

**TESTIMONY OF SAM DAVIS,
GENERAL MANAGER AND CEO OF THE LAKE APOPKA NATURAL GAS
DISTRICT, WINTER GARDEN, FL ON BEHALF OF
THE AMERICAN PUBLIC GAS ASSOCIATION
201 MASSACHUSETTS AVE, NE, WASHINGTON, DC 20002
202-464-2742/ WWW.APGA.ORG
BEFORE THE HOUSE TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON RAILROADS, PIPELINES AND HAZARDOUS MATERIALS
HEARING ON PIPELINE SAFETY PUBLIC EDUCATION AND AWARENESS
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Chairwoman Brown, Ranking member Shuster and members of the Committee, I appreciate this opportunity to testify before you today and I thank the Committee for calling this hearing on the important subject of pipeline safety public awareness and education. I also want to commend the Committee for all the work it has done over the years to ensure that America has the safest, most reliable pipeline system in the world. My name is Sam Davis and I am the General Manager & CEO of the Lake Apopka Natural Gas District in Winter Garden, Florida.

The Lake Apopka Natural Gas District was established pursuant to the provisions of Chapter 59-556, Laws of Florida, Acts of 1959, which became law on June 20, 1959, to provide natural gas within its defined area of service. The District currently operates a municipal natural gas distribution utility with over 600 miles of pipe infrastructure and 4 city gate stations, which serve a 500 square mile area within Lake and Orange Counties, in Central Florida. The District has

approximately 15,000 customers, and purchases approximately 550,000 Dekatherms (Dth) of natural gas annually from two suppliers, including its current asset manager. The District also ships approximately 450,000 Dth to transportation customers behind its gate with firm transportation capacity on Florida Gas Transmission Company's interstate pipeline.

I testify today on behalf of the American Public Gas Association (APGA). APGA is the national association for publicly-owned natural gas distribution systems. There are currently approximately 1,000 public gas systems located in 36 states. Publicly-owned gas systems are not-for-profit, retail distribution entities 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. Public gas systems range in size from the Philadelphia Gas Works which serves approximately 500,000 customers to the city of Freedom, Oklahoma which serves 12 customers.

Public gas systems are an important part of their community. Our members' employees live in the community they serve and are accountable to local officials (and their friends and neighbors). Public gas systems are generally regulated by their consumer-owners through locally elected governing boards or appointed officials. However, when it comes to pipeline safety, all of our members must comply in the same manner as investor- and privately-owned utilities with pipeline safety regulations issued by the Pipeline and Hazardous Materials Safety Administration (PHMSA). For most of our members these pipeline safety regulations are enforced by an individual state's pipeline safety agency.

While the manner of safety regulation may be the same, one major difference between the average investor-owned utility and the average public gas system is size: in the number of both customers served and employees. Approximately half of the 1,000 public gas systems have five (5) employees or less. As a result, regulations and rules have a significantly different impact upon a small public gas system than they do upon a larger system serving hundreds of thousands or millions of customers with several hundred or even thousands of employees and an in-house engineering staff.

Safety is the number one issue for public gas systems. No other issue rises to the level of safety for the local distribution company (LDC) that provides natural gas service to its consumers. Gas utilities are the final step in taking natural gas from the production field to the homeowner or business. As such, our members' commitment to safety is second to none and they keep focused on providing safe and reliable service to their customers. A key part of safety is education and public awareness.

Public Awareness

In the Pipeline Safety Improvement Act of 2002, Congress encouraged DOT to issue standards prescribing the elements of an effective public education program. APGA participated in and supported the development of American Petroleum Institute Recommended Practice 1162 which specifies requirements for an effective pipeline public awareness program. In 2006, APGA supported the adoption of RP 1162 by PHMSA as mandatory public awareness regulations and has developed programs to assist member utilities to comply with the rule and gauge the

effectiveness of gas safety educational efforts. APGA continues to participate in the revision of RP 1162, which is nearing completion.

Even before there were federal pipeline safety regulations public gas systems conducted public awareness programs. Utilities add odorant to the gas to give it its distinctive smell so that people can smell it at one fifth of its lower flammable limit. Educating the public so that the public recognizes a gas odor and to call the utility if they smell gas is a critical component of each utility's safety program. Another critical component is educating the public about the existence of buried gas lines in our community and the importance of calling the one-call center to have lines marked before digging.

A public gas utility's public awareness issues are different than those of interstate liquid or natural gas pipeline operators. Unlike some liquid pipelines, natural gas utilities transport just a single product, natural gas, so our messages about recognizing and reacting to a possible leak are more straightforward. In addition, our pipelines bring natural gas directly into the homes and businesses in the communities we serve, so our product is something that many in the public encounter in their daily lives. People may not expect there to be oil pipelines or gas transmission pipelines in their neighborhood, but they do know that there are buried gas lines, especially if they have gas service in their home. In 2007 APGA polled nearly 200 thousand randomly selected people in towns and cities served by public gas systems. Over 85 percent were aware that buried gas lines ran through their community and that they should call before digging. And nearly 97 percent believed that they have adequate information about natural gas safety like how to recognize a leak and what they should do if they smell gas in the home. This is even more

impressive because nearly half of the people polled were not even gas customers. Even before the new regulations took effect, these results show that public gas utilities were doing a good job communicating gas safety messages.

APGA also assisted its members to comply with the new requirements. In 2006, APGA developed a model public awareness plan that it made available free to members. The APGA website contains samples of public awareness materials that members can download and modify for their own use. APGA also conducts public awareness surveys for participating members. It is called the APGA Gas Overall Awareness Level (GOAL) program and it calls a random sample of customers and non-customers in the service territory of participating utilities. We are conducting our 4th year of surveys, even though the regulations did not require surveys to be completed until this year. The statistics that I cited earlier come from the first year of APGA GOAL surveys. 158 utilities currently use GOAL to measure the effectiveness of their public awareness programs. These utilities are able to compare their numbers with national averages and identify areas for improvement.

Public gas systems had effective public awareness programs before these new rules took effect, they have effective public awareness programs now and APGA believes the current programs are adequate to ensure public awareness of natural gas safety into the future.

Reauthorization

As the Committee considers legislation to reauthorize the Pipeline Safety Act, I want to communicate our support for reasonable regulations to ensure that individuals who control the nation's network of distribution pipelines are provided the training and tools necessary to safely operate those systems. In this regard, over the past several years the industry has had numerous additional requirements placed on it, e.g. Distribution Integrity Management Programs (DIMP), excess flow valves, control room management, operator qualification, public awareness and more. Many APGA members are in the process of working to comply with the administrative burdens of these additional regulations. Given that public gas systems are non-profit systems and in many cases have limited resources, these additional regulations, while important, do impose an additional operational burden upon them. For this reason, APGA strongly supports a clean reauthorization of the Act.

Should the Committee consider revisions to the Act, there are a number of issues APGA would ask the Committee to consider. We urge the Committee to give great consideration before imposing any additional regulatory burdens upon LDC's through this reauthorization effort. In terms of reauthorization, APGA is specifically concerned about an expansion in the requirements for excess flow valves and potential changes in the funding mechanism for PHMSA.

Excess Flow Valves (EFV's)

The PIPES Act included a provision requiring operators to install excess flow valves on new and replaced single residential service that operate year around at or above 10 pound-force per square inch gauge. Exceptions are provided if EFVs are not available, if it is known there are contaminants in the system that would cause the EFV to fail or if it is known there are liquids in

the system. Prior to this installation requirement, there was a customer notification rule in place that required gas systems to make their customers aware of the availability of EFVs and install an EFV if the customer was willing to pay installation costs. It was limited to new and renewed services because EFVs are installed underground where the “service line” to a residence connects to the gas main. If the ground or pavement over the main is already open and a new connection to the main is being installed, adding an EFV at that time costs just a fraction of what it would cost to install or replace an EFV when no other work is planned at the main-service connection.

Each EFV has a preset closure flow rate. Once installed on a service line it will prevent gas from flowing at any flow rate higher than its preset closure flow rate. There is no way short of replacing the EFV to change its closure flow rate. This is typically not an issue with EFVs on residential service lines since the gas demand to a residence does not typically change drastically. A residence will have a relatively constant and predictable gas demand over its lifetime so the EFV can be sized accordingly.

However, APGA is greatly concerned about an expansion of the EFV requirements to commercial and industrial businesses and multifamily residences. A commercial building, unlike a residential unit, may see huge changes in gas demand as tenants in the space move in and out. For example, a space in a strip mall that today is occupied by a shoe store could be converted to a restaurant or bakery tomorrow. The gas demand could double or triple. That could require replacing the meter, regulator and EFV. Since the first two items are above ground, replacement is relatively inexpensive. However, the EFV is buried and replacing it

would be very costly, often hundreds of times the initial cost of the EFV. To address this problem, an operator could install a grossly oversized EFV with closure flow at or near the free flow limits of the service line. However, a valve so oversized would probably not close even if the line were ruptured, defeating the purpose of having an EFV on the line in the first place.

The same and additional issues apply to installing EFVs on service lines to industrial customers. The flow rates and operating pressures to many industrial customers exceed the capacity of commercially available EFVs.

The potential costs of a false closure of the EFV can be significantly greater for a commercial or industrial customer than a residence. Both would suffer business losses in addition to the inconvenience of no heat or hot water. An evening's loss of business to a restaurant could run into the thousands of dollars, however some industries such as microprocessor chip manufacturers could see millions of dollars of product ruined by the loss of temperature control required by their processes.

The industry has experience with EFVs designed for typical flow rates to single-family residences, but has little or no experience with EFVs designed for the higher flow rates that would exist at multi-family residences. The time and resources to restore service after a false closure of an EFV to a multi-family residence would be many times more than if the same problem occurred at a single residence.

PHMSA has established a working group of government, industry and public experts to study the issues related to installing large volume EFVs on other than single residential services. We encourage Congress to allow this stakeholder working group to proceed towards making specific recommendations on this issue.

Funding of User Fees

Under the current formula, user fees for funding PHMSA are collected by natural gas transmission operators from their downstream customers. User fees are mandatory costs a natural gas transmission operator can pass through to customers in its cost-of-service. This allowable pass-through treatment is similar to other mandatory safety program costs. As a result, it is natural gas distribution operators that pay the user fees to transportation operators in their transportation rates, and it is the natural gas transmission operators that, after collecting the user fees from its customers, pass those fees to PHMSA in the annual pipeline safety user fee assessment.

APGA supports this current formula and we believe it has worked well over the years. APGA is strongly opposed to any changes in the current formula that would shift the user fees to the LDC's. The pipelines currently build these fees into their costs and if they believe they are not recovering the costs, they have an option provided to them under Section 4 of the Natural Gas Act to file for a rate increase with the Federal Energy Regulatory Commission. Since the Federal Energy Regulatory Commission has never turned down a request to include pipeline safety user fees in transportation rates charged by interstate pipelines, the decision whether or not to pass through all or a portion of the user fees to its customers is completely within the pipeline's discretion. If

for business reasons a natural gas transmission operator makes a business decision not to pass this safety cost through to one or more of its customers (e.g., it wishes to discount rates to certain customers, avoid filing a rate case, etc.), any consequence arising from that decision should be borne by that natural gas transmission operator.

Shifting fees to distribution would mean that LDC customers would pay both the user fees assessed to the LDC AND the fees passed on in transportation rates charged by their pipeline supplier. Gas customers served directly from a transmission line would pay a lesser amount of user fees per unit of gas than if the same customer were served through the LDC. The current user fee system also greatly simplifies fee collection as there are fewer transmission pipeline operators than there are LDCs. The current system of user fee collection has worked well for over 20 years.

Integrity Management of Low Stress Transmission Lines

Currently, low stress transmission lines (a line operating below 30 % of the specified minimum yield stress) operated by distribution systems are regulated under the Transmission Integrity Management Program (TIMP). It is APGA's position that those pipelines should be regulated under the Distribution Integrity Management Program (DIMP). The benefit of handling this under DIMP is that TIMP focuses on finding mainly corrosion and mechanical damage problems. The DIMP rule addresses these threats but also requires distribution operators to consider other threats to integrity including excavation, natural forces, incorrect operations and more. When a high stress line corrodes it can suddenly rupture, whereas a low stress line would

just start leaking, and the leak would get progressively worse over time. The utility has time to find it through ongoing leak surveys and patrols and fix it before it threatens public safety. Since the big issue with distribution is 3rd party damage, and PHMSA's data show that corrosion is the least likely of the 8 threats addressed by DIMP, the costly corrosion inspections required by TIMP on low stress transmission lines are of questionable benefit.

Conclusion

Natural gas is critical to our economy, and millions of consumers depend on natural gas every day to meet their daily needs. It is critical that they receive their natural gas through safe, affordable and reliable delivery by their LDC. Public gas systems are proud of their safety record and safety has been, and will continue to be, their top priority. Approximately 1,000 villages, towns, cities, counties and utility districts across the US are served by locally-owned, non-profit, public gas utilities. Like most local governments, the current economic conditions have resulted in lower tax revenues and higher costs to provide services to their citizens. Unlike investor owned pipelines and utilities, costs imposed on public gas systems cut into other services provided by the local government including fire, police and other public safety programs. Additional costs imposed on these local governments by additional regulation of their natural gas utilities needs to strike a careful balance between costs and benefits from any new mandates. We look forward to working with the Committee towards reauthorization of the Pipeline Safety Act.