if there were options that would still satisfy the Congressional intent of the proposal but would cost consumers less. The cost benefit was based on survey information of INGAA members (167,000 miles). While this mileage does not reflect the total natural gas transmission miles of INGAA members (180,000 miles) it represents a very significant % of the mileage. The cost benefit analysis that was submitted to the docket was used as a basis for this additional analysis. AGA and APGA also originally submitted cost information to the docket, but a comparative analysis has not been performed utilizing that information.

The benefits and the costs of the proposed rule were recalculated based on the NPRM that was published on January 28, 2003 based on the original 167,000 miles in the INGAA survey. No attempt has been made to extrapolate the estimates to the total amount of onshore INGAA natural gas transmission pipelines (180,000 miles) or pipelines that are estimated to have the same basic characteristics as INGAA member pipelines (225,000 miles).

Change in Safety Benefits

A comparison of the change in benefits from the proposed rule to this Inspection Overlap Amendment was first determined. The amount of natural gas transmission pipeline from the survey (167,000 miles) that was estimated to be covered segments (i.e. piping in HCA areas) and therefore subject to this proposed rule was estimated to be 10,620 miles. Under the rule as proposed by OPS, operators would need to start the re-inspection process for a covered segments even though this occurred in the 10 year baseline period. This logic requires covered segments of pipelines that are inspected in years 1, 2 and 3 to be at a minimum reassessed in years 8,9 and 10 respectfully. This part of the proposed rule does not appear to add any safety benefits since the seven year reassessment criteria is not based on technical merits. The re-inspection interval criteria that is technically valid for preventing reportable and non-reportable incidents is documented in ASME B31.8S. In both the proposed rule and the Inspection Overlap proposal, variances are required if conditions indicate that additional assessments should be performed or the frequency of reassessment should be increased because of particular

conditions on a covered segment.

There are no differences in the safety benefits between the proposed rule and the Inspection Overlap Amendment

Change in Implementation Costs

The proposed rule will require that additional assessment be conducted in years 8, 9, and 10. This will cause several things to happen. First, the service providers that have been gearing up during the baseline period will see a temporary spike in activity. It will be a combination of 10% of the covered segments (and the related non-covered segments if inline inspection is used) and 14% of the covered segments (and related non-covered segments if inline inspection is used). This will cause costs for services to jump due to excess demand. Secondly, it will move up the expenditures for the first re-inspection period by three years.

The increased costs of expediting re-assessments as detailed in the proposed rule are expected to be $728.7 million as compared to the Inspection Overlap Amendment.

Change in Gas Demand Costs

The impact on delivered gas prices to consumers during this overlap period (years 8, 9, 10) is expected to be significant. While the overall increase in delivered gas cost over the twenty year period is predicted by the model to be $978.1 million, this increase actually occurs only in a three year period (2010-2012).

When this consumer impact model was developed it was assumed that the complete baseline period was available for the initial set of assessments. Based on the implementation characteristics of the new law, this assumption is not accurate. Congress mandated that the baseline assessments be completed in December 17, 2012 whether the rule is adopted by OPS or not in time to give directions. Based on the anticipated schedule for the finalization of the rule, it appears that the baseline will actually be 9 years, further reducing the amount of time to accomplish the baseline assessments and aggravating the situation of the overlap in 2010-2012. Recent events in the winter of 2002-2003 have shown that when capacity restrictions reach a certain percentage, the behavior of the market becomes very unpredictable (basis blowout). The model does not reflect these types of conditions that are more probable to occur during the period of 2010-2012.

The increased costs of expediting reassessments as detailed in the proposed rule is expected to be $978.1 as compared to the Inspection Overlap Amendment, but this may be underestimated due to the unpredictable consumer response that may occur during the overlap period from 2010-2012.

Overall Cost Benefit Conclusion

The overall quantifiable benefit to the public of utilizing the Inspection Overlap Amendment in lieu of the proposed rule is the sum of the benefits and the costs listed above. The overall benefit of using the Inspection Overlap Amendment as compared to the proposed rule is $1,706.8 million over 20 years for the 167,000 miles of natural gas pipeline surveyed. This benefit can be underestimated for the period of 2010-2012 because of the volatile supply demand response.

Change in the Environmental Impact due to the Inspection Overlap Amendment

The same inspections will be performed under the proposed rule as the Inspection Overlap Amendment, but 30% of the re-assessments (3 years/10 years) will occur at an earlier time frame with the proposed rule. There will also be an environmental impact in 2010-2012 because of the increase of delivered natural gas prices under the proposed rule as compared to the Inspection Overlap Amendment. This will most likely result in fuel switching for marginal users (industrial users, power plants). In almost all cases the environmental air emissions of these users will increase during this period of switch over. No calculation has been made of the impact of these emission increases.

If the use of Inspection Overlap Amendment is chosen over the proposed rule, there is a decrease in environmental impact due to excavations and decreased gas lost during the 20 year period analyzed because the re-assessments will begin after the baseline period is over and therefore the environmental damage is delayed as compared to the proposed rule. There will be fewer air emissions from fuel switching due to reduced assessment activity in 2010-2012 with the Inspection Overlap Amendment.

Legislative Background for the Inspection Overlap Amendment

Under the Act and the proposed regulations, pipeline operators will be required to do a baseline (initial) assessment of pipeline segments in HCAs ("covered segments") within ten years of the passage of the Act, i.e., by 2012, followed by reassessments within seven years.

``(3) Minimum requirements of integrity management programs.--An integrity management program required under paragraph (1) shall include, at a minimum, the following requirements:

``(A) A baseline integrity assessment of each of the operator's facilities in areas identified pursuant to subsection (a)(1), to be completed not later than 10 years after the date of the adoption of the integrity management program, by internal inspection device, pressure testing, direct assessment, or an alternative method that the Secretary determines would provide an equal or greater level of safety.

``(B) Subject to paragraph (4), periodic reassessment of the facility, at a minimum of once every 7 years, using methods described in subparagraph

Under OPS's proposed rule, the seven year reassessment period begins to run for a covered segment at the time the baseline assessment is completed for that covered segment. Furthermore, if any question remained about OPS's intent after reading the language of the proposed regulation itself, the preamble section of the NPRM reiterates that

"[t]he interval for reassessment begins to run on a segment after the operator has completed the previous assessment for that segment." 68 Fed. Reg. 4281.

Barbara Betsock, attorney for RSPA, at the TPSSC meeting on March 27, 2003, stated that legislative history of this provision of the Act is irrelevant because the language of the Act is clear on its face and not subject to alternative interpretations. While it is correct that legislative history is only resorted to when the language of the statute is not clear, in this case, the language in this instance does leave ambiguity. The Act is not only subject to alternative interpretations; it appears that, to the degree the Act is clear on its face, it does not support the OPS interpretation. As such, legislative history may become relevant to bring clarity to what Congress intended regarding this reassessment clock.

Although there was significant discussion in Congress of various pipeline safety bills, which ultimately culminated in the Act, there is scant legislative history available regarding the bill that became the Act. House Report 107-605(I), reporting the bill (H.R. 3609) out of the Committee on Transportation and Infrastructure, provides no clarification beyond the language of the Act. It simply states that the Act requires "a periodic re-inspection of the facility at intervals not more than 7 years." It also states that the Act makes clear that the Secretary may grant a waiver for re-inspections "for the additional need to maintain local product supply or the lack of an internal inspection device." House Report 107-793 similarly states that "[t]he bill establishes an integrity management program in all "high consequence" areas (population centers) requiring the inspection of all facilities within 10 years to establish a base line. These facilities will be re-inspected within seven years, unless the Secretary waives the requirement."

The Congressional staff that worked on the drafting of the Congressional Bill stated[3] at the INGAA Foundation and AGA's IMP Workshop held on February 20-21, 2003, that the Congressional intent was to utilize the whole 10 year baseline period for the initial assessment with the re-assessments commencing at the end of the baseline period.

The press release on the Web site of the Energy and Commerce Committee of the House of Representatives, Chaired by Bill Tauzin (LA.), also states that the re-assessments were intended to start after the baseline period.

[3] RSPA-2000-7666-171, RSPA-2000-7666-207

Tauzin Applauds Passage Of Pipeline Safety Bill

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WASHINGTON (November 15) – In a bipartisan effort to secure the safety of the nation's natural gas and oil pipelines, the U.S. House of Representatives today unanimously approved the *Pipeline Safety Improvement Act of 2002* (HR 3609).

House Energy and Commerce Committee Chairman Billy Tauzin (R-LA), who also chaired the House-Senate energy conference committee that shepherded the legislation to its successful completion, applauded the bill's passage calling it a vital step toward securing our nation's energy infrastructure.

"Today's action will go a long way toward improving operation, construction and safety of oil and natural gas pipelines, especially near homes, businesses and recreational facilities," said Chairman Tauzin. "It is a significant piece of a much larger energy policy that our nation so desperately needs. My top priority for the new Congress will be to build on this progress and produce a bigger and better comprehensive national energy policy that will secure our energy future and reduce our dependence on volatile Middle Eastern countries for oil."

The *Pipeline Safety Improvement Act of 2002* will ensure the safety of the nation's oil and natural gas pipelines by requiring inspections within the next 10 years to prevent leaks and ruptures. More problematic pipelines will be inspected within the first five years. All pipelines would then be re-inspected every seven years following the 10-year interval. (Emphasis added)

INGAA believes the intent of Congress was to begin the reassessments following completion of the baseline inspection period.