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WITNESS: TOM DE BOER

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **PUGET SOUND ENERGY, INC.,** **Respondent.**	**Docket No. UG-110723**

FIRST EXHIBIT(NONCONFIDENTIAL) TO THE PREFILED REBUTTAL TESTIMONY OF TOM DE BOER ON BEHALF OF PUGET SOUND ENERGY, INC.

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News

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U.S Transportation Secretary Ray LaHood Announces Pipeline Safety Action Plan

U.S. DOT Initiates National Effort to Prevent Hazardous Pipeline Incidents

ALLENTOWN, Pa. – U.S. Transportation Secretary Ray LaHood today launched a national pipeline safety initiative to repair and replace aging pipelines to prevent potentially catastrophic incidents.

Following several fatal pipeline accidents, including one that killed five people in Allentown, PA, Secretary LaHood called upon U.S. pipeline owners and operators to conduct a comprehensive review of their oil and gas pipelines to identify areas of high risk and accelerate critical repair and replacement work. Secretary LaHood also announced federal legislation aimed at strengthening oversight on pipeline safety, as well as plans to convene a Pipeline Safety Forum on April 18th in Washington, DC, to gather state officials, industry leaders, and other pipeline safety stakeholders in order to discuss steps for improving the safety and efficiency of the nation's pipeline infrastructure.

"People deserve to know that they can turn on the lights, the heat, or the stove without endangering their families and neighbors," said Secretary LaHood. "The safety of the American public is my top priority and I am taking on this critical issue to avoid future tragedies we have seen in Allentown and around the country."

Secretary LaHood was joined by the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administrator Cynthia Quarterman, Pennsylvania Senator Bob Casey, Congressman Charlie Dent and other federal, state and local officials to unveil the Department's new pipeline safety action plan in Allentown, where a devastating natural gas pipeline failure killed five people and leveled homes and businesses on February 10.

Several other cities have also recently experienced pipeline incidents, including the environmentally devastating rupture in Marshall, MI, and the deadly San Bruno, CA, explosion which highlighted the need for pipeline operators to accelerate the repair, rehabilitation, and replacement of their highest risk lines.

"We must work together to develop a comprehensive solution to prevent these tragedies from happening," said Administrator Quarterman.

In a meeting in March, Secretary LaHood asked the CEOs of major pipeline companies around the country to conduct a comprehensive review of their pipeline systems to identify the highest risk pipelines and prioritize critical repair needs. Secretary LaHood committed that the Department would provide technical assistance in helping to identify high risk pipelines.

Secretary LaHood also called on Congress to increase the maximum civil penalties for pipeline violations from $100,000 per day to $250,000 per day, and from $1 million for a series of violations to $2.5 million for a series of violations. He urged Congress to authorize the Department to close regulatory loopholes, strengthen risk management requirements, add more inspectors, and improve data reporting to help identify potential pipeline safety risks early.

The Department's pipeline safety action plan will address immediate concerns in pipeline safety, such as ensuring pipeline operators know the age and condition of their pipelines; proposing new regulations to strengthen reporting and inspection requirements; and making information about pipelines and the safety record of pipeline operators easily accessible to the public.

The Pipeline and Hazardous Materials Safety Administration will also create a new web page to provide the public – as well as community planners, builders and utility companies – with clear and easy to understand information about their local pipeline networks. Ensuring the public has access to information about local pipelines will help keep people safe and reduce the potential for serious accidents.

"To the American public, it doesn't matter who has jurisdiction over these essential utility lines. We have a responsibility to work together to prevent the loss of life and environmental damage that can result from poor pipeline conditions," Secretary LaHood added.

Pipeline incidents resulting in serious injury or death are down nearly 50 percent over the last 20 years. In 1991, there were 67 such incidents compared to 36 in 2010, and an average of 42 per year over the last 10 years. However, a series of recent incidents have highlighted the need to address the nation's aging pipeline infrastructure.

Pipeline Safety Fact Sheet and Backgrounder

Today, more than 2.5 million miles of pipelines are responsible for delivering oil and gas to communities and businesses across the United States. That's enough pipeline to circle the earth approximately 100 times.

Currently, these pipelines are operated by approximately 3,000 companies and fall under the safety regulations of the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA). PHMSA has engineers and inspectors around the country to oversee the safety of these lines and ensure that companies comply with critical safety rules that protect people and the environment from potential dangers. While PHMSA directly regulates most hazardous liquid pipelines in the nation, states take over when it comes to intrastate natural gas pipelines. Every state except Hawaii and Alaska are responsible for the inspection and enforcement of their own state pipeline safety laws for the natural gas pipeline systems within the state. Some states – about 20 percent - also regulate the hazardous liquid lines within state borders.

Over the last three years, annual fatalities have risen from nine in 2008, to 13 in 2009 to 22 in 2010. The ten year average number of fatalities is 15.

Causes of Pipeline Accidents

Pipeline incidents resulting in serious injury or death are down nearly 50 percent over the last 20 years. In 1991, there were 67 such incidents compared to 36 in 2010, and an average of 42 per year over the last 10 years. However, a series of recent incidents have highlighted the need to address the nation's aging pipeline infrastructure.

There are three major causes of significant pipeline failures resulting in oil spills or gas explosion: damage from digging; corrosion; and failure of the pipe material, welds, or equipment. This type of failure is caused by problems with valves, pumps, or the poor construction on any of these.

Safety Requires Coordination

Communities and pipeline operators must work together during planning and construction to prevent potentially fatal mistakes. Incidents like the September 2010, San Bruno, California explosion are lessons to developers and local governments to work together to ensure homes and businesses are not built too close to, and in many cases on top of existing pipelines.

Pipeline Maintenance & Monitoring

Maintaining healthy pipeline systems requires regular inspections and repairs. Many cast-iron pipelines were installed more than 50 years ago. While some states have replacement plans, most of those plans do not require pipeline replacement for decades into the future. For example:

- Pennsylvania's cast iron pipeline systems are required to be replaced by 2111, which means pipes that are already 80 years old may not be replaced for another 100 years;
- New York's oldest, cast iron pipes will be replaced by 2090, in 79 years; and

Connecticut's pipelines won't be completely replaced until 2080, or another 69 years.

811 "Call Before You Dig" Hotline

PHMSA helped set up a toll-free 811 "*Call Before You Dig*" hotline that connects excavators and do-it-yourselfers anywhere in the country to One Call centers that alert utility owners of planned digging. One of the primary tools for avoiding damage to pipelines and other underground utilities is timely communication between excavators and those who operate or own buried utilities. More information is available at www.call811.com.

U.S. Department of Transportation Call to Action
To Improve the Safety of the Nation's Energy Pipeline System

Executive Summary

Today, more than 2.5 million miles of pipelines are responsible for delivering oil and gas to communities and businesses across the United States. That's enough pipeline to circle the earth approximately 100 times.

Currently, these liquid and gas pipelines are operated by approximately 3,000 companies and fall under the safety regulations of the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA). PHMSA has engineers and inspectors around the country who oversee the safety of these lines and ensure that companies comply with critical safety rules that protect people and the environment from potential dangers. While PHMSA directly regulates most of the hazardous liquid pipelines in the nation, states take over when it comes to intrastate natural gas pipelines. Every state, except Hawaii and Alaska,is responsible for the inspection and enforcement of state pipeline safety laws for the natural gas pipeline systems within their respective state. Some states – about 20 percent - also regulate the hazardous liquid lines within state borders.

In the wake of several recent serious pipeline incidents, U.S. DOT/PHMSA is taking a hard look at the safety of the nation's pipeline system. Over the last three years, annual fatalities have risen from nine in 2008, to 13 in 2009 to 22 in 2010. Like other aspects of America's transportation infrastructure, the pipeline system is aging and needs a comprehensive evaluation of its fitness for service. Investments that are made now will ensure the safety of the American people and the integrity of the pipeline infrastructure for future generations.

For these reasons, Secretary LaHood is issuing a call to action for all pipeline stakeholders, including the pipeline industry, the utility regulators, and our state and federal partners. Secretary LaHood brought together PHMSA Administrator Quarterman and the senior DOT leadership to design a strategy to achieve that goal. The action plan below is the result of those deliberations.

Background

Much of the nation's pipeline infrastructure was installed many decades ago, and some century-old infrastructure continues to transport energy supplies to residential and commercial customers, particularly in the urban areas across our nation. Older pipeline facilities that are constructed of obsolete materials (e.g., cast iron, copper, bare steel, and certain kinds of welded pipe) may have degraded over time, and some have been exposed to additional threats, such as excavation damage.

On December 4, 2009, PHMSA issued the Distribution Integrity Management Final Rule, which extends the pipeline integrity management principles that were established for

hazardous liquid and natural gas transmission pipelines, to the local natural gas distribution pipeline systems. This regulation, which becomes effective in August of 2011, requires operators of local gas distribution pipelines to evaluate the risks on their pipeline systems to determine their fitness for service and take action to address those risks. For older gas distribution systems, the appropriate mitigation measures could involve major pipe rehabilitation, repair, and replacement programs. At a minimum, these measures are needed to requalify those systems as being fit for service. While these measures may be costly, they are necessary to address the threat to human life, property, and the environment.

In addition to the many pipelines constructed with obsolete materials, there are also early vintage steel pipelines in high consequence areas that may pose risks because of inferior materials, poor construction practices, lack of maintenance or inadequate risk assessments performed by operators. The lack of basic information or incomplete records about these systems is also a contributing factor. The U.S. DOT is seeking to make sure these risks are identified, the pipelines are assessed accurately, and preventative steps are taken where they are needed.

Action Plan

The U.S. DOT and PHMSA have developed this action plan to accelerate rehabilitation, repair, and replacement programs for high-risk pipeline infrastructure and to requalify that infrastructure as fit for service. The Department will engage pipeline safety stakeholders in the process to systematically address parts of the pipeline infrastructure that need attention, and ensure that Americans remain confident in the safety of their families, their homes, and their communities. The strategy involves:

- A Call to Action – Secretary LaHood is issuing a "Call to Action" to engage state partners, technical experts, and pipeline operators in identifying pipeline risks and repairing, rehabilitating, and replacing the highest risk infrastructure. Secretary LaHood is also asking Congress to expand PHMSA's ability to oversee pipeline safety.
    - Secretary LaHood and PHMSA Administrator Quarterman have already met with the Federal Energy Regulatory Commission (FERC), the National Association of Regulatory and Utility Commissioners (NARUC), state public utility commissions, and industry leaders to ask all parties to step up efforts to identify high-risk pipelines and ensure that they are repaired or replaced.
    - Secretary LaHood is asking Congress to increase the maximum civil penalties for pipeline violations from $100,000 per day to $250,000 per day, and from $1 million for a series of violations to $2.5 million for a series of violations. He is also asking Congress to help close regulatory loopholes, strengthen risk management requirements, add more inspectors, and improve data reporting to help identify potential pipeline safety risks early.

- The U.S. DOT and PHMSA are convening a Pipeline Safety Forum in April to engage in a working session around the actions that the Department, states, and industry can take to drive more aggressive actions to raise the bar on pipeline safety. The U.S. DOT and PHMSA will compile a report based on ideas, opportunities and challenges presented at the Forum and take action on solutions.

- Aggressive Efforts – The U.S. DOT and PHMSA are calling on pipeline operators and owners to review their pipelines and quickly repair and replace sections in poor condition.

    - PHMSA has asked technical associations and pipeline safety groups to provide best practices and technologies for repair, rehabilitation and replacement programs, and has asked industry groups for commitments to accelerate needed repairs.

    - PHMSA will review all data received from pipeline operators to identify areas with critical needs.

    - PHMSA's Distribution Integrity Management rule will become effective in August, requiring all operators of gas distribution pipelines to evaluate the risks on their pipeline systems and take action to address those risks.

- Transparency - U.S. DOT and PHMSA will execute this plan in a transparent manner with opportunity for public engagement, including a dedicated website for this initiative, and regular reporting to the public.

    - PHMSA will launch a public website with ongoing pipeline rehabilitation, replacement and repair initiatives.

    - All materials from the Pipeline Safety Forum will be publicly posted to the web, followed by a Draft Report for Notice and Comment. Once public input has been collected, PHMSA will publish a final Pipeline Safety Report to the Nation.

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