



U.S. Department
of Transportation

**Pipeline and Hazardous
Materials Safety
Administration**

1200 New Jersey Avenue, SE
Washington, D.C. 20590

NOV 30 2007

Ms. Annmarie Robertson
Director, Pipeline Safety Division
Indiana Utility Regulatory Commission
101 W. Washington Street, Suite 1500E
Indianapolis, IN 46204-3407

Dear Ms. Robertson:

The Pipeline and Hazardous Materials Safety Administration (PHMSA) reviewed your letter of October 10, 2007, notifying us that the Indiana Utility Regulatory Commission (IURC) granted Indiana Gas Company, Inc. and Southern Indiana Gas and Electric Company, Inc. a waiver of compliance with certain pipeline safety standards related to the 1) testing of unknown pipe and 2) deadlines for assessing casings.

Testing of Unknown Pipe

The Federal pipeline safety regulations in 49 CFR 192 Appendix B(II)(D) allow an operator to establish the tensile properties of unknown buried pipe by one of two methods. The first method allows an operator to assign 24,000 pounds per square inch (psi) or less as the minimum yield strength. The second method requires the operator to conduct tensile tests on test specimens taken directly from the pipe to establish its tensile properties including minimum yield strength.

The waiver granted by the IURC would allow the petitioners to use a substitute non-destructive test (NDT) method, referred to as the IMP-02-008 *Unknown Pipe Determination*, to establish the yield strength of unknown buried pipe. However, a review of the petition, the evidence submitted by the petitioner, the testimony of the petitioner, and the waiver grant shows the petitioners have not provided any evidence to demonstrate this substitute method is equivalent in safety to the two methods allowed in the current regulations. PHMSA cannot agree to the use of a substitute method to establish the tensile properties of unknown pipe without such evidence.

Deadlines for Assessing Casings

In a letter to the American Gas Association (AGA) on October 25, 2007, PHMSA stated, "*We recognize the risk for cased pipelines is predominately low and it is appropriate to assess them after the December 17, 2007 date for completing assessments. However, if an individual cased pipe segment presents a significant risk, based on operator specific information, then that particular segment should be ranked appropriately.*" PHMSA added that, "*... the operator should take credit for the mileage of pipe within that segment that has been fully assessed.*" That is, for a fully assessed segment with casings, the operator would report the length of the segment minus the length of any cased pipe not fully assessed.

The testimony included in your grant of waiver clearly indicates that the petitioners believe the 36 cased pipeline segments for which they seek a waiver will not pose an increased risk to pipeline safety. Therefore, the operators have the right to postpone the assessment of these pipeline segments from December 17, 2007, to December 17, 2012, without a waiver.

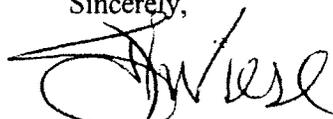
Waiver Process

As a certified state under Section 60105 of the Federal Pipeline Safety Statutes, the IURC has the authority to waive compliance with a safety standard in the same way and to the same extent that PHMSA waives compliance with the Federal pipeline safety regulations. However, the waiver grant states the IURC, "...*granted a waiver of compliance of PSIA [Pipeline Safety Improvement Act of 2002] to the extent hereinabove specified.*" While PHMSA and the IURC have the authority to waive pipeline safety regulations, neither PHMSA nor the IURC have the authority to waive Federal pipeline safety law.

For the reasons stated above, PHMSA objects to this waiver and the IURC's order is stayed. The IURC may appeal this matter. However, because the IURC cannot waive Federal pipeline safety law, PHMSA suggests that the IURC consider granting a new waiver. The new waiver grant must specifically state the pipeline safety regulation the IURC is waiving and must include new information from the petitioners to justify granting the waiver. This new information should include, at a minimum, technical evidence to substantiate that the substitute NDT method proposed by the petitioners would result in equivalent or greater safety than the methods currently allowed in the Federal pipeline safety regulations in 49 CFR Part 192.

If you wish to discuss this waiver or any other pipeline safety matter, my staff would be pleased to assist you. Please call Florence Hamn, Director of Regulations (202-366-4595) for regulatory matters or Alan Mayberry, Acting Director of Engineering and Emergency Support at (202-366-5124) for technical matters.

Sincerely,



Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety