

**EXHIBIT NO. \_\_\_(TAD-6)  
DOCKET NO. UG-110723  
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**

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

**NOVEMBER 8, 2011**



**UNITED STATES DEPARTMENT OF TRANSPORTATION  
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION**

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**Hearing on  
The American Energy Initiative**

**Before the Subcommittee on Energy and Power  
Committee on Energy and Commerce  
United States House of Representatives**

**Written Statement of Cynthia L. Quarterman  
Administrator  
Pipeline and Hazardous Materials Safety Administration  
U.S. Department of Transportation**

**Expected Delivery 10:00 a.m.  
June 16, 2011**

**CYNTHIA L. QUARTERMAN, PHMSA ADMINISTRATOR**  
**SUMMARY OF TESTIMONY**

Safety is the number one priority of the U.S. Department of Transportation (DOT). The Department and all of its employees are strongly committed to reducing transportation risks to the public and the environment.

More than 2.5 million miles of pipelines deliver energy to homes and businesses across America. It is DOT's job to ensure that every mile is safe to protect this infrastructure that is critical to the U.S. economy and our everyday lives. Through its Pipeline and Hazardous Materials Safety Administration (PHMSA), DOT develops and enforces regulations, and partners with States who oversee most of the intrastate pipelines. Over the years, PHMSA has significantly reduced accidents and increased accountability for managing the risks of pipeline operations through strong regulations and integrity management programs. The nation has seen serious pipeline incidents drop by more than half over the past 20 years, in addition, the number of liquid pipeline spills with environmental consequences has significantly decreased over the last decade.

In the wake of several recent serious pipeline incidents, PHMSA is taking a hard look at the nation's pipelines. The pipeline infrastructure needs more attention and investments now will help ensure it can continue to meet America's energy delivery needs for future generations. The Department's call to action for all pipeline stakeholders is helping to chart a course to accelerate the identification, repair, rehabilitation and replacement of high-risk pipeline infrastructure before it becomes a risk to people or the environment.

PHMSA looks forward to working with Congress on the reauthorization of its pipeline safety program. While previous reauthorization attempts have helped to advance pipeline safety by providing additional resources to better exercise the Department's enforcement authority, enhance protections through integrity management requirements for distribution pipelines, and increase support for State pipeline safety agencies, we need to do more. Pipeline safety could be greatly improved with the passage of reforms pushing stronger enforcement authority, expanded integrity management requirements for areas beyond existing high consequence areas, improving pipeline infrastructure data collection, and advancing safety in many other important ways.

**WRITTEN STATEMENT  
OF  
CYNTHIA L. QUARTERMAN  
BEFORE THE  
COMMITTEE ON ENERGY AND COMMERCE  
SUBCOMMITTEE ON ENERGY AND POWER  
UNITED STATES HOUSE OF REPRESENTATIVES**

**June 16, 2011**

**I. INTRODUCTION**

Chairman Whitfield, Ranking Member Rush, members of the Subcommittee, thank you for the opportunity to appear today to discuss the Pipeline and Hazardous Materials Safety Administration's (PHMSA) oversight of America's vast network of energy pipelines. Safety is the number one priority of Secretary Ray LaHood, myself, and the employees of PHMSA and we are all strongly committed to reducing transportation risks to the public and environment. Our Nation's reliance on the safe and environmentally sound transportation of energy fuels and hazardous materials is increasing. PHMSA's safety oversight of the pipeline network that delivers these products is providing critical protections for the American people.

More than 2.5 million miles of pipelines deliver energy to homes and businesses across America, and our job at the U.S. Department of Transportation is to ensure that every mile is safe. Doing this job right is important because protecting the infrastructure is critical to the U.S. economy and our everyday lives. To get the job done, PHMSA develops and enforces regulations, and partners with States who oversee most of the intrastate pipelines. Through strong regulations and integrity management programs, PHMSA has significantly reduced accidents and increased accountability for managing the risks of pipeline operations. Serious pipeline incidents have dropped by more than half over the past 20 years, and we want that trend to continue. Likewise, the number of liquid pipeline spills with environmental consequences has significantly decreased over the last decade. However, we still have much work to do.

In the wake of several recent serious pipeline incidents, PHMSA is taking a hard look at the nation's pipelines. The pipeline infrastructure—like our roads, bridges, ports, and rail

infrastructure—needs more attention. Investments now will ensure the safety of the American people and the integrity of the pipeline infrastructure to deliver energy for future generations. We are issuing a call to action for all pipeline stakeholders, including the public, the pipeline industry and our State partners. Together, we need to chart a course to accelerate the identification, repair, rehabilitation and replacement of high risk pipeline infrastructure before it becomes a risk to people or the environment. PHMSA is specifically calling on State Public Utility Commissions to establish cost recovery mechanisms that effectively address infrastructure replacement costs.

Through rulemaking and pipeline safety advisories since 2009, PHMSA has closed a record 12 National Transportation Safety Board safety recommendations, addressing leak detection systems, excess flow valves, human fatigue, and operations of pipeline companies' control rooms, as well as integrity management for distribution pipelines in high consequence areas. During that same period, PHMSA also closed its final Office of Inspector General and Government Accountability Office recommendations.

PHMSA looks forward to working with Congress on the reauthorization of its pipeline safety program. DOT supports reforms to increase pipeline companies' accountability for operating their pipelines in a safe and environmentally sound manner.

## **II. PIPELINE SAFETY ACTION PLAN**

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. While age alone does not determine the integrity of a pipeline system, some older pipeline facilities that are constructed of certain materials (e.g., cast iron, copper, bare steel, and certain kinds of welded pipe) may have degraded over time, others do not meet today's pipeline construction standards, and some have been exposed to additional threats, such as excavation damage. In addition, there are some early vintage steel pipelines in high consequence areas that may pose risks because of incomplete records, poor construction practices, or inadequate risk assessments. We need to make sure these risks are identified, the pipelines are assessed accurately, and preventative and mitigative steps are taken where they are needed. We need to substantially reduce the risk of pipeline failures that can have catastrophic consequences.

In April, Secretary LaHood and I developed an action plan to accelerate rehabilitation, repair, and replacement programs for high-risk pipeline infrastructure. We are engaging 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 includes the three components below.

**Call to Action** - Secretary LaHood and I issued a “Call to Action,” actively engaging our State partners, technical experts, and pipeline companies to focus on identifying pipeline risks and repairing, rehabilitating, and replacing the highest risk infrastructure.

**Aggressive Efforts** - Secretary LaHood and I met with pipeline executives as well as the FERC Chairman, the National Association of Regulatory and Utility Commissioners (NARUC) to discuss actions that PHMSA, States, industry and the public can take to drive more aggressive actions to raise the bar on pipeline safety; and the challenges to implementing these actions. PHMSA hosted a public meeting to gather input and PHMSA is now working on a Report to America on the Pipeline Infrastructure drawn from the ideas presented in the Forum.

**Transparency** - PHMSA is actively seeking input from all stakeholders and is executing this plan in a transparent manner with an opportunity for public engagement, including a dedicated website for this initiative, and regular updates to the public.

### **III. ACCOMPLISHMENTS**

**Regulatory Initiatives** - PHMSA has conducted a thorough review of its inspection and enforcement related regulations, procedures, and guidance, as well as its data collection and transparency efforts. PHMSA has issued six final rules: 1) to require operators of gas distribution pipelines to develop and implement integrity management programs similar to those required for gas transmission and hazardous liquid pipelines; 2) to address human factors and other aspects of control room management for pipelines where controllers use supervisory control and data acquisition systems; 3) to regulate the remaining population of unregulated rural hazardous liquid low stress pipelines, which was required by the Pipeline Inspection, Protection, Enforcement, and Safety (PIPES) Act of 2006; 4) to improve data collection from operators of pipelines and liquefied natural gas facilities; 5) to clarify data and annual reporting requirements; and 6) to expedite the deadlines in the control room management rule for pipelines. In addition, PHMSA has proposed new rulemakings that relate to damage prevention and integrity management for hazardous liquid

pipelines. Finally, PHMSA has issued several advisory bulletins to the industry, including bulletins related to leak detection, welding quality, oil spill and emergency response plans, and Maximum Allowable Operating Pressure.

**Enforcement** - PHMSA has significantly increased its inspection and enforcement personnel by 29 percent since 2008. As a result, PHMSA has been able to reduce its enforcement case backlog; during this period PHMSA initiated 666 enforcement cases, closed 784 cases, and issued 264 Final Orders. Since 2008, PHMSA has proposed \$21,635,300 in civil penalties. PHMSA takes enforcement actions to ensure that operators are held accountable for compliance with safety laws. In the past year, PHMSA issued numerous safety orders to pipeline operators requiring them to perform testing, repairs, and rehabilitation efforts along their systems following the discovery of safety concerns. Safety orders include Corrective Action Orders, which are issued often to assure companies perform appropriate corrective and remedial actions in a timely manner. Examples of corrective action include requiring operators to replace complete pipeline sections, implement corrosion control and remediation strategies, and implement whole health studies to address possible systematic safety issues. In addition, we are currently in the process of inspecting operators' public awareness programs and preparing States for gas distribution integrity management program (DIMP) inspections.

**State Partnership** - PHMSA increased funding to its State pipeline safety partners, and is covering about 66% percent of State pipeline safety program costs, totaling \$66.5 million for 2009 and 2010. PHMSA also provides comprehensive training for all State and Federal pipeline safety inspectors on both compliance oversight and safety investigation functions. With respect to DIMP, PHMSA trained State inspectors, helped develop State inspection forms, FAQs, and inspection guidance for implementing DIMP, and performed joint Federal-State pilot inspections to validate and enhance inspection forms and guidance. PHMSA also helps local, State and Federal officials determine the public impact and provides as much investigative, legal, and technical assistance, as necessary.

**Damage Prevention** - The vast majority of America's pipeline network is underground making pipelines vulnerable to "dig-ins" by third-party excavators. While excavation damage is 100% preventable, it remains a leading cause of pipeline incidents involving fatalities and injuries. Since 2008, PHMSA provided over \$6 million dollars in State Damage Prevention grants. Eligible grantees include State one call centers, State pipeline safety agencies, or any organization created

by State law and designated by the Governor as the authorized recipient of the funding. PHMSA also uses the authority in the PIPES Act to promote public education awareness with national programs such as the “811- Call Before You Dig” initiative through the Common Ground Alliance (CGA). PHMSA has provided over \$2.3 million in funding assistance for CGA’s 811 advertising campaign since 2002.

**Emergency Response** - Since 2002, PHMSA has spent over \$8 million in support of training for firefighters and others to safely respond to pipeline emergencies, including the development of a new internet based training program through a cooperative agreement with the National Association of State Fire Marshals. The training curriculum, “Pipeline Emergencies – 2<sup>nd</sup> Edition,” builds off of the positive results of the previous edition, which helped train over 45,000 first responders in the U.S. on how to safely respond to natural gas and hazardous liquid pipeline leaks, spills and fires. When incidents occur, PHMSA works closely with responding local, State, and Federal officials to assure the impact to the public and environment is minimized and that the pipeline company is fully cooperating on safety issues.

**Public Awareness** - PHMSA has conducted numerous activities to inform the public and engage public interest and participation in all of its initiatives. PHMSA supported the organization of the Pipelines and Informed Planning Alliance (PIPA). PIPA advances the development and use of risk-informed land use guidelines to protect pipelines and communities. PIPA released fifty recommendations to help local governments, real estate developers, and community planners better plan projects in areas near transmission pipelines in the report titled *Partnering to Further Enhance Pipeline Safety in Communities through Risk-Informed Land Use Planning*. A companion effort is helping communities understand where pipelines are located, who owns and operates them, and what other information is available for community planning. Vital information that communities need for land use, environmental, and emergency planning around pipelines remains publicly available through PHMSA’s National Pipeline Mapping System (NPMS). We continue to work with States, industry, and other stakeholders to make the NPMS information more accurate and useful.

#### **IV. REAUTHORIZATION**

As I mentioned, PHMSA looks forward to working with the Congress on the reauthorization of its pipeline safety program. While previous reauthorization attempts have helped to advance



pipeline safety by providing additional resources to better exercise the Department's enforcement authority, enhance protections through integrity management requirements for distribution pipelines, and increase support for State pipeline safety agencies, we need to do more. PHMSA supports reforms for even stronger enforcement authority, expanding integrity management requirements beyond existing high consequence areas, improving pipeline infrastructure data collection, and advancing safety in other important ways.

**Increase Civil Penalties** – PHMSA supports increasing administrative civil penalties for serious violations leading to deaths, injuries, or significant environmental damage. For these types of violations, PHMSA supports increasing the caps from \$100,000 per violation per day/\$1,000,000 per series of related violations, to \$250,000 per violation per day/\$2,500,000 per series of related violations. The maximum penalties for violations of the pipeline safety requirements have not been increased in almost 10 years. Adequate levels of penalties are necessary to achieve deterrence goals, particularly in serious cases in which violations led to injuries, fatalities, or significant environmental damage.

**Expanding Integrity Management Protection** – PHMSA supports reforms to review whether pipeline safety would be improved by expanding and revising the integrity management program requirements beyond existing high consequence areas to additional areas.

**Pipeline Infrastructure Data Collection Authority** – PHMSA supports reforms to allow the collection of additional data on physical attributes of most jurisdictional pipelines and geospatial location pipeline data on larger jurisdictional pipelines. Geospatially accurate pipeline infrastructure data is critical to PHMSA's and its State pipeline safety partner's ability to perform regulatory and oversight functions.

**Remove Statutory Exemptions** – PHMSA supports reforms to eliminate all remaining statutory exemptions for both gas and hazardous liquid gathering lines. Significant spills and incidents have occurred on gathering lines and removal of these exemptions would be consistent with PHMSA's longstanding effort to capture the remaining pipeline mileage that is currently unregulated, but may warrant regulation. Production facilities and flow lines would remain non-jurisdictional.

**Reimbursement For Design Reviews/Construction Oversight** – PHMSA supports reforms to seek reimbursement from project applicants for design review, consulting, and field oversight that the agency performs for new pipeline construction projects over 100 miles in length.

Currently only fully operational pipelines support the costs of PHMSA oversight through user fees; those in the planning or construction phases pay no fees to support the significant efforts expended on ensuring the technical adequacy of novel or non-conforming design, or in conducting oversight of construction to ensure compliance with the pipeline safety codes before the pipeline is covered and put into service. These reforms would place the associated financial burden on the applicant who stands to realize the benefits from the proposed project - without warping PHMSA's allocation of effort and expenses to pipelines already in operation.

**Special Permit Fees** – PHMSA supports reforms such as a filing fee for special permit applications to reimburse the agency for costs incurred to review those applications - whether for conducting technical studies or environmental analyses. The applicant who stands to benefit from the special permit project should pay for this service.

## **V. CONCLUSION**

In closing, we look forward to working with Congress to address any issues you may have concerning PHMSA's pipeline safety program and the regulation of gas and hazardous liquid pipelines. PHMSA very much appreciates the opportunity to report on our oversight role of these pipelines and the opportunities that exist to strengthen oversight.

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