

June 19, 2017

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Via Federal Express and e-mail (lawrence.white@dot.gov)

Lawrence White, Esq.
Presiding Official
U.S. Department of Transportation
Pipeline and Hazardous Materials Safety Administration
Office of the Chief Counsel
East Building, E26-310
1200 New Jersey Avenue, S.E.
Washington, D.C. 20590

RE: CPF No. 1-2016-1007: Pre-hearing filing

Dear Mr. White:

Please find attached National Fuel Gas Supply Corporation's (National Fuel) pre-hearing filing for the above-referenced matter. Pursuant to 49 C.F.R. § 190.209(b)(5), National Fuel submits this letter and all attachments for inclusion in the case file for this matter.

The following individuals will attend the hearing on behalf of National Fuel:

1. Randy C. Rucinski, Assistant General Counsel, National Fuel Gas Supply Corporation
2. Jim Kulczyk, Assistant Superintendent, National Fuel Gas Supply Corporation
3. Scott Williams, Corrosion Supervisor II, National Fuel Gas Supply Corporation
4. Brianne K. Kurdock, Counsel for National Fuel Gas Supply Corporation

National Fuel has arranged for a transcript, at its own expense, to be prepared of the June 28, 2017 hearing and will make copies of the transcript available to the Presiding Official and PHMSA.

Please note that National Fuel has asserted that certain information in the attached pre-hearing filings is subject to protection from release under the Freedom of Information Act, 5 U.S.C. § 552(b) and other authorities. National Fuel requests that PHMSA consult with National Fuel before making such materials available to the public.

National Fuel looks forward to resolving this matter at the hearing. Please do not hesitate to contact me if you have any questions.

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Sincerely,



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Enclosure

cc: Mr. Forrest Pittman, Esq., Eastern Region Counsel, PHMSA
Mr. Rob Burrough, Acting Eastern Region Director, PHMSA

**U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY**

In the Matter of)

National Fuel Gas Supply Corporation,)

Respondent.)
_____)

CPF No. 1-2016-1007

PRE-HEARING SUBMISSION

I. Introduction and Procedural History

Pursuant to 49 C.F.R. § 190.211(d), National Fuel Gas Supply Corporation (National Fuel or the Company) respectfully submits this pre-hearing filing regarding the Notice of Probable Violation and Proposed Compliance Order (Notice) that the Pipeline and Hazardous Materials Safety Administration (PHMSA or the Agency) issued on October 17, 2016.¹

The Notice arose from a series of PHMSA inspections occurring between June 3, 2014 and September 16, 2015. During these inspections, PHMSA reviewed the corrosion control records of National Fuel's interstate natural gas pipeline facilities in Pennsylvania. In the Notice, PHMSA alleged that National Fuel had violated § 192.465(a) by failing to determine whether its interstate gas pipelines in Pennsylvania were operated in accordance with the requirements of § 192.463(a). PHMSA did not propose a civil penalty for this item.

¹ 49 C.F.R. § 190.211(d)(2016). See Exhibit A (Notice).

National Fuel responded to the Notice by letter dated December 16, 2016 (Response). A hearing has been scheduled for June 28, 2017.

II. National Fuel contests the allegation that it failed to determine whether its cathodic protection system met the requirements of § 192.463.

Section 192.465(a), as complemented by § 192.463 and section II of Appendix D, requires an operator to consider voltage (IR) drop in order to take a valid measurement. PHMSA defines IR drop as “the difference between the voltage at the top of the pipe and the voltage at the surface of the earth caused by the electrical resistance of the soil in which the pipeline is buried.”² PHMSA does not specify in Appendix D or elsewhere in Part 192 how an operator should consider IR drop. PHMSA has confirmed that there is no specific methodology required to address IR drop.³

National Fuel evaluates the effectiveness of its cathodic protection on its pipelines through annual test station inspections, as required by § 192.465(a), in conjunction with periodic interrupted close-interval surveys (CIS).⁴ This approach is memorialized in section 4.2 of National Fuel’s Operation and Maintenance procedure and the Company’s “Cathodic Protection Inspection and Maintenance Guidance for Pipelines and Related Facilities.”⁵ National Fuel also monitors the output of its impressed current sources to evaluate if the output is within the design

² *In the Matter of Panhandle Energy, a division of Southern Union Company*, CPF No. 3-2010-1006M (December 31, 2012) at 8.

³ *Id.* PHMSA stated that “Appendix D of Part 192 does not explicitly define how IR drop ‘must be considered.’”

⁴ See Appendix A-3 of the PHMSA Violation Report for examples of periodic interrupted close-interval surveys conducted between 1996-2013.

⁵ See Appendix A-1 of the PHMSA Violation Report (Section 4 of National Fuel’s Operations and Maintenance Procedure); See also, Exhibit B of National Fuel’s Pre-Hearing submission. See Appendix A-4 of the PHMSA Violation Report (“Cathodic Protection Inspection and Maintenance Guidance for Pipelines and Related Facilities”); See also, Exhibit C of National Fuel’s Pre-Hearing submission.

parameters and provides its personnel with guidance on how to consider IR drop.⁶ Pursuant to this guidance, National Fuel personnel may consider IR drop through one or more of the following methods:⁷

- (1) Measuring or calculating the voltage drops;
- (2) Assessing the historical performance of the cathodic protection;
- (3) Assessing the physical and electrical characteristics of the structure;
- (4) Assessing the evidence of effectiveness (no evidence of corrosion); or
- (5) Minimizing the influence of voltage drops through sound practices.

There are several foreign sources of current in the vicinity of National Fuel's pipelines which make it impracticable to do an instant-off survey at each test station. National Fuel's system has a "web-like" layout of interconnecting points and multiple current sources. In order to obtain an accurate instant-off test station reading, National Fuel would have to synchronize the interruption of all sources of current in the area. It would be extremely difficult to coordinate such a simultaneous interruption. Therefore, National Fuel conducts annual test station surveys with the current energized and supplements these surveys with a periodic CIS with the current interrupted. Since a CIS evaluates the length of the pipeline and not just the area in close proximity to the test station, a CIS is a useful tool to determine whether the pipeline system is adequately protected from corrosion. Further, PHMSA has acknowledged that in situations where it is impracticable to disconnect all current sources, sound engineering practices should be used to ensure that adequate cathodic protection has been achieved.⁸ National Fuel submits that its approach of annual test station surveys with the current energized in conjunction with a periodic on/off CIS is an appropriate method to address IR drop.

⁶ *Id.*

⁷ *Id.* at CP-74.

⁸ PHMSA Corrosion Enforcement Guidance, https://phmsa.dot.gov/staticfiles/PHMSA/DownloadableFiles/Files/Corrosion_Enforcement_Guidance_Part192_12_7_2015.pdf*37.

PHMSA has recognized that a CIS is an acceptable method to consider IR drop.⁹ PHMSA has acknowledged that the “...use of close-interval surveys and the use of ‘instant-off’ potentials in comparison to polarized potentials is an acceptable method to evaluate IR drop, provided that such information is then used to evaluate annual cathodic protection survey readings.”¹⁰

Finally, in 2014, prior to the PHMSA inspections, National Fuel began a program to conduct a CIS on all of its interstate pipelines in Pennsylvania, rather than an as-needed periodic survey.¹¹ This program complements the annual test station inspections and provides additional data.

National Fuel contends that its process to evaluate the effectiveness of its cathodic protection system meets the requirements of the pipeline safety regulations. PHMSA should withdraw Item #1 in the Notice.

III. Terms of the Proposed Compliance Order

National Fuel respectfully asserts that the completion deadlines in the Proposed Compliance Order are unreasonable. PHMSA proposed that National Fuel must “conduct surveys, analyze results, and identify any deficiencies on its transmission piping systems, including piping in storage fields” within 365 days of approval of the procedures by PHMSA.¹²

⁹ *In the Matter of Sunoco Pipeline, L.P.*, 4-2007-5040 (December 16, 2010).

¹⁰ *Id.* PHMSA has also proposed to require a CIS for “...onshore transmission lines, where any annual test station reading (pipe-to-soil potential measurement) indicates cathodic protection levels below the required levels in Appendix D...” See “Pipeline Safety: Safety of Gas Transmission and Gathering Pipelines,” 81 Fed. Reg. 20,722, 20829 (April 8, 2016)(Proposed § 192.465(f)).

¹¹ This program is discussed in detail in section III of this Pre-Hearing Submission.

¹² See Exhibit A at 3. National Fuel notes that the scope of the inspections and the Notice was limited to interstate pipelines in Pennsylvania yet the Proposed Compliance Order expands the reach of this enforcement matter to all

It is impracticable for National Fuel to be able to conduct surveys on all of its interstate transmission pipelines in Pennsylvania, analyze the results, and identify any deficiencies all in a one-year timespan. National Fuel has over 1,000 miles of transmission pipelines in Pennsylvania. Conducting surveys, analyzing results, and identifying deficiencies on this amount of miles is not feasible to complete within 365 days. In addition, National Fuel is concerned that such an expedited schedule could be constrained by contractor applicability.

If PHMSA determines that a violation occurred and a compliance order is necessary, National Fuel would like to proceed with its ongoing CIS program to meet the region's concerns. As referenced above, National Fuel is in the process of conducting a CIS on all of its interstate pipelines in Pennsylvania with the cathodic protection interrupted.¹³ A CIS will allow National Fuel to evaluate its cathodic protection system and consider IR drop across the length of the pipeline, not just in specific areas near a particular test station. National Fuel began this program in 2014 and anticipates completing a CIS on each interstate pipeline in Pennsylvania by 2021. The Company will continue to conduct annual inspections of its test stations with the cathodic protection energized.

National Fuel will use the data from the CIS profile to analyze, and recalibrate, if necessary, the required minimum values at the test stations. National Fuel intends on resurveying each segment on a maximum seven-year interval. Conducting a CIS on all of its interstate pipelines in Pennsylvania and using that data to analyze the minimum values for the test stations will provide additional consideration for IR drop.

National Fuel transmission and storage pipelines. PHMSA should limit the scope of the Proposed Compliance Order to those assets reviewed during the inspection.

¹³ See Exhibit D for documentation of the program.

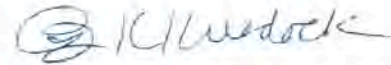
Since National Fuel has proposed steps above and beyond what is required in Part 192 to manage cathodic protection and given the fact that the Company has a history of little to no issues with corrosion control, National Fuel requests that PHMSA consider 2021 as the deadline to complete these surveys. The completion of the Company's CIS program on all interstate pipelines in Pennsylvania would address any concerns the region may have and provide additional data beyond what is required by the pipeline safety regulations. Finally, allowing National Fuel to submit a schedule for completion of its CIS program is appropriate given PHMSA's acceptance of timetables from other operators in the past.¹⁴

IV. Conclusion

National Fuel submits that its process to evaluate the effectiveness of its cathodic protection system meets Part 192 requirements. PHMSA should withdraw Item #1. If PHMSA determines that a violation occurred and a compliance order is necessary, National Fuel would like to proceed with its ongoing CIS program in lieu of the terms of the Proposed Compliance Order.

¹⁴ PHMSA has previously allowed operators to submit a timetable or plan to address any inconsistencies between the operator's cathodic protection systems and the requirements of the regulation. *See In the Matter of Sunoco Pipeline, L.P.*, CPF No. 4-2007-5040*15 (December 16, 2010); *In the Matter of Enterprise Products Operating, LLC*, CPF No. 4-2007-5015 (December 2, 2009).

Respectfully submitted this 19th day of June, 2017



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