

WRITTEN TESTIMONY OF
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SUBCOMMITTEE ON ENERGY AND POWER
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Good morning, Mr. Chairman and members of the Committee. I am pleased to appear before you today and wish to thank the Committee for calling this hearing. Pipeline safety is a critically important issue, and I commend 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 one of the safest, most reliable pipeline system in the world.

I am Charles Dippo, Vice President of South Jersey Gas, and Chairman of the American Gas Association (AGA) Operating Section. South Jersey Gas serves customers in 112 municipalities spanning in excess of 2,500 square miles, or one-third of the geographic area of New Jersey, in which one-eighth of its population resides. The service area includes all of Atlantic, Cape May, Cumberland and Salem counties and parts of Burlington, Camden and Gloucester counties. South Jersey supplies its customers through approximately 12,000 miles of distribution and 122 miles of transmission pipeline.

I am here testifying today on behalf of the AGA, which was founded in 1918, and represents over 200 local energy companies that deliver clean 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 — more than 65 million customers — receive their gas from AGA members. AGA is an advocate for natural gas utility companies and their customers and provides a broad range of programs and services for member natural gas

companies, pipelines, marketers, gatherers, international natural gas companies and industry associates.

Natural gas pipelines, which transport approximately one-fourth of the energy consumed in the United States, are an essential part of the nation's infrastructure. Natural gas is delivered to customers through a safe, 2.4-million mile underground pipeline system. This includes 2.1 million miles of local utility distribution pipelines and 300,000 miles of transmission pipelines that stretch across the country, providing service to more than 175 million Americans. The recent development of natural gas shale resources has resulted in abundant supplies of domestic natural gas, which has meant affordable and stable natural gas prices for our customers. America needs clean and abundant energy and America's natural gas provides just that. This has made the safe, reliable and cost-effective operation of the natural gas pipeline infrastructure even more critically important, as it is our job to deliver the natural gas to the customer.

CRITICAL PIPELINE INFRASTRUCTURE

AGA believes that the domestic abundance of natural gas and the resulting price stability, when combined with the other advantages of natural gas—including its environmental attributes and efficiency of use—presents us with an unprecedented opportunity. There is direct use of natural gas in core residential and commercial markets, expanding use for gas-fired electric generation, and the transportation market where natural gas vehicles can displace some traditional diesel- and gasoline-based vehicles. These actions will save consumers billions of dollars in related energy costs, reduce greenhouse gas emissions and enhance America's energy security by reducing our reliance on imported oil. Our industry can help meet America's need for clean and abundant energy by delivering more of America's fuel -- natural gas -- not just in 2011 but well into the future. Indeed, natural gas should now be considered a foundation fuel for the country.

Shale production grew from about 1 billion cubic feet (Bcf) per day in 2000 to about 15 Bcf per day by year-end 2010, thus forming nearly twenty-five percent of all domestic dry natural gas production. U.S. shale gas production is now spread between Appalachian states, the mid-continent, Texas, Louisiana, Arkansas and even the Michigan basin. The pipeline infrastructure is being expanded to accommodate large shale gas resources in the Northeast and other parts of

the nation. As shale production and the natural gas infrastructure grows to take advantage of this abundant resource, it must be done with a focus on safety. The AGA Board of Directors recently adopted principles for Responsible Natural Resource Development. These principles address a foundation for the sustainable and responsible development of all natural gas resources in our country and underscore the commitment of local natural gas utilities to the communities they serve. Not only will this significant production help to ensure a stable supply of natural gas, it will also provide new jobs. Estimates are that in the Marcellus Shale region alone in 2011, 122,000 new jobs will have been directly and indirectly created. All told, 2.8 million people are directly or indirectly employed by the natural gas industry.

INDUSTRY'S DEMONSTRATED COMMITMENT TO SAFETY

The industry has demonstrated that it can increase the delivery of natural gas while continuously making improvement in safety. The data from the Department of Transportation's Pipeline & Hazardous Materials Safety Administration (PHMSA) shows a continual downward trend in pipeline incidents of approximately 10% every three years. AGA has analyzed data from the PHMSA database and leaks, serious incidents, and significant incidents are continually being reduced.

Over the last twenty years, we have seen improvements in leak reduction (49%), as well as significant incidents (29%) and serious incidents (49%). But clearly more needs to be done. The tragic incident in San Bruno, California reminds us that one accident is one too many. The National Transportation Safety Board has not issued a final report on the San Bruno incident, but the industry is already taking away important lessons from the information that has been produced thus far in the extensive investigation. There are 210 documents with more than 6,000 pages of information in the NTSB docket. The factual reports show that the event appears to be an isolated incident with no evidence of national systemic safety problems.

The pipeline industry leadership has joined the Secretary of Transportation, Ray LaHood, in his call to action to repair, replace or rehabilitate the highest risk infrastructure. AGA member company CEOs met with Secretary LaHood in December 2010, in February 2011, and participated in the DOT Pipeline Safety Forum on April 18, 2011. We are also supporting the

Secretary's efforts to create a "Report to the Nation on Pipeline Safety." The leadership of AGA believes that commitment must start at the top in any organization or business. Our actions as leaders clearly demonstrate that we are fully committed to achieving the goal of improving pipeline safety.

AGA'S REVIEW OF THE DISCUSSION DRAFT BILL

AGA commends the committee for developing a solid bipartisan discussion draft bill for pipeline safety. Everyone has the common goal of continuing to have a safe, reliable and efficient national pipeline infrastructure. Congressmen, public utility commissioners, regulators, gas utility leaders, and utility hourly employees all agree that safety the top priority. AGA is generally supportive of the draft bill; however there are a few areas that we want to highlight, as they cause us concern.

Telephonic Notice of Certain Incidents

AGA is concerned that legislation requiring pipeline operators to make telephonic reports to the National Response Center (NRC) no later than one hour after discovery will cause thousands of unnecessary reports to be submitted. This will overburden emergency responders, regulators, and other parties that must respond to the NRC notifications. AGA believes Congress has a legitimate concern to ensure that there is prompt notification of pipeline incidents. The record shows that most incidents are indeed promptly reported. Operators are responsible for the operational response to incidents and coordination with their local emergency responders. Standard safety practices and the incident command structure deem that these tasks are given the highest priority. Once the preliminary extent of the situation is known and local action is initiated, operator personnel notify the NRC. Typically, the call to the NRC will be made in less than two hours. AGA does not believe calling the NRC should be given the same priority as local action with emergency responders. The real concern that AGA has with the proposed legislation is that a one hour maximum time limit will require operators to report minor events to the NRC before there is time to assess if an event meets the reporting threshold in 49 CFR 191.5. Prompt local emergency response and federal reporting are important issues. AGA believes that the DOT Secretary has the technical expertise to promulgate the appropriate regulation on this issue

that will balance the needs of all parties and to implement technically based notification requirements.

Automatic and Remotely-Controlled Shut-Off Valves

The benefit of an automatic shut-off valve (ASV) or remote-controlled valve (RCV) is the potential reduction in the amount of natural gas released after the incident has occurred. However, while both ASVs and RCVs may allow for a faster closure than a manually operated valve, they also introduce the possibility of a false valve closure, which can lead to unintended consequences. Nevertheless, AGA supports bill language which directs the Secretary to initiate rulemaking that will require the use of ASVs, RCVs or equivalent technology, where economically, technically, and operationally feasible on new or entirely replaced transmission pipelines constructed.

Expanding High Consequence Areas

It has been suggested that the Transmission Integrity Management Program (TIMP) be changed and expanded beyond the High Consequence Areas (HCA) defined in 49 USC 60109(a). AGA believes imprudent expansion would be contrary to the intent Congress had for the program, which was to focus resources on densely populated and environmentally sensitive areas where an accident could do the most damage.

All pipelines must comply with stringent state and federal safety standards even before the TIMP program is applied. As part of its regulation on TIMP, DOT has already included provisions for pipeline operators to have an added layer of protection on low-stress pipelines outside of HCAs. These provisions are known as Preventive and Mitigative (P&M) measures and are contained in Subpart O of the Federal Pipeline Safety Code. These P&M measures include enhanced protection against the threats of external and internal corrosion, as well as third party excavation damage. The TIMP program is relatively new, as the regulation was only finalized in December 2003, and the initial baseline assessment of all covered transmission pipelines will not be completed until December 2012.

AGA believes it is reasonable for Congress to direct the DOT to evaluate the effectiveness of the integrity management program no later than one year after completion of the baseline assessments. The study could include reviewing existing integrity management safety measures, including:

- comparisons of the relative benefits of expanding integrity management principles in a manner that emphasizes reducing risks for an increasing number of individuals living or working in close proximity to pipeline, versus an emphasis on expanding the number of pipeline miles covered absent such a risk evaluation.
- evaluating the need to undertake integrity assessments and repairs in a manner which is achievable and sustainable, without disruption of pipeline service.

RAISING THE BAR FOR SAFETY

How do we raise the bar on safety? First, we must keep our focus on key safety initiatives that are already underway and are showing success. This includes Distribution and Transmission Integrity Management, Control Room Management, public awareness, excavation damage prevention, and a number of voluntary initiatives such as AGA's Best Practices Program. Second, we have an opportunity to work together with state and federal regulators to further elevate pipeline safety through better excavation damage prevention programs and eliminating or severely reducing exemptions that currently allow entities not to call before they excavate, establishing a data quality committee to analyze DOT pipeline performance information, reducing hurdles that prevent operators from implementing new technology, requiring PHMSA to update obsolete material construction consensus standards that are currently incorporated by reference, and passing a pipeline safety bill that focuses on key areas that can truly improve pipeline safety.

DISTRIBUTION INTEGRITY MANAGEMENT

The 2006 PIPES Act required DOT to establish a regulation prescribing standards for integrity management programs for distribution pipeline operators. The DOT published the final rule establishing natural gas distribution integrity management program (DIMP) requirements on December 4, 2009. The effective date of the rule was February 12, 2010. Operators are given until August 2, 2011 to write and begin implementation of their individual risk-based program.

In 2003, PHMSA previously implemented integrity management regulations for hazardous liquid and gas transmission pipelines. Because there are significant differences between gas distribution, gas transmission and hazardous liquid pipelines, it would have been impractical to apply the existing hazardous liquid or gas transmission regulations to distribution pipelines. The DIMP rule incorporated the same basic principles as transmission integrity management regulations, but with a slightly different approach to accommodate differences between transmission and distribution systems. The DIMP final rule requires operators to develop and follow individualized integrity management (IM) programs, in addition to PHMSA's other current 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 implemented 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 1,300 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 conference 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 implement the DIMP regulation. PHMSA and state regulators have completed pilot audits, created an audit form that has been shared with operators, and recently held webinars for hundreds of operators. I am pleased to inform the committee that all affected stakeholders are working to make this an effective regulation.

EXCESS FLOW VALVES (EFVS)

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, most 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 characteristics that prevent EFV installation (e.g. pressure too low, dirt, or contaminates in the gas).

However, due to the inherent uncertainties and complexities associated with service lines to multiple-family dwellings, commercial and industrial customers, it is inadvisable to attempt mandatory nation-wide installation of EFVs beyond the single-family residential class. Multifamily 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 potentially result in a greater safety hazard(s) than the release of gas the EFV was attempting to prevent.

Industry is committed to working with DOT on the use of new safety devices. It is appropriate that the proposed legislation has limited the rulemaking to excess flows valves or equivalent technology, where economically, technically, and operationally feasible on new or entirely replaced distribution branch services, multi-family facilities, and small commercial applications. However, the Secretary may need more time for rulemaking, given that small commercial services have yet to be defined and only one or two operators have ever used large volume EFVs.

ENHANCED SAFETY PRACTICES

As stated at the DOT Pipeline Safety Forum, operators can increase safety through:

- The exchange of best practices and the sharing of lessons learned from incidents and near misses,
- By working more closely with emergency responders and the public on natural gas safety and
- Collaborating with all stakeholders on key initiatives that have the ability to truly improve pipeline safety.

AGA has a comprehensive best practices program for its members and is exploring other ways to share practices and lessons learned. In addition, AGA recommends that PHMSA establish a data quality team made up of representatives from government, industry and the public to analyze and improve upon the data collected by DOT and identify areas where the data tells us safety can be improved.

EXCAVATION DAMAGE PREVENTION

Excavation damage represents the single greatest threat to gas distribution system safety, reliability and integrity. A number of initiatives have helped to reduce excavation damage and resulting incidents. These include a new nationwide 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 have 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 excavation-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.

AGA supports amendments to legislation that will require a state one-call program to have appropriate participation by all underground operators, including government entities; have mandatory participation by all excavators, including governments and contractors; have flexible and effective enforcement; and prohibit exemption of mechanized excavation, municipalities, State agencies or their contractors from one-call notification system requirements.

SUMMARY

In conclusion, the natural gas utility industry has a strong safety record. Recognizing the critical role that natural gas can and should play in meeting our nation’s energy needs, we are committed to working with all stakeholders to improve. To that end, we applaud this committee’s focus on moving pipeline safety act reauthorization forward. Passage of this important bill this year will help us all achieve a common goal: to enhance the safe delivery of this vital energy resource.