



**REMARKS FOR CARL T. JOHNSON
ADMINISTRATOR,
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
THE ENERGY COUNCIL
2008 FEDERAL ENERGY & ENVIRONMENTAL MATTERS CONFERENCE
WASHINGTON, D.C.
-- MARCH 7, 2008 --**

Reliable Fuel Supply Presents New Challenges

On behalf of the Bush Administration, Transportation Secretary Mary Peters, and the Pipeline and Hazardous Materials Safety Administration (PHMSA), we very much appreciate the invitation to come before you today. We would like to get to know you better - - particularly how this organization and its members are coming to terms with energy policy and to hear your thoughts on what needs to be put in place and how we can help.

My purpose today is to acquaint you with PHMSA, our role in helping the nation progress on both a short and long term basis to meet energy transportation challenges, and how we think as an agency. I will touch on several issues and hope that sharing our “vantage point” will allow us to find ways to help each other better.

The first and most obvious challenge we face is the need to increase the reliability of the infrastructure in place today, by managing it well - - something we call integrity management. And, if possible, we would like to find ways to get more capacity from the infrastructure we have, or in other words more throughput.

Second are the challenges associated with managing a new set of energy products containing properties we have not managed on a large scale in pipeline transportation. These products include ethanol, hydrogen, carbon dioxide and potentially other biofuels. Some of these we are familiar with, but we expect the scale of operations to grow. Others, like ethanol, bring new technical issues we really have not confronted to the extent now contemplated.

Thirdly, we face a pipeline building boom for the first time in decades, bringing the challenge of new designs, new materials, and new technologies. While we examine and conduct tests to make them work, the real task is building a younger and technically competent workforce, to replace the human infrastructure that is aging.

Another very important challenge is really a specialty of PHMSA – building the confidence of and capability of communities. We need to work with the communities through which these products will be transported. We need to help them understand the need for these products, the benefits they provide, the protections in place, and most importantly, how to respond to them in the event of an accident.

Finally, we look to promote a systems approach to thinking across the regulatory spectrum that emphasizes the integrity of systems and the management of risk. PHMSA's mission is to set standards for safe transportation and Integrity Management is our “flagship” program – risk based, data driven – to achieve the best performance. At the same time, we also work to remove impediments and any unnecessary regulatory overlaps.

Consistent with our thinking that integrity management is the foundation of our program, PHMSA has investigated the question of our readiness to allow higher operating pressures for certain natural gas transmission pipelines and assessed all the safety issues involved. What are the risks, what controls can be put in place, and can we evaluate performance?

Based on extensive examination by PHMSA, we have determined that improved technology in metallurgy and pipe manufacture, and improved pipeline life cycle management practices, now gives us the opportunity to ease supply constraints. This is accomplished by allowing pipeline operating pressures to increase enough to boost capacity by as much as 10 percent. Increased capacity also enhances pipeline efficiency.

Higher operating pressures are consistent with practices in Canada, the United Kingdom and others. Over the past several years, we have used special permits to allow companies seeking to operate existing or proposed pipelines at higher pressure to do so. We required operators to demonstrate compliance with certain design specifications and imposed conditions requiring adherence to additional safety standards. We held a public meeting and brought stakeholders into the development of permitting criteria.

As a result, PHMSA is now ready to propose revising regulations to allow increased capacity, and will be sending this notice to the Federal Register for public review in the next few days. We believe this proposal will encourage the use of newer pipeline materials and associated safety standards, resulting in a net positive effect on overall pipeline safety.

While PHMSA has the ability to make regulatory changes benefiting natural gas transmission pipeline capacity, there is not an immediate pathway available to relieve constriction on oil pipelines.

Consistent with the authorization in the Pipeline Inspection, Protection, Enforcement and Safety Act of 2006, PHMSA is working with the Department of Energy and the Department of Homeland Security to develop an approach to investigate chokepoints in oil pipeline transportation systems. We are scoping out an approach to modeling “what

if” scenarios and the consequences of disruptions. We would welcome input from the Council on your ideas for developing this study.

While we turn to our integrity management roots to get the most from the current infrastructure, we also rely on integrity management in the preparation for the transport of alternative fuels in pipelines. Our concern is less “if” these new products can be moved safely, but “how” they can move safely, and how we can contribute to making it happen easier and faster.

We have notified the public of our intent to regulate these new products. We continue work with individual operators to define our expectations and identify safety concerns. We are concerned with satisfying concerns of both a technical nature with the infrastructure, and of a planning nature with the surrounding community.

Earlier in this presentation, I mentioned the challenge of the pipeline building boom. In FY 2007, PHMSA spent 14 percent of its field inspection time overseeing new construction, compared to 2 percent the prior year. PHMSA is hiring and maintaining qualified pipeline engineering staff – but this isn’t easy given the competition for experienced talent. We can only imagine the private sector aspect of this challenge. This pipeline construction boom is happening just at the same time many of our senior individuals, both public and private sector, are retiring. Industry is competing and attracting the same talent.

We need to work together to find ways of preparing a more qualified and younger work force ready to apply the range of technologies evolving today. We seem to doing a better job at collaborating on technology, than in preparing a work force to be ready to use it.

An area where I hope we are making progress is the challenge of preparing communities to understand, accept and be ready for new products. This is a significant challenge to which we are very committed. Being ready to mitigate the consequences of any unintended event, is still, of course, the culmination of the integrity management spectrum. This challenge is particularly important in preparing for ethanol transport through pipelines.

As you know by now, pipeline operators have moved quickly to be ready to transport large volumes of ethanol either in existing pipelines, those that are retrofitted and dedicated to ethanol service, or in new pipelines designed for the ethanol transportation. Ethanol poses very unique emergency response challenges, and PHMSA is responsible for helping communities prepare.

We have a close working relationship with the emergency response community. We issued a Safety Alert in June 2006 providing guidance safely responding to fuel mixtures composed of ethanol. We partnered with the Ethanol Emergency Response Coalition to research the appropriate extinguishing foam required to quickly and effectively mitigate accidents involving ethanol-gasoline blended fuels. We’ve added information for ethanol-gasoline blended fuels to our new 2008 Emergency Response Guidebook and

have just proposed a new shipping name and identification number for ethanol-gasoline blended fuels.

Our goal is to never experience emergency situations, but still allow for the best possible performance out of the companies we regulate. To do this we look for opportunities to harmonize regulations with other agencies. We think it's worthwhile to look at what others are trying to achieve and if there are opportunities where we can attain efficiencies.

Essentially we would like a plan that works across Federal and State lines to meet similar objectives - - one approach to assess and manage risks and evaluates effectiveness. We have been testing this concept in Alaska as we work with State and Federal agencies to plan for improved safety performance.

The model of the Joint Pipeline Office certainly has bearing on broader Alaska pipeline operations and applications for the Alaska Gas project, on which we have design review responsibility already. We think there are broader opportunities for simplification to a policy of “no gaps, no overlaps” in other areas of PHMSA responsibility.

PHMSA is working hard to meet all these challenges. We hope, as an agency, we are effective – and that how we work inspires creative thinking and collaboration. Only by coming together as “an enterprise” can we hope to meet the growing energy needs of today and tomorrow.

###