

Testimony of
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On Behalf of the American Gas Association
and
The American Public Gas Association

Before the U.S. House Energy and Commerce Committee
Subcommittee on Energy and Air Quality

Hearing on a Discussion Draft on the Pipeline Safety Improvement Act
Reauthorization and H.R. 5782
The Pipeline Safety Improvement Act of 2006

July 27, 2006

I would like to thank the Committee for convening this hearing on the important topic of pipeline safety. My name is Ron Jibson. I am Vice President of Operations at Questar Gas Company. Questar Gas provides retail natural gas-distribution service to more than 800,000 customers in Utah, southwestern Wyoming and a small portion of southeastern Idaho.

I am testifying on behalf of the American Gas Association (AGA) and the American Public Gas Association (APGA). AGA represents 197 local energy utility companies that deliver natural gas to more than 56 million homes, businesses and industries throughout the United States. AGA member companies account for roughly 83 percent of all natural gas delivered by the nation's local natural gas distribution companies. AGA is an advocate for local natural gas utility companies and provides a broad range of programs and services for member natural gas pipelines, marketers, gatherers, international gas companies and industry associates.

APGA is the national, non-profit association of publicly owned natural gas distribution systems. APGA was formed in 1961, as a non-profit and non-partisan organization, and currently has 655 members in 36 states. Overall, there are approximately 950 municipally owned systems in the U.S. serving nearly five million customers. Publicly owned gas systems are not-for-profit retail distribution entities that are owned by, and accountable to, the citizens they serve. They include municipal gas distribution systems, public utility districts, county districts, and other public agencies that have natural gas distribution facilities.

The Pipeline and Hazardous Materials Safety Administration (PHMSA) and the industry have made significant progress on the initiatives mandated by the 2002 pipeline safety act.

In our opinion only minor adjustments should be considered at this point, with one exception: Our companies have identified one major area we believe requires considerable improvement: excavation damage prevention. Congressional attention to more effective state excavation damage programs can, and will, result in real, measurable decreases in the number of incidents occurring on natural gas distribution pipelines each year. Excavation damage is the single cause of a majority of natural gas distribution pipeline incidents.

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.

Our industry’s commitment to safety is borne out each year through the federal Bureau of Transportation Statistics’ annual figures comparing modes of transportation. Indeed, delivery of energy by pipeline is consistently the safest mode of energy transportation.

The Difference in “Pipelines”

Understandably, most customers link all “pipelines” together, however there are indeed significant differences between the liquid transmission systems, natural gas transmission systems and the natural gas distribution systems operated by local gas utilities. Each type of pipeline system faces different challenges, operating conditions and consequences of incidents.

Interstate transmission systems are generally made up of long, straight runs of large diameter steel pipelines, operated at high volumes and high pressures. These larger transmission lines feed natural gas to the gas distribution utility systems.

Gas distribution utility systems, in contrast, are configured like spider webs, operate at much lower volumes and pressures and always carry gas that has been odorized for easy leak detection. Distribution pipeline systems exist in populated areas, which are predominantly urban or suburban.

Distribution pipelines are generally smaller in diameter (as small as 1/2 inch), operate at pressures ranging upward from under one pound per square inch, and are constructed of several kinds of materials including a

large amount (over 40 percent) of non-corroding plastic pipe. Distribution pipelines also have frequent branch connections, since most customers require individual service lines. Most distribution systems are located under streets, roads, and sidewalks and when working on them, care must be taken not to unnecessarily disrupt the flow of traffic and of commerce. Because distribution pipelines provide a direct feed to customers, the use of in-pipe inspection tools usually requires natural gas service to customers to be interrupted for a period of time.

Federal regulations recognize the differences between these types of pipelines, and different sets of rules have been created for each. 49 CFR Part 192 sets out the regulations for natural gas transmission and distribution pipelines and the rules discriminate between the two, while 49 CFR Part 195 sets out the regulations for liquid transmission lines.

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 pipeline companies. However, state governments are encouraged to adopt as minimum standards the federal safety standards promulgated by the U.S. Department of Transportation (DOT.) In exchange, presently DOT reimburses the state for up to 50% of its pipeline safety enforcement costs. Therefore, the actions of Congress affect state regulations and our companies. The states may also choose to adopt standards that are more stringent than the federal ones, and many have done so. Questar and many other distribution system operators report being in close 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 pipeline safety regulations.

Natural Gas Utilities Are Committed 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 the American Gas Association, the American Public Gas Association and the Interstate Natural Gas Association of America.

We continually refine our safety practices. Natural gas utilities spend an estimated \$6.4 billion each year in safety-related activities. Approximately half of this money is spent in compliance 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.

What Are The Facts About Most Gas Distribution Safety Incidents?

During last week's Transportation and Infrastructure Committee's mark-up of H.R. 5782, two members of the committee stated that between 2002 and 2005 the greatest number of pipeline incidents occurred in the nation's gas distribution systems, and that such incidents were on the increase. For clarification sake, I would like to qualify this statement. Any conclusions on relative safety between gas distribution, gas transmission and hazardous liquids must be tempered by the fact that distribution has almost 4 times the miles of pipe than gas transmission and liquids combined

So, where do these distribution incidents come from?

There are two kinds of incidents involving natural gas distribution systems, depicted in the attached chart titled: "Most Distribution Incidents Caused by External Forces": (1) Those caused by factors the pipeline operator can to some extent control, such as improper welds, material defects, incorrect operation, corrosion or excavation damage by a utility contractor; and (2) those caused by External Forces, which are due to factors the pipeline has little or limited ability to control, such as excavation damage by a third party, earth movement, structure fires, floods, vandalism and lightning.

The term "excavation" is intended to include demolition, excavation, tunneling or construction activities as presented in the bill being considered today by this committee.

As you can see by the blue area in the chart, utilities do a good job in minimizing incidents that they can control.

The record shows that between 2002 and 2005, 82 percent of all reported incidents were the result of excavation damage by a third party or other factors the utility company had little or no control over. In many cases, the typical “little or no control” incident involves a party outside the jurisdiction of authorities overseeing pipeline safety.

Furthermore, as shown by the second attached chart titled: “Incidents Caused by Excavators Have More than Doubled Since 2002”, during the same four-year period, incidents due to 3rd party excavation more than doubled. Excavation damage thus represents the single greatest threat to distribution system safety, reliability and integrity.

Efforts by the Common Ground Alliance (CGA) damage prevention organization and the nationwide education program on the three-digit One Call 811 dialing to prevent excavation damage are steps in the right direction. But more is needed.

AGA and APGA support the proposal before this committee to outline the required nine elements of an effective state damage prevention program in the legislation and to provide for additional funding for state implementation of the program. Data from the last five years demonstrates that states that have stringent enforcement programs experienced a much lower rate of excavation damage to pipeline facilities than states that do not have stringent enforcement powers.

AGA and APGA urge Congress to provide continued funding authority over the upcoming reauthorization period for grants to the CGA and to the states to support One Call programs.

The statistics are clear. Excavation damage prevention presents the single greatest opportunity for distribution safety enhancements, and we urge Congress to take decisive action on this front.

AGA and APGA also commend this committee for including language within its draft bill to address the issue raised by Congressman Murphy during an earlier pipeline safety oversight hearing, regarding establishing protocols for post-incident activity. The language requiring a call to the

operator anytime a pipeline is damaged, regardless of severity is a critically important addition to the bill. Likewise, the requirement to call 911 and the facility operator whenever the substance being carried by the pipeline is escaping from the pipeline is a positive addition, and consistent with a current best practice established by consensus of all stakeholders in the CGA. It is important that calls to 911 and the resulting mobilization of extremely busy emergency response personnel, occur only when the substance is escaping from the pipeline. In those situations, as well as when a pipeline is damaged without leakage, a call to the owner or operator of the pipeline will also help more quickly and effectively mitigate the potential hazard.

Gas Transmission Integrity Reassessment Time Interval

It is our hope that in evaluating the appropriateness of the 7-year re-inspection requirement, the U.S. Government Accountability Office (GAO) will uncover all of the pertinent facts and, that based on the GAO findings, Congress will consider options for allowing the Secretary of Transportation to change the interval, consistent with the GAO findings. This will allow operators to continue to deliver natural gas safely and affordably. Consequently, AGA and APGA support the provision for the seven-year re-inspection proposed in the committee's draft bill.

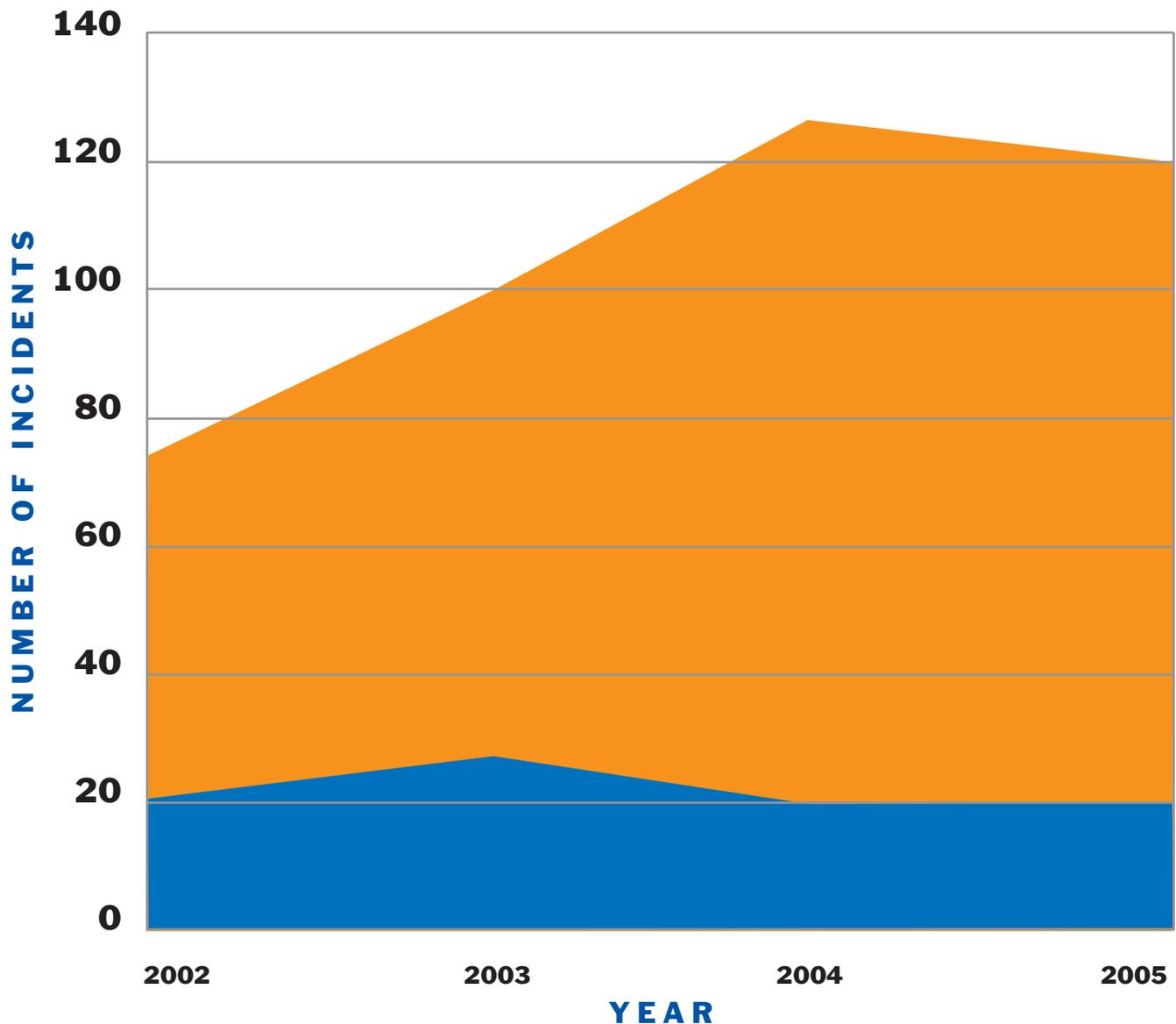
Summary

AGA and APGA believe that Congressional passage of pipeline safety reauthorization this year will result in timely and significant distribution system safety improvements.

The members of AGA and APGA emphatically support the recommendation that Congress enact legislation that gives states an incentive to adopt stronger damage prevention programs. We look forward to working with you to secure passage of legislation this year.

Most Distribution Incidents Caused by External Forces

Stronger Damage Prevention Programs Needed



Incidents Utility Can Control

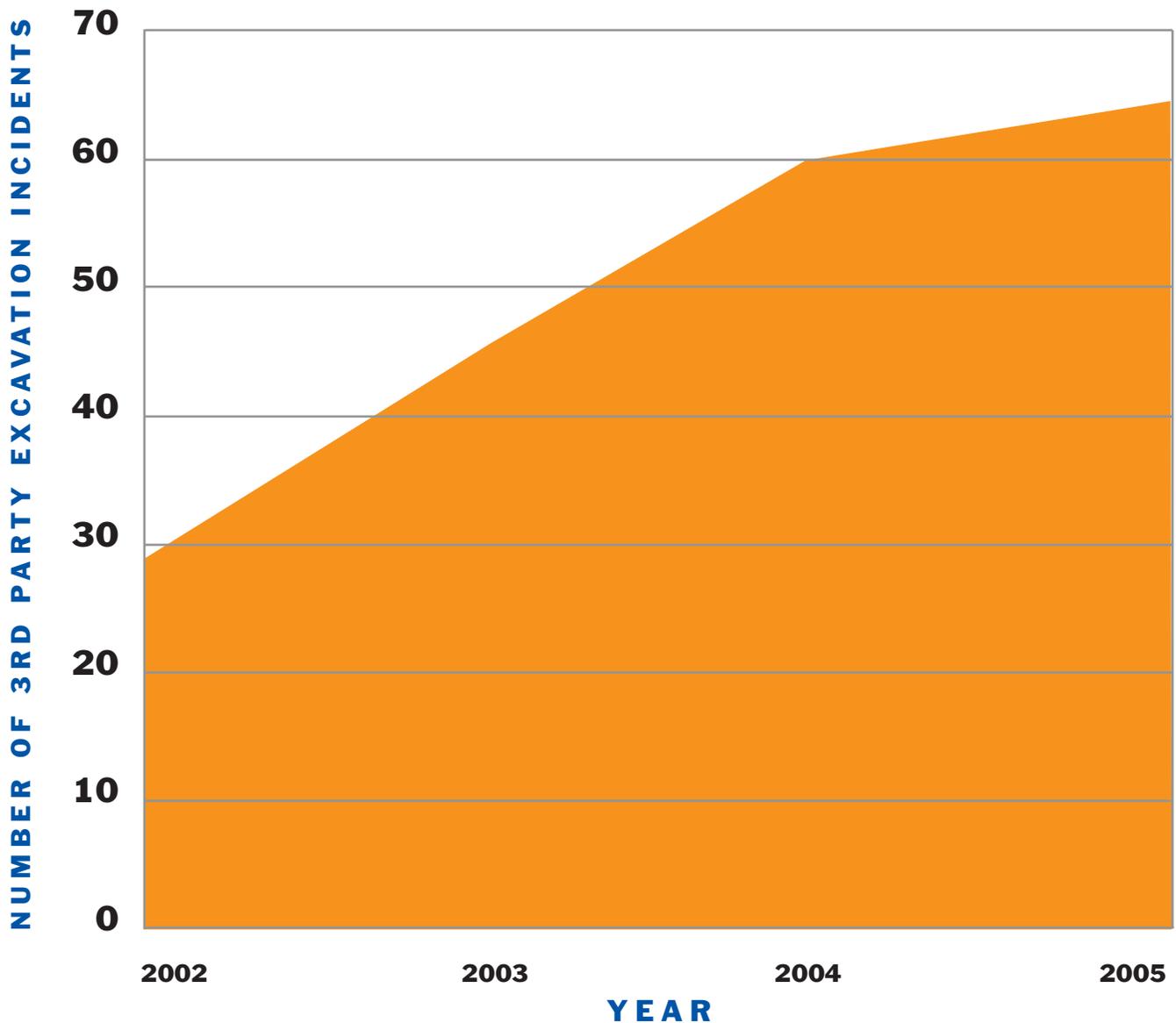
Excavation by operator, corrosion, materials, welds, equipment error

Incidents Utility Has Only Limited Ability to Control

Excavation by 3rd parties, earth movement, fire, floods, hurricanes, lightning, vandalism

**Excludes 'miscellaneous' and 'unknown' incident data.

Incidents Caused by 3rd Party Excavators Have More Than Doubled Since 2002



The steady increase in incidents over the last four years is largely attributable to damage by 3rd party excavators and could be significantly reduced by stronger damage prevention laws.