

**STATEMENT OF M. CYNTHIA DOUGLASS, ADMINISTRATOR
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BEFORE THE
FOSSIL AND SYNTHETIC FUELS SUBCOMMITTEE
OF THE
HOUSE COMMITTEE ON ENERGY AND COMMERCE
APRIL 16, 1985**

Good morning, I am delighted to be here today as Administrator of the Research and Special Programs Administration (RSPA) to discuss authorization of our pipeline safety programs for fiscal year 1986 and 1987.

My statement will highlight the recent progress we have made toward fulfilling our mandates under the two statutes that guide RSPA's programs - the Natural Gas Pipeline Safety Act of 1968 (NGPSA) and the Hazardous Liquid Pipeline Safety Act of 1979 (HLPSA).

We are seeking the following authorizations for the pipeline safety program for fiscal year 1986:

- o Under the NGPSA, a total of \$7.85 million - \$3.35 million for the associated expenses of the Federal natural gas pipeline safety program conducted by the Materials Transportation Bureau and \$4.5 million for grants-in-aid to help support state-administered gas pipeline safety programs; and
- o Under the HLPSA, \$850,000 to carry out the hazardous liquid pipeline safety program.

Our budget request anticipates a pipeline safety program based on the following activities:

1. Research and development of regulations to prevent pipeline failures;

2. Training of Federal and State inspectors to inspect and enforce the regulations;
3. Inspection of pipelines;
4. Enforcement of the regulations; and
5. Dissemination of data collection information and educational materials to those involved in pipeline transportation.

This budget will allow us to continue programs that promote safety and efficiency in pipeline transportation.

Natural Gas Pipeline Safety Act of 1968

The NGPSA provides for Federal safety regulation of facilities used in the transportation of natural and other gases by pipeline. The NGPSA provides a framework for assuring gas pipeline safety consisting of two parts:

- (1) exclusive Federal authority to regulate interstate pipelines and facilities,
- (2) Federal responsibility for regulation of intrastate pipelines with provisions for State assumption of all or part of the intrastate responsibility.

The Department's responsibility for safety regulation of natural gas pipelines involves more than 2,300 operators of a gas pipeline network of over 1.5 million miles.

The cornerstone of this Federal gas pipeline safety program is the partnership program we have established with the States. The NGPSA provides for grants to States that undertake to establish regulatory and enforcement authority for intrastate natural gas pipelines. Such States may be reimbursed for up to 50 percent of expenses incurred in running their programs. Forty-nine jurisdictions have developed safety programs by adopting the Federal pipeline safety regulations and enforcing them with substantially the same sanctions as those employed by the

Department. Twenty-six of the jurisdictions are receiving a full 50% of their estimated program costs. Thirty-six states are receiving at least 40% of their estimated program costs.

The efforts of State programs have encouraged natural gas pipeline operators to devote increased resources and improved state-of-the-art technology to the design, construction, operation, and maintenance of their systems and to develop more effective training and public awareness programs. Operator improvements have mitigated the deterioration of thousands of miles of pipelines and have resulted in the replacement of substantial portions of obsolete and degraded systems.

The most tangible indication of the success of the gas pipeline safety program is our safety record. The numbers fluctuate but the overall trend of fatalities and injuries has been downward. Last year, there were 35 fatalities and 239 injuries caused by 1,002 natural gas pipeline accidents. I believe it is important to note that of the 35 fatalities reported, most were attributable to outside forces (third party damage) or maintenance- repair work which was done by persons over whom we have no jurisdiction, and which, therefore, did not involve violations of our regulations.

Hazardous Liquid Pipeline Safety Act of 1979

The HLPSA authorizes the Department of Transportation to regulate hazardous liquid pipelines (e.g., crude oil and gasoline) for safety purposes. This Act mirrors the NGPSA.

The Act includes provisions that allow for: Federal safety standards for hazardous liquid pipelines; a Federal/State partnership for regulating intrastate pipelines, with Federal financial assistance to State agencies adopting and enforcing the Federal standards for intrastate pipelines; and establishment of civil

enforcement remedies for violations of the Federal standards. It is important to note that the Federal interstate standards for hazardous liquid lines have been in place since 1981 and that the Federal regulations for intrastate lines are now complete and undergoing final review before issuance. Those regulations will be effective this year.

Implementation of this intrastate standard was originally delayed to allow States the necessary time to determine the extent of intrastate involvement, to enact enabling legislation, and to develop the other regulatory tools required to administer statewide programs.

Seventeen States have now established jurisdiction including California and Texas, where a large number of intrastate pipelines are located. Six others are seeking jurisdiction from their State Legislatures for intrastate hazardous liquid pipelines. Most of the States we consider to be essential to a successful Federal/State partnership program for hazardous liquid pipelines - that is, those with a significant amount of liquid pipelines - have established or are seeking jurisdiction.

Finally, with respect to hazardous liquid pipelines, I am pleased to report there were no fatalities and only 19 injuries caused by 203 hazardous liquid pipeline accidents. I am committed to ensuring that this excellent safety record continues as we carry out the Congressional mandates for pipeline safety.

Authorization request for Grant in Aid Program (\$4.5 million for FY 1986)

Both Acts set up a Federal grant-in-aid program. The purpose of the grants-in-aid is to encourage the States to adopt, inspect and enforce the Federal regulations for intrastate pipelines.

In FY 1985 \$4.5 million was appropriated for grants-in-aid to the States for their natural gas pipeline safety programs. No money was appropriated for the hazardous liquid program.

This year we are requesting that Congress merge the two grant programs and authorize \$4.5 million for the merged program. While this amount does not reflect additional dollars for the hazardous liquid program it does have two distinct advantages. First, it gives flexibility to the States to direct their safety dollars to those pipelines which have the biggest safety problem, whether natural gas or hazardous liquid. Second, it encourages those States with hazardous liquid pipelines to adopt the Federal intrastate standards. We believe a merger of the programs makes safety sense. It will also best serve our administrative needs by providing an efficient unified approach to the operation of substantially identical programs.

In keeping with the Administration's present deficit reduction efforts, we would oppose new funding for the hazardous liquids grant program. Additional funding for a separate grant program cannot be justified on safety grounds or on uniformity grounds at this time. Further, the States are already seeking alternative sources of funding for such programs. For example, California has instituted user fees.

Another change in the grant program which we implemented in FY 1985 and expect to refine in FY 1986 affects the way we allocate the Federal dollars to the States. We are proceeding slowly until we perfect our new allocation formula but we do believe it is time for a change in this direction.

When the Natural Gas Pipeline Safety Act was originally passed in 1968, one of the objectives was to further Federal uniformity in pipeline safety regulations and enforcement. The grant program was set up to encourage the States to adopt

and enforce the Federal regulations. We allocated the grant money to the States based simply on whether or not they had adopted the Federal rules for intrastate natural gas pipeline safety.

Now that 49 jurisdictions have essentially adopted the Federal regulations, it is desirable to set some basic criteria to encourage States to improve the safety and efficiency of their programs. In FY 1985, RSPA distributed the \$4.5 million appropriated as follows: \$3.5 million was distributed as it has been in the past; the remaining \$1 million was distributed according to certain criteria designed to seek improvements in State programs. The criteria used by RSPA were participation status, jurisdiction, inspector qualifications, recommended number of inspectors and recommended number of inspection person-days.

Use of this formula for allocation of grant money has the advantage of encouraging States to upgrade their programs. Some would like to see us go further and see to it that Federal dollars are directed at those pipelines likely to present the biggest safety problem. However, our allocation formula must not be so cumbersome - with so many strings attached - that it causes States to drop out of the program.

Authorization request for Federal Pipeline Safety Program (\$3.35 million for Natural gas program and \$850,000 for Hazardous liquid program)

This funding level represents a freeze in FY 1985 spending levels with two exceptions:

1. a 5% pay cut (\$125,000)
2. a 10% across the board administrative cost cut (\$20,000)

We do feel it will enable RSPA to continue our pipeline safety programs at an adequate level.

The Federal pipeline safety program budget will allow the Department to do research and develop regulations for pipeline safety. We do not anticipate promulgation of any significant rules in FY 1986. We will be conducting Liquefied Natural Gas spill tests to better understand vapor dispersion distances. We will also initiate a study to compare the requirements of Federal safety standards governing highly volatile liquid (HVL) pipelines to Federal safety standards for gas pipelines. We will continue assessing the effectiveness of damage prevention programs to alleviate the risks of external force damage and in a similar manner, we will continue assessing changes in gas pipeline reporting requirements. The Federal pipeline safety program provides funding for 17 Federal Inspectors who inspect interstate pipelines and work directly with the State inspectors on intrastate pipelines; it also funds the program personnel responsible for overseeing the State programs. Further, the budget allows for funding of meetings of the two pipeline safety advisory committees.

Our budget request anticipates continued funding for training programs for Federal and state pipeline inspectors at RSPA's Transportation Safety Institute. Because pipeline safety training at State selected sites has proven to be so popular with States, we also intend to continue this program.

In addition to training programs, the RSPA offers a variety of training aids, newsletters and booklets for use in pipeline safety compliance and enforcement. For example, the "Guidance Manual for Operators of Small Gas Systems" and its companion training package, is now in its second printing. Over 20,000 copies have been distributed.

Further RSPA has undertaken a number of studies at the request of Congressional representatives or Committees. They are summarized as follows:

(1) Methanol Pipeline Study: Study of issues relating to the transportation of methanol through interstate liquid pipelines. The study examines the economics and engineering of such transportation; and any associated environmental, health and safety problems.

The report on the study has been completed and we expect to forward it to Congress by mid-April.

(2) Pipeline Safety Testing/Inspection Methods Study: Study of the feasibility of, and costs connected with, requiring various methods of testing and inspecting hazardous liquid pipeline facilities, including new technologies available for monitoring from the outside or the inside the condition of such facilities.

Contacts have been made with other Federal agencies, trade associations, pipeline companies, R&D organizations and equipment suppliers to identify inspection/testing methods which are available. Literature searches and an industry survey have been completed. Our initial findings were presented to the Hazardous Liquid Committee on February 27, 1985. A final report is due to Congress October 11, 1985.

(3) Study to identify and inspect potentially hazardous interstate pipeline transmission facilities constructed before 1940: One third of completed questionnaires have been received and the balance are expected by mid-April. Inspection of facilities is scheduled for May and June; with a final report due by July.

(4) Study of the alignment of pipeline safety regulatory responsibilities among various levels of government: The study will examine possible additional pipeline activities to be included in a regulatory program, alternative alignments of governmental responsibilities, legislation and funding of impacts of the alternatives.

A report outline has been completed and circulated for comment. A draft report is scheduled for July.

(5) Study of Hazardous Liquid Storage Facilities: This study will review the safety performance of the facilities incidental to pipeline transportation. The study will examine the potential risks of these facilities not currently regulated under Part 195 to determine if they pose a sufficient threat to warrant regulation.

A storage study questionnaire is being prepared for mailing to a sample of operators. This study is scheduled for completion in July.

(6) Study to evaluate benefits and costs of establishing a mandatory quality assurance program for interstate pipeline operators: Interstate Natural Gas Association of America (INGAA) members are in the process of commenting on quality assurance audits. The final report is scheduled for July.

DOT/FERC MOU

This month, the Department of Transportation expects to finalize a Memorandum of Understanding (MOU) with the Federal Energy Regulatory Commission (FERC). The MOU clarifies the respective safety regulatory responsibilities of the Department and the Commission regarding liquefied natural gas (LNG) facilities by establishing procedures for each agency in the review of safety requirements for pipeline companies subject to the jurisdiction of both agencies. A copy of the MOU will be submitted for the record as soon as it is signed by all parties.

United States General Accounting Office (GAO) Report

When I was appointed Administrator of the Research and Special Programs Administration by Secretary Dole almost a year ago, Secretary Dole asked me to review the pipeline safety program to determine what improvements could be made

in the program and to make recommendations to her if I felt changes were necessary. In response to her request, I began a complete review of our program. A few months later, the GAO issued their report which they characterized as recommending "minor tweaks" to the system.

While I consider program review and subsequent improvements to be an ongoing process, I am able to report on a number of improvements and assessments already being made.

(1) Rulemaking and Federal Jurisdiction

Generally, there has been no criticism of our pipeline safety rulemaking. GAO did recommend that we study the outlay of Federal responsibility under the Acts and determine if new lines of responsibility should be drawn or if any other legislation affecting the Federal/State partnership should be proposed. We are studying this and expect to complete our analysis in FY 1985.

(2) Federal Inspectors

GAO made a number of recommendations aimed at improving Federal inspection coverage of pipeline operators. GAO recommended:

- o an evaluation of quality assurance programs which we have agreed to;
- o the use by Federal inspectors of "common inspection units" which we are now doing; and
- o improved data collection related to inspections which our inspectors are now including in their monthly reports to RSPA.

(3) Federal Oversight of State Programs

The Department is continuing the effort initiated soon after the establishment of the Federal/State partnership to establish performance-oriented evaluation measures for use in monitoring State gas programs. The GAO audit took

place during a time when refinements were being made in the documentation used in the monitoring process. Those changes, which amount to more performance-oriented measures, have been completed and are in use today. The following refinements have been made.

- o The form for use by Departmental personnel in evaluating State performance has been redesigned in coordination with the National Association of State Pipeline Safety Representatives and is being used beginning in 1985 for monitoring the performance of the States in 1984.
- o A written monitoring policy has been established. Guidelines that cover the full range of Federal expectations for the performance of the States have been included and are in use.
- o The criteria for achieving the minimum acceptable level of State inspection activity have been revised; e.g., onsite training of operators and accident investigation are now included in the criteria.
- o Guidelines to the States on recording, data collection, inspection days, operators inspected, noncompliances found, and enforcement actions have been revised to ensure that Departmental personnel can accurately and fairly assess the State's performance.
- o Beginning with the monitoring visits conducted in 1985, the Departmental personnel are spending more time reviewing the records of State program activity prepared by States in an attempt to achieve accuracy, completeness and timeliness.
- o In the 1985 monitoring process, the Department will focus on the adequacy of training received by State personnel, the use of adequate enforcement procedures, manpower requirements, level of effort in

inspection, data collection and record keeping, the extent of assumption of responsibility for intrastate pipeline systems, and program uniformity. These items will be reviewed annually to determine the need for change.

- o State inspector qualifications have been redefined in terms of the depth of knowledge and skills necessary to perform as an inspector. The qualifications have been synthesized in a generic position description for use by State agencies.
- o Beginning with 1985, in order to ensure adequate levels of enforcement, the Department is requiring that all new inspectors attend all pipeline safety courses offered at the Transportation Safety Institute within three years of the start of employment as an inspector. Exceptions are granted for good cause.

(4) Data Collection and Analysis

As part of our ongoing program review, the Department will be undertaking a review of our data collection system this summer. Before beginning this review, we will work with the NTSB to assure that we agree on the exact nature of the areas to be addressed as well as an effective approach to overall system improvement.

Pipeline Safety Advisory Committees

Both the NGPSA and HLPISA established pipeline safety advisory committees comprised of industry, government and public members. These Committees provide the Department with balanced and knowledgeable advice on our pipeline safety regulations.

Last year, there was considerable Congressional concern that the Advisory Committees were underutilized and lacked sufficient direction. In accordance with Congressional interest in using the Committees more effectively, and so that I could better evaluate the Department's pipeline safety program, I brought both

Advisory Committees into Washington in October 1984 and February 1985. Both Committees met individually on upcoming pipeline regulations and then met jointly to assist me in an overall review of our pipeline safety program. I believe these meetings set an example of how important this type of advice can be to a Government program. For this reason and because the Administration's budget request for FY 1986 provides \$40,000 for these Committees, I believe it important to describe the activities of the Committees more completely.

The members of these Committees are widely respected pipeline safety experts from industry, government, and the public sector. They have given a great deal of their time to this pipeline safety program. The Federal Government pays their travel costs and their hotel and food bills up to \$75/day. They are expected to meet several times a year. Their advice allows us to have a far more effective pipeline safety program. The benefits are worth far more than the relatively few dollars we spend bringing these people together.

The Gas Committee met on October 30, 1984 and, more recently, on February 28, 1985. At the October meeting the Committee reviewed and approved a RSPA amendment concerning pipe bends and discussed our regulatory projects concerning monitoring external corrosion, class location, welder qualifications and damage prevention. At the February meeting, they reviewed and approved a proposed safety amendment regarding nondestructive testing of welds.

The Hazardous Liquid (oil) Committee met on November 1, 1984, and again on February 27, 1985. At the November meeting, the Committee reviewed and approved amendments concerning nondestructive testing of welds and discussed our regulatory projects concerning record keeping and accident reporting. The Committee discussed and deferred for later action the issue of rural gathering/intrastate lines noting that more cost/benefit information was needed

before the NPRM could be evaluated. At the February meeting the Committee continued the discussion of rural gathering lines and in light of the new comments on cost/benefit information, the Department will revise the proposed rulemaking. The Committee also received reports on the status of Congressionally mandated studies on testing and inspecting hazardous liquid pipelines and the transportation of methanol through the interstate hazardous liquid pipeline system.

Both in October and in February the two Committees met jointly to be briefed on our pipeline safety program. The Committees heard both from our pipeline safety office and from the GAO. At the February meeting the Committee discussed and approved a report to the Secretary making observations and recommendations regarding (1) the GAO report and (2) our pipeline safety program.

With respect to the GAO report the Committees concluded:

- o Operating performance of the industry is generally good and the Department's programs appear to be meeting the broad objectives of the NGPSA of 1968 and the HLPISA of 1979.
- o Future decisions on allocation of resources to or within the Department should be based on analysis of accidents, results of inspections and other relevant experience.
- o Programs should be designed to prevent accidents.
- o The Department should make better use of existing data and identify areas where insufficient data is available and undertake to generate that data.
- o The Department should allocate its inspection/enforcement resources based on performance-related statistics. The Committee noted that additional inspections will not address the single largest cause of pipeline accidents which is third party damage. The Department should work with the States to address this problem.

With respect to pipeline safety issues confronting the Department, the Committees concluded:

- o DOT should support uniform standards for pipeline safety.
- o Adequate standards exist for pipeline safety based on the data available. The development of new standards or extension of existing standards to gathering lines, master meters or storage facilities should be based on a demonstrated need.
- o States should be responsible for intrastate lines, municipals, master meters, and LP Gas operators using Federal standards. Federal inspectors should retain responsibility for interstate systems.
- o The Department should continue pipeline inspector training free-of-charge to the States.
- o The Department should fund approved State programs at 50%. Approval of a State program and funding should be contingent on satisfactory performance by the State program.
- o Company quality assurance programs should remain voluntary. The Department should recognize effective quality assurance programs as it allocates its inspection resources.
- o Assessment of the effectiveness of State programs should continue and linkage of funding to effectiveness would add incentive for these programs. Inspection criteria and guidelines should be developed.
- o Training can be improved by utilizing video tape and slide tape programs.
- o The actions proposed by the Department in its response to GAO are appropriate.

Conclusion

The Federal pipeline safety program is achieving the purposes of the NGPSA and the HLPSA. The Administration's budget request for FY 1986 will allow us to continue the progress made in FY 1985. That concludes my statement and I will be happy to answer questions for the record.