

**STATEMENT OF
DONALD F. SANTA
PRESIDENT AND CEO
THE INTERSTATE NATURAL GAS ASSOCIATION OF AMERICA**

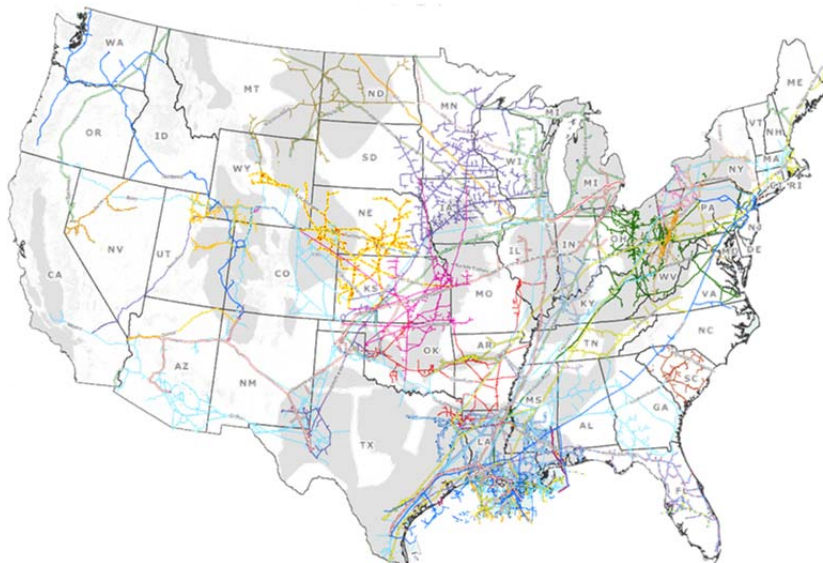
**BEFORE THE
SUBCOMMITTEE ON RAILROADS, PIPELINES AND HAZARDOUS MATERIALS
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
U.S. HOUSE OF REPRESENTATIVES**

**REGARDING
A REVIEW OF THE PIPELINE SAFETY, REGULATORY CERTAINTY
AND JOB CREATION ACT OF 2011**

MAY 20, 2014

Good afternoon Chairman Denham, Ranking Member Brown and members of the Subcommittee. My name is Donald F. Santa, and I am President and CEO of the Interstate Natural Gas Association of America, or INGAA. INGAA represents interstate natural gas transmission pipeline operators in the U.S. and Canada. The pipeline systems operated by INGAA's 26 member companies are analogous to the interstate highway system, transporting natural gas across state and regional boundaries. As you can see from the map below, this is an extensive energy infrastructure system.

U.S. Natural Gas Transmission Pipelines: A Robust Infrastructure



INGAA and its members' core mission is the safe and reliable transportation of natural gas. Through a variety of efforts – including best practices and standards development, regulatory compliance and damage-prevention efforts – our association has been committed to the continuous improvement of pipeline safety since its inception in 1944. INGAA supported the most recent reauthorization of the Pipeline Safety Act, enacted in 2011, as a part of that ongoing effort. We also support implementation of the new law through regulations. To date, however, the bulk of the regulatory mandates from the 2011 pipeline safety law have yet to be implemented in the form of new rules. INGAA is willing to do whatever it can to help get these regulations completed before the next reauthorization process begins in the fall of 2015.

INGAA Safety Commitments

As mentioned, INGAA has a long history of engagement on pipeline safety improvements. This began with the development of construction and operating standards during the early years of the natural gas pipeline industry. In 1968, Congress enacted the Natural Gas Pipeline Safety Act, formalizing the standards and making them enforceable. In the decades since, Congress has added new requirements as technology has advanced and as the ability to monitor safety criteria has improved.

We have long maintained – and regulators agree – that the natural gas pipeline industry operates with a high degree of safety. Accidents are rare, and compared with other modes of transportation, the number of fatalities and injuries from pipeline accidents is very low. Still, the tragedy in San Bruno, California in 2010 was a wake-up call for our industry. It reinforced for pipeline operators that pipeline safety is not just a matter of regulatory compliance; it is a part of the industry's social license to operate. It is therefore critical that we get it right.

In the wake of the accident in San Bruno, INGAA's board of directors committed the association and its member pipeline companies to the goal of zero pipeline safety incidents. INGAA identified the commercial aviation sector as a model of an industry that had pursued such a "zero incident" goal. While this is a tough, and some would say, impossible, goal to meet, the emphasis is in the right place—a pursuit of excellence.

INGAA's overarching goal of zero incidents is supported by four core principles. These are: commitment to a safety culture as a critical dimension of continuous improvement; a relentless pursuit of improving by learning; a commitment to apply

integrity management principles on a system-wide basis; and a commitment to engage with stakeholders at all levels. Together, these principles came to be known as the INGAA integrity management continuous improvement (or IMCI) initiative.

INGAA's overarching principles provided the basis for a nine-point pipeline safety action plan that the INGAA board endorsed in early 2011. This action plan addresses all of the major issues raised by the recommendations of the National Transportation Safety Board in relevant reports as well as the key natural gas pipeline issues addressed within the Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011 (the 2011 Act). In connection with this, two items deserve specific mention: (1) the expansion of integrity management beyond High Consequence Areas, and (2) demonstrating that pre-regulation pipelines remain fit for service.

Recent Pipeline Safety Legislation

A new, risk-based approach to safety for natural gas transmission pipelines was first incorporated in federal pipeline safety law by the Pipeline Safety Improvement Act of 2002. The 2002 reauthorization law directed the Secretary of Transportation to develop a regulation on "integrity management" for those natural gas transmission pipeline segments located in populated areas. Regulations subsequently required the operators of such pipelines to: (1) identify pipeline segments located in defined, populated areas, known as "high consequence areas"; (2) conduct baseline inspection on such segments within 10 years; and (3) re-assess those segments every seven years thereafter.

The emphasis of this integrity management directive was on reducing risks in populated areas, thereby achieving the greatest enhancement to public safety. For interstate natural gas transmission pipelines, only about six percent of total pipeline mileage is located in a defined high consequence area. Still, because the majority of these segments were inspected using in-line inspection tools ("smart pigs"), over 60 percent of total interstate natural gas transmission mileage has been inspected in order to capture that six percent.

As part of its pipeline safety action plan, INGAA is committed to the phased expansion of integrity management beyond high consequence areas. INGAA's plan is to cover 90 percent of pipeline segments located near people by 2020, and 100 percent of segments located near people by 2030. We advocate a phased approach in part to minimize delivery service disruptions. Testing of some pipeline segments will present major challenges due to the operational consequences of removing such

pipe from service for inspection and the possible repair and replacement that might be necessary.

The 2011 Act directs the Pipeline and Hazardous Materials Safety Administration (PHMSA) to examine the expansion of the integrity management program beyond the 2002 requirements, report its findings to Congress and issue any new rules that might be warranted. We anticipate that PHMSA will propose an omnibus rule later this year that will address many of the mandates in 2011 Act, including the expansion of integrity management.

The other key issue is whether pipelines constructed before federal pipeline safety regulations took effect in 1970 remain “fit for service.” Many of the nation’s natural gas transmission pipelines were constructed before 1970. The standard industry practice at the time was to test new pipe to confirm its ability to operate safely at the system’s maximum allowable operating pressure prior to placing such pipe in service. The new federal regulations made such testing and records retention a legal requirement for pipe installed after 1970. The accident in San Bruno highlighted the need for pipeline operators to ensure that they have an adequate basis for confirming that material strength testing occurred before a pipe entered service. INGAA’s members support the validation of testing records, as well as re-testing segments located in populated areas if traceable, verifiable and complete testing records cannot be produced.

The 2011 Act requires regulations on records/testing for pre-1970 pipe. While these regulations have not been issued, PHMSA has engaged in a robust pre-rulemaking dialogue with pipeline safety stakeholders, including INGAA and its members, to develop a process for implementing this requirement. We anticipate that this will be included as part of the omnibus rulemaking proposal that will be released later this year.

Natural Gas Safety Regulations – Importance of Certainty

The 2011 action plan for improving pipeline safety continues to be an imperative for INGAA’s member pipeline companies. INGAA’s members remain committed to the goal of zero incidents, and progress toward that target must continue whether new regulations are issued, or not.

Still, it is important and desirable that there be consistency between the voluntary commitments in the INGAA action plan and the regulations that will implement the

2011 Act. INGAA has engaged in an active dialogue with PHMSA (and other stakeholders) over the past three years to achieve this goal. This has been constructive, and we have every reason to believe that the omnibus rule proposed later this year will reflect INGAA's input.

Still, these proposed regulations are behind the schedule that Congress prescribed in the 2011 Act. INGAA acknowledges that regulations should be thoughtfully considered and include an analysis of costs and benefits. The practical consequence of this delay, however, is to erode the confidence of some pipeline companies that proceeding with the dedication of resources needed to implement pipeline safety commitments will be consistent with the final rules adopted by PHMSA. This hesitancy is rooted in the perceived risk that the rules ultimately might compel repeating certain steps in the pipeline safety action plan. This is not insignificant. For example, testing pipelines for material strength is both costly and disruptive because pipelines need to be removed from operation to complete the testing. Pipeline operators are being held back by this "do-over" risk when we, as an industry and regulators, should be moving forward.

Our purpose here is to work collaboratively with PHMSA. Because the regulatory process indeed goes far beyond what PHMSA can control, INGAA wishes to make the point that it is critical that these natural gas pipeline safety regulations be completed in a workable and timely manner. The title of the most recent law reauthorizing the Pipeline Safety Act makes the point. It is "The Pipeline Safety, *Regulatory Certainty* and Job Creation Act of 2011" (emphasis added). Regulatory certainty is necessary to move forward. As I said at the outset, INGAA pledges to play a constructive role in completing these efforts.

The current authorization of the Pipeline Safety Act expires at the end of September 2015. Consequently, Congress will likely initiate the reauthorization process early next year. That process will be most productive if Congress and all stakeholders have the benefit of PHMSA's rules implementing the 2011 Act. We are hopeful that PHMSA can complete its regulatory efforts before the law is authorized again.

Mr. Chairman, thank you for the opportunity to share our views.