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March 13, 2007

Mr. Ivan A. Huntoon
Director, Central Region
Pipeline and Hazardous Materials Safety Administration
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Kansas City MO 64106-2641

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Re: Notice of Probable Violation and Proposed Compliance
Order dated February 9, 2007 (Notice)
CPF3-2007-1006

Dear Mr. Huntoon:

This letter is in response to the Notice received by ANR Pipeline Company (ANR) on February 13, 2007. The Notice discussed five items that were of concern to the Pipeline and Hazardous Materials Safety Administration (PHMSA) during its 2006 inspection of the ANR pipeline system, and that are perceived by PHMSA as probable violations of the PHMSA regulations. ANR, as discussed below, seeks clarification on item 1 and requests a hearing on item 5. ANR has implemented appropriate and/or corrective action concerning items 2, 3, and 4, which are not the subject of this letter.

ANR shares PHMSA's goal that pipelines should be operated and maintained to protect the public safety and in accordance with applicable statutes and regulations. The 2006 audit of our activities by PHMSA was extensive, beneficial, and in accordance with this goal. ANR looks forward to similarly resolving the remaining concerns with PHMSA.

Request for Clarification (Item 1)

Item 1 of the Notice is concerned with the pressure at which relief valve set points should be set. Item 1 discusses ANR's proposed schedule to implement the PHMSA-requested changes in set points, but does not advise if PHMSA accepts this timeline.

ANR has determined set points based on the device involved. For example, ANR recognized that conventional (spring-operated) relief devices require a significant pressure above the set point to fully open. Accordingly, the maximum set points for these types of devices were established at 8% below the maximum allowed overpressure. ANR has determined that pilot operated relief devices achieve a full open position at the nominal set point. All set points for overpressure protection were established with

the intent of limiting the pressure at or below the allowable overpressure in the event of a pressure control failure.

PHMSA auditors have indicated that, from their perspective, the relief valve set points were too high, because there is a risk some overpressure, in excess of maximum allowed overpressure, could occur. ANR, as indicated in the Notice, has modified its Operational and Maintenance Procedures (O&M Procedures) to implement new set points that address this concern. ANR intends to change the set points in accordance with the inspection schedule in the O&M Procedures. In some instances, certain devices may be reset before the next mandated inspection, but in no event would devices be reset past the inspection date resulting from such schedule.

As noted above, the Notice does not advise if ANR's schedule to implement the changes in set points is acceptable to PHMSA. ANR therefore requests clarification that its schedule to reset the devices is acceptable to PHMSA.

Request for Hearing (Item 5)

Item 5 of the Notice alleges that at nine specified Wisconsin locations there is a violation of section 192.625(b) of the PHMSA regulations. This section requires odorization of transmission facilities in a Class 3 or Class 4 location, unless the location is such that an exception applies in accordance with section 192.625(b) (1-3). Section 192.625 (b) (3) creates an exception for lateral line facilities which traverse a Class 3 or Class 4 location where the line, "transports gas to a distribution center, [and] at least 50 percent of the length of that line is in a Class 1 or Class 2 location".

In its Notice, PHMSA states:

There are several transmission laterals that do not meet the exception to odorization provided in § 192.625(b)(3) and are not being odorized. The laterals in question do not have at least 50% of their length in Class one or Class two locations. Greater than 50% of the lengths of the lines are located in Class three locations.

ANR has only one major concern with PHMSA's application of § 192.625 to these locations – that the concept of "lateral line" is being too narrowly construed by PHMSA, and should be interpreted to include all of the pipeline from the initial departure point from the main line to the ultimate distribution center. For each of the nine locations, the lateral line ends at a distribution center, and for the purposes of this regulation, should be traced back to its point of origin at its primary source of supply on the ANR Southwest main line. For each of the nine locations, this point of origin is at the Sandwich Compressor Station.

Significantly, there is no definition for "lateral line" in the PHMSA regulations. However, the American Gas Association Glossary for the Gas Industry defines "Lateral" as, "a pipe in a . . . transmission system which branches away from the central and primary part of the system." Each of the nine locations is

part of a pipeline that satisfies this definition of a "lateral line". Each of the nine lateral lines begins at the Sandwich Compressor Station and ends at its respective distribution center, thus satisfying the PHMSA criteria in section 192.625(b)(3) that at least 50% of its length is in a Class 1 or Class 2 location. Accordingly, the exemption criteria of section 192.625 are satisfied for each of the nine lateral lines.

When issuing its changes to Section 192.625 by making odorization applicable to certain parts of transmission lines, the Office of Pipeline Safety (OPS), Department of Transportation acknowledged that:

...the terminal portion of a lateral line generally lies in a Class 3 or Class 4 location and under the proposed rule would have been subject to the odorization requirement. Because in most cases the segment of line to be odorized is short, commenters argue that the costs of installing and operating odorizers would far exceed the safety benefit. OPS agrees with these comments. The final rule, therefore, in section 192.625 (b)(3) exempts odorization of gas in a transmission line used in transporting gas to a distribution center if 50 percent or more of the line is in a Class 1 or Class 2 location. 40 F.R. 20280 (May 9, 1975).

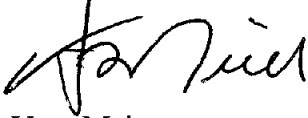
ANR's application of section 192.625 (b)(3) is consistent with the express intent of OPS to avoid odorization costs for certain segments of pipe. Further, this understanding has been consistent with the outlook of PHMSA (and OPS) auditors for many years in multiple PHMSA (and OPS) regions. To the extent that PHMSA intends to implement an explicit definition for a "lateral" as it is used in section 192.625(b)(3), ANR submits that a formal rulemaking procedure is a more appropriate forum than a Notice of Probable Violation and Proposed Compliance Order concerning an individual pipeline's facilities.

For the reasons stated above, ANR objects to the Notice's finding of probable violation concerning item 5 and the proposed Compliance Order, and respectfully requests a hearing in accordance with section 190.211(a) of the PHMSA regulations. As required by this section, ANR advises that it will be represented by counsel at such hearing.

In accordance with section 190.211(e) of the PHMSA regulations, ANR also requests that PHMSA provide any information in its possession concerning the definition or meaning of "lateral line" in section 192.625 (b)(3), and any other materials in its case file concerning item 5 of the Notice, at least 30 days in advance of the hearing.

ANR's goals are to be responsive to any questions or concerns PHMSA has concerning ANR's activities which are under PHMSA jurisdiction, to better understand the PHMSA perspective so as to be able to better conduct its pipeline operations consistent with the letter and intent of PHMSA regulations, and to resolve this issue in a manner which is fair and equitable to both PHMSA and ANR.

Sincerely,

A handwritten signature in black ink, appearing to read "Vern Meier". The signature is written in a cursive style with a large initial "V" and "M".

Vern Meier
Vice President, Field Operations
ANR Pipeline Company