

**Testimony of Rocco D'Alessandro
Executive Vice President of Operations**

Nicor Gas

**On Behalf of the American Gas Association
400 N. Capitol Street, NW
Washington, DC 20001
(202) 824-7000**

**Before the
U.S. Senate Committee on Commerce, Science, and Transportation
Subcommittee on Surface Transportation and Merchant Marine
Infrastructure, Safety, and Security**

June 24, 2010

Good morning, Mr. Chairman and members of the Committee. I am pleased to appear before you today. Pipeline safety is a critically important issue, and I thank you for not only holding this hearing, but for all the work that you and your colleagues have done over the years to ensure that America has the safest, most reliable pipeline system in the world. My name is Rocco D'Alessandro and I am the executive vice president of operations for Nicor Gas, based in Illinois. Nicor Gas is the largest natural gas distributor in northern Illinois, serving more than 2 million customers in 643 communities. Ninety-six percent of homes in our service territory use natural gas. We serve our customers utilizing 32,000 miles of gas distribution main and almost 2 million gas services. There are also 1175 miles of transmission pipelines integrated into Nicor's distribution system.

I am testifying today on behalf of the American Gas Association (AGA). Founded in 1918, AGA represents 195 local energy companies that deliver natural gas throughout the United

States. There are more than 70 million residential, commercial and industrial natural gas customers in the U.S., of which 91 percent — nearly 65 million customers — receive their gas from AGA members. Today, natural gas meets almost one-fourth of the United States' energy needs.

Distribution pipelines are operated by natural gas utilities, sometimes called “local distribution companies” or LDCs. The gas utility’s distribution pipes are the last, critical link in the natural gas delivery chain. Gas distribution utilities bring natural gas service to customers’ front doors. To most customers, their local utilities are the “face of the industry.” Our customers see our name on their bills, our trucks in the streets and our company sponsorship of many civic initiatives. We live in the communities we serve and interact daily with our customers and with the state regulators who oversee pipeline safety. Consequently, we take very seriously the responsibility of continuing to deliver natural gas to our communities safely, reliably and affordably. The distribution pipeline system is an interconnected network of transmission mains, distribution mains, and service lines.

Mr. Chairman and members of the committee, AGA believes that the current pipeline safety law is working well and that there is no need to make changes to the pipeline safety statute. I want to assure the committee that the natural gas industry has worked vigorously to implement the significant provisions of the 2002 and 2006 Pipeline Safety Acts. The industry safety performance has been exceptional and AGA expects it to improve further after some of the recent pipeline safety mandates have been fully implemented. For instance, the industry has already begun marshalling resources to implement the Distribution Integrity Management

Program (DIMP) and Control Room Management regulations that were promulgated in December 2009.

We strongly urge a straight reauthorization, so as to allow the full implementation and refinement of each of the various regulations that have been promulgated since the 2006 Pipeline Safety reauthorization. We do not believe any new legislative action is needed.

REGULATORY AUTHORITY

As part of an agreement with the federal government, in most states, state pipeline safety authorities have primary responsibility to regulate natural gas utilities as well as intrastate transmission pipeline companies. State governments are encouraged to adopt as minimum standards the federal safety standards promulgated by the Department of Transportation (DOT). The states may also choose to adopt standards that are more stringent than the federal ones, and many have done so. LDCs are in frequent contact with state pipeline safety inspectors. As a result of these interactions, distribution operator facilities are subject to more frequent and closer inspections than required by the federal pipeline safety regulations.

COMMITMENT TO SAFETY

Our commitment to safety extends beyond government oversight. Indeed, safety is our top priority -- a source of pride and a matter of corporate policy for every company. These policies are carried out in specific and unique ways. Each company employs safety professionals, provides on-going employee evaluation and safety training, conducts rigorous system inspections, testing, and maintenance, repair and replacement programs, distributes public safety

information, and complies with a wide range of federal and state safety regulations and requirements. Individual company efforts are supplemented by collaborative activities in the safety committees of regional and national trade organizations. Examples of these groups include AGA, the American Public Gas Association and the Interstate Natural Gas Association of America.

Natural gas utilities have long made safety their number one priority. We spend an estimated \$7 billion each year in safety-related activities. Approximately half of this money is spent in complying with federal and state regulations. The other half is spent as part of our companies' voluntary commitment to ensure that our systems are safe and that the communities we serve are protected. Moreover, we are continually refining our safety practices.

A large percentage of our effort over the last several years has been focused on working with federal and state regulators in the development and implementation of rules specific to these and other legislative mandates that were contained in the 2002 and 2006 PIPES Acts. I want to assure the committee that the natural gas distribution industry has worked vigorously to implement those provisions that related to our sector. From a regulatory perspective, the past ten years have easily included far more significant pipeline safety rulemakings than any other decade since the creation of the federal pipeline safety code in 1971. Highlights include:

- Approximately 2.1 million miles of distribution system piping are covered under the recently promulgated Distribution Integrity Management regulation;
- More than 50,000 miles of transmission pipelines operated by distribution gas utilities are covered by the Transmission Integrity Management Program

- An estimated 950,000 excess flow valves have been installed since June 1, 2008;
- 25,000 natural gas distribution employees are continually qualified through testing. The average 30 qualification tests for each employee results in 750,000 documented qualifications;
- Locations of all natural gas transmission and hazardous liquids pipelines have been added to the federal National Pipeline Mapping System;
- A pipeline awareness program has been developed and implemented for almost 1,600 natural gas operators; and
- Approximately 1,100 controllers are covered under the recently promulgated Control Room Management regulation, which includes requirements to address employee fatigue.

Specifically, there were four core provisions of the PIPES Act of 2006 that are key to enhancing the safety of the distribution pipeline system -- Excavation Damage Prevention, DIMP, Excess Flow Valves (EFV), and Control Room Management.

EXCAVATION DAMAGE PREVENTION

Excavation damage represents the single greatest threat to distribution system safety, reliability and integrity. A number of initiatives have helped to reduce excavation damage and resulting incidents. These include a new three digit number, “811”, that excavators can use to call before they dig, a nationwide education program promoting 811, “best practices” to reduce excavation damage and regional “Common Ground Alliances” that are focused on preventing excavation damage. Additionally, AGA and other partners established April as National Safe Digging Month, encouraging individuals to dial 811 before embarking on any digging or excavation project. Since the Call 811 campaign was launched, there has been approximately a 40 percent

reduction in safety-related incidents. A significant cause for this reduction is the work done by the pipeline industry in promoting the use of 811. Regulators, natural gas operators, and other stakeholders are continually working to improve excavation damage prevention programs. This concerted effort, combined with the effort that states are undertaking to create robust, and effective, state damage prevention programs based on the elements contained in the 2006 PIPES Act, is having a positive impact. But as always, more can be done – and we will continue to remain vigilant in collaborating with other stakeholders and the public to ensure the safety of our pipeline systems.

DISTRIBUTION INTEGRITY MANAGEMENT

The 2006 PIPES Act required the DOT to establish a regulation prescribing standards for integrity management programs for distribution pipeline operators. The DOT published the final rule establishing natural gas DIMP requirements on December 4, 2009. The effective date of the rule was February 12, 2010. Operators must develop a written program and begin implementation of DIMP prior to August 2, 2011.

The DOT's Pipeline and Hazardous Materials Safety Administration (PHMSA) previously implemented integrity management regulations for hazardous liquid and gas transmission pipelines. Because there are significant differences between gas distribution pipeline systems and the systems of gas transmission or hazardous liquid operators, it would have been impractical to apply the existing regulations to distribution pipelines. The DIMP final rule requires operators to develop and implement individualized integrity management programs, in addition to PHMSA's core pipeline safety regulations.

The DIMP final rule is a comprehensive regulation that provides an added layer of protection to the already-strong pipeline safety programs in use by local distribution companies. It represents the most significant rulemaking affecting natural gas distribution operators since the inception of the federal pipeline safety code in 1971. It will impact more than 1,400 operators, 2.1 million miles of piping, and 70 million customers. The final rule effectively takes into consideration the wide differences that exist between natural gas distribution operators. It also allows operators to develop a DIMP plan that is appropriate for the operating characteristics of their distribution delivery system and the customers that they serve.

The final rule requires that all distribution pipeline operators, regardless of size, implement an integrity management program that contains seven key elements:

1. Develop and implement a written integrity management plan.
2. Know its infrastructure.
3. Identify threats, both existing and of potential future importance.
4. Assess and prioritize risks.
5. Identify and implement appropriate measures to mitigate risks.
6. Measure performance, monitor results, and evaluate the effectiveness of its programs, making changes where needed.
7. Periodically report performance measures to its regulator.

Operators are aggressively implementing this rule. Workshops have been conducted throughout the nation. Webinars and audio conferences have been held. Software programs have been developed specifically for distribution integrity management. The Gas Pipeline Technology

Committee (comprised of federal and state regulators, pipeline operators, manufacturers, and the public) has developed a guidance document to support implementation of the DIMP regulation. I am pleased to inform the committee that all affected stakeholders are working to make this an effective regulation.

As discussed previously, low stress transmission pipelines are integrated into the gas distribution system. Distribution operators and state regulators will better manage the integrity of the distribution system when the TIMP and DIMP regulations are harmonized.

EXCESS FLOW VALVES

EFVs are installed by natural gas distribution utilities as one method to reduce the potential consequences when a service line is significantly damaged due to the impact of outside forces such as excavation damage. An EFV is usually installed in the pipe where the service line originates, near the main. EFVs function similar to a fuse in an electric panel that closes automatically to eliminate the flow of gas to the home for large leaks that exceed the EFV's closure flow rate. EFVs are not designed to shut off the flow of gas if a line break occurs on the customer's side of the gas meter. The device will not work properly for the low pressure and gas volumes in a customer's interior or exterior piping system that connects gas appliances. EFVs also cannot distinguish small gas leaks from changing gas loads. Instead, they help mitigate the potential consequences for events that could have a high rate, high volume gas release. These are the types of events that occur during excavation damage.

Natural gas utilities have been installing EFVs widely on single family residence service lines since the late 1990s, when operators were given the option of either installing them voluntarily or notifying customers of their availability, and then installing them upon request. The 2006 PIPES Act mandated that DOT require natural gas distribution utilities install an EFV on new and replacement service lines for single family residences, if the service line met specific conditions, beginning on June 1, 2008.

AGA supported the 2006 Congressional mandate for EFVs. Indeed, operators were voluntarily installing EFVs before the June 2008 Congressional deadline. The DIMP final rule codified the congressional mandate to install EFVs in services to single-family residences. I do want to emphasize that Congress was absolutely correct in limiting the EFV mandate to single-family residential dwellings. Single family residence dwellings are very uniform and only about 15 percent of the dwellings have problems with EFV installation (e.g. pressure too low, dirt, or contaminants in the gas).

Due to the inherent uncertainties and complexities associated with service lines to multiple-family dwellings, commercial and industrial customers, however, it is inadvisable to attempt mandatory nation-wide installation of EFVs beyond the single-family residential class. Multi-family dwellings, commercial, and industrial customers are subject to significant variations in gas loads. Since EFVs are designed to shut down when there is a significant change in gas flow, these variations could result in the inadvertent closure of an EFV and interruption of gas service for multiple days. An inadvertent EFV shutoff of commercial and industrial facilities, like

hospitals or chemical plants, could create greater safety hazards than the release of gas the EFV was attempting to prevent.

CONTROL ROOM MANAGEMENT

In December 2009, DOT promulgated the final regulation for Pipeline Control Room Management, requiring pipeline operators to develop, implement and submit a human factors management plan designed to reduce risks associated with human factors for employees working in a pipeline control room. As a part of their plan, pipeline operators must address fatigue and establish a maximum limit on the number of hours worked by pipeline controllers.

AGA commends DOT for putting forth a final rule that enhances safety and is practical, reasonable, and cost-effective. Similarly to the DIMP, the rule takes into consideration the inherent differences that exist between natural gas pipeline operators and hazardous liquids pipeline operators. There has never been a documented accident that has been directly caused by the controller of a natural gas pipeline. Yet, AGA and its members are supportive of the regulation and are active in working to develop national standards that identify recommended practices for pipeline operators to consider in developing their plan. The final rule actually goes beyond the Congressional mandate in the area of controller fatigue by requiring operators to:

- Establish shift lengths and schedule rotations that provide controllers off-duty time sufficient to achieve eight hours of continuous sleep;
- Educate controllers and supervisors in fatigue mitigation strategies and how off-duty activities contribute to fatigue; and
- Train controllers and supervisors to recognize the effects of fatigue.

The National Transportation Safety Board (NTSB) has expressed its support of the new regulation by closing its recommendation for pipeline operators to address fatigue. On February 18, 2010, the NTSB issued a press release that stated: "The Board was pleased to report that the Pipeline and Hazardous Materials Safety Administration has published a final rule establishing new bases for managing fatigue in the pipeline industry." The Board called the rule "a significant step forward for an industry that did not previously have any rules governing hours of service." The Board, therefore, closed the recommendation "Acceptable Alternate Action" and has removed fatigue in the pipeline industry from its "Most Wanted" list.

PUBLIC AWARENESS PROGRAMS

Beyond the significant requirements of the 2006 PIPES Act, the PIPES Act of 2002 directed DOT to put in place standards and criteria to improve public awareness of pipeline operations. Beginning June 20, 2005, the DOT required all pipeline operators to develop and implement public awareness programs based on the American Petroleum Institute (API) Recommended Practice (RP) 1162, "Public Awareness Programs for Pipeline Operators".

AGA applauds the DOT for working with the public, emergency responders, and industry to improve the public's awareness of pipelines. AGA's position is that the public awareness initiative has been successful and has effectively improved the public's awareness of the pipeline infrastructure and appropriate actions to be taken in the event of a pipeline emergency. API RP 1162 was developed by a joint stakeholder task group that included state and federal safety regulators, public representatives, emergency responders, and pipeline operators. Operators

adhered to the 12-step guide outlined by the DOT to develop public awareness programs. Operators are required to assess their public awareness programs for effectiveness and to identify opportunities for program improvement. These evaluations are required on a four-year interval, so operators are currently working to meet the first evaluation deadline of June 2010. During the second half of 2010, state and federal pipeline safety inspectors will review the effectiveness of operators' public awareness programs. Industry looks forward to working with the DOT to identify performance metrics that are critical in assessing program effectiveness.

In response to an NTSB recommendation, industry is working to ensure that 911 operators are identified as an important stakeholder audience and receive all needed pipeline awareness information. AGA and the industry look forward to continuing to work with all regulatory agencies to improve the methods utilized to educate the public regarding pipeline safety.

MISCELLANEOUS ISSUES

Low Stress Gas Pipelines

There are some additional regulatory actions that DOT should be encouraged to take to ensure that the existing statute continues to be efficiently implemented. Specifically, now that DOT has promulgated the DIMP regulation, it can modify the assessment requirements for low stress transmission pipelines operated by natural gas distribution utilities. Currently, low stress pipelines are covered under the Transmission Integrity Management Program (TIMP) regulation, which was promulgated in December 2003 by DOT. However, since low stress transmission lines operate more like distribution lines, AGA believes the low stress pipelines are better covered under DIMP. Making this change would not have an adverse effect on pipeline safety.

Rather, we believe, it would enhance safety by allowing low stress pipelines to be covered under DIMP which would result in ALL low stress lines being covered under the robust DIMP regulation, and not just lines within high consequence areas.

There are fundamental differences between the high stress pipelines predominately operated by interstate operators -- and the low stress pipelines, which are predominately operated by gas distribution utilities. A typical high stress interstate transmission pipeline will operate between 500 pounds per square inch (psi) and 1,000 psi and have stress levels up to 80 percent Specified Minimum Yield Strength (SMYS). Whereas, a typical low stress transmission pipeline will operate anywhere between 150 psi and 400 psi and have stress levels below 30 percent SMYS. Low stress transmission pipelines are usually embedded in the distribution network operated by utilities and are often very similar to higher pressure distribution pipelines. Moreover, many CANNOT be inspected by in-line inspection tools ("smart pigs") because of their, small diameters, valves in the line, layouts that include sharp turns and angles, relatively low operating pressures. DOT has already started regulatory initiatives to apply traditional distribution inspection and corrosion prevention techniques to low stress pipelines in lieu of the rigid TIMP assessments.

DOT has the regulatory authority to manage low stress transmission pipelines under DIMP. The issue was discussed during reauthorization of the 2002 Act. Congress anticipated that the pipelines included in TIMP might change and 42 U.S.C. 60109(c)1 states that DOT would define the facilities that will be included in TIMP in chapter 192 of title 49, Code of Federal Regulations, including any subsequent modifications. DIMP was finalized in December 2009

and AGA believes safety can be enhanced if DOT harmonizes the requirements in TIMP and DIMP.

High Consequence Areas

There has been some talk of perhaps changing TIMP, by eliminating the High Consequence Areas (HCA) definition, and requiring operators to perform TIMP assessments for all 300,000 miles of natural gas transmission pipelines.

As previously stated, internal instrument (smart pig) inspections are usually not practical for transmission pipelines operated by distribution gas utilities, because the pipelines are usually not piggable. As part of its regulation on TIMP, DOT has already included provisions for pipeline operators to have an added layer of protection on the low-stress pipelines outside of HCAs known as Preventive and Mitigative (P&M) measures in Subpart O of the Federal Pipeline Safety Code. These P&M measures consist of enhanced protection against the threats of external and internal corrosion as well as third party excavation damage.

Finally, there is a long list of regulatory safety requirements separate from the integrity management assessments that are used to manage safety for all pipelines inside and outside of HCAs. These include leak inspections, corrosion control, surveillance and patrolling, repair criteria, etc. Pipeline operators have upgraded their mapping systems and are continually collecting population data for the sole purpose of identifying HCAs that exist on their system so that they can use the risk-based principles required by the current TIMP regulation. AGA would strongly discourage making a change to the TIMP-HCA criteria.

SUMMARY

Many of the mandates within the 2006 PIPES Act have just become regulation and government and industry are working to implement these regulations. AGA believes that Congressional passage of pipeline safety reauthorization this year will send a positive message that the current law is working, and emphasize the commitment that Congress and all the industry stakeholders have to securing the safety of the nation's pipeline system. We look forward to working with you to secure reauthorization this year.