



Weekly Update – December 3, 2009

New PHMSA Regulations Frustrates APGA

Today the Pipeline and Hazardous Materials Safety Administration (PHMSA) amended the Federal pipeline safety regulations to address human factors and other aspects of control room management for pipelines where controllers use supervisory control and data acquisition (SCADA) systems. APGA is deeply frustrated that after contributing comments, the new rule completely disregards compelling points crucial to public gas systems.

The rule appropriately limits its scope to controllers who monitor and control the pipeline via SCADA systems, yet in the preamble to the rule PHMSA states that individuals who “achieve control ... by other means [than the SCADA system] such as by contacting field personnel and directing them to take action” are also subject to the rule. According to APGA President and CEO Bert Kalisch, “Such a policy would pull back into the rule many public gas system personnel who monitor SCADA systems for operational purposes and have a chilling effect on a utility’s decisions to implement cost-saving SCADA technology in the future.”

SCADA systems are computer-based technology that allow pipeline operators to monitor and control flow, pressure and other pipeline conditions remotely from the pipeline, however not all SCADA systems have the capability to detect leaks. Leaks on distribution systems, where the pipes are smaller diameter and lower pressure than interstate transmission pipelines rarely would cause a pressure drop or flow surge that could be detected by SCADA. Vice President of Operations, John Erickson expressed his displeasure with this section of the rule, “Distribution systems have operated safely for years without SCADA.” APGA hopes that PHMSA will stick to the rule as written rather than try to expand the scope to include monitor-only SCADA systems. Erickson continues, “Distribution systems are interconnected networks rather than long, linear pipelines like transmission, a distribution SCADA operator cannot remotely close valves to isolate a suspected leak. In short, distribution SCADA systems have little or no bearing on public safety – they are for operational monitoring and control.”

In addition, under the final rule operators must implement methods to prevent controller fatigue, even if the control room in which they work is unstaffed during non-business hours “It’s hard to imagine how controller fatigue could be a safety issue if the SCADA system can be left unattended nights and weekends,” Erickson added. Last December, PHMSA’s Technical Pipeline Safety Standards Committee, comprised of public, government and industry pipeline safety experts, unanimously agreed that fatigue management requirements shouldn’t apply to such situations, yet this advice was ignored by PHMSA in the final rule. The final rule further requires operators to manage SCADA alarms, assure control room considerations are taken into account when changing pipeline equipment or configurations, and review reportable incidents or accidents to determine whether control room actions contributed to the event. APGA pointed out in its comments to PHMSA, this proposed rule will classify thousands of distribution system employees as pipeline controllers despite these individuals only remotely monitoring distribution pipeline flow or pressure for operational purposes. These individuals have little impact on public safety

and should not be categorized as pipeline controllers. The final rule addresses some, but not all, of APGA's concerns.

The American Public Gas Association (APGA) commends PHMSA for crafting a rule that is much improved from the rule it proposed on September 12, 2008, however we believe PHMSA is not taking into consideration valid arguments put forth on behalf of public natural gas systems.

APGA files petition urging EPA to exempt small public gas systems from GHG Reporting

On December 3, APGA filed a petition for reconsideration with the Environmental Protection Agency (EPA) in regard to its final greenhouse gas reporting rule published on October 30. APGA's petition asked the EPA to exempt from the yearly reporting requirements public gas systems that emit below the equivalent of 25,000 metric tons of carbon dioxide (approx. 460,000 MCF). The final rule requires all LDCs, regardless of size, to participate in the program. However, the rule further indicates that if a utility consistently reports below 25,000 equivalent tons of Co₂ in the first 3-5 years of the program, that utility will no longer be required to report.

Further, the rule requires utilities to develop and submit a greenhouse gas monitoring plan to EPA. In the petition asking for an exemption, APGA argues that these regulations place an undue burden on public gas systems that emit below 25,000 tons, which according to EPA's own analysis represent less than one percent of U.S. emissions. To have these small systems use their limited resources to develop a ghg monitoring plan and then potentially be exempted in 5 years does not make sense. The petition states that approximately 812 public LDCs emit below 25,000 tons. These LDCs in total have 4,531 employees, or an average of fewer than six employees per LDC. The municipal LDC operations that would have been exempted by the general threshold requirements are the proverbial "mom and pop" operations with very small staffs already stretched thin. It is entirely reasonable to presume that any additional regulatory requirement would be unnecessarily burdensome, consistent with the above-noted principal goal of the Rule to exempt small entities.

Finally, the rule states that an "authorized representative" of the LDC must file a certification report at least 60 days before the first annual report is due. All of the requirements of the rule begin January 1, 2010 and EPA requires data submitted by March 2011.

You can view a copy of APGA's petition at www.apga.org.

For more information on the EPA ghg reporting rule visit <http://www.epa.gov/climatechange/emissions/ghgrulemaking.html>

For more information on this article contact Nate Hill at 202-464-2742 or nhill@apga.org.

GRC Conference Call: Updates on Critical Issues Affecting Public Gas Systems

The APGA Government Relations Committee (GRC) invites all APGA members to participate in a GRC Audio Conference Call on **December 17th, 2009 at 11:00 a.m. ET**. The call will last no longer than one hour and will provide the most up-to-date information about legislative and regulatory issues that directly affect your public gas system. You'll also have a chance to address questions to APGA's General Counsel, Bud Miller, and the APGA professional staff. **Please mark your calendars and make plans to dial-in!**

Please take advantage of this valuable member benefit. **Register today** to participate by sending an email to David Naples at dnaples@apga.org or [registering online](#).

Once APGA has received your registration, you will receive the dial-in information and final agenda by email. **Please note that while there is no registration fee to participate, you will be responsible for paying the long-distance charges associated with the call.**

Unfriendly Agendas at Code Hearings! Gas Utilities Must Be Vigilant

by Mike Deegan, Clearwater Gas System, Chairman APGA Codes & Standards Committee

Our gas industry continues to be threatened when we allow codes to be developed and mobilized for approval by individuals who are not our industry friends. For example, over the last few years there have been code proposals submitted and so called supporting testimony to ban all vent-free appliances. Fortunately, these efforts to unfairly ban a listed and labeled unvented gas appliance have been unsuccessful to-date. However, history has taught gas utilities to be ever vigilant, to actively participate in the code development process, including, if possible, supporting our cause by being present in the audience to vocalize and support our industry position when the hearings are in your locality and to continually support allies who respect our industry and understand the importance and utilization of safe, strong gas standards.

Codes and standards have a considerable impact on gas equipment installation costs and competition between gas and electric and other energy sources and systems. Just think how much load is lost when a code adopts a site-based efficiency measure in lieu of a full energy cycle efficiency calculation or when a proponent submits a code change proposal to over engineer safety, making it impossible to install the gas appliance, making electric the only choice!

It is imperative that APGA members actively support strong fuel gas codes, as well as strong applicable licensing and certification requirements that are important safety measures in our gas industry. The utilization of these model codes elevates the bar and helps prevent incompetent and unqualified contractors and workers from undermining the safety record of our industry. Fuel gas codes establish the minimum standard for the installation of our gas piping, gas venting systems and applicable appliances; and licensing and certification requirements regulates the competency of the persons performing such work through knowledge and skill assessments.

Such active support means dedicating your time and talent to be involved in one or more national or international code setting bodies. For example, I am a voting member on both the NFPA 54- National Fuel Gas Code and the ICC Fuel Gas Code and continue to be involved with my State Codes and Standards committee. I collaborate with AGA, ICC and the National Fire Protection Association on the

development of these codes. This collaborative process is by the industry and for the industry, and we need to keep it that way by participation.

I urge you to contact me about what code setting bodies need gas utility participation. I will do what I can to point you in the right direction.

Participating on the APGA Codes and Standards Committee is also a good way to get started in the codes arena. I can also talk with you about that if you have an interest.

Please contact Mike Deegan at (727) 562-4900 ext 7439 or mike.deegan@clearwatergas.com

Weekly Storage Report

Here is the weekly EIA Summary Report issued on Thursday, December 3, 2009, that reports last week's storage report highlights for Friday, November 27, 2009. A 2 Bcf **increase** has been reported.

Summary

Working gas in storage was 3,837 Bcf as of Friday, November 27, 2009, according to EIA estimates. This represents a net increase of 2 Bcf from the previous week. Stocks were 470 Bcf higher than last year at this time and 487 Bcf above the 5-year average of 3,350 Bcf. In the East Region, stocks were 168 Bcf above the 5-year average following net withdrawals of 7 Bcf. Stocks in the Producing Region were 243 Bcf above the 5-year average of 976 Bcf after a net injection of 8 Bcf. Stocks in the West Region were 76 Bcf above the 5-year average after a net addition of 1 Bcf. At 3,837 Bcf, total working gas is above the 5-year historical range.