New Pipeline Safety Rules: What You Need to Know

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Executive Summary

New regulations for pipeline construction, safety and transportation issued by the Pipeline and Hazardous Materials Safety Administration (PHMSA), which is an agency of the Department of Transportation (DOT), will become effective October 1, 2015. The hodgepodge of miscellaneous changes affect natural gas utilities, pipeline owners and contractors, pipeline manufacturers, insurers, ethanol providers, and state regulators. PHMSA's long-expected final rules for gas transmission pipelines to fully implement the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 are expected later this year.

Ethanol Now a "Hazardous Liquid"

Projecting growing demand for biofuels, which would result in greater use of pipelines for transporting biofuels, PHMSA proposed that ethanol and other biofuels are substances that "may pose an unreasonable risk to life or property" within the meaning of the governing statute. Accordingly, PHMSA is changing its regulations to add the term "ethanol" to the definition of "hazardous liquids." It is left for future determination whether to add "bio-diesel petroleum" to the definition. Thus, the transportation of ethanol will become subject to PHMSA's Part 195 regulatory scheme.

Who Can Inspect a New Pipeline?

The most controversial proposal in the proposed rule was that a new pipeline cannot be inspected by someone who participated in its construction. This was soundly criticized by the industry, and the agency modified the final rule to specify that although an "operator must not use operator personnel to perform a required inspection if the operator personnel performed the construction task requiring inspection," the operator may use other internal personnel who were "involved in other construction tasks." In the agency's view, this would prohibit individuals involved in the construction of a transmission line, main, or pipeline system from inspecting their own work.

Inspection of Gathering Pipelines

So-called Type B gathering lines are pipelines found in natural gas production areas; they carry no odorant that can signal leaks. Higher-pressure transmission lines are subject to annual leak surveys, and PHMSA is determined to subject Type B gathering

lines to the same requirement for safety reasons. The agency noted that although such leak surveys are not currently required, they are a widespread industry practice. “When this voluntary practice becomes a regulation, it will provide a standard and consistent level of safety to the American public and ensure the integrity of these lines,” PHMSA wrote.

Odorization of Lateral Pipelines

PHMSA will reevaluate its controversial proposal to change the exemption for the odorization of a lateral pipeline. Specifically, it had proposed that, for purposes of calculating whether at least 50% of the line is in a Class 1 or Class 2 location, the lateral line be measured between the distribution center and the first upstream connection to the transmission line. Commenters told the agency that this could create the unintended consequence of affecting industrial facilities, refinery operations, and product quality (gas odorants at certain facilities could affect some chemical manufacturing processes and the quality of some chemicals).

Payment to State Regulators for Safety Enforcement

The federal government, through PHMSA, reimburses states for a portion of the costs of administering pipeline safety programs under federal guidelines. In 2006, Congress removed the provision that imposed a 20% cap on indirect expenses allocated to the pipeline safety program grants. PHMSA proposed to reestablish that limit by regulation, but balked in this final rule. Instead of a regulation, PHMSA announced that it would maintain the 20% indirect cost cap “through language in our payment agreements with states.” PHMSA has such binding payment agreements with each state.

Transportation of Pipe

As an outcome of a 2002 accident in Minnesota, PHMSA proposed to revise its regulations to require that the rail transportation of all pipe be subject to particular API standards. PHMSA made the proposal final with a technical change requiring that any pipeline transported by rail that has an outer diameter to wall thickness of 70-to-1 or more, and will be “operated at a hoop stress of 20 percent or more of SMYS,” must be transported in accordance with the specifications of API RP 5L1.

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Additional rule changes concerned the qualification of pipeline welders; testing components other than pipe installed in low-pressure gas pipelines; testing for pressure vessels; how to calculate pressure reductions for hazardous liquid pipeline integrity anomalies; and filing of offshore pipeline condition reports.