

Public Utilities Commission of Ohio
Larry Friedeman, Commissioner

Testimony before the House Subcommittee on Energy

Wednesday, May 1, 2019



Introduction

Good morning Chairman Rush, Vice Chair McNerney, Republican Leader Upton, and Members of the Subcommittee. My name is Lawrence K. Friedeman. I am a Commissioner and serve on the Public Utilities Commission of Ohio (PUCO). I am testifying today in support of pipeline safety reauthorization.

Each day as I pass through the PUCO's lobby I am reminded of our mission statement; that is, to assure the delivery of adequate, reliable, safe and fairly priced utility services to our citizens. That statement succinctly underscores our mandate as state regulators—to promote the general welfare by assuring the provision of essential services to all Ohioans.

Implicit in that mandate is the need not only to establish service, but just as importantly, to maintain the provision of utility services over time. Pipeline system integrity is a foundational element of utility service upon which Ohio citizens rely; and, there is no higher consideration within the context of pipeline transmission and distribution than public safety.

Ohio Gas Pipeline Safety Program

Ohio has a robust gas pipeline safety program dedicated to ensuring the safety and reliability of natural gas service to its residents and businesses. In Ohio, we have 113 natural gas pipeline operators, and more than 71,000 miles of transmission, distribution and gathering lines.

Ohio is one of eight states that act as interstate agents for the Pipeline and Hazardous Material Safety Administration (PHMSA) and has done so since 1973. Currently, Ohio has 12 interstate pipeline operators with 8,522 miles of regulated interstate transmission lines. The PUCO inspects interstate natural gas pipeline systems based on an inspection plan agreed to with PHMSA and will also investigate natural gas related incidents that occur on these lines. If there are any enforcement issues identified by our inspectors, they are forwarded to PHMSA for disposition.

Ohio also receives funding from PHMSA pursuant to the State Pipeline Safety Program Base Grant. This is a reimbursement based grant to support up to 80 percent of a state's costs to administer a gas pipeline safety program. In order to qualify, each state's program must be audited every year by PHMSA representatives to ensure that the program complies with PHMSA's requirements. We are proud to say that for the last two years, Ohio's program has received the maximum score available on those audits. In 2018, Ohio received the maximum rate of reimbursement, which was 72.16 percent of expenses incurred.

This program allows states to assume safety authority over intrastate gas pipelines within their respective jurisdictions on the condition that those states adopt the minimum federal pipeline safety regulations. However, states may pass more stringent regulations through legislation.

The Ohio program has 10 inspectors who work throughout the state performing safety audits of Ohio's pipeline operators as well as physical inspections of facilities. In fact, the program

performs over 150 audits annually. These audits are primarily focused on pipeline distribution facilities over which the PUCO exercises jurisdiction. However, at times our inspectors also act as “boots on the ground” for PHMSA performing interstate audits each year; and, if necessary, incident investigations, the findings of which are referred back for enforcement action as PHMSA deems warranted. Additionally, PUCO staff participates in the performance of incident investigations on intrastate pipelines and will take action where appropriate.

Ohio has built and maintained its pipeline safety program, in no small measure because of the assistance received pursuant to the Pipeline Safety Grant Program. Through the years, the program has enabled the PUCO to hire and retain qualified personnel and have that personnel properly trained at PHMSA’s training center under the grant. All pipeline incidents are unfortunate and it is imperative that a thorough and measured investigation of causality is conducted to learn from the event so that future incidents can be avoided.

Ohio Initiatives

Accelerated Pipeline Replacement

More than a decade ago, the PUCO, in cooperation with Ohio’s natural gas distribution utilities, embarked on significant capital investment campaigns in the form of accelerated main replacement programs. These programs are designed to replace aging bare steel and cast iron distribution pipes with new assets comprised of upgraded materials, which will not only enhance the structural integrity of the distribution system but also prolong the useful life of those system replacements.

Since the inception of the program, Ohio’s four largest investor-owned natural gas utilities have invested over \$3.6 billion, replacing over 5,000 miles of distribution main lines and more than 1 million service lines. The progress and value of these programs is perhaps best manifested by the fact that at the end of 2010, about 20 percent of Ohio’s total pipe was in the pipe categories targeted for replacement, and at the end of 2018, the percentage of pipe remaining in this category was reduced to 12 percent.

As you would expect, these programs are inescapably long in duration. But in order to incentivize expeditious replacement of deteriorating assets, the PUCO has ordered accelerated cost recovery for the replacements rather than authorizing recovery at more typical timelines. In a sense, these programs are preventive as well as remedial in that replacement efforts are more comprehensive than piecemeal, thus promoting a more cost effective approach to replacement.

Gas Gathering

As mentioned earlier, states may pass regulations that incorporate or exceed federal requirements as a matter of legislative policy. In 2012, Ohio passed legislation to adopt portions of the federal pipeline safety code for certain unregulated natural gas gathering lines. Gathering lines are pipelines used to collect and transport raw natural gas or transmission quality gas to

the inlet of a gas processing plant, the inlet of a distribution system, or to a transmission line. Gathering lines located in rural areas are not currently regulated under federal gas pipeline safety laws. The Utica and Marcellus Shale fields have come to play an important role in Ohio's economy. A number of these gathering lines have many of the characteristics of transmission lines – meaning they are large diameter pipes, operate under high pressure, and move large quantities of natural gas. The state of Ohio recognized the need to assure safe installation and operation of gathering lines. Consequently, the state passed legislation requiring that natural gas gathering pipelines constructed to transport Utica and Marcellus shale field production be constructed, operated and maintained pursuant to a number of the requirements of the Federal Code. These requirements include establishing a maximum allowable operating pressure, corrosion control, damage prevention and public education, among others.

Conclusion

I recount Ohio state specific activities to demonstrate the sheer magnitude of pipeline related activity, which I believe underscores the importance and desirability of federal/state coordination and cooperation in enhancing the structural integrity of the natural gas transmission and distribution systems which exceed 2 million miles of pipeline nationally. Deliverability, reliability and safety are wholly dependent on effective pipeline safety measures. I would strongly urge the Subcommittee's continuing support for pipeline safety reauthorization. Specifically, I would suggest your consideration of increasing total state reimbursement and authorization levels for the State Pipeline Safety Programs BASE GRANT to the full 80 percent, as is authorized by Congress. The percentage of total reimbursement from PHMSA to the collective State programs has been averaging approximately 67 to 68 percent since 2016 (approximately \$50 to \$53 million dollars). FY 2018 and FY 2019 reimbursements are estimated to be \$50 to \$56 million dollars each but this has been accomplished by PHMSA repurposing dollars rather than placing them in the appropriate State program line item. If undertaken, full 80 percent funding projects to approximately \$70.8 million for FY 2020, increases to \$75 million in FY 2021, increases to \$79.5 million in FY 2022, and increases to \$84.3 million for FY 2023.

I thank you for the opportunity to address the Subcommittee today and would be happy to respond to any questions.