

Prepared Testimony of

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before the

Pennsylvania House of Representatives
Consumer Affairs Committee

Hearing on House Bill 344, P.N. 299
(Pipeline Safety)

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Chairman Godshall, Chairman Preston, and members of the Committee, I appreciate the opportunity to testify today on pipeline safety and particularly the provisions of House Bill 344, Printer's No. 299.

- The Commission has long recognized the need to address the safety of currently non-PUC jurisdictional systems, and has made gas safety jurisdiction over non-public utility pipelines one of its top legislative priorities.
- The Commission has testified before both the Senate and House Republican Policy Committees seeking this jurisdiction and before budget hearings and oversight committees seeking the same.
- The Commission held two en banc hearings on gas safety issues related to Marcellus Shale development. It also has held numerous discussions with interested parties on the issues, including the provisions of HB 2693, introduced last session by Representative Baker.
- While HB 344 amends Title 66 (the Public Utility Code), SB 325, introduced by Senator Lisa Baker, creates a freestanding act. Last week, it was voted out of committee and referred to the Senate Appropriations Committee.
- Before discussing the provisions of HB 344, let me provide some background:
 - The Commission participates in the U.S. Department of Transportation's pipeline safety program, administered by the

Pipeline and Hazardous Materials Safety Administration (PHMSA), through certification pursuant to Chapter 601 of Title 49 of the United States Code. Under this certification, the state agency assumes inspection and enforcement responsibility with respect to intrastate facilities over which it has jurisdiction under state law.

- In order to fulfill its pipeline safety inspection and enforcement agreement with the U.S. DOT, the Commission's Gas Safety Division employs eight safety inspectors (3 in Western Pennsylvania, 2 in South Central Pennsylvania, 2 in Southeastern Pennsylvania, and 1 in Northeastern Pennsylvania) to inspect approximately 46,000 miles of pipeline located within Pennsylvania.
- These gas safety inspectors perform approximately 32 different types of inspections on the following regulated public utilities under the Commission's jurisdiction: 36 natural gas distribution facilities, 4 LNG facilities, and 11 intrastate jurisdictional transmission lines.
- These gas safety inspectors are trained and certified by PHMSA's Training and Qualification Program located in Oklahoma City, Oklahoma. Currently each gas inspector is required to complete approximately 20 one-week courses. The Commission's gas safety inspectors are the only U.S. DOT-certified pipeline inspectors performing inspections within the Commonwealth.

- For several years, PHMSA has urged the Pennsylvania Public Utility Commission to augment its jurisdiction to include non-PUC jurisdictional pipelines. PHMSA's representative testified at one of the Commission's en banc hearings regarding Marcellus Shale development that:

“The latest PUC Gas Safety Division’s evaluation resulted in reduced grant funding since the PUC lacked full authority to inspect all intrastate pipelines subject to the federal pipeline safety regulations. To receive the maximum grant funding available, the state legislature must give the PUC the authority to inspect all intrastate pipelines including but not limited to municipals, co-ops, and privately owned transmission pipelines.”

- Pennsylvania is one of only two of the 31 gas producing states (Alaska is the other) without the authority required by PHMSA of state commissions.
- HB 344 would give the Commission gas safety jurisdiction over non-public utility pipelines and facilities in Pennsylvania consistent with federal law and regulations, including those of natural gas pipelines, propane and landfill gas entities, cooperatives, municipal systems, hazardous liquid pipelines, and non-PUC jurisdictional gathering lines serving retail customers.
- PUC jurisdiction would mirror federal law and regulations, i.e., it would be consistent with and not greater or more stringent than the minimum standards and regulations adopted under federal law. This would include Class 2-4 lines.

- After a risk assessment, PHMSA has thus far determined that it will not exercise jurisdiction over rural gathering lines (Class 1 lines). (Classes are based upon location, which involves offshore and onshore lines and the number of buildings intended for human occupancy over a continuous mile.) In the future, if PHMSA determines a need to exercise jurisdiction over Class 1 lines, the Commission would assume that same jurisdiction under this bill.
- Under the bill, the Commission would have the power to: investigate for compliance; investigate any pipeline facility to determine if a hazardous exists to life or property; investigate any safety-related condition of a pipeline facility; enter into/perform contracts with U.S. DOT; accept grants, cash, or reimbursements from U.S. DOT; and to adopt specified federal regulations by reference.
- The bill does not give the PUC economic jurisdiction over these pipelines, over the operation of landfills within the landfill's property boundaries, or authority to regulate a pipeline operator as a public utility, a natural gas supplier, or as a provider of natural gas supply services.
- The bill requires the PUC to create a registry of pipeline operators (there is no current Pennsylvania or federal registry) and further requires pipeline operators to register. The Commission may charge a reasonable registration fee and annual renewal fee.

- The Commission must determine an appropriate annual assessment based on intrastate regulated transmission, distribution, and regulated on-shore gathering pipeline miles. Costs are to be offset by federal reimbursements which can be up to 80% (although a range of 30-60% has been the norm).
- The bill increases fines for pipeline violations to the federal amounts (from the current \$10,000 per violation per day/maximum \$500,000 to \$100,000/\$1,000,000).
- Budgetary effects: The Commission estimates its fiscal impact to be approximately \$1.4M per year. This includes 13 new gas safety employees (i.e., 10 inspectors, 1 supervisor, 1 Clerk Typist 2, and 1 Fixed Utility Financial Analyst 2), necessary training and equipment, and work time from other bureaus involved.

For the foregoing reasons, the Commission enthusiastically supports HB 344.

Thank you again for your invitation to testify before you today, and I look forward to any questions that you may have.