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July 30, 2009

Jeffrey D. Wiese
Associate Administrator for Pipeline Safety
Pipeline and Hazardous Materials Safety Administration
U.S. Department of Transportation
1200 New Jersey Avenue, SE
Washington, DC 20590

Jeff
Dear ~~Mr. Wiese~~:

Thank you for your letter dated June 5, 2009, in which you urge the pipeline industry to engage in a cooperative and proactive approach to addressing concerns that PHMSA has identified regarding pipeline manufacturing, pipeline construction, and quality control practices. API and AOPL members take these issues seriously and plan to appropriately address them. We have shared your letters to us and PHMSA's May 21, 2009 Advisory with our members and discussed them with our member company executives.

Manufacturing and construction codes, standards and practices exist that are embodied in ASME Code for Pressure Piping, B31.4 Pipeline Transportation Systems for Liquid Hydrocarbons and Other Liquids (B31.4), ANSI/API Specification 5L Specification for Line Pipe (API Spec 5L), API Standard 1104 Welding of Pipelines and Related Facilities (API 1104), API Recommended Practice 1110 Pressure Testing of Steel Pipelines for the Transportation of Gas, Petroleum Gas, Hazardous Liquids, Highly Volatile Liquids or Carbon Dioxide (API 1110) and API Standard 1163 In-Line Inspection Systems Qualification Standard (API 1163) and others, that guide hazardous liquids pipeline operators in properly constructing and testing their pipelines. The intent is that proper application of these standards and recommended practices will result in a safe, ready-to-operate pipeline.

We participated in PHMSA's April 23, 2009, construction workshop and also in the INGAA Foundation's Pipe Quality Summit on June 11, 2009. Our industry experts provided some of the input that resulted in INGAA's proposed action plan. We believe that the plan provides companies that have experienced problems with pipe quality and related construction issues with a reasonable path forward for addressing PHMSA's concerns.

API's standards committees continue to be open to participation by PHMSA, state regulators, operating companies, pipe manufacturers, and others. In fact, PHMSA personnel participated in the standards meetings that were held during the week of June 22nd and were able to present and discuss some of the pipe quality issues that have arisen. If there are adjustments that need to be made to the standards, there is ample opportunity for such adjustments to be considered by the API standards committees. However, the participants of the June 11 pipe quality summit came to the conclusion that there are not significant problems with API Spec 5L, but rather in how it has been applied. It was suggested by industry experts at the summit that some of the provisions included in the most recent version of API Spec 5L (the 44th edition), would address some of the concerns raised as the 44th edition is applied to new projects.

Additionally, API allows pipe manufacturers to demonstrate their ability to manufacture pipe to API Spec 5L specifications and apply appropriate quality assurance practices through API's Monogram Program. After meeting API's licensing requirements they may then mark the pipe with API's monogram. As part of our program, manufacturers agree that complaints about noncompliant pipe may be investigated by API inspectors. We have recently received a small number of complaints regarding pipe not meeting API Spec 5L specifications and are following up on those complaints. We will recommend to the API Committee on Quality that it consider an annex to API Q1, the audit basis for our monogram program, to guide manufacturers in the proper oversight of their quality systems. We also agree with the INGAA recommendation and will recommend to API Subcommittee 20 on Supply Chain Management that a document be produced to address supply chain management of line pipe manufacturing.

Similar to API Spec 5L, API 1104 is developed under an open American National Standards Institute, or ANSI, accredited process and we encourage PHMSA, state regulators, and others to participate as fully as possible to address any issues identified around welding. It has been known for some time that cellulosic welding rods can contribute to weld cracks if not applied correctly. It would appear that some of the welding issues PHMSA has detected are, again, related to misapplication of the standard. The numerous communications and PHMSA and industry meetings that have addressed these concerns have raised awareness of these issues among operators, manufacturers, and construction contractors.

PHMSA's concerns about construction appear to be based on a relatively small number of events that are the result of shortfalls in quality assurance, procurement practices, or misapplication of manufacturing and construction standards and techniques. It is our understanding that these problems were detected following pressure testing and non-destructive inspections that are intended to identify serious issues prior to placing a pipeline into service. In short, these tests and inspections successfully identified issues that needed to be addressed prior to operation.

To summarize hazardous liquids industry responses to pipe manufacturing and construction concerns, API and AOPL have widely communicated the concerns identified with manufacturing, procurement, and construction practices within our memberships, API and AOPL members have engaged with other industry trade groups and PHMSA to discuss and learn about detected problems, API is undertaking unscheduled audits of pipe manufacturers, and API

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standards committees will consider changes to API Spec 5L and API 1104 that would further address these concerns. We will recommend to API's Committee on Quality that an annex be added to API Q1 to guide pipe manufacturers' quality systems. We also will recommend to API Subcommittee 20 that a voluntary consensus document be developed for supply chain management of steel line pipe manufacturing.

We remain open to pursue other actions that could address the concerns that PHMSA has identified. We believe that numerous processes are already in place that address these concerns, and would encourage PHMSA staff to continue to participate in the standards development process, in accordance with the National Technology Transfer and Advancement Act, or NTTAA. Also, if PHMSA does uncover quality control issues with API monogrammed product, we request you contact API immediately so that we may take the appropriate corrective action.

Sincerely,



cc: Cynthia Douglass, PHMSA
Alan Mayberry, PHMSA