



PHMSA Finalizes New Pipeline Design, Construction Requirements

New design and construction requirements for all gas pipelines went into effect on May 23. Put into place by the Pipeline and Hazardous Materials Safety Administration (PHMSA), the standards are meant to decrease the chances of a calamitous pipeline accident such as the one in August 2000 near Carlsbad, NM, in which 12 people were killed. In the wake of that accident, the National Transportation Safety Board recommended that PHMSA adopt additional pipeline design and construction standards.

INGAA opposed issuance of any new requirements and asked the agency, if it were determined to move forward, to exempt offshore pipelines. The agency did that, but Terry Boss, the INGAA senior vice president, says that the May 23 start date is problematic. It means that pipelines going into the ground after that date must comply with the new rules. "But it takes time to design pipelines which will comply," Boss explains. He also thinks some of the wording in the final rules is "a little loose."

The new standards have been toned down a bit to take into account complaints that INGAA and the PHMSA's own Technical Pipeline Safety Standards Committee (TPSSC) voiced after the agency released proposed changes in December 2005. The essence of the new requirement is that new and repaired pipelines be configured to reduce the risk that liquids will collect in the line, have effective liquid removal features and allow the use of devices for monitoring internal corrosion. In addition, a company could avoid complying with these three requirements if it has records showing why incorporating those design features is "impracticable or unnecessary."

However, PHMSA didn't accommodate all of the pipeline industry's requests for modification of the proposal rule. For example, the agency declined to provide an exception to the requirement that an operator determine that liquids will not pose a problem in a line.

The major point of contention during the rule making was any record-keeping requirements.

INGAA and individual interstate pipelines were critical that documentation requirements relating to showing a line was configured correctly, or that its liquid removal features are effective, were onerous. In the final rule, PHMSA says that "Written procedures supported by as-built drawings and other construction records ordinarily will satisfy" its requirement that operators maintain records demonstrating compliance. But the agency goes on to say

that these records must "adequately" show why a company did not comply with one of the three key design requirements. For example, an operator might have a written design allowing pipe to be laid following the contour of the land. To avoid accumulation of liquid in the low spots, the design procedure might call for incorporating design features to maintain gas velocity or to remove liquids. The actual construction records or as-built drawings would show what the operator actually did.

Another example might be a construction record showing the use of a filter or separator at the gate station of a distribution pipeline. Regardless of the choices in record keeping an operator makes, the records must show circumstances justifying variance based on impracticability or lack of necessity. For example, if an operator does not provide features for effective liquid removal at low spots, the records must show why it is not necessary to do so.

FERC Approves Second Leg Of Rockies Express

FERC approved the second of three legs of the Rockies Express, a 1,663-mile pipeline which will be one of the largest natural gas projects ever constructed in North America. Ultimately, gas from Wyoming and Colorado will be transported to Ohio, where it will enter the Panhandle Eastern system.

Rockies Express-West, the section FERC approved on April 19, will consist of 713 miles of 42-inch diameter mainline pipeline and related facilities and will commence at the existing Cheyenne Hub and extend eastward to an interconnection with Panhandle Eastern Pipeline Company in Audrain County, MO.

The first 328-mile segment of the Rockies Express project, which runs from the Meeker Hub in Rio Blanco County, CO, to the Cheyenne Hub, is in service and has a current capacity of 500,000 dekatherms per day. The final eastern segment will run 637 miles from eastern Missouri to the Clarington Hub in eastern Ohio. Subject to receipt of regulatory approvals, Rockies Express-East is expected to begin interim service as early as Jan. 1, 2009, and to be fully operational by June 2009.

Rockies Express Pipeline LLC is a \$4.4 billion joint venture of Kinder Morgan Energy Partners, Sempra Pipelines and Storage, a unit of Sempra Energy, and ConocoPhillips. When completed, the 1,678-mile pipeline will have a capacity of approximately

1.8 billion cubic feet per day. Binding firm commitments from creditworthy shippers have been secured for virtually all of the capacity on the pipeline. KMP is overseeing construction of the project and will operate the pipeline.

Senate Chairman Wonders About FERC Oversight Of Gas Markets

Sen. Jeff Bingaman (D-NM), chairman of the Senate Energy Committee, seems unhappy with FERC's use of new anti-gas price manipulation authority Congress bestowed on the agency in the 2005 Energy Policy Act. Bingaman met with FERC Chairman Joe Kelliher on April 18 in Bingaman's personal office on the seventh floor of the Hart Senate Office Building to convey his apparent displeasure with FERC's response to the Amaranth Advisors LLC hedge fund collapse in September 2006. That hedge fund lost \$6 billion in natural gas trades in one month.

Bill Wicker, Bingaman's spokesman, says the conversation "left us with unanswered questions."

Kelliher tried to answer some of those questions the next day. FERC released a proposed rule which would, if it is finalized, impose a daily requirement for intrastate pipelines to post the capacities and volumes of natural gas flowing through their major receipt and delivery points and mainline segments, and an annual requirement for certain buyers and sellers of natural gas to report the numbers and volumes of relevant transactions for the previous calendar year.

The proposed rule only partly satisfied Paul Cicio, president, Industrial Energy Consumers of America, the group that had been pushing first FERC and the Commodity Futures Trading Commission and then Congress to take stronger steps to prevent traders such as Amaranth to have so much influence on the natural gas market. Cicio says, "FERC is moving in the right direction. But that proposal is not a complete answer to the need for oversight of natural gas OTC markets." Cicio adds that he hopes Bingaman forces FERC to do more. ■