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

June 25, 2008

I. INTRODUCTION

Chairman Oberstar, Ranking Member Mica, members of the Committee, thank you for the opportunity to appear today. I am pleased to discuss the progress of the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) in advancing safety since the passage of the Pipeline Inspection, Protection, Enforcement and Safety (PIPES) Act in December, 2006. I am Carl Johnson, the PHMSA administrator. Accompanying me is Stacey Gerard, Chief Safety Officer and Assistant Administrator of PHMSA.

As quickly as the months have passed for PHMSA since enactment of this important program reauthorization, I realize the months remaining in my term are passing even more quickly. I remain committed to making this a great year for PHMSA. We will continue to accomplish the most important safety priorities and realize our agency potential to provide the most critical protections for the American people while our nation's reliance on the safe transportation of energy and hazardous materials increases.

II. BUILDING A GREAT ORGANIZATION

The enormity of PHMSA's mission – its complexity and reach into the lives of every citizen – makes it imperative that we are positioned to be successful. In February, the President forwarded to Congress the FY 2009 budget, the first budget PHMSA prepared since the passage of the PIPES Act. This budget frames our plan to get the resources needed to address the pipeline safety challenges the nation faces and that the PIPES Act recognizes. The resources requested will help us meet the intent of Congress to help provide states with more resources for oversight of the entire 1.9 million miles of infrastructure under their jurisdiction, help all pipeline safety stakeholders reduce damage to pipelines and help PHMSA build the capability to inspect pipelines and enforce pipeline safety requirements to the full extent needed.

The completion of PHMSA's strategic plan, in August 2007, drives not only our budget request, but virtually all the actions of the agency. This plan makes our job easier. It focuses on building our capability to make best use of information to drive down risk and guides the decisions we make – not only to improve the performance of PHMSA, but the entire hazardous materials transportation system. PHMSA strives to be a model agency – one that inspires confidence in our stakeholders because we have a risk-based rationale to guide our work that is transparent, meaningful, and easy to understand.

III. IMPLEMENTING THE PIPES ACT

The PIPES Act set out an ambitious agenda for PHMSA, and I am pleased to report that we have taken action on almost every section, from improving data, to setting standards, to more robust and transparent enforcement. Within months after the Act was signed into law, we launched our enforcement transparency website and implemented the executive signature requirement for integrity management performance reports. And by 2008, we took new actions on damage prevention; issued a rulemaking for clarifying our jurisdiction to protect environmentally sensitive low-stress pipelines; issued an interim final rule on emergency waivers and safety orders; worked with our State partners to draft the notice of proposed rulemaking on Distribution Integrity Management, including the excess flow valves requirement; issued an advisory bulletin on direct sales lines; finalized a rulemaking proposal addressing control room management, including the National Transportation Safety Board's recommendations for Supervisory Control and Data Acquisition (SCADA); and worked with the Department of Energy and Transportation Security Administration to draft and review the Petroleum Capacity Market study. While we still have more work to do, we are committed to full implementation of the PIPES Act.

IV. STRENGTHENING AND REPORTING ON ENFORCEMENT

Section 6 of the PIPES Act requires us to provide monthly updated summaries to the public of all enforcement actions. On May 1, 2007—five months after the passage of the Act, we launched our enforcement

transparency website. We do not merely post summaries of our enforcement actions. We provide access to copies of the actual enforcement documents filed by PHMSA and the operators' responses. We provide a brief narrative describing how each part of our enforcement process works, the penalties assessed, and the recent enforcement history of operators. All of this data is searchable by year, type of action, and other factors. The project is still in its infancy, and the history available and quality of the project will only improve with time. This enforcement information can be found at <http://primis.phmsa.dot.gov/comm/reports/enforce/Enforcement.html>.

Transparency in the enforcement process provides notice to the industry as to what sort of regulatory violations we consider serious, what types of enforcement actions such violations are likely to evoke from PHMSA, and what the costs of non-compliance are likely to be. We believe this is already leading to improved performance. Transparency also alerts the public as to what we are doing as public servants, what the compliance performance of operators has been, what progress is being made, and where this agency needs to improve. We subscribe to the theory that transparency, when coupled with useful and reliable data, will lead to self-correcting behavior, both on the part of the regulated community and on the part of government itself.

We have been impressed but not surprised with the public response to this transparency initiative. We are currently seeing 800 "hits" per day on the website from non-DOT sources – from industry, local governments, and interested citizens. The website is also making us, as a government

agency, more vigilant in making sure that our enforcement efforts are legally sound, that we are treating all operators fairly, and that the penalties we impose are commensurate with the impact of incidents and violations from which they arise.

Over the past few years, PHMSA has been engaged in a very active and productive period for pipeline enforcement. We are proud of these efforts and believe that they reflect a shared commitment by Congress and the Administration to use the full range of civil and criminal enforcement tools under the Federal Pipeline Safety Laws to maintain a safe and reliable oil and gas pipeline transportation system.

The following highlights some of our major enforcement activities over the past 18 months – reflecting actions taken from January 1, 2007 through May 31, 2008:

- We have initiated 368 pipeline enforcement actions, including nine Corrective Action Orders (CAOs), 90 Notices of Probable Violations, 125 Notices of Amendment, and 144 Warning Letters. The nine CAOs were issued in response to incidents causing fatalities or serious injury, hazardous liquid spills that damaged the environment, or other conditions posing serious threats to public safety or the environment. When serious incidents occurred, we immediately deployed investigators to the scenes and ordered the operators to reduce the operating pressure of their lines or shut them down completely until remedial action could be taken.

- The number of CAOs to which operators have satisfactorily responded, completing the compliance actions required by PHMSA, and allowing the agency to close the cases, has been increasing steadily since 2002. In each case, a hazardous facility has been made safe to operate.
- PHMSA continues to make full use of its penalty authority. In 2007, PHMSA proposed civil penalties of \$4,288,800, a 39 percent increase from 2006 and the second highest amount since 2002. So far in 2008, we have proposed total civil penalties of \$4,933,800.
- In July 2007, PHMSA and DOJ announced the settlement of a civil action against El Paso Pipeline Company, arising out of a tragic incident near Carlsbad, New Mexico, in which 12 people were killed. This settlement was reflected in a judicial consent decree that included a civil penalty of \$15.5 million and injunctive relief worth \$86 million. The El Paso case represents the largest judicial settlement ever brought under the Federal Pipeline Safety Laws.
- The single most intensive enforcement effort PHMSA undertook since the passage of the PIPES Act has been our work in Alaska. The 2006 BP oil spills on Alaska's North Slope demonstrated the vulnerability of this environmentally sensitive area to major oil spills and the country's vulnerability to disruptions in critical supplies of crude oil from Alaska. As a result of these incidents, PHMSA is working with various state and federal agencies to develop a new regulatory and enforcement partnership, based on the concept of an

integrated “One Plan” meeting the requirements of all agencies that share the responsibility for protecting the nation’s oil supply from the North Slope.

As part of this work in Alaska, PHMSA has:

- Issued a CAO and three Amendments directing BP Exploration (Alaska), Inc., to correct systemic problems in its pipeline system on the North Slope. As reflected in these orders, BP committed to spending \$260 million for the replacement of 16 miles of oil transit lines where the 2006 failures occurred.
- Signed a letter of intent with the State of Alaska Department of Natural Resources to improve state-federal cooperation in the oversight of the oil and gas pipeline industry throughout the state.
- Provided technical assistance to the U.S. Attorney for Alaska and the Environment and Natural Resources Division of DOJ in their prosecution of a criminal case against BP, in which the company pled guilty last November to criminal negligence related to the maintenance of the Prudhoe Bay oil transit lines. In that case, BP agreed to pay a penalty of \$20 million for the 2006 spills.

As our regulatory focus has changed, so has our enforcement focus. It is becoming increasingly complex and innovative. Our work in Alaska is just one example where we “think outside the box” to devise enforcement solutions that better comport with the agency’s safety goals. It means that

we must forge new relationships among regulatory agencies and other stakeholders, such as the one we're building in Alaska, to design solutions that fit the circumstances. We are undertaking enforcement actions that seek to help instill a genuine "safety culture" within companies that have demonstrated a "tin ear" to placing safety first. We strive to be leaders in this effort. We use our full range of enforcement options to encourage operators to do more than meet the letter of the law and to make our nation's pipeline system even safer.

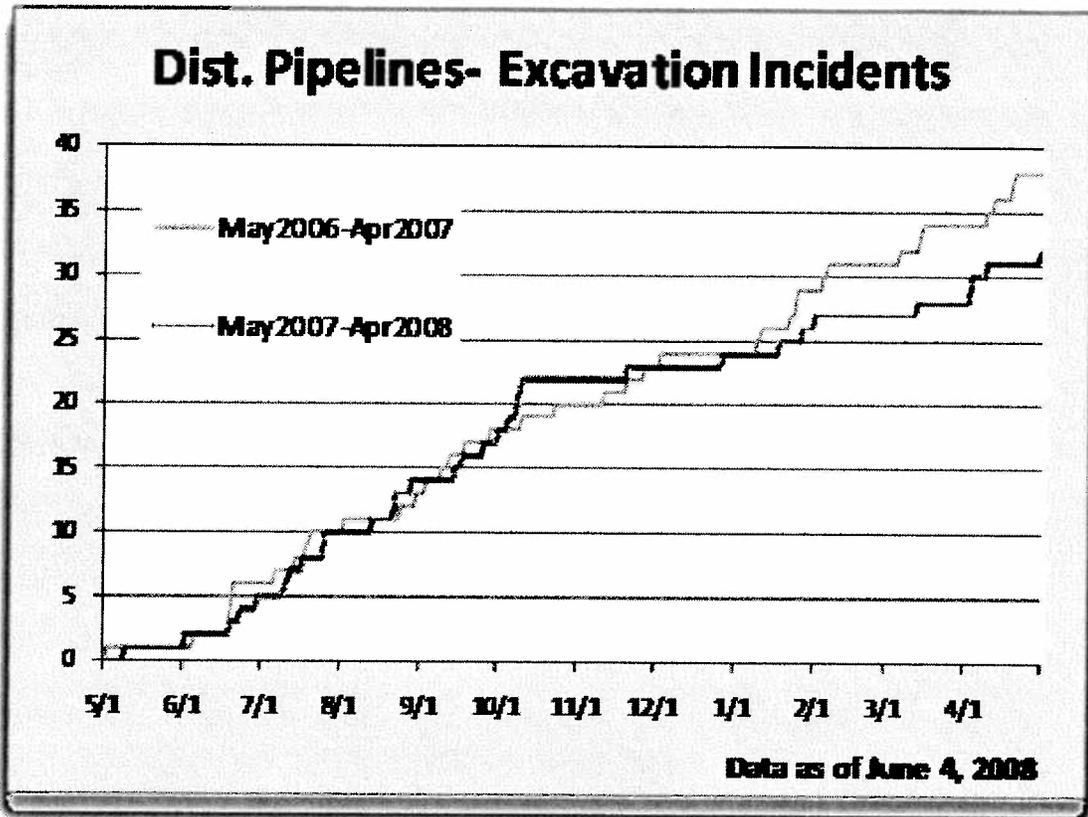
Beyond our focus in the past year on enforcement vigor and transparency, we have been working on all the statutory mandates of the PIPES Act.

V. **PROVIDING NEW SUPPORT TO STATES IN THEIR
OVERSIGHT RESPONSIBILITIES**

At the top of our safety priorities is strengthening our National damage prevention efforts. I would like to take this opportunity to mention that one of our key initiatives to protect the underground infrastructure just received the Silver Anvil Award. The award is for the National 811-Call Before You Dig Public Awareness Campaign that was launched a little over a year ago through our partnership with the Common Ground Alliance (CGA). This prestigious award of the Public Relations Society of America recognizes the collaborative nature of the work and efforts of thousands of volunteers that are promoting damage prevention information and awareness to millions of Americans. Thanks to the support of this committee, the Congress, and the many volunteers who work for the CGA we continue to see a decline in excavation incidents.

Section 2 of the PIPES Act authorizes more resources for state oversight of the roughly 1.9 million miles of infrastructure under their jurisdiction and establishes a new grant program to help all pipeline safety stakeholders reduce damage to pipelines. The President's FY 2009 budget request makes important strides to increase funding to state agencies. Our request would increase federal funding by nearly 50 percent making substantial progress toward the 80 percent average federal match authorized in the PIPES Act. This increase helps reduce the burden on states that have taken on more statutory requirements. PHMSA has requested a \$2 million increase for additional inspection and enforcement positions to address Congressional and Administration priorities. Similarly, in the area of damage prevention assistance, we asked for resources to help states achieve performance of all nine elements of the comprehensive damage prevention program set forth in the Act. We are very actively involved in advancing damage prevention efforts. We solicited our first round of damage prevention grant applications in November 2007, offering a maximum of \$100,000 per grant. We are making awards to 15 states this year.

Three-fourths of all human consequences from pipeline failures occur in the distribution systems. Sixty percent of these failures are caused by excavation damage.



VI. REGULATORY MANDATES

PHMSA has addressed all the additional statutorily required initiatives in the PIPES Act. The PIPES Act imposes three significant regulatory mandates, which we are addressing in three rulemaking proceedings:

- Distribution Integrity Management, including excess flow valves (EFVs) (PIPES ACT Section 9);
- Low-Stress Pipelines (Section 4); and,

- Control Room Management, addressing the risk of fatigue and other human factors and SCADA requirements (Sections 12 and 19).

1) Distribution Integrity Management

Section 9 of the PIPES Act requires PHMSA to prescribe minimum standards for integrity management programs for distribution pipelines, including requiring operators to install EFVs in certain circumstances. The notice of proposed rulemaking was published on June 25. In accordance with the PIPES Act mandate, the proposed rule will extend new requirements to the thousands of small and large companies that deliver natural gas over the 1.9 million miles of pipeline serving local gas customers. The rule will require operators to develop and implement plans for monitoring and improving the condition of their systems, in addition to complying with current code requirements.

In the meantime, we have worked with our state partners to encourage immediate compliance with the EFV requirement in Section 9 of the PIPES Act. We believe that most companies already are installing EFVs on new service lines in accordance with the PIPES Act standards. These devices will reduce the risks associated with excavation-related damage and other sudden failures on distribution lines.

While these activities are important, getting ready for a distribution integrity management program is a lot more than a rule. It takes a system – and we built one. We have consensus standards, guidance, training, IT

systems, and data to inform our understanding of risk and provide effective oversight. We are especially mindful of the increased oversight requirements associated with the program. Getting 50 states to implement a performance standard takes a lot more preparation than preparing a single federal entity.

2) Protecting Unusually Sensitive Areas from Rural Onshore Hazardous Liquid Gathering Lines and Low-Stress Lines

Section 4 of the PIPES Act requires PHMSA to issue regulations for low-stress hazardous liquid pipelines. On June 3, we published Phase 1 of the final rule which covers the low-stress lines that pose the highest risk to the environment. With that step completed, we are in the process of completing the second phase of the final rule.

3) Control Room Management

Section 12 of the PIPES Act mandated that PHMSA issue regulations requiring operators to develop, implement, and submit for DOT approval a human factors management plan to reduce risks associated with human factors, including a maximum limit on the hours of service for controllers.

Section 19 of the PIPES Act requires PHMSA to issue standards to implement National Transportation Safety Board recommendations concerning SCADA operation, including: (1) use of graphics; (2) review and audit of alarms on monitoring equipment; and (3) pipeline controller training. PHMSA intends to address Sections 12 and 19 through one

rulemaking which will help controllers recognize and move quickly to act on abnormal events, mitigating their consequences. The Secretary of Transportation has transmitted the notice of proposed rulemaking to the Office of Management and Budget and we hope to publish it in the near future.

While developing the proposed rule, we also have been participating in the development of a National consensus standard, in which all the pipeline trades and state agencies are involved. This American Petroleum Institute (API) standard will address the major areas of Control Room Management, providing further advice on safe practices, including roles and responsibilities, shift management and turnover, operations, education, shift length and rotation and fatigue management.

In addition to significant rulemakings there are other regulatory requirements. Section 13 of the PIPES Act requires PHMSA to issue rules for the use of safety orders as an additional option for addressing pipeline integrity threats. We published the interim final rule on March 28, establishing the procedural regulations for issuing safety orders. Operators will be provided with notice and opportunity for informal consultation to determine the measures necessary to mitigate the concern. This new enforcement option puts us in a better position to ensure operators are addressing longer term conditions before they become immediate hazards. In keeping with our policy of transparency in all of our enforcement actions, all safety orders will be available to the public on our website.

In each of these projects over the past year, PHMSA found ways to strengthen our original concepts and added additional elements to the initiatives. Each of these projects has also benefited from public dialogue in the past year intended to enrich information available to us as we formulate the regulatory solutions.

VII. PUBLIC INFORMATION TO COMMUNITIES

Section 5 of the PIPES Act requires PHMSA to award the first three community information technical assistance grants as demonstration grants, up to \$25,000 each. We have developed criteria and are currently working with the House Energy and Commerce Committee and public interest groups to finalize them. Additionally, we have been working with pipeline operators to develop concepts for this project which we could “pilot test” – operators volunteer to develop information on their own from which we could derive experience that could help us develop criteria to use as basis for awarding grants in the future. We see this initiative as a partnership between operators and communities. Our aim is to have communities identify information they need on operators’ performance, to have operators make that information understandable, and hopefully to use that information to benefit the safety of the community.

PHMSA has conducted other activities to inform the public and engage public interest and participation in all of our initiatives. We funded publicly accessible, internet broadcast viewing of two pipeline events sponsored by the Bellingham Trust, including a focus on safer land use planning. We have made one grant and may make others to professional

associations of county and city government officials to represent the public in the Pipelines and Informed Planning Alliance (PIPA). PIPA is an initiative organized by PHMSA to encourage the development and use of risk-informed land use guidelines to protect pipelines and communities.

A companion effort is helping communities understand where pipelines are located, who owns and operates them, and what other information is available for community planning. Following the passage of the PIPES Act, PHMSA worked with the Department of Homeland Security/Transportation Safety Administration to resolve concerns about security sensitive information. Vital information that communities need for land use, environmental, and emergency planning around pipelines is now publicly available through PHMSA's National Pipeline Mapping System (NPMS). We continue to work with states, industry and other stakeholders to make the NPMS information more accurate and useful. Additionally, we have completed a review of thousands of operators' public education programs and provided operators with feedback.

VIII. STUDIES: LEAK DETECTION AND INTERNAL CORROSION

1) Leak Detection

Section 21 of the PIPES Act mandated PHMSA to evaluate leak detection technology and submit a report to Congress on the effectiveness of leak detection systems utilized by operators of hazardous liquid pipelines. PHMSA examined the issue, drafted a report, and posted it for public

comment at the end of last year. We have invested in several research projects intended to improve the sensitivity of leak detection technology, particularly for hazardous liquid operators. As we work on advancing this technology, we believe we have adequate oversight in place to evaluate the leak detection capability of individual operators and have exercised authority as needed to compel system upgrades where warranted. The report was sent to Congress on June 23.

2) Internal Corrosion

Section 22 of the PIPES Act mandated PHMSA to review the adequacy of internal corrosion control regulations and submit a report to Congress. PHMSA conducted a thorough review of the Federal pipeline safety internal corrosion control regulations, accident history, our research findings, and activities in consensus standards organizations. Our review indicates that our existing standards to protect against internal corrosion are generally sufficient to allow PHMSA to achieve safety and environmental protection goals. The report was sent to Congress on June 23.

IX. PIPELINE SECURITY

Section 23 of the PIPES Act asked the Department's Inspector General (OIG) to assess DOT's implementation of the annex to the Memorandum of Understanding (MOU) with the Department of Homeland Security related to pipeline security, and transmit a report to Congress. After the initiation of the MOU annex, several related requirements for PHMSA and the Transportation Security Administration (TSA) were enacted through

passage of the 9/11 Commission Act. Although many of those requirements were previously included in the interagency work plan, other provisions were new, with ambitious timeframes.

The OIG report recognized the relationship of the 9/11 Commission Act requirements to the prior work commitments with TSA. The OIG made the following three recommendations: 1) Finalize the action plan for implementing the annex provisions and program elements and effectively execute the action plan; 2) Amend the annex to delineate the roles and responsibilities of PHMSA and TSA in overseeing and enforcing security regulations for LNG operators; and, 3) Maximize the strategy used to assess pipeline operators' security plans and guidance to ensure effective and timely execution of Congressional mandates in the 9/11 Commission Act. PHMSA is acting on all three recommendations. PHMSA has formalized the security roles and responsibilities of each agency by the signing of the Annex to the Memorandum of Understanding between the Departments of Homeland Security and Transportation. TSA has the lead in pipeline security matters, and PHMSA supports TSA in its activities, as required. In terms of the delineation between the two agencies' security roles and responsibilities in oversight of Liquefied Natural Gas (LNG) Facilities, PHMSA has an MOU with the Federal Energy Regulatory Commission and the U.S. Coast Guard that discusses jurisdictional issues, including security, among the parties. These three agencies meet quarterly to discuss issues arising from the MOU including potential conflicts in security oversight between PHMSA and TSA. Finally, the interagency work group has adjusted its plan by ranking 9/11 Commission Act mandates with the highest priority. We continue to work with TSA to

address all of these mandates, and on a day-to-day basis, we work together to exchange information about pipeline safety and security incidents; infrastructure issues; and other areas of mutual interest.

X. Risk Based Approach to Seven-Year Assessment Intervals

Section 25 of the PIPES Act required PHMSA to review and comment on the General Accountability Office (GAO) report on the seven-year assessment interval and send Congress legislative recommendations necessary to implement the conclusions of that report. PHMSA has reviewed our experience with gas transmission operators' implementation of integrity management and the GAO report on this subject. We reported our findings to Congress on this topic last year and recommended that Congress amend the law to provide us the authority to promulgate risk based standards for pipeline reassessment. As a risk-based, data driven organization, we continue to believe that a scientific basis is the best way to inform safety decisions and the allocation of safety resources. We have demonstrated that PHMSA and our state agency partners have the ability, experience, and training to review the adequacy of engineering justification that would be presented to us by operators seeking to vary the reassessment interval. In January we held a public meeting on the technical basis for making decisions on assessment intervals. The bottom line is that we believe these decisions should be made on a case-by-case basis, one operator at a time, and segment by segment, so that relevant operating characteristics can be considered along with individual operator performance.

XI. RELIABLE FUEL SUPPLY PRESENTS NEW CHALLENGES

The President has set a target to reduce petroleum consumption by 20 percent by 2017, and Congress enacted his proposal to do so. We are committed to work toward this goal and will address the challenges that this goal presents. The first is the challenge associated with managing a new set of products with properties we have not managed on a large scale in pipeline transportation – products like ethanol, hydrogen, carbon dioxide and potentially other biofuels. Some of these we are familiar with, but we expect the scale of operations to grow. Others, like ethanol, bring new technical issues really have not confronted to the extent now contemplated. The second challenge is the need to increase the reliability of the infrastructure in place and, if possible, to get more capacity from it – more throughput. Thirdly, we face a pipeline building boom for the first time in decades, bringing the challenge of new designs, new materials, and new technologies to review and evaluate. In FY 2007, PHMSA spent 14 percent of its field inspection time overseeing new construction, compared to 2 percent the prior year.

A related challenge is the need to work with the communities through which new products will be transported to explain our safety program, the protections we enforce, and most importantly, how to respond in the event of an incident. Pipeline operators are moving quickly to be ready to transport large volumes of ethanol, either in existing pipelines, retrofitted and dedicated to ethanol service, blended with other petroleum products or in batches, or in new pipelines designed for the purpose. Ethanol poses

very unique emergency response challenges, and PHMSA is responsible for helping communities prepare.

While we always work to set standards for safe transportation, we also work to remove impediments and any unnecessary regulatory overlaps. We believe there are opportunities for harmonizing by examining what various regulatory structures try to achieve, where there are gaps, where there are overlaps and where there are occasions to simplify. Essentially, we would like to have “one plan” that works to meet similar objectives with one approach to assess risk, prioritize risk control, and evaluate effectiveness. We have been testing this concept in Alaska as we work with state and federal agencies to plan for improved safety performance in the future. The model of the Joint Pipeline Office certainly has bearing on broader Alaska pipeline operations and applications for the Alaska Gas project, on which we have design review responsibility already. We think there are broader opportunities for simplification to a policy of “no gaps, no overlaps” in other areas of PHMSA responsibility.

In the midst of the pipeline construction boom, recruiting and retaining qualified pipeline engineering staff is especially challenging. It is taking us longer to fill vacancies than in the past; however, we are on track to fill our vacancies in 2008. The surge in pipeline construction is occurring at the same time many experienced pipeline engineers and builders are retiring. Industry is competing for the same talent we are. To meet this challenge, PHMSA is implementing new ways of attracting talent, including remotely deploying employees at regional locations where they can telework and address issues directly in the field.

We have worked hard to step up to all these challenges. We have notified the public of our intent to regulate pipeline transportation of ethanol and other new fuel products not previously covered by our regulations. We continue to work with individual operators, identifying safety concerns that must be satisfied, both with the infrastructure and with the surrounding community. We work with other federal agencies to think about the transportation implications from the inception of marketing new fuels, as part of a systemic planning process. We work with other countries to benefit from their experience. We collaborate with the pipeline industry, the renewable fuels organizations, and others like emergency responder organizations and the National Commission on Energy Policy, to investigate and solve technical challenges.

Consistent with these efforts, PHMSA has investigated safety issues involved in allowing existing or proposed natural gas transmission pipelines to operate at higher pressure. Based on extensive examination by PHMSA, we have determined that improved technology in metallurgy and pipe manufacture, and improved pipeline life cycle management practices now give us the opportunity to ease supply constraints by allowing pipeline operating pressure to increase enough to boost capacity by as much as 10 percent. Increasing capacity also enhances pipeline efficiency. Higher operating pressures are consistent with practices in Canada, the United Kingdom and other countries.

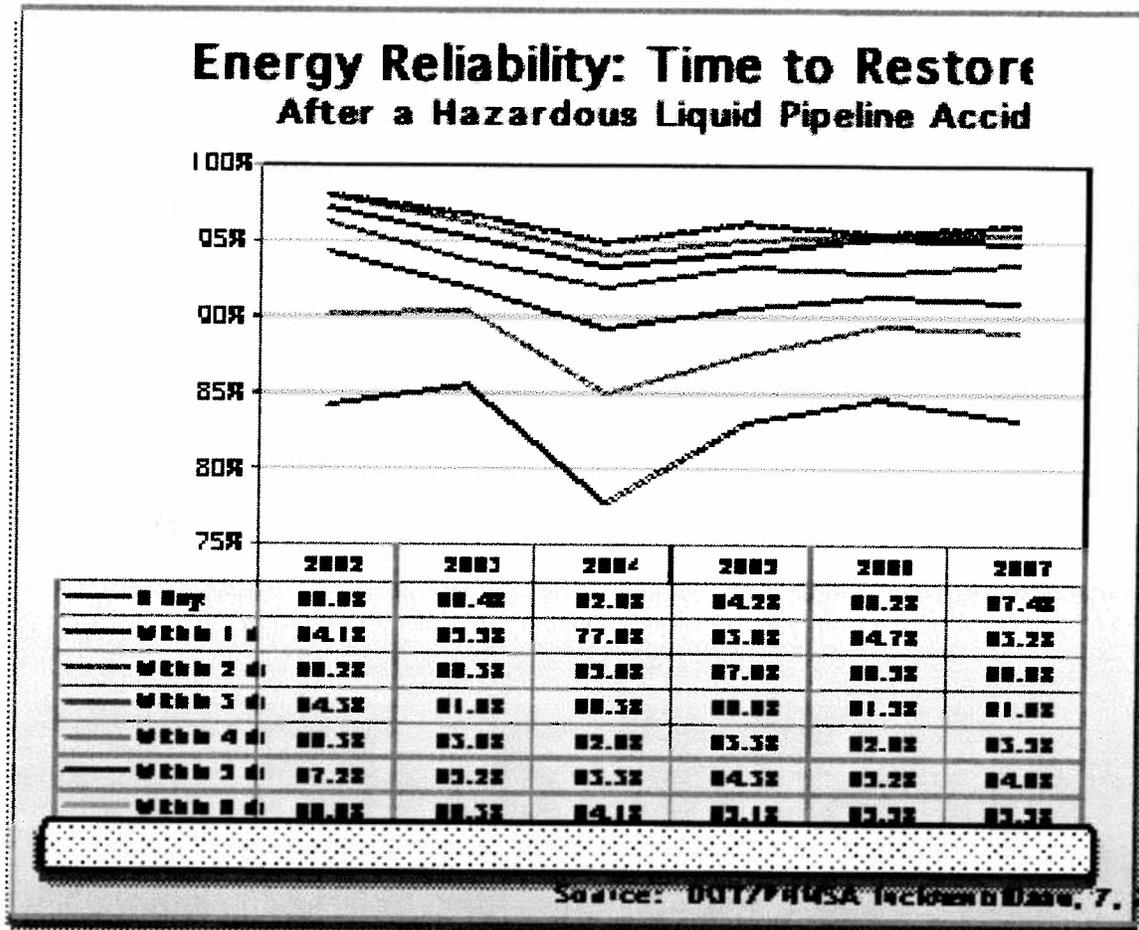
We evaluated requests for special permits from companies seeking to operate existing or proposed pipelines at higher pressure. In granting the

requested special permits, we required operators to demonstrate compliance with certain design specifications and imposed conditions requiring adherence to additional safety standards. In addition to allowing public comment on the requests for special permits, PHMSA held a public meeting and brought stakeholders into the development of the permitting criteria. Building on this experience, PHMSA recently proposed revising its regulations governing gas transmission pipelines to allow increased capacity. This will encourage the use of newer pipeline materials and associated safety standards, resulting in a net positive effect on overall pipeline safety.

In accordance with our PIPES Act authorization, PHMSA has worked with the Department of Energy and the Department of Homeland Security to investigate “chokepoints” in the liquid pipeline transportation system and consider the consequences of operations disruptions. We have completed the analysis and would be happy to brief the Committee or staff on our findings and conclusions.

Any accident or incident poses a potential disruption to the delivery of energy supplies. While safety is always first, we also are keenly aware of the need for reliable energy supply in the U.S. We work closely with industry and our state partners to help safely restore service after a hazardous liquid pipeline accident, and 95 percent of the time this has been achieved within seven days. With integrity management programs improving our understanding of pipeline condition and new technology available with more accurate diagnostic capabilities, we can expedite the process to make sure these systems are safe to operate. In this way, we

help make sure energy products are delivered not only safely but also reliably.



XII. WE ARE ADVANCING SAFETY IN MANY WAYS

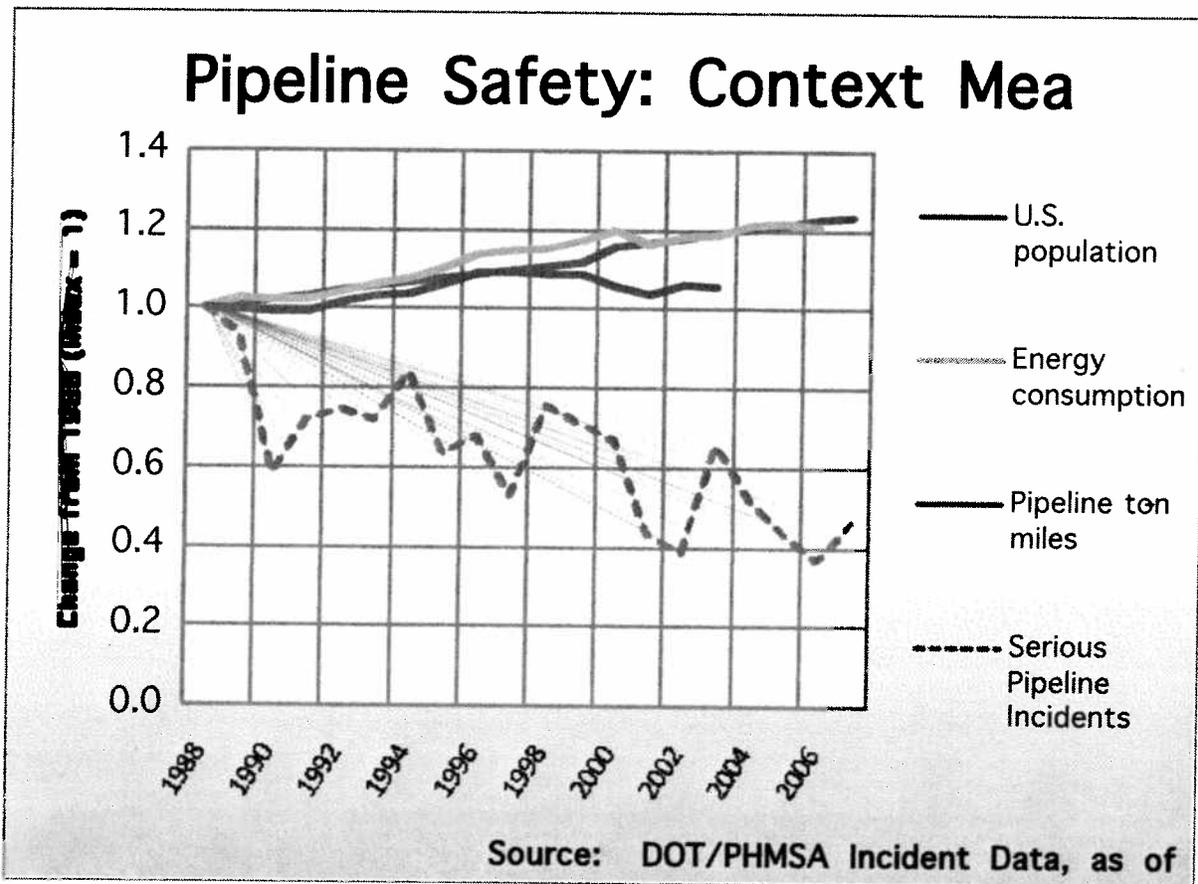
I believe we are doing just what we have promised in our Strategic Plan. Since the passage of the PIPES Act, we are making better use of information to improve safety. Perhaps most importantly, we have

improved our ability to investigate safety issues – not just incidents, but the first indication of safety concerns. It is a priority for us to put more resources into investigations, preparing all our inspection and enforcement staff to understand the concept of root cause of pipeline failures and revamping our inspection and enforcement efforts to be even more effective.

Improving our investigative process has proven critical, for example, in guiding our oversight of all pipeline infrastructure in Alaska. We have been increasing our resources in Alaska and stepping up efforts to assist the state through the Petroleum Systems Integrity Office and the Joint Pipeline Office. This assistance includes directly delivering training from our Transportation Safety Institute, sharing data bases and information systems, and facilitating the inclusion of Alaska officials in meetings with other states through the National Association of State Pipeline Safety Representatives.

Making better use of information guides all our actions. Most importantly, it guides our targeting of inspections and leads us to put special emphasis on operators whose performance needs particular improvement. We work with companies to identify areas of concern and determine the appropriate level of effort needed for remediation. We have been particularly challenged this year working to respond to integrity issues for several pipelines of strategic importance to our national fuel supply which have experienced failures. Investigation is necessary to determine the extent to which the cause of failure is systemic and what is needed to restore safe operations. Unfortunately, in the past year, six Americans lost their lives

in pipeline incidents. More fortunately, our work with technology to advance operators' abilities to improve integrity, including the assessment of non-piggable pipelines, has achieved important results. Despite these incidents noted, the record in pipeline safety is good. Over the past 20 years, all the traditional measures of risk exposure have been rising – population, energy consumption, pipeline ton-miles. At the same time, the number of serious pipeline incidents – those involving death or injury – has declined by an average of ten percent every three years. This is “no accident.” It’s a reflection of aggressive programs to reduce risk and protect the public. We aim to continue this long-term trend.



We hope that the success of integrity management programs will continue to drive down the number of serious pipeline incidents and will help us make important inroads in greater safety in distribution systems. In fact, we believe this approach can benefit the entire hazardous materials transportation system.

We routinely examine operators' safety performance and identify what factors in companies' operations make the difference in improving their records. Further, we review the impact of different regulatory programs on safety in other industries. We inevitably come to the conclusion that individual corporate executives' commitment to safety and their effective management of information to drive down risk are critical. As a result, when we take action with an individual company with a poor performance record, we have begun to institute additional management requirements to help build a better "safety culture." At the same time, at the national level, in our work with trade associations, we are promoting focus on safety culture as a way to improve performance. At the national level, our efforts are intended to inspire improved performance – we are not considering regulating "safety culture." On an individual, remedial basis, however, we get more prescriptive. We detail how the company needs to create an environment in which risk information is brought forward and rewarded, how risk information is managed and tracked, and what is the adequate scientific basis for assessing and deciding how risk and control are measured. We are concerned about the transparency of this process and how safety and profitability values are balanced.

XIII. Conclusion

PHMSA appreciates the opportunity to report on the status of our progress with PIPES Act implementation and the overall pipeline safety program.

We share your commitment to improving safety, environmental protection, and the reliability of our nation's pipeline system.

Thank you. I would be pleased to answer any questions you may have.

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