

**Testimony of Barry Pearl  
President and CEO  
TEPPCO Partners, L.P.  
On Behalf of the Association Oil Pipe Lines  
And the American Petroleum Institute  
Before the U.S. Senate Committee on Commerce and Transportation**

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Introduction

I am Barry Pearl, President and CEO of TEPPCO Partners, LP and Chairman of the Association of Oil Pipe Lines (AOPL). I am here to speak on behalf of AOPL and the pipeline members of the American Petroleum Institute (API). I appreciate this opportunity to appear before the Committee today on behalf of the AOPL and API.

AOPL is an unincorporated trade association representing 50 interstate common carrier oil pipeline companies. AOPL members carry nearly 85% of the crude oil and refined petroleum products moved by pipeline in the United States. API represents over 400 companies involved in all aspects of the oil and natural gas industry, including exploration, production, transportation, refining and marketing. Together, these two organizations represent the vast majority of the U.S. pipeline transporters of petroleum products.

TEPPCO Partners, L.P. is a publicly traded master limited partnership, listed on the New York Stock exchange under the symbol TPP. TEPPCO owns and operates more than 11,600 miles of pipeline in over 16 states. Our operations include one of the largest common carrier pipelines of refined petroleum products and liquefied petroleum gases in the United States; petrochemical and natural gas liquid pipelines; crude oil transportation, storage, gathering and marketing activities; and natural gas gathering systems. TEPPCO also owns 50% interests in Seaway Crude Pipeline Company, Centennial Pipeline LLC, and Mont Belvieu Storage Partners, L.P., and an undivided ownership interest in the Basin Pipeline. Texas Eastern Products Pipeline Company, LLC, an indirect wholly owned subsidiary of Duke Energy Field Services, LLC, is the general partner of TEPPCO Partners, L.P.

Summary

It has been a year and a half since the enactment of the Pipeline Safety Improvement Act of 2002 (Public Law 107-355, the "PSIA"). On behalf of the members of AOPL and API, I wish to thank the Members of this Committee for their leadership in passing that comprehensive and very important legislation.

As the Committee reviews the current state of pipeline safety and the progress that has been made since the PSIA became effective, there are a few points that we would like to emphasize.

- First, there is a growing recognition of the importance of the oil pipeline infrastructure to the American economy and the interrelations between pipeline safety, pipeline economic regulation and the essential energy supplies delivered through that infrastructure.
- Second, there has been tremendous progress in pipeline safety because of the PSIA, but there has also been much progress because of actions undertaken by the industry and by the Office of Pipeline Safety, even before the PSIA was signed into law.
- Third, while many of the initiatives of the PSIA are being implemented in a satisfactory manner and on schedule, this is not universally the case, and I will cite an important example at the intersection between pipeline safety and fuel supply where the Committee's help is needed.
- Finally, a warning. We strongly believe that much of the progress that has been made in elevating the importance of pipeline safety and empowering the federal role in ensuring the operation of an effective pipeline infrastructure is threatened by a reorganization plan that we understand is pending that would uproot the pipeline safety program and move it to the Federal Railroad Administration.

### The Role of Pipelines in Petroleum Supply

About one-half of total U.S. energy supply comes from petroleum, with 95% of the energy that powers transportation derived from petroleum. Very few of the elements of the Nation's transportation system – the core of this Committee's jurisdiction – could operate without petroleum. Fully two-thirds of the ton-miles of domestic petroleum transportation are provided by pipeline. The total amount delivered by both crude oil and refined petroleum products pipelines is nearly twice the number of barrels of petroleum (14 billion) consumed annually in the United States.

The major alternatives to pipelines for delivery of petroleum are tank ship and barge, which require that the user be located adjacent to navigable water, and truck or rail, which are limited in very practical ways in the volume they can transport. In fact, pipelines are the only reasonable way to supply large quantities of petroleum to most of the nation's consuming regions. Pipelines do so efficiently and cost-effectively – typically at 2-3 cents per gallon for the pipeline transportation cost charged to deliver petroleum to any part of the United States.

Oil pipelines are common carriers whose rates are controlled by the Federal Energy Regulatory Commission. Pipelines only provide transportation. Pipelines only provide transportation, and our owners do not own or profit from the sale of the fuels they transport. Oil pipeline rates are not related to the price of the products that are

transported. Oil pipelines move 17% of interstate ton-miles but only receive 2% of the total amount charged for interstate freight transportation, a bargain that American consumers have enjoyed for decades.

The oil pipeline infrastructure is crucial to American energy supply. The care and stewardship of this critical national asset is an appropriate public policy concern and an important joint responsibility of the industry I represent, the Department of Transportation and Congress through this Committee.

I've included a report by Richard A. Rabinow entitled "The Liquid Pipeline Industry in the U.S. - Where It's Been and Where It's Going" prepared for AOPL that provides an overview of trends in the oil pipeline industry.

#### Progress Report on Pipeline Safety: Integrity Management

Companies represented by AOPL and API operate 85 percent of the nation's oil pipeline infrastructure. Since March 2001, these operators have been subject to a mandatory federal pipeline safety integrity management rule (Title 49, section 95.452) administered by the Department of Transportation's Office of Pipeline Safety. The oil pipeline industry's experience with pipeline integrity management preceded the enactment of the Pipeline Safety Improvement Act of 2002. Our operators will complete the required 50 percent of their baseline testing of the highest risk segments prior to the September 30, 2004 midpoint deadline set by the integrity management regulations. OPS has inspected the performance of each of these operators under these regulations at least twice – an initial "quick hit" inspection and a subsequent full inspection – and is proceeding with the second round of full integrity inspections. We have experience with the program that will be instructive to the Committee in its review.

The oil pipeline integrity management program is generating safety benefits that significantly exceed anything anticipated when the program was designed. To see how this is occurring, it is helpful to have a general understanding of how the integrity management program operates. The integrity management program requires integrity assessment, that is, regular safety testing with an internal inspection device (a "smart pig"), hydrostatic pressure or other equivalent means, and enhanced protections for those segments of pipe that "could affect" a "high consequence area". A "high consequence area" (HCA) is a defined term in the regulations that means a commercially navigable waterway, a high population area or an area unusually sensitive to environmental damage. Such unusually sensitive areas are also defined in the regulations. Each operator must have a process to determine whether a segment of pipe "could affect" an HCA. The process must consider a range of factors, such as the terrain, the volume and type of oil in the pipe and the physical ways oil released from the segment of pipe might impact the HCA.

In 2000, OPS estimated that under the proposed integrity management system approximately 22 percent of the pipeline segments in the national oil pipeline network would affect an HCA and therefore that operators in aggregate would be required to

assess and provide enhanced protection for 22 percent of the national system. In fact, when oil pipeline operators carried out their analyses of how many of their segments could affect the high consequence areas that were actually identified under the regulations, it turned out that almost twice as many segments, 43 percent of the pipeline network nationally, could affect an HCA. So the anticipated benefits in theory were nearly twice as large as originally estimated.

But in fact, our experience indicates that the actual benefits realized will be significantly larger than that. The predominant method of testing oil pipelines utilizes internal inspection devices. The ports at which these devices are inserted into and removed from a pipeline are fixed in the system. These locations were established prior to the advent of integrity management regulations and without regard for the location of HCAs. The internal inspection devices therefore travel between ports, generating information about all the segments between those ports, whether they affect an HCA or not. As a result, as shown in OPS inspections of operators' plans, it is estimated that integrity testing will cover approximately 82 percent of the nations' oil pipeline infrastructure. Thus the actual mileage tested is almost four times the original OPS estimate.

Operators are finding and repairing many conditions in need of repair and many less serious conditions that are found near defects. For every condition repaired under the rule, approximately six other conditions are excavated and evaluated. Operators are fixing what they find, often going beyond the requirements of the law. The largest cost to the operator is in the scheduling and renting of the internal inspection device, obtaining the permits and carrying out the excavation, so once the pipeline is uncovered, operators fix many conditions that might never have failed in the lifetime of the pipeline. This result is a huge additional benefit to pipeline safety that will reduce the risk of pipelines to the public far into the future.

Although benefits from the integrity management rule are much greater than originally estimated, so is the cost. Costs per operator are often running at a rate of tens of millions of dollars per year, far more than originally anticipated and a substantial amount by any standard. Operators have nevertheless moved aggressively to provide the resources needed to implement integrity management.

### Integrity Management Conclusions

What are the lessons of this experience?

OPS's integrity management program, which relies on the initiative, judgment and priorities of individual pipeline operators, is producing major benefits for the public and the environment without prescriptive regulation. The program is a mandatory one, so operators must participate, must carry out regular testing of their pipelines and must act promptly to address risks. But the operator has flexibility under the program in designing and administering the plan for testing and repair subject only to periodic inspection reviews by OPS. This partnership is proving enormously successful without resort to prescriptive, detailed regulations, intrusive second-guessing of operator decisions or

aggressive enforcement with fines and penalties. It is important to note that operators have been incurring the costs required to find the conditions that need repair, to make the repairs and to protect the lines for the future without specific assurance that these costs will be covered in the rates allowed by the Federal Energy Regulatory Commission. The integrity management program has been successful without resort to the threat of punishment or the need for financial incentives because the program aligns the interests of the operator and the regulator – to adopt the most effective and efficient preventative measures to keep the oil in the pipe. The recent spill and accident record of the pipeline industry (see charts) only underlines this success. Put simply, our industry’s substantial investment in pipeline integrity and leak prevention is a sound one, providing long-term benefits to both pipeline operators and the public.

### Pipeline Safety: The Pipeline Safety Improvement Act of 2002 and More

In the Pipeline Safety Improvement Act of 2002 Congress endorsed the integrity management approach to pipeline safety that OPS had been administering with the oil pipeline industry at the time of enactment and extended the integrity management concept to natural gas transmission pipelines. In addition, the PSIA contains important provisions:

- Coordinating permitting by federal agencies so that pipeline repairs can be carried out in a timely manner
- Strengthening the qualifications of pipeline personnel and contractors;
- Ensuring that pipeline operators are active in promoting public awareness of pipelines along pipeline rights of way
- Increasing OPS outreach to states and state regulators to assist with OPS activities
- Authorizing a promising research and development program to develop better pipeline safety technology
- Establishing a nationwide, toll-free three-digit telephone number to connect excavators to their local call-before-you-dig, one-call notification center
- Supporting a study of pipeline right of way encroachment issues through the Transportation Research Board of the National Academies of Science and Engineering
- Authorizing adequate funding for the operation of the Office of Pipeline Safety

In our view, the OPS has been very aggressive in seeking to implement these PSIA provisions and, with one exception that I will mention below, the progress achieved has been excellent. In addition, OPS has been responding to and satisfactorily addressing Congressional mandates from the time before the PSIA and outstanding National Transportation Safety Board, General Accounting Office and DOT Inspector General safety recommendations. Here the progress has been truly impressive. We anticipate that by the end of 2004 nearly all outstanding mandates and recommendations to the agency will have been appropriately addressed. Finally, OPS has been playing a very important role in assisting the pipeline industry and the Department of Homeland Security in developing a security program to protect critical pipeline infrastructure.

## Pipeline Repair Permit Streamlining

An important initiative of the PSIA that needs the Committee's encouragement is the implementation of section 16, "Coordination of Environmental Reviews", which is concerned with expediting the repair of pipeline defects. Some limited progress has been made on implementing this section, but the largest portion of the work remains to be done, and the deadlines for agency action under the provision have passed.

Under section 16, a federal Interagency Committee on Coordination of Environmental Reviews for Pipeline Repair Projects has completed a Memorandum of Understanding that lays the foundation for a federal pipeline repair permit streamlining process, but this MOU does not actually contain the provisions needed to effectuate the streamlining. Rather, it establishes a Working Group of federal agency personnel to develop a joint regulatory approach to streamlining (which may rely on existing regulations of the participating agencies or may recommend changes to certain regulations). A successful federal streamlining process will help with federal permitting and also provide a model for state and local permitting agencies to follow. However, to our understanding the draft MOU of March 4, 2004 has not yet been signed by all the participating agencies and so is not effective. Nevertheless, the Working Group has held several meetings since the draft MOU became available, although to date the pipeline industry permitting experts have not been allowed to brief the Working Group or review its plans to see if any of the Working Group's proposals will actually facilitate pipeline repair permit streamlining.

A central theme of the PSIA is safety through prevention. The purpose of section 16 is to accelerate actions that prevent pipeline releases. OPS requires pipeline operators to investigate the condition of their pipelines on a regular basis and act within a time certain to repair any defects discovered that are judged to require repair. The more severe the defect, the shorter the timeframe required to make the repair. Pipeline repair will typically involve an excavation to uncover the buried pipe at the location of the defect on the pipeline right of way, and any such excavation in general requires a series of permits, some federal, some local, and most designed to protect the environment. The purpose of section 16 is to ensure that federal agencies involved in permitting for such excavations coordinate so that pipeline operators are allowed to make the repairs that are needed in the timeframes required by the regulations. The coordination envisioned would not affect existing environmental law, but might require some adjustments to the existing regulations of some of the environmental permitting agencies.

The goal of section 16 is to see that the priority on pipeline safety set by this Committee and, through this Committee, by the Congress as a whole is implemented and is not frustrated because, although defects are discovered in a timely fashion to prevent releases, the permitting delays block carrying out the repairs needed to effectuate this prevention. The purpose of section 16 is to ensure timely actions required by one federal agency, OPS, in the name of pipeline safety are not blocked by one or more other federal agencies that do not have pipeline safety as a priority.

Pipeline repair permitting delays can also have an impact on energy supply. When a pipeline defect cannot be repaired within the time limits set by OPS, the pipeline operator must reduce pipeline pressure, and therefore throughput, by an amount that depends on the suspected seriousness of the defect – a greater reduction for defects that are more likely to be severe, but the reduction is typically at least 20%. Many operators reduce pressure on discovery of a potential defect. Once the repair is complete the operator is allowed to return to normal throughput capacity.

### The Number of Pipeline Excavations is Large Now and Will be Much Larger in the Future

Under OPS rules for oil pipeline operators, tens of thousands of potential defects are being discovered and repaired annually. As of December 31, 2003, the largest 47 oil pipeline operators have undergone inspection by OPS covering 97% of the mileage operated by these companies. These are the operators who eventually plan to include approximately 82% of their mileage in the mandatory testing program, even though strict requirements of the regulation would only require 43% of their mileage to be tested. According to OPS data as of the date of their respective first full inspections, these operators had carried out 4,344 time-sensitive repairs and 16,081 other repairs. Time sensitive repairs are those judged potentially serious enough that OPS regulations stipulate a repair deadline. These numbers underestimate the total volume of repairs prior to December 31, 2003 because they only include the repairs completed prior to each operator's particular inspection date, all of which occurred before December 31, 2003.

Completion of over 4,000 time-sensitive repairs is a success story of sorts, but it is not without some impact on the capacity of the Nation's petroleum delivery system. Many of those repairs required pipeline pressure reductions until the repairs were completed. When a pipeline system operates at lowered pressure, its capacity is often reduced, increasing the likelihood of supply shortages, which generally puts upward pressure on petroleum prices. We do not know the extent to which the Nation's current oil pipeline capacity has been reduced because of pressure reductions occasioned by repairs.

There is also no assurance that the required federal, state and local permits for pipeline repair activity can be obtained in a timely way even when federal regulations set a clear deadline for completion of the repair. In the absence of full implementation of section 16 there is currently no organized process to streamline the pipeline repair permitting process to ensure that all involved are doing what they can to see that the Nation's fuel supply system is not limited by capacity restrictions. It seems to us that it would be prudent to put such a process in place, as the PSIA wisely requires.

We have been asked to forecast the magnitude of the permitting problems the pipeline industry will face in complying with OPS pipeline integrity management rules. We will try to respond. The oil pipeline integrity management regulations have been in effect since 2001, so our industry has some experience that can be used to try to answer this question.

One thing is clear: the “where” and “when” associated with complex permitting problems is inherently uncertain. It depends on where the apparent defects show up in testing, and that cannot be known in advance. While the industry has much experience with pipeline repairs that predates the pipeline integrity regulations, the sheer number of tests and repairs being executed and the existence of mandatory federal time deadlines for completing particular repairs are unprecedented in the industry. We are learning as we go along.

An anecdote: a pipeline operator recently completed an internal inspection of a segment of pipe that produced approximately 100 potential repairs that under OPS rules appear to require completion in 180 days. The operator estimates that more than half of the required excavations for repair can be carried out routinely and another 40 can be carried out with the use of an Army Corps of Engineers Nationwide Permit. However, there are 3-5 excavations needed in locations that that will be difficult to permit in a timely manner, which may result in the operator being unable to complete the repairs within the required regulatory deadline. So a large number of repairs will be made without special permitting concerns and a significant number of additional repairs can probably be made because of a pre-existing federal permit-streamlining program. However, this entire pipeline segment may nevertheless be required to operate under reduced because of a few situations for which there is no process in place to ensure the operator can obtain the necessary federal permits that will allow them to meet the federal repair deadline.

The burden on federal, state and local permitting agencies will increase as the OPS program of integrity management for natural gas transmission pipelines takes hold and as state integrity management programs for intrastate pipelines that mimic the federal program are implemented.

Attached to my testimony are a number of recent examples that illustrate the very practical difficulties that arise for operators seeking in approval of the various repair site access permits required by federal, state and local agencies that have not been encouraged and are not organized to accord the same priority to pipeline safety that this Committee and OPS expects.

#### Recommendations on Pipeline Repair Permit Streamlining

The pipeline industry has several recommendations that we believe would foster progress towards effective pipeline repair permit streamlining:

- Agree to allow representatives of the pipeline industry who are experts in pipeline repair permitting to meet with the Working Group to serve as a resource in providing information about what is likely to be useful in expediting pipeline repairs.
- Work with industry to develop a set of pre-approved pipeline repair site access, use and restoration Best Management Practices such that a commitment by an operator to adhere in good faith to such BMPs would result in expedited

permission to access repair sites to carry out the repair from any of the signatory agencies either through use of that agency's emergency procedures or another approach that allows the repair to be completed within the timeframes specified by DOT regulation.

- Commitment to use pre approved BMPs should result in a presumption of compliance by the operator with the requirements of the BMPs and a presumption that actions beyond restoration to pre-construction condition will not be required if BMPs are followed.
- BMPs should be habitat-specific rather than species-specific so that multiple species protection can be obtained within a single umbrella BMP.
- Coordinate multi-agency response to requests for permits such that involved agencies operate in parallel or in concert to issue all required permissions (not just that of certain agencies) to the operator in a timely fashion to allow the repair to be completed within the timeframes specified by DOT regulation. To the extent possible the permitting process should be consolidated to limit to one the number of permits required (a consolidated permit). A process is needed to ensure that federal agencies are aware of the relationships in permitting pipeline repairs among federal, state and local requirements and can act accordingly to achieve the goal of section 16.
- With respect to compliance with the Endangered Species Act, establish an agreement between the Department of Transportation and the Department of the Interior under which DOT will voluntarily assume the role of default coordinator, or a "nexus" by any other name, for pipeline repairs in those cases where no other federal agency is available or able to act as the federal nexus for ESA consultation. This agreement would stipulate that DOT's voluntary participation in a coordination role for pipeline repairs does not mean that ordering or providing for pipeline repairs through regulation is a federal action subject to the ESA or the National Environmental Policy Act.

The federal government and the pipeline industry should be natural partners in seeing that the OPS integrity management program succeeds. The pipeline safety goals of the industry and the government are entirely aligned in this program. Done properly, pipeline repair permit streamlining will help significantly to ensure the success of this program, while reducing the burden on federal, state and local permitting agencies and allowing these agencies to focus resources on much more serious environmental problems. Done properly, pipeline repair permit streamlining will ensure the safety and reliability of the nation's pipeline infrastructure. Done properly, pipeline repair permit streamlining will reduce the risk of higher fuel prices to the Nation's consumers.

The oil pipeline industry stands ready to work with the Interagency Committee and the Working Group to provide the information and any other assistance needed to carry out the intent of section 16 of the PSIA.

## Proposed Transfer of OPS to the Federal Railroad Administration

Let me now turn to a troublesome subject.

In December 2003 we were informed that Secretary of Transportation Norman Y. Mineta intended to propose a reorganization of the Department of Transportation as a part of the FY 2005 budget. As part of this proposal, the Research and Special Programs Administration, which houses the Office of Pipeline Safety, would be abolished and reinvented as the Research and Technology Innovation Administration, an entity built around the Department's Volpe Research center and devoted to transportation research and development. As a consequence, the Office of Pipeline Safety (and other "special programs" in the former RSPA) would be left without a home in the Department. The Secretary's proposed solution for the OPS would be to transfer the pipeline safety program to the Federal Railroad Administration, an existing DOT administration governing a mode judged to be most similar to pipelines.

The oil pipeline industry and the members of AOPL and API have great appreciation for Secretary Mineta and all he has done to improve the programs of the Department of Transportation, including the pipeline safety program. However, our members' reaction to the proposal to sever the pipeline safety program from its existing location and place it under the Federal Railroad Administration was uniformly negative.

There has been a sea change in pipeline safety in the last several years, and the federal pipeline safety program has gained impressive and much-needed momentum. The quality and credibility of the program administered by the Office of Pipeline Safety has been immeasurably strengthened, and this strengthening is both recognized and augmented by Congress' unanimous enactment of the PSIA. OPS's successes have been accomplished through the hard work and creativity of its employees and particularly because of its very effective leadership during this period. We feel very strongly that this progress must continue. We have come a long way in pipeline safety, but we still have much further to go.

We believe the Secretary's proposal, if implemented, would inevitably disrupt the momentum the agency has worked to hard to create in the past several years. The period required to re-establish this momentum can't be known for sure, but we believe it would be measured in years, not months. This would be much more than a loss for OPS. It would be a loss for Congress, the public and for pipeline safety.

There are several reasons for our grave reservations about the Secretary's proposal.

- As indicated above, the proposal is not likely to be neutral in terms of performance.  
Pipeline operator experience with mergers in the private sector teaches that merged activities are very susceptible to a loss in momentum, particularly for the lesser of the merger partners, and often for both. The pipeline safety program has

made very considerable progress in gathering strength and credibility in the last five years and is currently heavily engaged in the implementation of PSIA initiatives. Loss of this momentum through a transfer to a subordinate position in a substantially different program such as that of FRA would be a very serious concern for the pipeline industry.

- The proposal is not likely to be neutral in terms of flexibility and responsiveness. The Office of Pipeline Safety, operating within RSPA, has been very creative in finding solutions to problems. OPS has established a successful and very well-regarded pipeline safety research and development program that has attracted substantial private sector interest while requiring peer review and at least 50% private matching funds. OPS has been an active partner in creating the Common Ground Alliance, a non-profit organization focusing resources on preventing damage to pipelines and other underground facilities. OPS is leveraging the work of the National Association of State Fire Marshals to improve the understanding of pipeline issues in local fire departments and to provide more informed public participants in pipeline safety at the local level. OPS has been successfully addressing pipeline safety concerns of the National Transportation Safety Board, effectively closing almost every recommendation of the Board. OPS has continually worked to improve its relationship with the states that have active intrastate programs and states that don't. We believe it is critical to the credibility of OPS that these initiatives maintain or accelerate momentum under a reorganized DOT.
- The proposal does not recognize competition between railroads and pipelines. Liquid pipelines and railroads each transport petroleum. In certain markets there is therefore business competition between railroads and pipelines. All pipelines contest vigorously with railroads over the terms and conditions of railroad right of way crossings. The merged pipeline-railroad entity could influence this competition in favor of one side over the other, most likely to the detriment of the lesser merger partner.
- The proposal is not likely to be neutral in terms of budget. Most federal umbrella organizations like RSPA provide generic services to the programs they house. OPS uses generic services provided by RSPA. These include information technology (OPS uses IT heavily); training; regional office support; advisory committees (two); budget development; procurement and contracting; legal and policy support; and state programs. Currently, FRA capabilities and expertise do not match RSPA's in the services used by OPS. Replicating these services within FRA would increase the cost of the merger by an estimated 5-10%, while likely failing, at least initially, to provide services fully replacing those that had been received from RSPA.
- Separation of budgets would be required. OPS is fully funded by the transmission pipeline industry through user fees and the Oil Spill Liability Trust Fund; FRA is taxpayer funded. Equity would require

careful separation of budgets in the merged organization so that pipeline operators do not subsidize railroad operations.

- The Federal Railroad Administration's budget is volatile.  
FRA's budget includes Amtrak funding at several hundred million dollars (\$1,218 million in 2004 enacted, \$900 million in 2005 as proposed, with Amtrak recently estimating that \$1,800 million is actually required in 2005). Routine fluctuation in FRA's budget annually significantly exceeds the amount of the entire OPS budget. Within the merged railroad-pipeline entity, there may be significant uncertainty or actual fluctuation in the budget amounts available to the pipeline program relative to the experience in RSPA.

#### HR 4277

We were very pleased to see the introduction by the Chairman of the House Transportation and Infrastructure Committee, Rep. Don Young (R-AK), of H.R. 4277, the Pipeline Safety Administration Establishment Act. This legislation would establish an independent pipeline safety administration with the Department of Transportation with minimal disruption of OPS activities.

Our support for the legislation is based first of all on its merits. As I have testified, we believe the federal pipeline safety program has become much stronger and more effective in recent years and the importance of the program and the infrastructure it oversees has received greater recognition than in the past. The federal pipeline safety program deserves greater organizational recognition in the Department that befits its importance to the Nation.

We also welcome Chairman Young's initiative in introducing H.R. 4277 because it provides a significant alternative to the Secretary's proposal to place the pipeline safety under the Federal Railroad Administration and changes the nature of the conversation about the appropriate organizational structure for the program. The five associations that represent the Nations' oil and natural gas pipelines recently expressed our views on H.R. 4277 and the Secretary's proposal in a joint letter to Chairman Young. I have provided a copy of that letter for the Committee's records.

The tests for any new organizational structure for the federal pipeline safety program are whether it strengthens the program, whether it helps make the program more effective and credible and whether it will further the hard work ahead to continue the progress the program has made. We plan to judge any proposal for structuring the pipeline safety program based on these tests.

The oil pipeline industry supports competent, effective, and credible federal pipeline safety regulation. The nature of the commodities carried in oil pipelines and the level of public confidence pipeline operators are able to inspire mean some level of oversight is inevitable. Public confidence in the safety of pipelines, and our ability to continue to operate pipelines with the public's trust depends on the perception and the reality of

competent oversight. The interstate character of the business and, indeed, the interstate character of the physical facilities themselves, require that the federal government have the primary responsibility for this oversight. We therefore strongly believe that pipeline safety oversight should be housed in the U.S. Department of Transportation. If the structure governing the pipeline safety program within DOT has to change, we would urge the Committee to very carefully consider the impact of the change on stature of the program and the implications for the highly important service pipelines provide to the Nation.

The PSIA set an ambitious but highly appropriate course for the federal pipeline safety program. H.R. 4277 opens the dialogue on the proper organizational structure to complement and facilitate the success of that program. The pipeline members of AOPL and API look forward to working with the Committee as this dialogue moves ahead.

### Conclusion

Thank you for the opportunity to testify before the Committee on these important matters. The Committee's work product, the PSIA, is in our view a significant success, but all those interested in pipeline safety have much work ahead of us if we are to fully achieve the purposes of this very important legislation. Our industry pledges to seek alignment with the OPS to the maximum extent practicable in this important task.

We need help from this Committee to ensure that a key section of the legislation, section 16, relating to pipeline repair permit streamlining, achieves the full intent of Congress and is effective in fostering a safer and more reliable pipeline infrastructure. We also ask that the Committee carefully consider the issue of the proper organizational structure within the Department of Transportation for the federal pipeline safety program, an issue that has been raised by the Secretary in his proposed reorganization of the Department and by the legislation introduced by Chairman Young.

Thank you very much.