

## PHMSA Issues Gas Distribution Integrity Management Rule

On December 4, 2009, the Pipeline and Hazardous Materials Safety Administration (PHMSA) issued its final rule requiring all operators of gas distribution lines to develop and implement integrity management (IM) programs for their systems. The rule establishes more limited IM program requirements for master meter operators and liquefied petroleum gas operators serving less than 100 customers from a single source. Operators must implement their integrity management programs by August 2, 2011. PHMSA has also proposed to require pipelines to report on failure of couplings used in metal pipe. Comments on that proposal are due January 4, 2010.

### BACKGROUND

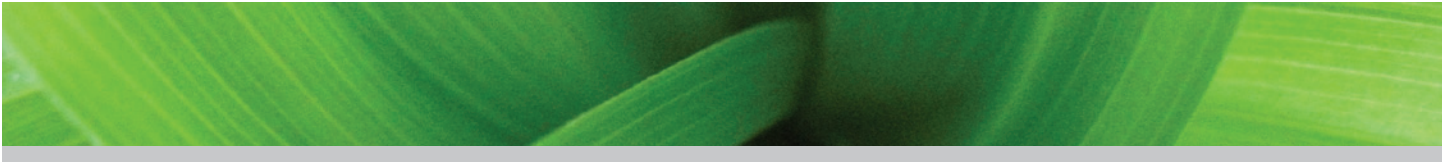
The purpose of PHMSA's IM regulatory requirements is to enhance safety by requiring operators to adopt written plans for continually reviewing data to identify threats to pipeline systems, evaluating risks, and implementing measures to reduce those risks. Over the past several years, PHMSA has adopted IM regulations applicable to hazardous liquid pipelines and gas transmission pipelines. The final rule extends IM requirements to operators of gas distribution pipelines and requires that each gas distribution operator develop an IM program that includes a written IM plan tailored to its individual system. To account for the diverse and complex nature of the nation's gas distribution systems, the final rule establishes high-level, performance-based requirements for IM plans that provide operators and their regulators, primarily states, with flexibility to implement the requirements.

### DISTRIBUTION INTEGRITY MANAGEMENT PROGRAM REQUIREMENTS

*Written IM Plans.* All gas distribution operators subject to PHMSA's pipeline safety regulations must develop IM programs that include a written IM plan that contains procedures for developing and implementing the following elements.

*Knowledge.* Operators must demonstrate an understanding of their gas distribution systems based on "reasonably developed information." Operators must identify the pipeline's design and operational characteristics and environmental factors necessary to assess threats and risks; consider information gained from past design, operations, and maintenance; and identify information gaps and provide a plan for obtaining any missing information over time through normal activities. Operators are not required to review every record relevant to their pipelines, but PHMSA expects pipelines to continually improve system knowledge as they conduct ongoing normal activities, including activities that go beyond those specifically required under Part 192 of PHMSA's regulations. Operators also must implement processes for periodically reviewing, refining, and improving their IM plans and data regarding newly installed pipelines.

*Identify threats.* Operators must identify existing and potential threats by considering reasonably available information. Operators must consider the following threat categories: corrosion; natural forces; excavation damage; other outside force damage; material, weld or joint failure, including compression coupling; equipment



failure; and incorrect operation. Data sources may include, but are not limited to, incident and leak history, corrosion control records, continuing surveillance records, patrolling records, maintenance history, and excavation damage experience.

*Evaluate and rank risk.* Operators must evaluate risks associated with their distribution pipelines by determining the relative importance of each threat and estimating and ranking the risks posed. The evaluation must consider each applicable current and potential threat, the likelihood of failure associated with each threat, and the potential consequences of a failure.

*Identify and implement measures to address risks.* Operators must determine and implement measures designed to reduce the risks from failure to their distribution pipelines. These measures must include an effective leak management program, unless the operator repairs all leaks when found.

*Measure performance, monitor results and evaluate effectiveness.* Operators must evaluate program effectiveness by developing and monitoring performance measures from an established baseline. When re-evaluating threats and risks operators must consider the results of performance monitoring.

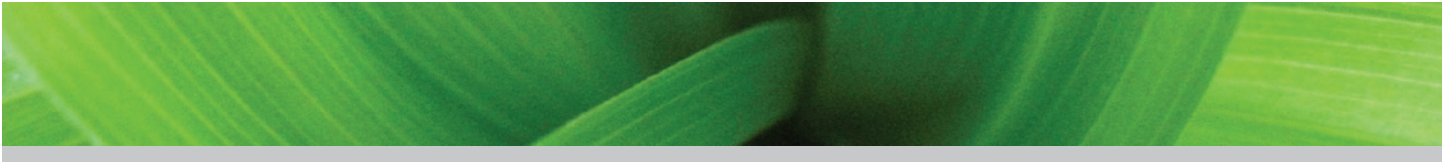
*Periodic evaluation and improvement.* Operators must re-evaluate threats and risks on their entire pipeline and consider whether threats in one location are relevant to other areas. Operators may determine the frequency for conducting complete program evaluations based on their system's complexity and changes to the system that affect the risk of failure, but complete evaluations must be performed at least every five years.

*Report results.* Operators must annually report performance measures to PHMSA or the appropriate state pipeline safety regulator. The performance measures to be reported are (1) total number of hazardous leaks eliminated or repaired, categorized by cause; (2) number of excavation damages; (3) number of excavation tickets; and (4) total number of leaks whether eliminated or repaired, categorized by cause including compression coupling failures.

*Annual reports.* Operators must annually report information related to failure of compression couplings, except for those resulting only in non-hazardous leaks. Operators must maintain records demonstrating compliance, including superseded versions of IM programs, for ten years.

*Deviations from required periodic inspection frequencies.* An operator may propose to reduce the frequency of required periodic inspections and tests, based on engineering analysis and risk assessments. PHMSA or the appropriate state regulatory agency may accept the proposal if the operator demonstrates that the proposal will provide an equal or greater overall level of safety.

*Master meter and small liquefied petroleum gas (LPG) systems.* Operators of LPG systems serving fewer than 100 customers and master meter systems are required to implement simplified IM plans, are subject to limited documentation requirements, and are exempt from reporting annual performance measures.



*Plastic Pipe Reporting.* PHMSA did not adopt its proposal to require the reporting of all failures of plastic pipe. PHMSA agreed that the burden of collecting such data is not warranted, given that the plastic pipe data committee already analyzes plastic pipe failure trends and disseminates information. The final rule does, however, require the reporting of compression coupling failures. In addition, PHMSA proposes to extend this reporting requirement to metal pipe and seeks comments on this proposal. Comments on this topic are due January 4, 2010.

*Damage Protection Programs.* PHMSA did not adopt the proposed requirement that gas distribution companies implement “enhanced” damage programs. PHMSA determined that the requirement was impracticable because such programs are largely state-run.

*Performance Through People.* PHMSA did not adopt “performance through people” regulations because they would be largely duplicative of other existing regulations.

*Excess Flow Valves.* PHMSA clarified that the existing requirement to install excess flow valves (EFV) applies to single-family residential service lines, and does not apply to branch service lines. PHMSA rejected requests to exclude master meter and LPG operators from the EFV installation requirement.

## IMPLICATIONS OF THE FINAL RULE

Issuance of the gas distribution integrity management final rule is the culmination of years of effort on the part of PHMSA and industry stakeholders, and is intended to comply with congressional mandates to extend integrity management requirements to operators of gas distribution systems. Like the proposed rule, the final regulations are drafted as high-level, performance-based requirements, allowing distribution operators flexibility in how they tailor their IM plans to meet the needs and address the risks of their individual systems. For all operators, the key to successful implementation and compliance will be diligent documentation and record-keeping practices.

### FOR ADDITIONAL INFORMATION

Van Ness Feldman regularly counsels clients on issues related to pipeline construction, permitting, safety, and operation. Specifically, the firm has in-depth experience counseling clients on compliance with the Pipeline Safety Act and regulations. If you are interested in additional information regarding PHMSA's regulations, or any other energy-related federal activity, please contact Susan Olenchuk in our Washington D.C. Office at (202) 298-1800, or any member of the firm's Natural Gas practice group.

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