U.S. Department
of Transportation

**Pipeline and Hazardous
Materials Safety
Administration**

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

AUG 1 1 2010

Mr. Darin R. Burk
Manager, Pipeline Safety
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701

Dear Mr. Burk:

In a letter to the Pipeline and Hazardous Materials Safety Administration (PHMSA) dated October 14, 2009, you requested an interpretation regarding the applicability of the pipeline safety regulations to certain pipelines operated by United States Steel Corporation (USS) in the vicinity of its Granite City Works (GCW) steelmaking complex in southern Illinois. These pipelines consist of: (1) natural gas pipelines transporting natural gas supplied by Centerpoint Energy's Mississippi River Transmission (MRT) pipeline to various GCW facilities; and (2) a pipeline transporting coke oven gas produced in one GCW facility and transported to another GCW facility for processing and burning. You stated that the GCW complex consists of a number of facilities separated by one State highway and several public streets which are accessible to the public. You asked whether the pipeline safety regulations applied to these lines and if so whether they should be classified as distribution lines or transmission lines.

Natural Gas Pipelines

With respect to the natural gas pipelines, you stated that the GCW complex receives the natural gas through four taps from the MRT pipeline. Three of the taps are located on the grounds of GCW facilities and connect to an interconnected system of pipes within and between the facilities. You stated that the system of piping that connects to the three taps leave the GCW property boundaries six times. You stated the fourth tap is off of a separate MRT transmission line and is located outside of the facility's property. You stated that you had no indication that the natural gas pipelines operate above 20 percent of specified minimum yield strength (SMYS).

The Federal pipeline safety laws in 49 U.S.C. 60101 *et seq.* apply to the gathering, transmission, and distribution of natural and other gas by pipeline. Typically, a transmission pipeline transporting gas to a destination facility such as a large volume customer is subject to the pipeline safety laws and regulations up to the point where pressure control changes from the pipeline operator to the destination facility operator (which can be on the grounds of the facility). Beyond that point, piping operated by the facility operator entirely on the grounds of the facility is considered "in-plant piping" and would not be subject to the pipeline safety regulations although it may be subject to State building codes or other regulations. In this case, however, the natural gas pipelines operated by GCW are not located entirely on the geographically contiguous grounds of a facility. Rather, these lines depart GCW facilities and cross roads and highways

accessed by the public, albeit for relatively short distances. To the extent such lines are not on plant property they are subject to the pipeline safety laws. Historically, PHMSA has elected not to apply the Federal gas pipeline safety regulations to such lines if they are associated with the plant, meaning they are operated by plant personnel, run between plant buildings, and are less than one mile in length. PHMSA, however, would not object to a State regulating the portions of such lines that are not on plant property if the State determined there was a need. Note that a State that regulates its intrastate gas pipelines under a Public Utility Commission (PUC) may need to determine whether the PUC is restricted to only regulating "public utilities" which GCW presumably is not.

With respect to the question of whether such a line is a transmission line or a distribution line, PHMSA has not taken a position on that since we currently do not regulate such lines as stated above. If a State decided to begin regulating such lines, one possible approach the State could take would be to provide advance notice to operators of such lines that it would treat a line operated below 20% SMYS as a distribution line and a line operated above 20% SMYS as a transmission line, provide an opportunity for comment as appropriate under State procedures, and publish a final policy.

Coke Oven Gas Pipeline

With respect to the coke oven gas pipeline, you stated that a mixture of gaseous hydrocarbons produced by the facility is transported several thousand linear feet before it is burned. You further stated that most of this distance is located under the public right of way, some of which runs beneath a public sidewalk outside the fence from the facility in which the gas is burned.

Because the coke oven gas is produced in one GCW facility and is transported to another GCW facility under public right-of-way and public sidewalk, this pipeline is subject to the pipeline safety regulations. With respect to classifying such a line as a transmission or a distribution line, you could take a similar approach as the one suggested above.

We were pleased to see that you secured a commitment by USS to comply with Illinois' pipeline safety requirements as evidenced by its letter of May 1, 2009. Your participation in the Federal/State pipeline safety program is greatly appreciated.

I hope that this information is helpful to you. If I can be of further assistance, please contact me at (202) 366-4046.

Sincerely,

John A. Gale
Director, Office of Regulations

PHP Controlled Correspondence Sheet

PHMSA Control Number :	**Action Office: PHP- 30**
PHP Control Number: 10-0010	**Due Date:12/16/2009**
Writer: Darin R. Burk	

Subject: : Re: Jurisdictional issues related to transportation of gas in and near industrial facility

Action: Interpretation

Date	Action	Action by

Date	Note	Note by

For more information please contact:
Glenda Marshall, Glenda.marshall@dot.gov

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

October 14, 2009

OCT 15 2009

Mr. Jeffrey D. Wiese
Associate Administrator of Pipeline Safety
U.S. Department of Transportation
Pipeline and Hazardous Materials Safety Administration
East Building, 2nd Floor
Mail Stop: E24-455
1200 New Jersey Ave., SE
Washington, DC 20590

RE: Jurisdictional issues related to transportation of gas in and near industrial facility

Dear Mr. Wiese:

I would like to request a pipeline safety regulatory interpretation letter concerning the application of the United States Department of Transportation's pipeline safety rules at 49 CFR 192 ("Part 192") to several sets of facts and circumstances related to the transportation of gas in southwestern Illinois. The Illinois Commerce Commission ("ICC") has adopted Part 192 by reference as its Minimum Safety Standards for Transportation of Gas and for Gas Pipeline Facilities (83 Ill. Adm. Code 590.10), under authority of the Illinois Gas Pipeline Safety Act (220 ILCS 20).

Each of the questions below relates to the transportation of gas by a corporation that owns and operates a large steelmaking facility (the "facility"). This letter refers to the corporation as the "operator," consistent with the definition of that term at 49 CFR 192.3. One state highway and several public streets run through the facility, separating it into at least four separate parcels of real property. Two different types of gas are involved: (1) gas from several taps off of the transmission lines of a federally regulated interstate natural gas pipeline (referred to below as "natural gas"), and (2) flammable hydrocarbon gas derived from the process whereby coal is heated in an oven to make coke (referred to below as "coke oven gas"). The facts and circumstances as we understand them, and our questions, are as follows:

Natural Gas

Please refer to the diagram entitled "GCW Natural Gas System." There are four taps through which the facility receives natural gas from an interstate pipeline operated by Mississippi River Transmission Corporation / Centerpoint Energy Gas Transmission ("MRT/Centerpoint"). Three of these taps (shown as MRT 1 through MRT 3) are located on property owned by the operator of the facility, and connect to an

interconnected system of pipes, partly on and partly not on the facility operator's property, that transport natural gas to several locations within the facility, where it is used in steelmaking processes. The fourth tap is off of a separate MRT/Centerpoint transmission line, is not located on the facility operator's property, and connects to pipe (referred to by the operator as the "South Plant Line") that carries natural gas to a facility in the "South Plant" portion of the facility.

One question is related to the system connected to the three taps, and one question relates both to that system and to the South Plant Line.

Natural Gas System other than South Plant Line

The MRT/Centerpoint line is shown with arrows at each end on the attached diagram. The three taps off of this line all exist on the property of the facility owner, but the system of piping to which they connect leaves the property six times: twice on Edwardsville Road (Illinois Route 203), twice on 21st Street, and twice on 20th Street. The pipeline system operates at a pressure of 150 psig. Our understanding is that the interstate pipeline operator odorizes the pipeline gas at .25 pounds/MMCF, as compared to the .50 to .75 pounds/MMCF level at which most gas on distribution systems in our region is odorized.

We have reviewed PHMSA's diagram entitled "Operator Responsibility – Drawing 3" which addresses "Operator Responsibility – Intrastate Direct Sales Lateral." That drawing shows the portion of an intrastate direct sales lateral that is jurisdictional to the state in two different scenarios. In addition, we have reviewed PI#-97-008 and PI#-96-002, to which we were referred by a representative of the operator.

Neither portion of the drawing, and neither of the cited Pipeline Interpretations directly addresses the situation about which we are inquiring, in which the interstate pipeline tap, along with any metering and pressure regulation, is located inside the property line of the factory, but the system piping leaves the factory property and enters governmental property (that is a public street or highway) six times before finally entering the portion of the property on which the natural gas is consumed.

Our question is whether the Natural Gas System other than the South Plant Line contains pipeline over which the Illinois Commerce Commission has pipeline safety jurisdiction under Part 192, including the definitions in 49 CFR 192.3.

Question Concerning GCW Natural Gas System, including South Plant Line

Again, please refer to the diagram entitled "GCW Natural Gas System." This question applies to all portions of the GCW Natural Gas System over which the Illinois Commerce Commission is determined to have pipeline safety jurisdiction under Part

192: Does all or any part of the system consist of transmission line? In terms of the definition of "transmission line" in 49 CFR 192.3, it can be assumed for purposes of this question that the line is not a gathering line, that none of the relevant transportation of gas takes place in a storage field. Also, we have received no indication that any of the pipeline operates at a hoop stress of 20% or more of specified minimum yield strength.

The question thus revolves around whether the line, in effect, "transports gas from a gathering line or storage facility to a distribution center, storage facility, or large volume customer that is not down-stream from a distribution center." In considering this question, we have reviewed PHMSA Interpretation PI#-77-028, which stated that a line was a transmission line even though it was not connected to storage facilities or gathering lines, but was connected to an interstate transmission line. We have also reviewed the Discussion of Comments that accompanied the Federal Register publication of the final rule that included the Section 192.3 definition of "transmission line" in its current form. Included with the discussion was the following:

> We did not specify a minimum volume of gas a pipeline must transport to a customer to qualify as transmission. Volumes vary, and setting an arbitrary threshold might unfairly reclassify some existing lines. However, since "large volume customer" and "distribution center" each mark the end of transmission under the definition, operators may use the volume of gas supplied to distribution centers as a guide to identifying large volume customers. [61 Fed. Register at 28772]

To reiterate, our question is whether any of the GCW Natural Gas System fits within the definition of "transmission line" at 49 CFR 192.3.

GCW Coke Oven Gas

Our understanding of the coke gas process is that the coke oven heats coking coal to a point that yields a mixture of gaseous hydrocarbons, certain liquids, and other chemicals. This flammable gaseous output is collected and transported to downstream facilities at which liquids and some other substances are removed, after which the coke oven gas is transported by pipeline to the point at which it will be burned. A detailed description and drawing of the process from the heating of coking coal in the ovens themselves to the point at which the coke oven gas is metered and piped to the hot strip mill is attached.

Our understanding is that between the point at which the coke oven gas is metered and the point at which it is burned, there is piping extending for a distance of several thousand linear feet, most of which is located under public rights of way, and some of which is buried under a public sidewalk outside the fence from the steel plant in which the gas is burned. In response to communications we have received from the operator, we have reviewed a number of documents to which the operator has referred us, including PHMSA Interpretations #PI-76-041, 92-010, 92-046, and 93-060, as well

as 92 CFR 192.1(b)(5)(ii) and the 92 CFR 95.2 definition of "production facility." We cannot, however, reach the operator's conclusion that the thousands of linear feet of pipeline situated underneath publicly owned right-of-way are not jurisdictional to the ICC. We would appreciate your thoughts on this issue.

If your conclusion is that the pipeline is jurisdictional to the ICC, we have another question, related to the proper classification of the line. We have reviewed the definition of "transmission line" at 49 CFR 192.3, the application of which depends in large measure upon the meaning of the term "gathering line," which in turn appears to be determined in accordance with 49 CFR 192.8 and Recommended Practice 80 of the American Petroleum Institute (incorporated by reference at 49 CFR 192.7).

Our question is whether any portion of the pipeline used to transport coke oven gas from the facility in which it is produced to the facility in which it is burned falls within the definition of "transmission line," or whether all of this pipeline is properly classified as "distribution line" under 49 CFR 192.3.

Conclusion

We have enclosed, as background to our inquiry, correspondence that has passed between the operator and the staff of the Commission. If you require any further information in order to answer our questions, or if you have any other questions concerning these inquiries, please contact me.

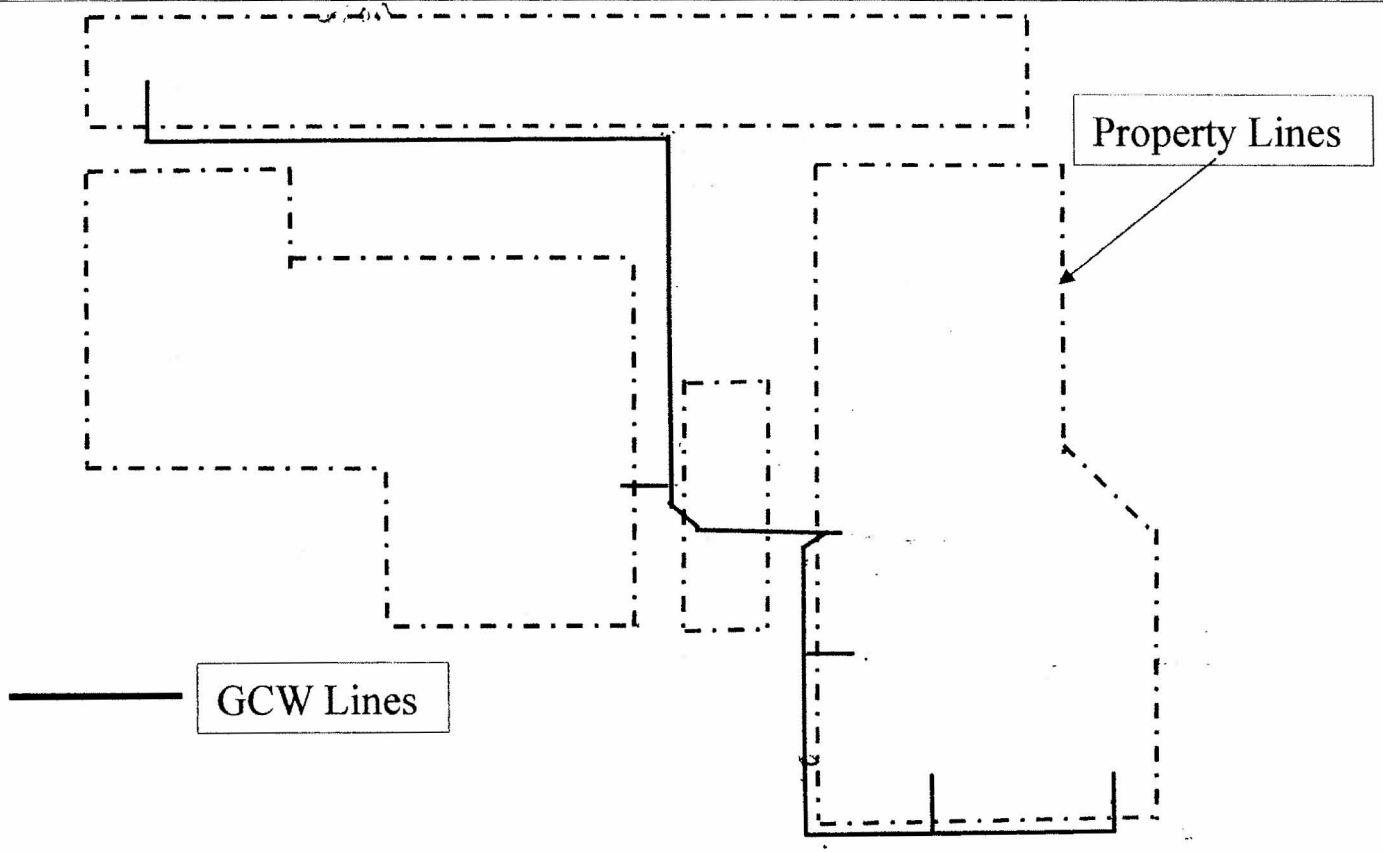
Sincerely,

Darin R. Burk
Manager—Pipeline Safety

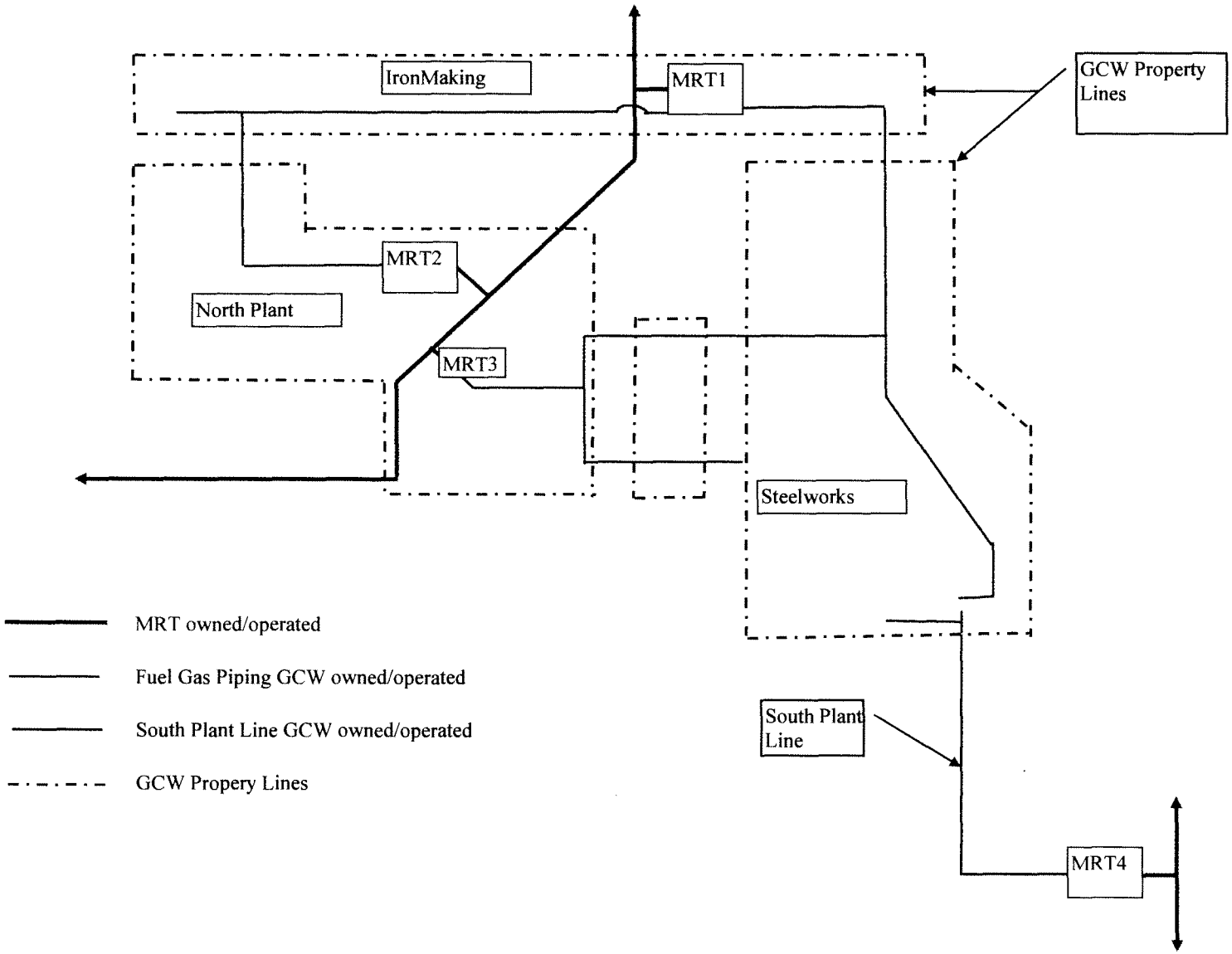
Enclosures: Drawing—"GCW Natural Gas System"
Drawing—"Coke Plant Process Flow"
Correspondence between ICC and Operator

GCW Coke Oven Gas

GCW Coke Oven Gas System



GCW Natural Gas System



STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

May 22, 2008

Mr. Jeffrey Parmley
United States Steel Corporation
Granite City Works
1951 State Street
Granite City, Illinois 62040

Dear Mr. Parmley

Per our discussion during our meeting on May 6, 2008, the following has been determined.

The Gas piping owned and operated by United States Steel Corporation (USS) is jurisdictional under the Illinois Gas Pipeline Safety Act identified as 220A ILCS 20 (copies were supplied to your staff during our meeting). Under these requirements both the Coke Gas Pipeline and the piping transporting natural gas downstream of the MRT/Centerpoint meter facility will be jurisdictional, due to transportation of a flammable gas as defined in Section 2.02 of the Act.

The jurisdiction for the Coke gas line will begin at the outlet of the gas purification process upstream of the two compressors and will end at the point furthest downstream where the pipeline enters the last building wall. If there are branches off this line, each branch will also be included up to the point of entry to each building it serves. The jurisdiction will include the operation and maintenance of the compressor units.

The 150 psig lateral downstream of the point of delivery from MRT (Centerpoint) becomes jurisdictional at the point of transfer (usually a station outlet valve or isolation flange) up to the point of entry to the last building served by this pipeline. This also includes any branches off the main line.

Both lines will be classified as Transmission Lines due to the lack of supplying a distribution system. With the Transmission requirements defined in Part 192, the number of pipeline patrols and leak surveys will be determined by applying the appropriate class location as defined in 192.5 Class Location. The line will be considered as transporting unodorized gas and will require leak surveys to be performed, using leak detection equipment at the prescribed intervals, as defined by 192.706.

Jurisdiction requires that USS follow the applicable requirements specified under Part 191, 192, 199, defined in CFR Title 49, which was adopted as the Minimum Safety Standards applicable to the operation of a pipeline transporting a flammable gas within the boundaries of the State of Illinois.

These requirements include the establishment of a Procedural Manual for Operations, Maintenance and Emergencies applicable to the pipelines being operated by USS. This requirement is defined in CFR 49 Part 192.605. After creating and approving such manual, USS is to supply a copy to the Pipeline Safety Section of the ICC for review. The manual will remain on file for future reference. As this manual is updated, revised, or changed in any manner by USS, a copy of those revisions shall be sent to the Pipeline Safety Section for review and updating of our file copy. If a review identifies the plan fails to meet the requirements as defined in Part 192 or Illinois Administrative Codes adopted by the Commission, Staff will request the applicable section(s) to be revised.

Any construction, repairs, or replacement of jurisdictional piping, or components shall meet the minimum requirements for pipeline design as specified in Subpart D of Part 192. All pipelines and appurtenance must be constructed with qualified materials as defined by Subpart B and C of Part 192, or Company requirements whichever is more stringent. When piping is installed or replaced, qualified joining procedures shall be established to ensure the process being used will produce joints with sufficient structural integrity for the application and pressures being used. The persons performing the joining must also be qualified to perform the joining (welding or plastic fusion) as defined by Subpart E and/or F within Part 192. Any new piping or components installed must be pressure tested to ensure their integrity as defined in Subpart J or K of Part 192.

If the piping transporting the flammable gas is constructed of steel, the piping shall be adequately coated and protected against corrosion as defined by Subpart I of Part 192.

Persons or employees of USS, or contractors working for USS must be qualified to perform covered tasks as defined in Subpart N of Part 192. This section requires USS to establish an Operator Qualification Plan and implement a qualification program, to ensure that the persons performing covered tasks have the required skills and abilities to conduct the task safely, react to Abnormal Operating Conditions. The State of Illinois has a training requirement identified as Illinois Administrative Code Part 520 includes training requirements. A copy of the Code is available through the Commission web site at www.icc.illinois.gov. This Part stipulates the requirement for providing the necessary training to ensure your employees have the ability to perform their jobs when working on or near gas pipelines. To ensure USS is performing the required surveys, tests and maintenance the Pipeline Safety Section of the ICC will conduct annual audits of the records completed per the requirements of part 191, 192

and 199. If deficiencies are noted during this audit the Commission has the ability to initiate enforcement actions that can include civil penalties.

Employees or individuals performing work on or near the pipeline will also be required to be included in a Drug and Alcohol testing program as defined in Part 199 of CFR 49.

If high consequence areas are identified along either of the pipeline systems, an Integrity Management Program may be required under Subpart O of Part 192. Staff requests that the Potential Impact Radius be established using the available guidelines as defined in 192.903 and 192.905.

USS will also be required to establish a Public Awareness Program as defined in 192.616 of Subpart L Operations. This is required to inform the public living near the facility, the Local Public Officials, and Emergency Responders of the hazards that could occur due to the transportation of a flammable gas. The information should include the plans and procedures in place to operate the system in a safe manner, as well as a method to report a pipeline emergency.

This is a brief overview of the requirements as defined in CFR Part 191, 192, and 199. Part 191 establishes the annual reporting requirements for operators of a Transmission Pipeline system and incident reporting requirements. If you have any questions, feel free to call me at 217-414-9609.

Sincerely

Jim Watts
Pipeline Safety Analyst

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

April 2, 2009

Mr. Anthony Bridge
Vice President—Operations, East
United States Steel
600 Grant Street
Pittsburgh, PA 15219-2800

Dear Mr. Bridge:

On May 5, 2008, the Illinois Commerce Commission ("ICC") Pipeline Safety Program, received National Response Center ("NRC") Incident Report #869878 from the Pipeline and Hazardous Materials Safety Administration ("PHMSA") Central Region Office. The report stated that there had been a release of materials from an underground internal pipeline due to a hole in a line at US Steel Granite City Works ("USS"). The incident occurred May 4, 2008, at 18:26 local time. The reporting party was Carl Hannon of USS. The material released was identified as coke oven gas.

Mr. Hans Shieh of the PHMSA Central Region Office reported that he had spoken to Mr. Hannon of USS. Mr. Shieh identified the pipeline as an intrastate line falling under ICC regulatory jurisdiction. He requested that the ICC conduct an investigation.

On May 13, 2008, ICC Pipeline Safety Program Staff ("Staff") met with representatives of the USS Maintenance, Services and Utilities Department. The USS representatives stated that they currently operated two pipelines in the Granite City area to supply gas to the USS facility.

One line carried coke gas and other carried natural gas. USS representatives stated that they had experienced multiple releases on the 16"and 18" pipeline used to transport coke gas generated by the coke manufacturing process. The coke gas is gathered and compressed to 20-25 psig using two compressor units. The pipeline is constructed of 16"and 18" steel, is approximately 10,000 feet in length and is constructed of 1950 to 1990 vintage steel. ICC Staff requested that USS initiate weekly leakage surveys of the coke gas pipeline based on the leakage history and the condition of the pipeline as indicated by the photographs taken by USS.

Staff determined and informed the USS representatives that both pipelines operated at USS fall under the regulatory jurisdiction of the ICC. Staff summarized the construction, operation, maintenance, qualification, anti-drug testing and reporting requirements contained in the Code of Federal Regulations ("CFR"), Title 49, Parts 190, 191, 192 and 199.

Staff sent a letter to Mr. Jeffery Parmley of USS on May 22, 2008. The letter advised USS that the two pipelines owned and operated by USS were jurisdictional to the ICC under the Illinois Gas Pipeline Safety Act (220 ILCS 20). The letter stated that the coke gas pipeline was jurisdictional from the outlet of the gas purification process, upstream of the two compressors, to the point downstream where the pipeline enters the last building wall, and that any branch lines off of the main pipeline would also fall under ICC jurisdiction. The letter also identified as jurisdictional the second pipeline operated by USS, that is, certain piping from the Mississippi River Transportation custody transfer point to the last building served by the pipeline. Based on the information available at that time, both pipelines were classified as transmission pipelines. The letter summarized parts of Title 49 of the Code of Federal Regulations, as well as requirements of 83 Ill. Adm. Code 520 applicable to the two pipelines.

On February 24, 2009, a meeting was held with USS representatives and ICC Staff. Discussions during the meeting revealed that USS had not yet come into compliance with the CFR Title 49 or Illinois Administrative Code Title 83 requirements.

Staff has determined that USS is in apparent noncompliance with the following Subparts of CFR Title 49 requirements:

CFR Part 192 Subpart A – General
USS does not have plans and procedures relating to the maintenance of the pipelines.

CFR Part 192 Subpart B – Materials
USS has not demonstrated that the pipelines are constructed of suitable materials.

CFR Part 192 Subpart C – Pipe Design
USS has not demonstrated that the pipelines meet design requirements.

CFR Part 192 Subpart D – Design of Pipeline Components
USS has not demonstrated that each component of the pipelines meet the design requirements.

CFR Part 192 Subpart E – Welding of Steel in Pipelines
USS has not provided documentation demonstrating that the pipelines were joined by qualified welders performing the welding in accordance with qualified welding procedures.

CFR Part 192 Subpart F – Joining of Materials Other than by Welding
USS has not provided documentation demonstrating that the pipeline components were joined as required.

CFR Part 192 Subpart H – Customer Meters, Service Regulators, and Service Lines
USS has not provided documentation demonstrating that the service regulators and service lines meet the minimum requirements.

CFR Part 192 Subpart I – Requirements for Corrosion Control
USS has not installed, monitored, and maintained corrosion control on the pipelines.

CFR Part 192 Subpart J – Test Requirements
USS has not provided documentation demonstrating that the pipelines and components were tested as required.

CFR Part 192 Subpart L – Operations
USS has not provided documentation demonstrating that the pipelines have been operated in compliance with this Subpart.

CFR Part 192 Subpart M – Maintenance
USS has not provided documentation demonstrating that the pipelines have been maintained as require by this Subpart.

CFR Part 192 Subpart N – Operator Qualification
USS has not provided documentation demonstrating that covered tasks performed on the pipes have been conducted by qualified individuals.

CFR Part 199 Subpart A – General
USS has not provided documentation demonstrating that individuals performing tasks on the pipelines are subject to an anti-drug and alcohol testing program.

CFR Part 199 Subpart B – Drug Testing
USS has not maintained and followed a written anti-drug testing plan.

CFR Part 199 Subpart C – Alcohol Misuse Prevention Program
USS has not maintained and followed a written alcohol misuse plan.

In addition, depending on the configuration of pipeline facilities and the pressure at which gas is transported, USS may be in violation of one or both of the following: 49 CFR 192, Subpart G (General Construction Requirements for Transmission Lines and Mains), and 49 CFR 192, Subpart O (Transmission Pipeline Integrity).

Staff has also determined that USS is in apparent noncompliance with Illinois Administrative Code, Title 83: Public Utilities, Chapter I: Illinois Commerce Commission, Subchapter d: Gas Utilities, Part 520, Training Programs for Natural Gas System Operating Personnel. USS has not demonstrated that individuals performing tasks on the pipelines are trained as required.

Due to the findings of apparent noncompliance with both the applicable sections of the Code of Federal Regulations and the Illinois Administrative Code identified above, you are requested to reply in writing, within 30 days of receipt of this letter, as to why United States Steel should not be found in noncompliance with Section 6, and subject to penalty assessments as allowed under Section 7, of the Illinois Gas Pipeline Safety Act (220 ILCS 20/6 and 7). Your response should also include what steps United States Steel has taken or expects to take, and the dates when those steps will be taken to bring your natural gas pipeline facilities and the operation of those pipelines into compliance with the Title 49, Code of Federal Regulations, and Illinois Administrative Code Title 83 requirements. If you have any questions concerning this matter, please contact me at (217) 785-1165.

Sincerely,

Darin R. Burk

Darin R. Burk
Manager – Pipeline Safety

Cc: Ms. Kathryn M. Scotti, Attorney, United States Steel Corporation

Emailed to Harry
Darin, Charlie &
Jim.

United States Steel Corporation
600 Grant Street
Pittsburgh, PA 15219-2800

May 1, 2009

Mr. Darin R. Burk
Manager—Pipeline Safety
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701

Dear Mr. Burk,

In your letter, dated April 2, 2009, the Illinois Commerce Commission (ICC) requested that United States Steel Corporation (USS) specifically reply to several items. USS, with full reservation of rights, replies as follows[1]:

1. **United States Steel Corporation should not be penalized nor found in noncompliance with the Illinois Pipeline Safety Act.**

The coke oven gas (COG) line, to the best of our knowledge, was planned and installed in three parts. The first portion of the line was designed and installed in 1951 and 1952. A second section was designed and installed in 1961 and a third section was designed and installed in 1967. Most sections of the Federal Pipeline Safety Regulations, directly related to the Illinois Pipeline Safety Regulations, were implemented in 1970. The sections relating to design and construction are not retroactive before the date that the applicable sections were implemented. See Title 49, Code of Federal Regulations, Section 192.13.

Therefore, even if inadequacies exist, USS should not be subject to any penalties nor found in noncompliance for inadequate design or construction, including inadequate materials, pipe design, design of pipe components, welding requirement, or joining requirements, for any parts of the COG pipelines that were in use prior to 1970 or 1971.

USS voluntarily and pro-actively self-reported the May 4, 2008 leak in our COG line to the Pipeline and Hazardous Materials Safety Administration (PHMSA) which apparently forwarded the report to the National Response Center (NRC). According to your letter, the NRC informed the ICC of the leak, and requested the ICC complete an investigation.

[1] United States Steel Corporation hereby reserves the right to challenge this application of the Illinois Pipeline Safety Act and, by extension, the Federal Pipeline Safety Act to USS pipelines located at USS's Granite City Works, for any reason.

USS is a manufacturing operation, not a pipeline company or a utility. Thus, USS did not consider that the COG or natural gas pipelines might be subject to Federal or state pipeline safety regulations.

Nevertheless, upon receipt of the ICC's notification that USS's Granite City Works COG pipeline was potentially out of compliance with Federal and state regulations, USS immediately and voluntarily moved towards compliance by taking the following actions:

- First, USS immediately retained an OQ qualified contractor, Utility Safety and Design, Inc. (USDI)[2], to perform pipeline leak surveys. These surveys have been consistently negative for leaks.

- Second, USS immediately replaced the COG pipeline segment responsible for the May 4, 2008 leak.

Now that USS is aware that the COG and natural gas pipelines may be subject to Federal and state pipeline safety regulations despite USS's status as a manufacturer, USS intends to bring the COG and natural gas pipelines into full compliance with any applicable codes, regulations or requirements.

To that end, USS retained M.K. Technologies to assist USS in bringing Granite City Works pipelines into full compliance with any applicable codes, regulations or requirements.

These actions clearly show that USS was and is moving towards compliance with Section 6 of the Illinois Pipeline Safety Act, and thus should not be subject to any penalty assessments.

In addition, please note that USS currently has two opinions that the natural gas line is not a transmission line, but is rather a distribution line. The pipeline safety requirements for transmission lines and distribution lines differ greatly. C. Lindsay Enloe, from USDI, and Larry Kotys and Paul Oleksa, from M.K. Technologies, have each shared their opinion with USS on this matter. Mr. Kotys' and Mr. Oleksa's written opinion is attached as "Attachment A" to this letter, and USS respectfully requests additional dialogue with the ICC so this matter can be appropriately resolved. USS should not be found in noncompliance nor subject to any penalty assessments for any potential deficiencies in the natural gas pipeline as apparently reasonable differences of interpretation exist among consultants in this matter.

2. Steps that United States Steel Corporation has taken and plans to take to bring itself into compliance with Title 49, Code of Federal Regulations, and Illinois Administrative Code Title 83 requirements.

[2] USDI is currently OQ qualified for other pipeline operators, and will become qualified to USS standards as soon as practicable after such standards have been developed.

USS is fully committed to becoming compliant with all applicable pipeline safety codes, regulations and requirements. To that end, USS has dedicated various internal resources to this project. Additionally, USS has retained two firms mentioned above, M.K. Technologies and USDI, to assist USS in coming into full compliance with Title 49, Code of Federal Regulations and Illinois Administrative Code Title 83 requirements on an accelerated time schedule.

USDI, an OQ qualified contractor, is performing weekly leak surveys.

M.K. Technologies is experienced in planning and implementing Integrity Management Programs and other pipeline safety regulations. USS has full confidence that M.K. Technologies will appropriately and swiftly guide USS to full compliance with all applicable pipeline safety codes, regulations and requirements.

3. Timeline to bring the USS Pipelines into compliance.

There are many steps necessary to bring the USS pipelines into full compliance with Title 49, Code of Federal Regulations and Illinois Administrative Code Title 83 requirements, if it is assumed that such regulations and requirements are applicable. The steps being taken by USS are enumerated below, and the requested timeline is available in graph form as "Attachment B". USS anticipates full compliance in the month of February, 2010.

1. Initial on-site inspection. (Completed the week of April 18.)
   a. Meet with USS personnel to review operation and maintenance of the two pipelines.
   b. Meet with USS personnel to review known operating characteristics of the two pipelines.
   c. Make preliminary determination of High Consequence Areas (HCAs) for purposes of an Integrity Management Program (IMP).

2. Leak detection (To be completed the week of May 16, 2009.)
   a. To fully implement the ICC recommendation for weekly leakage surveys, write the procedure for leakage surveys and patrols.
   b. Implement forms and records, as appropriate.
   c. Get appropriate operating personnel OQ qualified to perform patrols and leak detection surveys. This may require assistance from outside vendors (e.g., equipment manufacturers).

3. Write and implement an Emergency Manual. (Note that manuals are "living documents" and will be updated on a continuing basis.) (To be completed the week of June 6, 2009.)
   a. Input from one or more Subject Matter Experts (SMEs) to be supplied by USS.
   b. Appropriate employees to be trained.

4. Prepare a first rough draft (sketch) of an Integrity Management Program (IMP) manual. (Draft to be completed by week of July 11, 2009)
   a. Preliminary determination of who (USS or contractor) can perform work.
   b. Manual to be finalized by the week of August 1, 2009.

5. Write and implement an O&M Manual. (To be completed the week of August 15, 2009.)
   a. Arrangements to be made to receive one-call tickets.
   b. Appropriate employees to be provided initial training.

6. Prepare construction manual. (To be completed the week of September 12, 2009.)

7. Prepare Operator Qualification plan. (To be completed the week of October 24, 2009.)
   a. Determination of whether to use outside vendors.
   b. Qualification of personnel.

8. Prepare Public Education (Public Awareness) plan. (To be completed the week of November 14, 2009.)

9. Prepare Drug and Alcohol Plans. (To be completed the week of January 2, 2010.)
   a. Select vendors to perform tests, etc.
   b. Begin testing and documentation.

10. Prepare Design Manual. (To be completed the week of January 23, 2010.)

11. Allow 5 weeks contingency to accommodate unforeseen difficulties. (To be completed the week of February 27, 2010.)
    a. Project to be completed within 46 weeks.

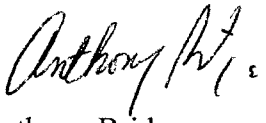
USS believes that these dates are reasonable and achievable given appropriate support from your organization, as necessary.

Safety is the primary USS Core Value. USS is very proud of both the safety programs we have implemented throughout the corporation and our outstanding safety record. We look forward to expanding our commitment to safety through the implementation of pipeline safety programs at Granite City Works.

If you have any questions, please contact Kathryn Scotti, at (412) 433-2862 or kmscotti@uss.com. Ms. Scotti is keeping me apprised on all communications and developments in this matter.

Thank you very much for the opportunity to work with you in this matter.

Sincerely,



Anthony Bridge
Vice President – Operations

Attachment A

Transmission versus Distribution Classification
USS Natural Gas Pipeline
Granite City, IL
Presented by M.K. Technologies, Larry Kotys
April 17, 2009

Background

United States Steel Corporation, Granite City Works, in Granite City, Illinois, operates two pipelines. One is a coke oven gas (COG) pipeline. That pipeline has been classified by the ICC as a transmission pipeline. The second pipeline transports natural gas, which is delivered from CenterPoint Energy - Mississippi River Transmission Corporation, an interstate transmission pipeline. These two pipelines are subject to jurisdiction under the Code of Federal Regulations (CFR) Part 192 – Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards (known as the "Code"). They are also subject to the rules of the State of Illinois. The Code and the state rules are enforced by the Illinois Commerce Commission (ICC).

The proper classification of these lines is important because the Code is different as it applies to transmission versus distribution piping. It is important to know which classification is appropriate.

The initial determination by the ICC is that the natural gas pipeline is a transmission line. However, after gathering and reviewing additional information, it appears that classification as a distribution system is more appropriate. This report provides the rationale for this decision.

Definitions

Key points in this determination are the definitions of *Distribution line, Main, Service line*, and *Transmission line*. These definitions are found in §192.3 of the Code, and are as follows.

> *Distribution line* means a pipeline other than a gathering or transmission line.
>
> *Main* means a distribution line that serves as a common source of supply for more than one service line.
>
> *Service line* means a distribution line that transports gas from a common source of supply to an individual customer, to two adjacent or adjoining residential or small commercial customers, or to multiple residential or small commercial customers served through a meter header or manifold. A service line ends at the outlet of the customer meter or at the connection to a customer's piping,

whichever is further downstream, or at the connection to customer piping if there is no meter.

Transmission line means a pipeline, other than a gathering line, that:

(1) Transports gas from a gathering line or storage facility to a distribution center, storage facility, or large volume customer that is not down-stream from a distribution center;
(2) operates at a hoop stress of 20 percent or more of SMYS; or
(3) Transports gas within a storage field.

Note: A large volume customer may receive similar volumes of gas as a distribution center, and includes factories, power plants, and institutional users of gas.

Analysis of the Definitions

Note that a *transmission line* must be a pipeline that meets one of the three criteria in the definition.

Considering the three criteria in reverse order, criteria (3) is a pipeline that transports gas within a storage field. The USS natural gas pipeline does not meet that criteria.

Criteria (2) is a pipeline that operates at a hoop stress of 20 percent or more of SMYS. The USS natural gas pipeline does not operate at a hoop stress of 20 percent or more of SMYS; therefore it does not meet that criteria.

That leaves criteria (1). Criteria (1) is a pipeline that transports gas from a gathering line or storage facility. The USS natural gas pipeline transports gas from a transmission line system, not a gathering line or a storage facility. Therefore, this line does not meet criteria (1).

- Additionally, although the above paragraph can stand alone, the analysis may be substantiated by considering the second part of Criteria (1), which considers where the gas is delivered to. A transmission line under Criteria (1) must deliver gas to a distribution center, storage facility, or large volume customer that is not down-stream from a distribution center. The USS natural gas pipeline does not deliver gas to a distribution center. It does not deliver gas to a storage facility. It does not deliver gas to a large volume customer such as that described in the explanatory note.
- Note also, that the definition states that a transmission line transports gas to a "large volume customer". This is singular. The USS natural gas piping system transports gas, through several service lines, to several USS locations.
- Therefore, the USS natural gas pipeline does not meet the second part of Criteria (1).

It is clear from the above rationale that the USS natural gas pipeline does not meet any of the required criteria for a transmission line. Therefore, the USS natural gas pipeline is not a transmission line.

Note that a *distribution line* is a pipeline other than a gathering or transmission line. The USS natural gas pipeline is not a gathering line. It is not a transmission line. Therefore it is a distribution line.

Characteristics of a Distribution System

A distribution system consists of *mains* and *service lines*, and serves multiple consumers. The piping is often convoluted, traversing along many different streets. (Contrast this to a *transmission line*, which typically transports gas in a relatively straight line from one point to another, although there may be occasional lateral connections.)

The USS natural gas pipeline contains a main or mains. Typically the pipe running along a street is considered to be a *main*. From this perspective the USS natural gas piping system would contain several mains, because the system runs along several different streets. (Nevertheless, whether the USS natural gas piping system contains one main or several mains is not critical to this analysis.)

The USS natural gas piping system contains several *service lines*, each service line transporting gas from a common source of supply (a *main*) to an individual customer. All the customers are owned by USS, but each customer is responsible for the amount of gas it uses. Some of the customers are metered, whereas some of the customers are not metered.

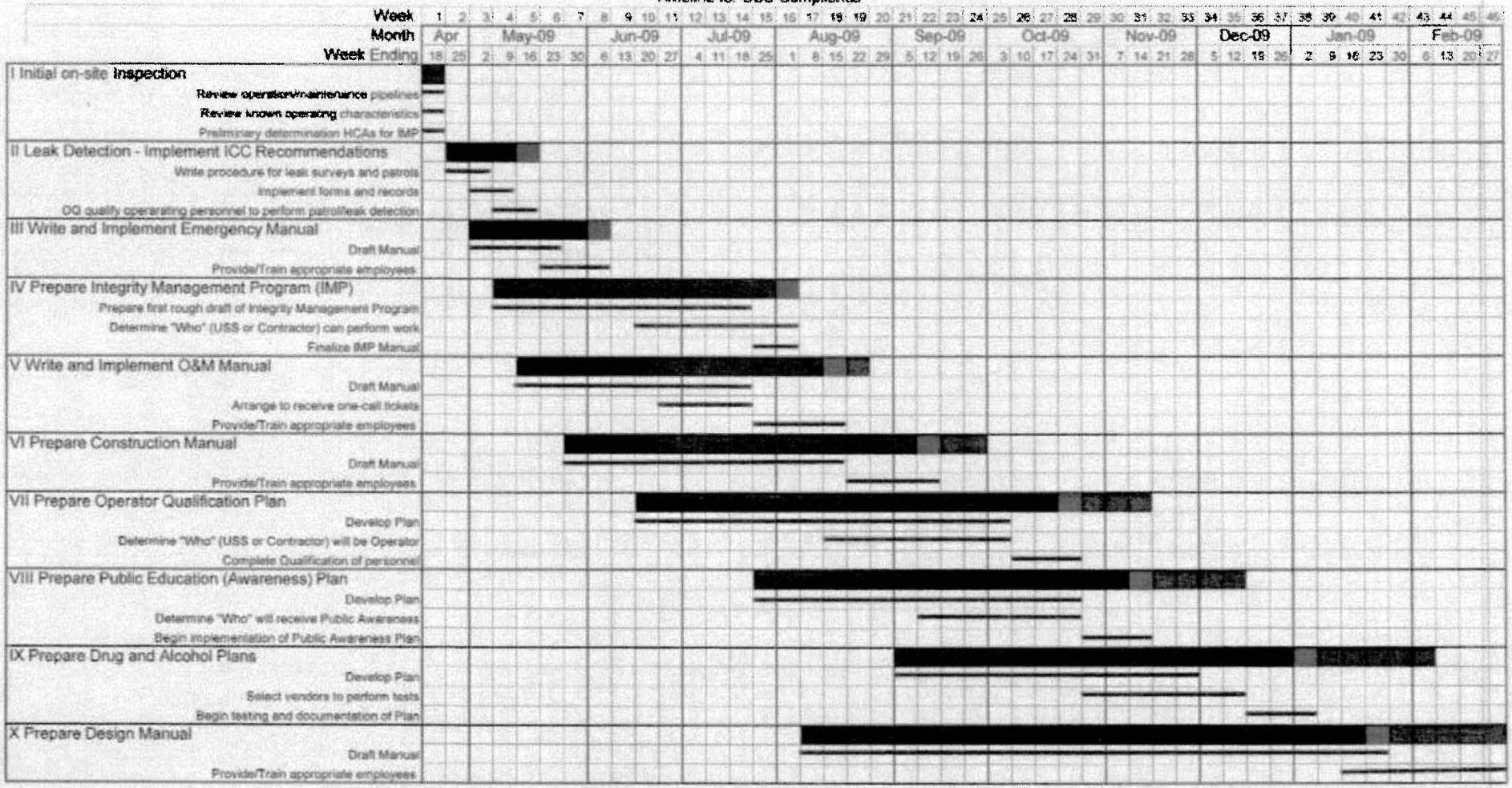
In summary, the USS natural gas system is a *system* of pipelines, not a single pipeline. It is supplied through three separate sources. It contains mains that traverse along many separate streets. It contains several service lines. This system has the characteristics of a small distribution system.

Executive Summary

The USS natural gas piping system is not a transmission line because it does not meet any of the definition criteria necessary for a transmission line. The USS natural gas piping system meets all the definition requirements of a small distribution system. It contains mains and service lines and supplies gas to multiple customers. It has the characteristics of a typical small distribution system.

Attachment B

Timeline for USS Compliance



- MILESTONE WEEK
- CONTENGENCY WEEK

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

May 15, 2009

Mr. Anthony Bridge
Vice President - Operations, East
United States Steel
600 Grant Street
Pittsburgh, PA 15219-2800

Dear Mr. Bridge:

In your letter dated May 1, 2009, United States Steel ("USS") disagrees with the Illinois Commerce Commission ("ICC") Pipeline Safety Staff's ("Staff") opinion that USS is operating natural gas pipelines categorized as transmission pipelines. Rather, USS has opined that the pipelines should be considered distribution pipelines. Staff concurs that pipeline safety requirements for transmission and distribution piping differ.

To clarify the pipeline categorization, Staff has scheduled an on-site visit to the USS Granite City Works on May 21, 2009. Staff will require a contact at the USS facility with knowledge of the running line and operational characteristics of the pipeline facilities. Staff intends to be on-site at 10:00 a.m. and anticipates the visit to last approximately four hours. Upon completion of the visit, Staff will provide additional guidance to allow USS to move forward with appropriate compliance initiatives. Please provide contact information as soon as possible for an individual assigned to the USS Granite City facility who can be available for Staff's May 21, 2009, visit.

Your letter includes several timelines to bring the pipelines operated by USS into compliance. Staff has two categories of concerns about the proposed USS compliance timeline: the first is about initiative timelines that simply cannot be permitted to extend so far as USS proposes and the second is about requirements that can be met by other than USS' own initiatives.

As for timelines that fail to recognize time-critical requirements:

1. Staff does not agree with the lengthy timeline outlined in your letter for finalizing an Operation and Maintenance ("O&M") Plan, which is absolutely essential to the safe operation of a natural gas pipeline system. USS has proposed completion the week of August 15, 2009. Staff requires that the O&M plan be completed and implemented by July 1, 2009.

2. Public Education is essential to damage prevention and public safety. The USS timeline proposes completion of the Public Awareness Plan the week of November 14, 2009. Staff also requires that this task be completed by July 1, 2009.

As for requirements that can be met by other than USS' own initiatives:

(1) The USS timeline proposes the completion of its own Operator Qualification Plan ("OQ") the week of October 24, 2009. That timeline is acceptable, provided that all operation, maintenance and emergency response activities be conducted by individuals qualified under an OQ plan meeting the requirements for the CFR Part 192 until the USS OQ plan is developed and implemented.

(2) The USS timeline proposes the implementation of its own Anti-drug and Alcohol Plan the week of January 2, 2010. Again, that implementation date is acceptable providing that all operation, maintenance and emergency response activities conducted on the pipeline facilities be performed by individuals included in an Anti-drug and Alcohol program meeting CFR Part 199 requirements until the USS Plan is implemented.

As our Program name implies, the primary concern of the ICC Pipeline Safety Program is operator employee and public safety. Concern for continued safe operation of the USS natural gas pipeline system is the driver behind the requirements for the timeline implementation revisions identified above. Although USS has only been recently introduced to the pipeline safety requirements of the State of Illinois, the ICC Pipeline Safety Program has been in existence since 1971. My observations and required timeline revisions are based on decades of experience with pipeline safety issues.

The Pipeline Safety Staff appreciates the attention that USS has given to this matter and will provide necessary assistance with USS compliance with the State and Federal requirements. If you have any questions, please contact me at (217)-785-1165.

Sincerely,

Darin R. Burk

Darin R. Burk
Manager-Pipeline Safety

DRB/ns
cc: Kathryn M. Scotti, Attorney, USS
via e-mail

Standridge, Nancy

From: Favoriti, Richard
Sent: Tuesday, June 16, 2009 9:44 AM
To: Kathryn M Scotti
Cc: Foster, Pat
Subject: FW: ICC visit to USS- June 4, 2009
Attachments: Transmission Interpretation #6; Operator Responsibility Drawing #3.pdf

Importance: High

Follow Up Flag: Follow up
Flag Status: Flagged

Ms. Scotti,

First, we want to thank you and the other USS personnel very much for the opportunity to look at the Granite City facility and environs. As we had hoped, our visit gave us a greater understanding of the configuration and location of both the coke oven gas system and the system for tapping into the Centerpoint/MRT pipeline and moving the pipeline gas in and around the steel plant.

As we discussed at the end of our visit, we would be getting back to you with any further questions we had as a result of our visit. That is the purpose of this email.

First, concerning the taps and lines enabling the transportation of pipeline gas (referred to on the schematics we were furnished as "GCW Natural Gas System"), we have several questions related to Mr. Oleska's presentation. We understood Mr. Oleska to state that, out of the entire GCW natural gas system, only the line shown on the diagram as the "South Plant Line" would be jurisdictional to the ICC under the Illinois Gas Pipeline Safety Act ("IGPSA") and the federal rules the Illinois Commerce Commission has adopted by reference (including 49 CFR Part 192) under its IGPSA authority.

We have reviewed the definition of "Distribution line" at 49 CFR 192.3, which Mr. Oleska cited in his presentation as one of the bases for his conclusion that the bulk of the GCW natural gas system is not jurisdictional to the ICC. It reads as follows: "Distribution line means a pipeline other than a gathering line or a transmission line." It strikes us that this definition is open-ended, and intended to cover all gas transportation lines other than gathering and transmission lines. It would help us if Mr. Oleska could explain whether he is relying on additional authorities (such as the American Petroleum Institute's Recommended Practice 80, which he cited in connection with the phrase "production facility")and, if not, how does Mr. Oleska's cited 49 CFR 192.3 definition serve to remove the GCW natural gas system from ICC jurisdiction?

We would also appreciate an explanation of the difference between Mr. Oleska's conclusion and the conclusion reached by Mr. Kotys in the M.K. Technologies presentation entitled "Transmission versus Distribution Classification," dated April 17, 2009 (Attachment A to the letter dated May 1, 2009, from USS VP Bridge to ICC Pipeline Safety Manager Burk, hereinafter the "May 1 letter").

We have reviewed the PHMSA documents Mr. Oleska referenced in his presentation (PI 92-046 and 92 -010). We have also reviewed a similar letter which our records refer to as #6 (attached). This interpretation would support the position that a large customer tap off of a transmission line is itself a transmission line, irrespective of ownership of the gas being transported. At this point, this appears to us to be the PHMSA document that most clearly addresses the GCW natural gas system, and we'd appreciate any reaction to that view.

We have also reviewed the examples of gas delivery configurations that PHMSA provides, which Mr. Oleska showed as a part of his presentation, including the attached ("Operator Responsibility – Drawing 3"). What we have not seen in any

of these drawings is the situation presented by the GCW natural gas system, in which the transported gas, after entering the factory system, leaves the factory owner's property and crosses under public rights of way some five or six times. Are we focusing on the correct drawing?

In terms of the age and composition of the pipes that comprise the GCW natural gas system, we understood Mr. Baker to say that he had done some research into these questions, but had uncovered little information to this point. Can he furnish any estimate of when some information will be available on these issues?

In terms of the GCW Coke Oven Gas line ("COG"), we understood Mr. Oleska to be relying on the definition of "distribution line," and on PHMSA documents PI 92-046 and 92 -010, in determining that the COG line is a jurisdictional distribution line. We would appreciate USS's reaction to a different way of looking at the line.

Our understanding of the coking process is that the coke oven heats coking coal to a point that yields a mixture of gaseous hydrocarbons, certain liquids, and other chemicals. This gaseous output is collected and transported to downstream facilities at which liquids and some other substances are removed, after which the coke oven gas is transported by pipeline to the point at which it will be burned. In the case of the Granite City facility, the coke oven is on the portion of the plant located southeast of Edwardsville Road. The output of the process leaves the coke oven and is transported to facilities in the same part of the property where the cooling and separation processes take place. Once the coke oven gas has been through these processes, it is piped to a line that proceeds southwest under Edwardsville Road to 21st Street, then northwest under 21st Street to a point at which it turns southwest, proceeds under USS property to where it crosses under 20th Street and briefly reenters USS property, then reemerges and proceeds northwest under 20th Street to Madison Avenue, where it runs under the sidewalk, not on USS property, to two points at which the line connects into the hot strip mill where it is burned in a steelmaking process.

We would appreciate a more detailed demonstration than was presented either in person on June 4, or with the May 1 letter, as to why the COG line should be considered a distribution line. We would appreciate specific citations to Part 192 and documents incorporated by reference into Part 192 by Section 192.7.

We have reviewed the language in the American Petroleum Institute's Recommended Practice 80 that addresses the meaning of the term "production operation" (Section 2.3). It appears to us that at least some of the lines and equipment leading out of the coke gas oven are "piping and equipment used for the production and preparation for transportation or delivery of hydrocarbon gas," consistent with the definition of "production operation." It seems clear that between the production operation and the point at which the gas leaves the immediate vicinity of the coke oven, it is being "transport[ed] from the furthest downstream point in [the] production operation" to one of the points specified in Section 2.2. In other words, when the gas leaves the coke oven and passes through the downstream treatment facilities, it has left the "gathering line," for purposes of the definition of "transmission line" in 49 CFR 192.3. Also, in terms of the "transmission line" definition, it is clear to us that the hot strip mill is a "large volume customer," given that that term includes "factories . . . and institutional users of gas" by virtue of the note to the definition of "transmission line." We would appreciate any thoughts USS has with respect to this construction of the rule. We recognize that Attachment A to the May 1, 2009, letter dismisses the notion that USS is a "large volume customer," but have not found that dismissal convincing, at least not on the basis for that statement found there.

Once again, we appreciated the opportunity to view the facilities involved. We look forward to receiving any thoughts you have in response to our questions by June 30, 2009, and to resolving these issues so as to arrive at a result that serves the interest of gas pipeline safety in a manner consistent with the law.

Richard Favoriti
Patrick Foster

United States Steel Corporation
600 Grant Street
Pittsburgh, PA 15219

June 17, 2009

Mr. Darin R. Burk
Manager—Pipeline Safety
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701

Dear Mr. Burk,

Thank you for taking the time to visit United States Steel Corporation's (USS) Granite City Works. We appreciated the opportunity to share information with you and your staff.

In response to your letter, dated May 15, 2009, USS confirms the following:

1. The O&M plan will be completed by July 1, 2009.
2. The Public Awareness Plan will be completed by July 1, 2009.
3. Until such time as USS has its applicable programs in place, all repairs will be completed by individuals (a) qualified under an OQ plan that meets the requirements of CFR Part 192 and (b) included in an Anti-drug and Alcohol program that meets the requirements of CFR Part 199.

We look forward to expanding our commitment to safety through the implementation of pipeline safety programs at Granite City Works.

Thank you very much for the opportunity to work with you in this matter.

Sincerely,

Anthony Bridge
Vice President – Operations

Standridge, Nancy

From: Kathryn M Scotti [KMScotti@uss.com]
Sent: Tuesday, June 30, 2009 1:33 PM
To: Favoriti, Richard
Cc: Foster, Pat
Subject: Response to June 16, 2009 email re GCW Pipeline classification inquiries
Attachments: _0630142249_001.pdf; NG Gas System Drawing.xls; Operator Responsibility Interpretation Sketch.PDF

Follow Up Flag: Follow up
Flag Status: Flagged

Mr. Favoriti,
As we discussed, please find attached a response from USS regarding the GCW pipeline classification discussion and inquiries from the ICC dated June 16, 2009.

As the drawing and the sketch did not scan in color, I attached them seperately.

Please let me know if you have any additional questions or concerns.

Kate Scotti

Kathryn M. Scotti
Attorney - Commercial
United States Steel Corporation
600 Grant Street - Room 1880
Pittsburgh, PA 15219-2800
kmscotti@uss.com
Tel: 412-433-2862
Cell: 412-999-5760
Fax: 412-433-2843

(See attached file: _0630142249_001.pdf) (See attached file: NG Gas System Drawing.xls)(See attached file: Operator Responsibility Interpretation Sketch.PDF)

United States Steel Corporation
Law Department
600 Grant Street
Pittsburgh, PA 15219-2800
412 433 2862
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email: kmscotti@uss.com

Kathyrn M. Scotti
Attorney

June 30, 2009

Mr. Patrick Foster, Esq.
Mr. Richard Favoriti, Esq.
Office of General Counsel
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701

Via E-mail

Dear Messrs. Favoriti and Foster,

Thank you for the opportunity to respond to the questions generated after the ICC's visit to United States Steel Corporation's Granite City Works.

As there were several topics to respond to, USS has separated the questions in the letter into six (6) concerns, and responded to each in turn. Please let me know if you have any additional questions, or if you would like to further discuss any of these issues.

ICC Concern No. 1 (6-16-09)

First, concerning the taps and lines enabling the transportation of pipeline gas (referred to on the schematics we were furnished as "GCW Natural Gas System"), we have several questions related to Mr. Oleska's presentation. We understood Mr. Oleska to state that, out of the entire GCW natural gas system, only the line shown on the diagram as the "South Plant Line" would be jurisdictional to the ICC under the Illinois Gas Pipeline Safety Act ("IGPSA") and the federal rules the Illinois Commerce Commission has adopted by reference (including 49 CFR Part 192) under its IGPSA authority.

We have reviewed the definition of "Distribution line" at 49 CFR 192.3, which Mr. Oleska cited in his presentation as one of the bases for his conclusion that the bulk of the GCW natural gas system is not jurisdictional to the ICC. It reads as follows: "Distribution line means a pipeline other than a gathering line or a transmission line." It strikes us that this definition is open-ended, and intended to cover all gas transportation lines other than gathering and transmission lines. It would help us if Mr. Oleska could explain whether he is relying on additional authorities (such as the American Petroleum Institute's Recommended Practice 80, which he cited in connection with the phrase "production facility")and, if not, how does Mr. Oleska's cited 49 CFR 192.3 definition serve to remove the GCW natural gas system from ICC jurisdiction?

US Steel, Granite City Works (GCW) Response to ICC Concern No. 1

For this analysis, it is helpful to refer to the following documents (all of which are attached).

1. Drawing 3, Operator Responsibility (from WInDOT web site)
2. GCW Natural Gas System (produced by GCW), and
3. Pertinent definitions in 192.3.

Drawing 3 indicates an interstate transmission pipeline which is located some indeterminate distance from a factory. The drawing indicates that an interstate transmission pipeline company has responsibility over its pipelines up to the metering and regulating station. If there is an intrastate direct sales lateral for which the metering and regulating station is located away from the factory property, the intrastate piping between the remotely-located metering and regulating station and the factory is under state jurisdiction.

The drawing "GCW Natural Gas System" shows the interstate transmission pipeline (CenterPoint/MRT) from which GCW receives its supply of gas, along with an abbreviated schematic of the GCW piping within the plant. CenterPoint/MRT pipelines are illustrated in blue and GCW pipelines are illustrated in orange and green. Note that there is one significant difference between Drawing 3 and "GCW Natural Gas System" in that on the GCW Natural Gas System drawing, the interstate transmission pipeline actually traverses through a portion of the factory (GCW) property.

There are a total of four CenterPoint/MRT metering and/or valve stations that supply gas to GCW. Three of the metering and/or valve stations (labeled MRT1, MRT2, and MRT3 on the drawing) are located within the GCW plant boundaries. One of these three stations (MRT1) is located in the Iron Making portion of the plant, and the other two (MRT2 and MRT3) are located in the North Plant. There is no intrastate pipeline associated with any of these three stations. All the piping downstream of the stations is plant piping (fuel gas piping). The stations and all the piping upstream of the stations are the responsibility of the interstate transmission pipeline company (CenterPoint/MRT).

The fourth regulator and/or valve station (MRT4), however, is located some distance away from GCW property. The piping (the South Plant Line) between the regulator and/or valve station and the GCW property is under state (ICC) jurisdiction, as indicated on Drawing 3.

Since this piping (the South Plant Line, from MRT4 to the GCW plant property line) is under ICC jurisdiction, its classification must be determined in accordance with the Part 192 regulations, particularly §192.3 Definitions. There are four possibilities.

1. Production facility.
2. Gathering line.
3. Transmission line.
4. Distribution line.

1. Production Facility.
   The GCW South Plant Line is not a *production facility* because no gas is being produced.

2. Gathering Line
   The term *gathering line* means a pipeline that transports gas from a current production facility to a transmission line or main (49 CFR 192.3). The GCW South Plant Line does not transport gas from a current production facility. Therefore it is not a gathering line.

3. Transmission Line
   A *transmission line* means a pipeline, other than a gathering line, that:
   (1) Transports gas from a gathering line or storage facility to a distribution center, storage facility, or large volume customer that is not down-stream from a distribution center;
   (2) Operates at a hoop stress of 20 percent or more of SMYS; or
   (3) Transports gas within a storage field.

   Note: A large volume customer may receive similar volumes of gas as a distribution center, and includes factories, power plants, and institutional users of gas. (49 CFR 192.3)

   Note that a *transmission line* must be a pipeline that meets one of the three criteria in the definition.

   Criterion (1) is a pipeline that transports gas from a gathering line or storage facility. The GCW South Plant line does not transport gas from a gathering line or storage facility. Therefore, this line does not meet criterion (1).

   Criterion (2) is a pipeline that operates at a hoop stress of 20 percent or more of SMYS. The GCW South Plant Line operates at a hoop stress of less than 10 percent of SMYS. This is significantly less than 20 percent. Therefore it does not meet the 20 percent criterion.

   Criteria (3) is a pipeline that transports gas within a storage field. The GCW South Plant Line does not transport gas within a storage field; therefore the GCW South Plant Line does not meet that criterion.

   The GCW South Plant Line does not meet any of the required criteria for a transmission line. Therefore, the GCW South Plant Line is not a transmission line.

4. Distribution Line
   A *distribution line* means a pipeline other than a gathering or transmission line (49 CFR 192.3).

Therefore, by the definitions in §192.3, the pipeline between the regulator and/or valve station and the GCW property line is a distribution line.

In this particular analysis, the recommended practice API RP 80 "Guidelines for the Definition of Onshore Gas Gathering Lines" is not relevant.

ICC Concern No. 2 (6-16-09)

We would also appreciate an explanation of the difference between Mr. Oleska's conclusion and the conclusion reached by Mr. Kotys in the M.K. Technologies presentation entitled "Transmission versus Distribution Classification," dated April 17, 2009 (Attachment A to the letter dated May 1, 2009, from USS VP Bridge to ICC Pipeline Safety Manager Burk, hereinafter the "May 1 letter").

US Steel, Granite City Works (GCW) Response to ICC Concern No. 2

The initial intent of the May 1st letter was to respond to the ICC initial determination that the natural gas lines are transmission lines. The May 1st letter was based upon a preliminary review and description of the natural gas lines at GCW. After the May 1st letter, GCW conducted a more detailed and thorough analysis of the natural gas system. This analysis leads us to the conclusions that were presented to the ICC Staff during the meeting on June 4th.

ICC Concern No. 3 (6-16-09)

We have reviewed the PHMSA documents Mr. Oleska referenced in his presentation (PI 92-046 and 92 -010). We have also reviewed a similar letter which our records refer to as #6 (attached). This interpretation would support the position that a large customer tap off of a transmission line is itself a transmission line, irrespective of ownership of the gas being transported. At this point, this appears to us to be the PHMSA document that most clearly addresses the GCW natural gas system, and we'd appreciate any reaction to that view.

US Steel, Granite City Works (GCW) Response to ICC Concern No. 3

Interpretations PI-92-010 and PI-92-046 relate to classification of a pipeline downstream from a production facility that feeds an industrial customer. Those interpretations are applicable to the GCW coke oven gas pipeline, but not to the GCW natural gas pipeline.

Your Attachment #6 is Interpretation PI-90-004. It does appear that the classification of the pipeline is not dependent on who owns the gas being transported. The interpretation states "Under Part 192 the question of whether a pipeline is used on (sic) the transmission or distribution of gas is determined by the definitions of "transmission line" and "distribution line." That interpretation was written before the current wording of "transmission line" became effective. In fact, it mentions that a new clarifying definition was being scheduled to codify the large-volume-customer interpretation. That clarification was part of Amendment 192-78, which became effective July 8, 1996. That amendment gave us the present wording.

Note that Drawing 3 is dated 10/22/96, after the effective date of the revised definition. This drawing apparently reflects the current PHMSA interpretation regarding direct sales laterals, and has a long history of being used over the past 13 years. The first (left-hand) part of the drawing reflects the GCW situation with MRT4 and the GCW South Plant Line. It clearly shows that the state has jurisdiction over the pipeline between the metering/regulating station and the GCW plant property line. However, it does not show whether that pipeline is a transmission line or a distribution line. That determination, apparently, must be made on the basis of the definitions in §192.3. See the GCW response to ICC Concern No. 1, above, for an explanation of why the GCW South Plant Line is a distribution line.

In reviewing the left-hand portion of Drawing 3, which is applicable to the GCW South Plant line, there are four distinct facilities between the interstate transmission pipeline and the factory.

1. There is a lateral connection off of the interstate transmission pipeline company. This is a direct sales lateral. That lateral pipe is shown to be a transmission line, under the responsibility of the interstate transmission pipeline company.

   The corresponding facility on the GCW Natural Gas System sketch is the blue horizontal line that connects the blue vertical line (the interstate transmission pipeline) to MRT4. This pipeline is owned by, operated by, and under the responsibility of the interstate pipeline company (CenterPoint/MRT).

2. There is a station. The station in Drawing 3 includes metering and pressure regulation.

   The corresponding facility on the GCW Natural Gas System sketch is MRT4. MRT4 is owned by, operated by, and under the responsibility of the interstate pipeline company (CenterPoint/MRT). MRT4 contains pressure regulation, but not metering. Whether metering is present is not relevant. Interpretation PI-89-019 states, in part, "The statute is silent as to the ownership of the various pipelines operator, the operator of the within-State pipeline, and the end user; or the point of sale, the ownership of the gas, or any other contract provisions."

3. There is a pipeline from the station to the factory property line. Drawing 3 clearly shows that this pipeline is under state jurisdiction. Drawing 3 does not identify the classification of this pipeline (transmission or distribution).

   Interpretation PI-90-004 (your attachment No. 6) states "In contrast, the regulations do not specify a point on a pipeline at which jurisdiction over the gathering or transmission of gas ends. Thus, the full length of pipelines used in the gathering or transmission of gas comes under the jurisdiction of Part 192, without limitation by customer meters or the beginning of customer-owned piping. Under Part 192 the question of whether a pipeline is used on the transmission or distribution of gas is determined by the

definitions of "transmission line" and "distribution line". Note that the distribution-line definition provides that a pipeline is not a distribution line if it qualifies as a transmission line."

Interpretation PI-89-019 states "The lack of specificity in the statute indicates that the Secretary of Transportation has considerable latitude to define the jurisdictional boundaries. The logical point at which to draw the line between the interstate pipeline and the intrastate pipeline is the point where gas intended solely for the end user leaves the interstate transmission line. Normally there will be a meter or valve at this point. The point sale, the ownership of the pipeline and the relationship of the various entities are all irrelevant to this determination." (Underline added for emphasis.)

The corresponding facility on the GCW Natural Gas System sketch is the South Plant Line, the green pipeline between MRT4 and the GCW property line. MRT4 provides, in accordance with Interpretation PI-89-019, a logical point at which to draw the line between the interstate pipeline and the intrastate pipeline. MRT4 contains a pressure regulating valve. The pressure regulation provides a clear and logical demarcation point. The GCW South Plant Line typically operates at roughly 150 psig. Interpretation PI-90-004 states "Large volumes include delivery in the 400-800 psig range..." The GCW South Plant Line does not operate in the 400-800 psig range. The pipeline downstream from MRT4 (the GCW South Plant Line) is not the same pipeline as the pipeline upstream from that point.

There is no other logical point of demarcation. One could make an argument at each potential point of demarcation and carry the transmission line classification all the way to the multiple burner tips throughout the GCW facility, but this would clearly not be logical or intended. The MRT4 location appears to be the most logical point of demarcation.

Although there are significant differences between a transmission lateral serving an industrial customer and one serving a distribution center, there are also similarities. Typically, the lateral pipeline between an interstate transmission pipeline and a city gate station is a transmission line, under the control of the transmission line company. The pipeline downstream of the city gate station is not the same pipeline as the pipeline upstream from the station. It typically operates at a different pressure. It may be a transmission line or a distribution line, depending how it applies to the definitions in §192.3. Even if that pipeline is a transmission pipeline, it is not the same pipeline as the line entering the station – it is a different pipeline.

The GCW South Plant Line is a different pipeline than the pipeline upstream of MRT4. Consistent with Interpretations PI-89-019 and PI-90-004, with Drawing 3, and with the definitions in §192.3, it is a different pipeline, and therefore its classification must be determined in accordance with the definitions in §192.3. See the Response to ICC Concern No. 1, above, to see why the GCW South Plant Line is classified as a distribution line.

4. The fourth facility indicated in Drawing 3 is the piping within the boundaries of the factory property line. Drawing 3 clearly indicates that this piping is factory responsibility piping, not subject to state jurisdiction (fuel gas piping).

   The corresponding piping on the GCW Natural Gas System sketch is the orange piping. This piping is entirely within the plant property, and is downstream from all federal- or state-jurisdiction piping.

   Note that the short lateral pipelines between the interstate transmission line and MRT1, MRT2, and MRT3 are transmission lines similar to the horizontal blue line supplying MRT4. However, since MRT1, MRT2, and MRT3 are located on GCW property, there is no piping between the valve stations and the factory property. Therefore there is no state-jurisdictional piping involved.

ICC Concern No. 4 (6-16-09)

We have also reviewed the examples of gas delivery configurations that PHMSA provides, which Mr. Oleska showed as a part of his presentation, including the attached ("Operator Responsibility – Drawing 3"). What we have not seen in any of these drawings is the situation presented by the GCW natural gas system, in which the transported gas, after entering the factory system, leaves the factory owner's property and crosses under public rights of way some five or six times. Are we focusing on the correct drawing?

US Steel, Granite City Works (GCW) Response to ICC Concern No. 4

Drawing 3 does not address the situation presented by the GCW Natural Gas System, in which the transported gas, after entering the factory system, leaves the factory owner's property and crosses under public rights of way several times. Drawing 3 illustrates that jurisdiction is only on that portion of piping that is upstream of the customer meter or the connection to the customer owned piping. This drawing further illustrates that there is no jurisdiction over any factory owned piping once the piping is within factory property lines.

Some portions of the GCW natural gas pipelines are located within the right-of-way of public roadways. There was concern that this fact would cause the piping to be under the jurisdiction of 49 CFR Part 192 and the Illinois Commerce Commission. This question has been addressed by several federal Pipeline and Hazardous Materials Administration (PHMSA) interpretations.

To obtain the interpretations from the PHMSA website,
Go to http://www.phmsa.dot.gov/pipeline,
Click on "Regulations".
Under "Mini-Menu", click "Interpretations".
Enter the Interpretation Number in the "Search" box,
And click "Search"

See the table on page 12, identified as "PHMSA Interpretations Relating to Whether Piping is Jurisdictional Because it is Located Within a

Roadway " for a summary of relevant interpretations. It appears that whether or not a pipeline is located within a roadway is not a relevant issue.

ICC Concern No. 5 (6-16-09)

In terms of the age and composition of the pipes that comprise the GCW natural gas system, we understood Mr. Baker to say that he had done some research into these questions, but had uncovered little information to this point. Can he furnish any estimate of when some information will be available on these issues?

US Steel, Granite City Works (GCW) Response to ICC Concern No. 5

Based upon preliminary information regarding the GCW South Plant Line, which we believe is jurisdictional, and, in accordance with §192.107(b)(2), using a very conservative value for the yield strength, (S), of the pipe being equal to 24,000, we calculate that the hoop strength of the GCW South Plant Line is less than 10 percent of SMYS. We will continue to research these issues.

ICC Concern No. 6 (6-16-09)

In terms of the GCW Coke Oven Gas line ("COG"), we understood Mr. Oleska to be relying on the definition of "distribution line," and on PHMSA documents PI 92-046 and 92 -010, in determining that the COG line is a jurisdictional distribution line. We would appreciate USS's reaction to a different way of looking at the line.

Our understanding of the coking process is that the coke oven heats coking coal to a point that yields a mixture of gaseous hydrocarbons, certain liquids, and other chemicals. This gaseous output is collected and transported to downstream facilities at which liquids and some other substances are removed, after which the coke oven gas is transported by pipeline to the point at which it will be burned. In the case of the Granite City facility, the coke oven is on the portion of the plant located southeast of Edwardsville Road. The output of the process leaves the coke oven and is transported to facilities in the same part of the property where the cooling and separation processes take place. Once the coke oven gas has been through these processes, it is piped to a line that proceeds southwest under Edwardsville Road to 21st Street, then northwest under 21st Street to a point at which it turns southwest, proceeds under USS property to where it crosses under 20th Street and briefly reenters USS property, then reemerges and proceeds northwest under 20th Street to Madison Avenue, where it runs under the sidewalk, not on USS property, to two points at which the line connects into the hot strip mill where it is burned in a steelmaking process.

We would appreciate a more detailed demonstration than was presented either in person on June 4, or with the May 1 letter, as to why the COG line should be considered a distribution line. We would appreciate specific citations to Part 192 and documents incorporated by reference into Part 192 by Section 192.7.

We have reviewed the language in the American Petroleum Institute's Recommended Practice 80 that addresses the meaning of the term "production operation" (Section 2.3). It appears to us that at least some of the lines and equipment leading out of the coke gas oven are "piping and

equipment used for the production and preparation for transportation or delivery of hydrocarbon gas," consistent with the definition of "production operation." It seems clear that between the production operation and the point at which the gas leaves the immediate vicinity of the coke oven, it is being "transport[ed] from the furthest downstream point in [the] production operation" to one of the points specified in Section 2.2. In other words, when the gas leaves the coke oven and passes through the downstream treatment facilities, it has left the "gathering line," for purposes of the definition of "transmission line" in 49 CFR 192.3. Also, in terms of the "transmission line" definition, it is clear to us that the hot strip mill is a "large volume customer," given that that term includes "factories . . . and institutional users of gas" by virtue of the note to the definition of "transmission line." We would appreciate any thoughts USS has with respect to this construction of the rule. We recognize that Attachment A to the May 1, 2009, letter dismisses the notion that USS is a "large volume customer," but have not found that dismissal convincing, at least not on the basis for that statement found there.

US Steel, Granite City Works (GCW) Response to ICC Concern No. 6
In order to correctly classify the coke oven gas (COG) pipeline in accordance with Part 192, we followed the regulations and allowed them to guide us to the proper conclusion.

CFR Part 192 does not define a production facility. However, §192.8(a) states that an operator must use API RP 80 (incorporated by reference, see §192.7), to determine if an onshore pipeline (or part of a connected series of pipelines) is an onshore gathering line.

The definition of "production operation" is provided in Section 2.3 of API RP 80, "Guidelines for the Definition of Onshore Gas Gathering Lines".

> **"Production Operation"** means piping and equipment used for production and preparation for transportation or delivery of hydrocarbon gas and/or liquids and includes the following processes:
> (a) extraction and recovery, lifting, stabilization, treatment, separation, production processing, storage, and measurement of hydrocarbon gas and/or liquids; and,
> (b) associated production compression, gas lift, gas injection, or fuel gas supply.

Using this definition, the coke oven operation, up to the outlet of the compression, is a "production operation". This is confirmed by Interpretation P-92-010. This interpretation relates to a landfill gas system, but the important points are very similar to a coke oven gas system. In both systems a piping network brings gas to a central location where it is cleaned and compressed in order to be acceptable for pipeline use. The production system ends at the outlet of the compressors.

Interpretation PI-92-046 clarifies the fact that the COG line is jurisdictional even though the gas is owned by the ultimate consumer of the gas.

Thus, the GCW COG pipeline transports gas from a production facility to several potential user points throughout the GCW plant. Its classification must be determined in accordance with the Part 192 regulations, particularly §192.3 Definitions. The process is similar to that used to classify the GCW South Plant Line. There are four possibilities.

1. Production facility.
2. Gathering line.
3. Transmission line.
4. Distribution line.

1. Production Facility.

The GCW COG pipeline system is not a *production facility* because no gas is being produced.

2. Gathering Line

The term *gathering line* means a pipeline that transports gas from a current production facility to a transmission line or main (49 CFR 192.3). The GCW COG pipeline transports gas from a current production facility, but not to a transmission line or main. Therefore it is not a gathering line. (Note: If it appeared that the line was a gathering line, it would also need to meet the restrictions in §§192.8 and 192.9. However, from the §192.3 definition, GCW COG pipeline is not a gathering line.)

3. Transmission Line

A *transmission line* means a pipeline, other than a gathering line, that:

(1) Transports gas from a gathering line or storage facility to a distribution center, storage facility, or large volume customer that is not down-stream from a distribution center;
(2) Operates at a hoop stress of 20 percent or more of SMYS; or
(3) Transports gas within a storage field.

Note: A large volume customer may receive similar volumes of gas as a distribution center, and includes factories, power plants, and institutional users of gas. (49 CFR 192.3)

Note that a *transmission line* must be a pipeline that meets one of the three criteria in the definition.

Criterion (1) is a pipeline that transports gas from a gathering line or storage facility. The GCW COG pipeline transports gas from a current production facility, not a gathering line or a storage facility. Therefore, the GCW COG pipeline does not meet criterion (1).

Criterion (2) is a pipeline that operates at a hoop stress of 20 percent or more of SMYS. The GCW COG pipeline operates at a hoop stress of less than 6 percent of SMYS. This is considerably less than 20 percent of SMYS; therefore the GCW COG pipeline does not meet that criterion.

Criteria (3) is a pipeline that transports gas within a storage field. The GCW COG pipeline does not meet that criterion.

The GCW COG pipeline does not meet any of the required criteria for a transmission line. Therefore, the GCW COG pipeline is not a transmission line.

4. Distribution Line

A *distribution line* means a pipeline other than a gathering or transmission line (49 CFR 192.3).

Therefore, by the definitions in §192.3, the pipeline between the coke oven plant (production facility) and the various GCW users is a distribution line.

API RP 80 has a role in this analysis, but only to determine where the production system ends.

Since the GCW COG pipeline is a distribution line and not a transmission line, the concept of "large volume customer" does not apply. The definition of "transmission line" in 192.3 specifically does not include large volume customers that are downstream from a distribution center.

PHMSA Interpretations Relating to Whether Piping is Jurisdictional Because it is Located Within a Roadway

Interpretation Number	Date	Comments
PI-97-008	September 29, 1997	A "farm tap" serves a farm operation, and the piping crosses the township road. Several buildings and homes are served, all but one of which are residences of farm employees. The system is jurisdictional because of the one home which is resided in by a person who is not a farm employee. The fact that the piping crosses the township road is not an issue.
PI-96-002 (3rd system in the discussion)	February 13, 1996	A piping system, downstream of where the gas company's piping connects to the customer's piping, is not jurisdictional, even though the customer's piping is used to supply gas for street lighting, and the piping is obviously within the street right-of-way.
PI-94-005	February 4, 1994	A cooperative's piping system is jurisdictional. Although not mentioned, it appears obvious that some of the piping would be in roadways. Apparently the roadways are not an issue.
PI-89-019	September 18, 1989	"Under Part 192 the question of whether a pipeline is used on the transmission or distribution of gas is determined by the definitions of 'transmission line' and 'distribution line'."
PI-82-007	May 6, 1982	"The classification of a pipeline as a transmission line or main is determined by applying the definitions under §192.3."
PI-78-024	October 4, 1978	A municipal gas system is jurisdictional because it affects interstate commerce. There is no mention of whether roadways are involved – apparently that is not an issue.
PI-76-054	September 10, 1976	A municipal gas system is jurisdictional because it affects interstate commerce, and that is because even a single transaction can affect interstate commerce. There is no mention of whether roadways are involved, although it appears obvious that there are – apparently that is not an issue.
PI-75-010	March 19, 1975	A public housing authority transports gas through its own mains and service lines. There is no mention of roadways, although it appears very likely that roadways may be present – apparently roadways are not an issue.
PI-73-030	October 24, 1973	A master meter consists of 4.5 miles of mains and services serving 45 regulators at buildings. Although not mentioned, it appears obvious that some of the piping would be in roadways. Jurisdiction is determined by whether or not gas is resold. Apparently the roadways are not an issue.
PI-73-014	June 19, 1973	A master meter system is determined by whether or not gas is resold. There is no mention of whether roadways are involved – apparently that is not an issue.

Thank you for the opportunity to respond to your inquiries. I remain available to further assist you at any time.

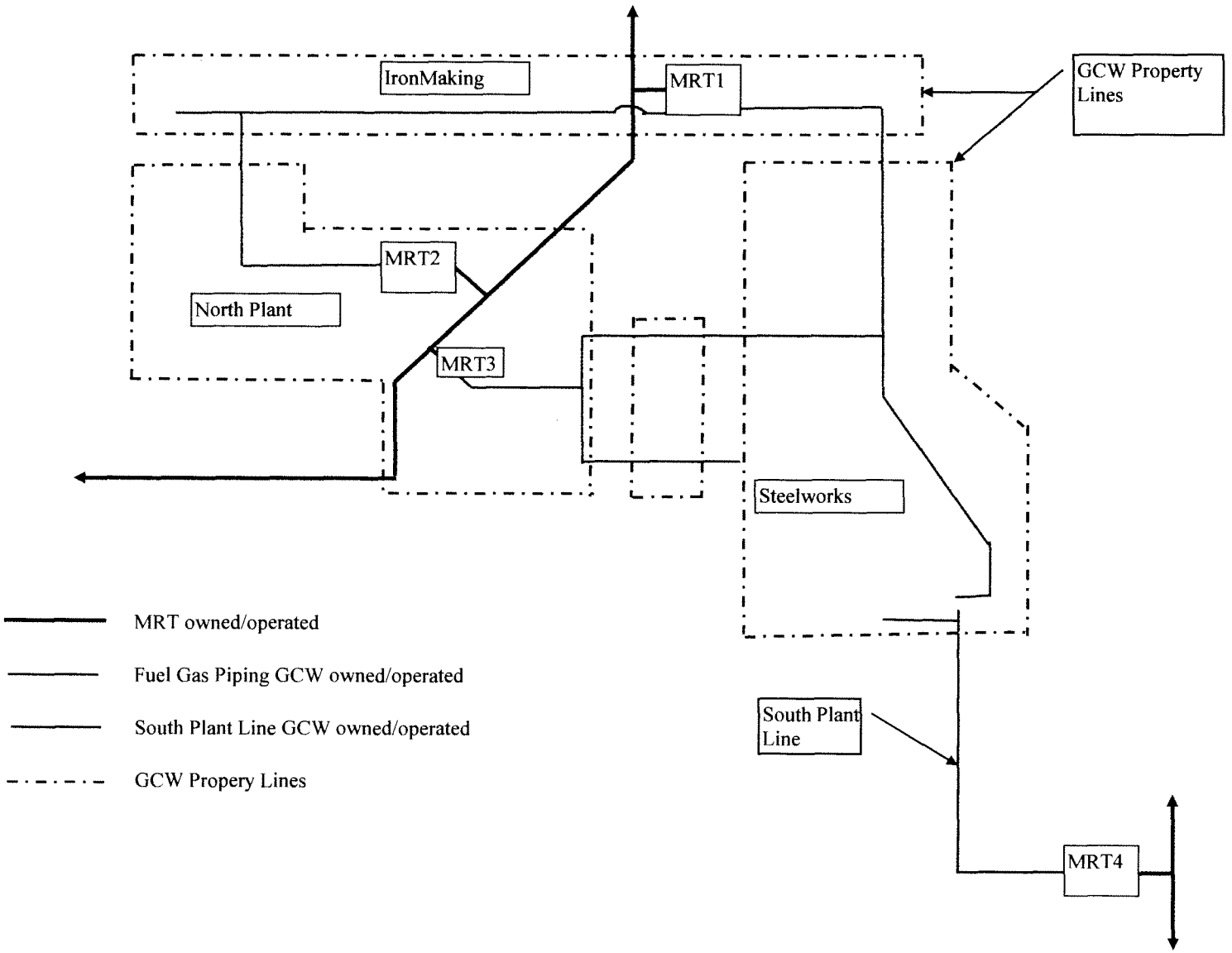
Very truly yours,

Kathryn M. Scotti

Kathryn M. Scotti

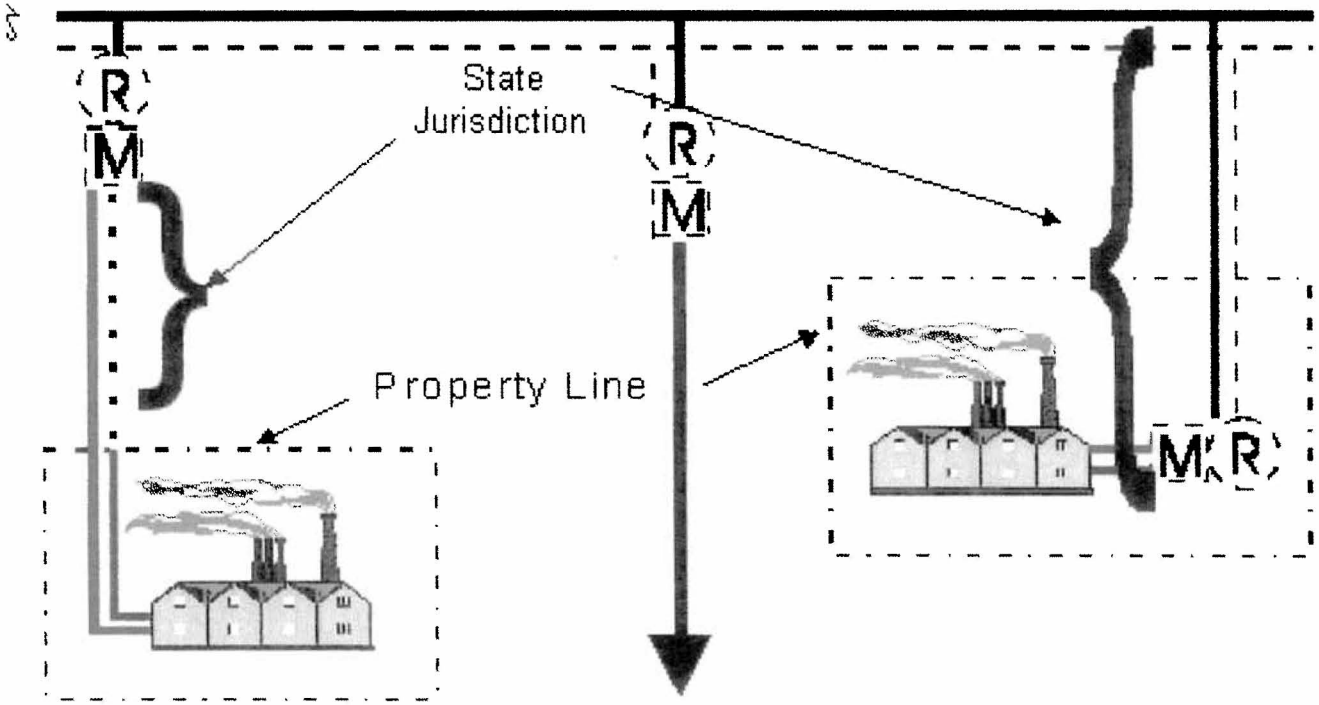
Encl.

GCW Natural Gas System



Operator Responsibility - Drawing 3

Operator Responsibility - Intrastate Direct Sales Lateral



Local Distribution Company

Transmission Pipeline

Operation Responsibility - Interstate Pipeline Company

Owned by Factory

Factory Responsibility

Operated and Maintained in accordance with Part 192
by *either the Factory or the Pipeline Company*

Standridge, Nancy

From: Favoriti, Richard
Sent: Wednesday, July 29, 2009 8:38 AM
To: KMScotti@uss.com
Cc: Foster, Pat
Subject: FW: Response to June 16, 2009 email re GCW Pipeline classification inquiries

Follow Up Flag: Follow up
Flag Status: Flagged

Ms. Scotti:

Thank you, once again, for the responses you sent in the email below. In reviewing these, we have determined that we need to seek further information from you in a couple of areas.

The first request involves the GCW Coke Oven Gas system. Please provide us with a detailed description and drawing of the entire process from the heating of coking coal in the ovens themselves to the use of coke oven gas in the hot strip mill. Please include drawings of all pipes, show each location in which the gas is processed or treated in any way, and provide detailed descriptions of the nature of all processing, treatment, or other operations performed on the gas, including without limitation compression and the removal of any gas, liquid, or solid from the gas. The drawing should show each line leading out of the coke ovens and include all points at which such lines converge, with appropriate notations for each point at which any processing, treatment, or other operation takes place, and should include all transportation up to the point at which the coke oven gas system lines enter the hot strip mills.

The second request involves the portion of the GCW Natural Gas System line that begins at the tap off of the MRT/Centerpoint transmission line at the monitoring and regulation station southeast of the intersection of 20th Street and Edwardsville Road (Illinois Route 203), and extends southwest to the point at which the pipeline crosses under Edwardsville Road to enter the South Plant. Please furnish us with a drawing that shows the precise location of this portion of the natural gas system piping, including an indication of the distance between the pipe and the edge of Edwardsville Road, and between the pipe and the centerline of the right of way that constitutes Edwardsville Road.

As before, we appreciate your willingness to field additional questions or concerns.

Patrick Foster
Dick Favoriti

From: Kathryn M Scotti [mailto:KMScotti@uss.com]
Sent: Tuesday, June 30, 2009 1:33 PM
To: Favoriti, Richard
Cc: Foster, Pat
Subject: Response to June 16, 2009 email re GCW Pipeline classification inquiries

Mr. Favoriti,
As we discussed, please find attached a response from USS regarding the GCW pipeline classification discussion and inquiries from the ICC dated June 16, 2009.

As the drawing and the sketch did not scan in color, I attached them seperately.

Please let me know if you have any additional questions or concerns.

Kate Scotti

Kathryn M. Scotti
Attorney - Commercial
United States Steel Corporation
600 Grant Street - Room 1880
Pittsburgh, PA 15219-2800
kmscotti@uss.com
Tel: 412-433-2862
Cell: 412-999-5760
Fax: 412-433-2843

(See attached file: _0630142249_001.pdf) (See attached file: NG Gas System Drawing.xls)(See attached file: Operator Responsibility Interpretation Sketch.PDF)

Standridge, Nancy

From: Kathryn M Scotti [KMScotti@uss.com]
Sent: Tuesday, August 25, 2009 2:00 PM
To: Favoriti, Richard
Cc: Foster, Pat
Subject: Re: FW: Response to June 16, 2009 email re GCW Pipeline classification inquiries
Attachments: pic12864.gif; NG Line at MRT1 ICC.PDF

Follow Up Flag: Follow up
Flag Status: Flagged

Dear Mr. Favoriti,

I have received a response from USS GCW regarding the second inquiry from your July 29, 2009 communication.

ICC Question #2

The second request involves the portion of the GCW Natural Gas System line that begins at the tap off of the MRT/Centerpoint transmission line at the monitoring and regulation station southeast of the intersection of 20th Street and Edwardsville Road (Illinois Route 203), and extends southwest to the point at which the pipeline crosses under Edwardsville Road to enter the South Plant. Please furnish us with a drawing that shows the precise location of this portion of the natural gas system piping, including an indication of the distance between the pipe and the edge of Edwardsville Road, and between the pipe and the centerline of the right of way that constitutes Edwardsville Road.

GCW Response

Please refer to the attached drawing. To clarify, the pipeline extending to the southwest and crosses under Edwardsville road enters the Steelworks not the South Plant.

The center of right of way width varies significantly such that the center line is not a uniform straight line. Therefore, we listed dimensions from center of pipe to the right of way and edge of pavement.

(See attached file: NG Line at MRT1 ICC.PDF)

Please let me know if you have any questions. USS GCW anticipates a response to the first inquiry from your July 29, 2009 communication shortly.

Thank you,

Kate Scotti

Kathryn M. Scotti
Attorney - Commercial
United States Steel Corporation
600 Grant Street - Room 1880
Pittsburgh, PA 15219-2800
kmscotti@uss.com
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Cell: 412-999-5760
Fax: 412-433-2843

"Favoriti, Richard" <rfavorit@icc.illinois.gov>

"Favoriti, Richard"
<rfavorit@icc.illinois.gov>

07/29/2009 09:38 AM

To"KMScotti@uss.com" <KMScotti@uss.com>

cc"Foster, Pat" <pfoster@icc.illinois.gov>

SubjectFW: Response to June 16, 2009 email re GCW Pipeline classification inquiries

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The second request involves the portion of the GCW Natural Gas System line that begins at the tap off of the MRT/Centerpoint transmission line at the monitoring and regulation station southeast of the intersection of 20th Street and Edwardsville Road (Illinois Route 203), and extends southwest to the point at which the pipeline crosses under Edwardsville Road to enter the South Plant. Please furnish us with a drawing that shows the precise location of this portion of the natural gas system piping, including an indication of the distance between the pipe and the edge of Edwardsville Road, and between the pipe and the centerline of the right of way that constitutes Edwardsville Road.

As before, we appreciate your willingness to field additional questions or concerns.

Patrick Foster
Dick Favoriti

From: Kathryn M Scotti [mailto:KMScotti@uss.com]
Sent: Tuesday, June 30, 2009 1:33 PM
To: Favoriti, Richard
Cc: Foster, Pat
Subject: Response to June 16, 2009 email re GCW Pipeline classification inquiries

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As the drawing and the sketch did not scan in color, I attached them seperately.

Please let me know if you have any additional questions or concerns.

Kate Scotti

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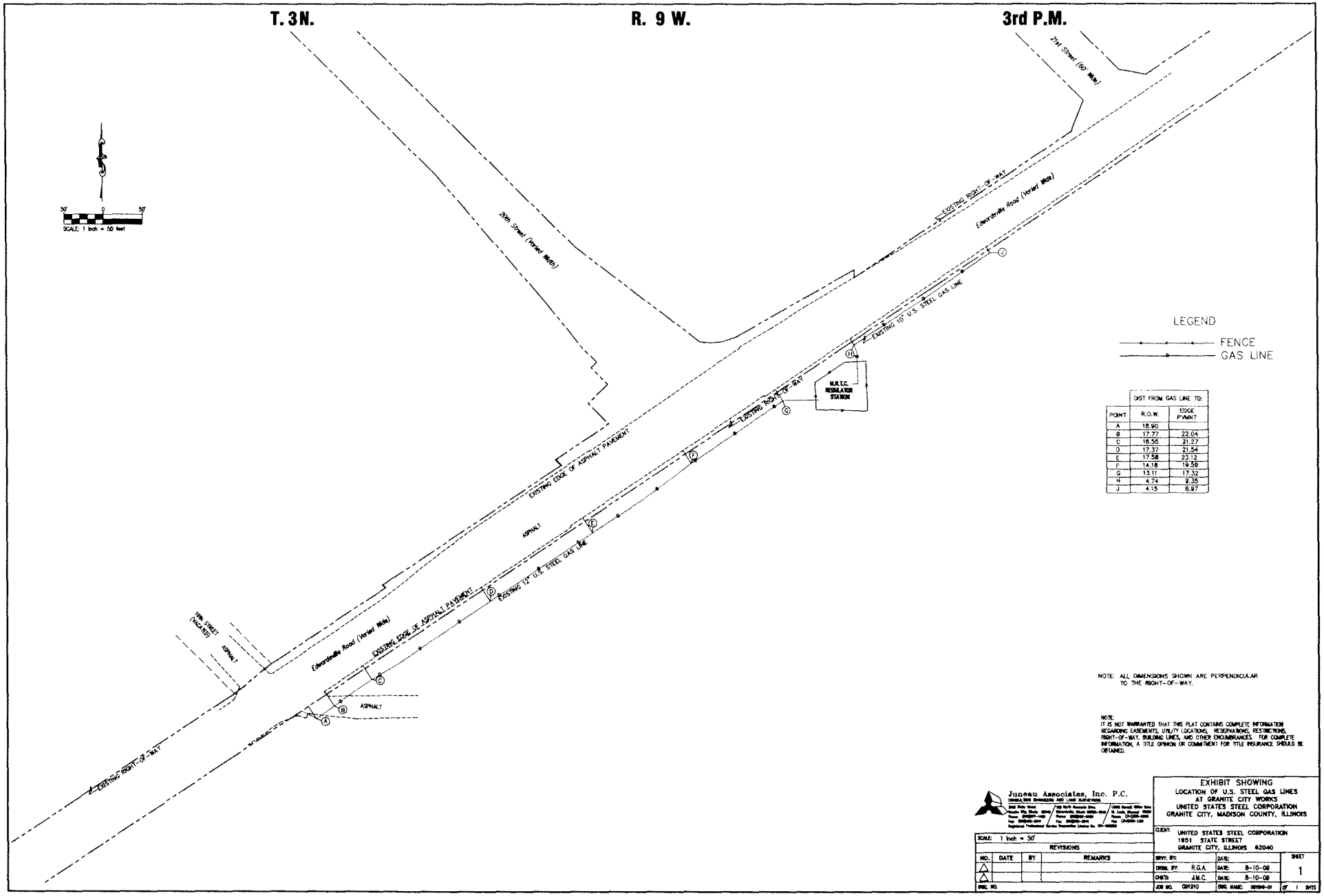
(See attached file: _0630142249_001.pdf) (See attached file: NG Gas System Drawing.xls)(See attached file: Operator Responsibility Interpretation Sketch.PDF)



POINT	DIST FROM GAS LINE TO: R.O.W.	DIST FROM GAS LINE TO: EDGE PVMNT
A	18.90	
B	17.77	22.04
C	18.55	21.27
D	17.37	21.54
E	17.58	23.12
F	14.18	19.58
G	13.11	17.32
H	4.74	9.35
J	4.15	8.87

NOTE: ALL DIMENSIONS SHOWN ARE PERPENDICULAR TO THE RIGHT-OF-WAY.

NOTE:
IT IS NOT WARRANTED THAT THIS PLAT CONTAINS COMPLETE INFORMATION REGARDING EASEMENTS, UTILITY LOCATIONS, RESERVATIONS, RESTRICTIONS, RIGHT-OF-WAY, BUILDING LINES, AND OTHER ENCUMBRANCES. FOR COMPLETE INFORMATION, A TITLE OPINION OR COMMITMENT FOR TITLE INSURANCE SHOULD BE OBTAINED.

Juneau Associates, Inc. P.C.

EXHIBIT SHOWING
LOCATION OF U.S. STEEL GAS LINES
AT GRANITE CITY WORKS
UNITED STATES STEEL CORPORATION
GRANITE CITY, MADISON COUNTY, ILLINOIS

SCALE: 1 inch = 50'

REVISIONS			
NO.	DATE	BY	REMARKS
1			
2			

CLIENT: UNITED STATES STEEL CORPORATION
1951 STATE STREET
GRANITE CITY, ILLINOIS 62040

SRVY. BY:		DATE:	
DRWN. BY:	R.G.A.	DATE:	8-10-09
CHK'D:	J.M.C.	DATE:	8-10-09
JOB NO.	091210	DWG. NAME:	

SHEET 1 OF 1 SHTS

Standridge, Nancy

From: Kathryn M Scotti [KMScotti@uss.com]
Sent: Monday, September 14, 2009 4:21 PM
To: Favoriti, Richard
Cc: Foster, Pat
Subject: USS GCW Response to ICC July 29, 2009 Inquiry
Attachments: Coke Plant Gas Flow ICC.ppt; Coke Plant Process Description.doc; Operator Responsibility Interpretation Sketch.PDF; COG State Jurisdiction Drawing.doc

Follow Up Flag: Follow up
Flag Status: Flagged

Dear Mr. Favoriti,

I have received the a response from USS GCW regarding the first inquiry from your July 29, 2009 communication. Please see the response and the related attachments to the ICC's inquiry. Please contact me if you have any additional questions.

Next week, the economic summit G-20 will be taking place in Pittsburgh. U. S. Steel's headquarters employees will be working from home from September 21-25. I will remain available via this email address, or my cell number, listed below.

Thank you,

Kate Scotti

ICC Second request Q1.doc *(See attached file: Coke Plant Gas Flow ICC.ppt)(See attached file: Coke Plant Process Description.doc)(See attached file: Operator Responsibility Interpretation Sketch.PDF)(See attached file: COG State Jurisdiction Drawing.doc)*

Kathryn M. Scotti
Attorney - Commercial
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Pittsburgh, PA 15219-2800
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Cell: 412-999-5760
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Attachment 2

Coke Plant Process Description

Flushing Liquor Decanter **API RP 80 2.4.4 (e) Separation**

The flushing-liquor decanter tank serves a two-fold purpose in the processing of the liquid condensates and recirculating liquor in the primary liquid system:

a) It provides a settling basin in which the velocity of the tar and liquor is reduced to permit separation of the tar and liquor by the difference in specific gravity.

b) It serves as the first settling point for carbonaceous and other finely divided material that is carried along with tar and liquor from the collecting main.

Primary Cooler **API RP 80 2.4.4 (f) Treatment**

The non-condensed gas and vapors leaving the collecting and suction mains require further cooling to remove additional tar and a major portion of the water vapor and to reduce both volume and temperature of the gas before its admission to the exhausters.

Exhausters **API RP 80 2.4.4 (j) Production Compression**

The exhausters control the pressure on the ovens and pull the gas away from the ovens. The suction mains operate under a slight vacuum.

Electrostatic Precipitators **API RP 80 2.4.4 (f) Treatment**

The gas leaving the primary coolers still contains small amounts of tar. The method used for removal of this entrained tar is through electrostatic precipitation.

Ammonia Absorber **API RP 80 2.4.4 (f) Treatment**

In an ammonia absorber, coke oven gas enters the ammonia absorber near the bottom and is sprayed with a dilute solution of sulfuric acid. The ammonia combines with the sulfuric acid to form ammonium sulfate.

Final Cooler **API RP 80 2.4.4 (f) Treatment**

The first step in the recovery of light oil by absorption in a liquid medium is that of cooling the gas leaving the ammonia absorbers by direct contact with water in a tower scrubber called a final cooler.

Light Oil Scrubber **API RP 80 2.4.4 (f) Treatment**

The removal of light oil is accomplished by scrubbing the coke oven gas with a petroleum based wash oil. This wash oil absorbs the components of the light oil

Hydrogen Sulfide Scrubber **API RP 80 2.4.4 (f) Treatment**

The process utilizes monoethanolamine (MEA) as the absorbing solution. Coke oven gas is contacted counter-currently with an aqueous solution containing 13 to 18 weight percent MEA.

Gas Holder **API RP 80 2.4.4 (i) Storage**

The gas holder provides a pressure buffer capacity ahead of the Boosters to smooth out pressure variations in the coke plant processes.

Booster **API RP 80 2.4.4 (j) Production Compression**

The booster is a compressor that boosts produced gas pressure to the delivery system.

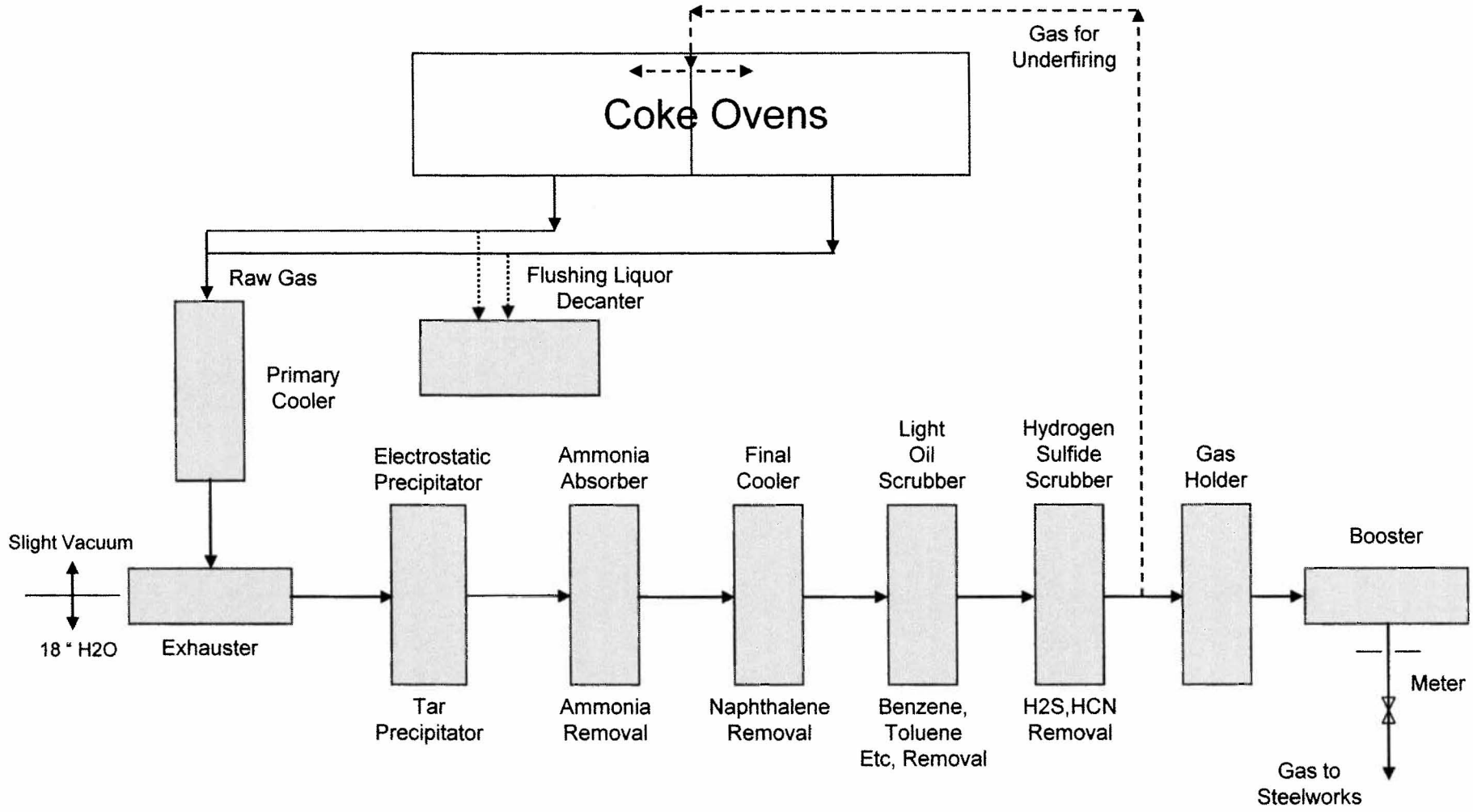
Meter **API RP 80 2.4.4 (g) Measurement**

The meter is used to measure the volume of gas sent to the users.

Attachment 1

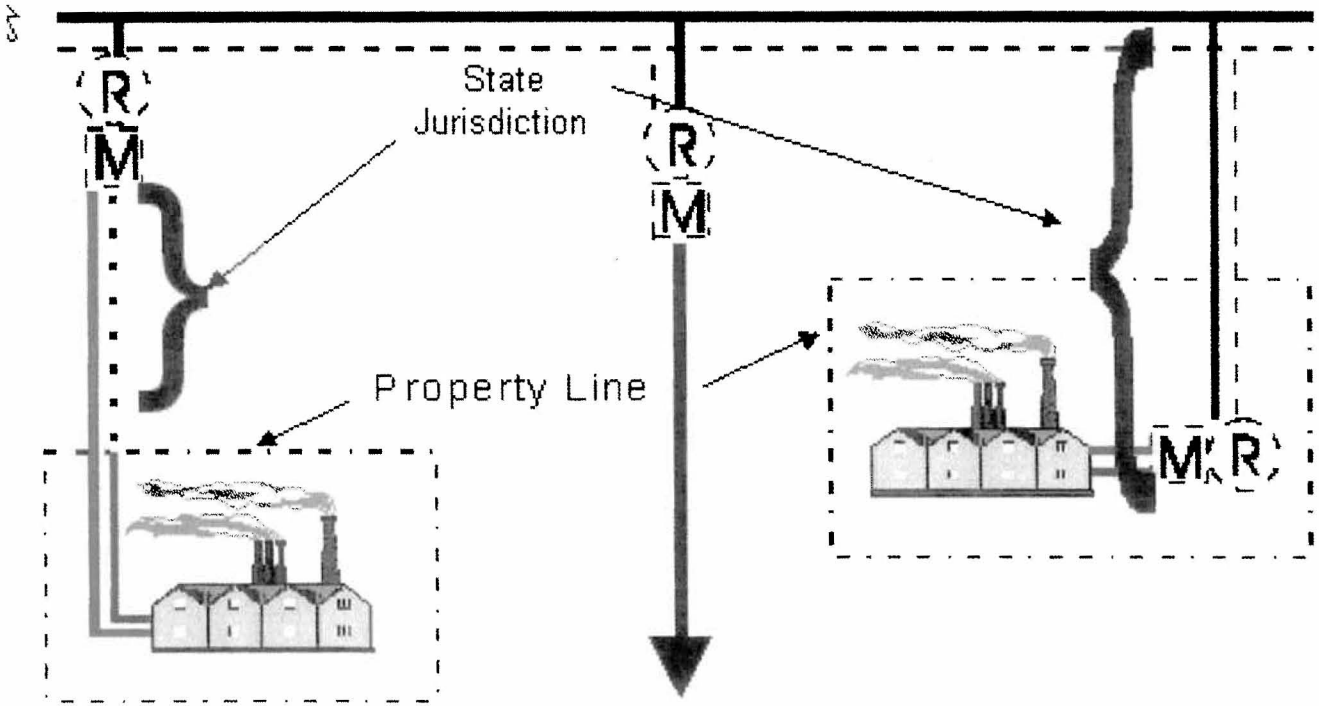
Coke Plant Process Flow

Gas Flows



Operator Responsibility - Drawing 3

Operator Responsibility - Intrastate Direct Sales Lateral



Local Distribution Company

Transmission Pipeline

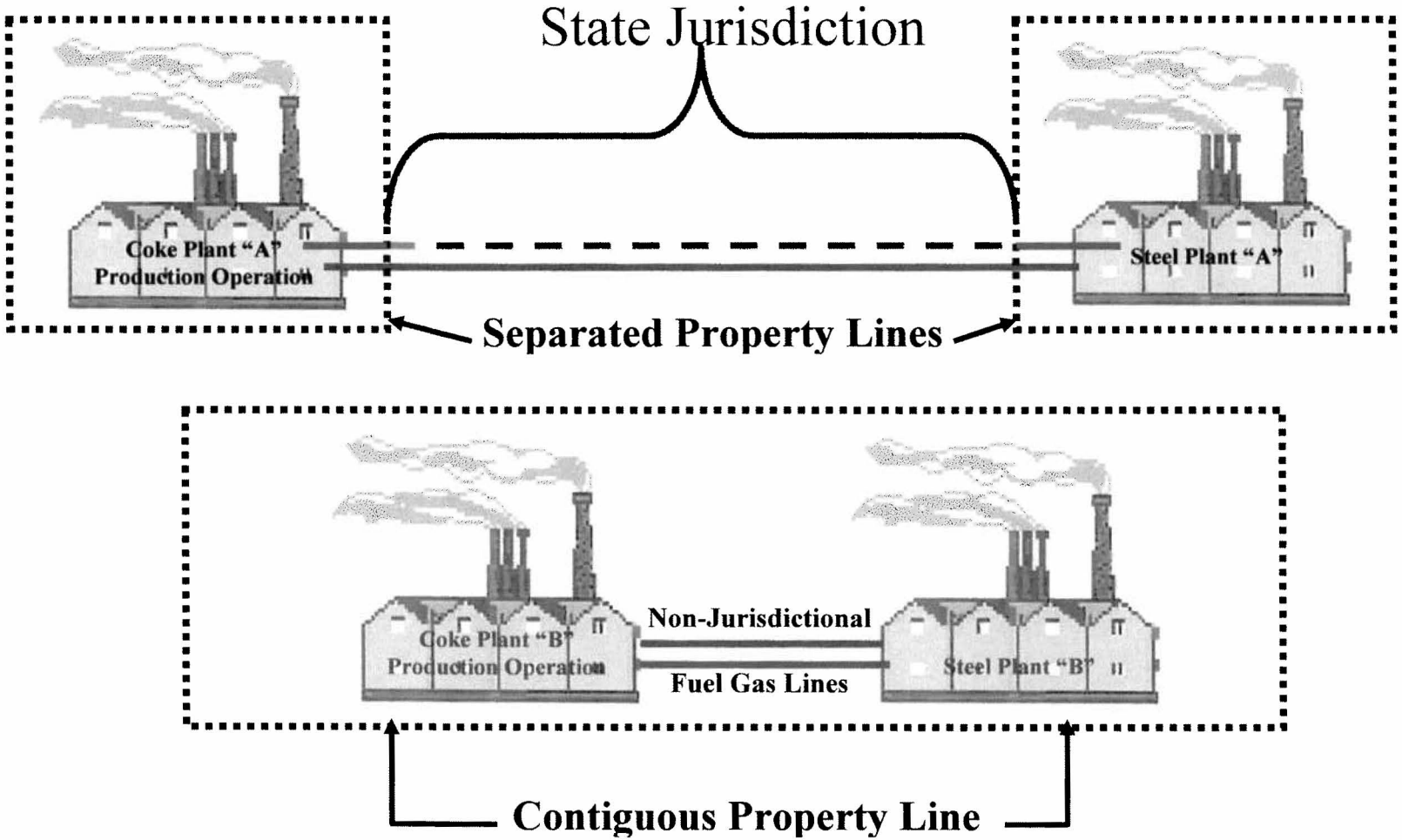
Operation Responsibility - Interstate Pipeline Company

Owned by Factory

Factory Responsibility

Operated and Maintained in accordance with Part 192
by *either the Factory or the Pipeline Company*

Attachment 4



Standridge, Nancy

From: Kathryn M Scotti [KMScotti@uss.com]
Sent: Wednesday, September 16, 2009 1:33 PM
To: Foster, Pat
Cc: Favoriti, Richard
Subject: RE: USS GCW Response to ICC July 29, 2009 Inquiry
Attachments: pic19949.gif; ICC Second request Q1.doc

Follow Up Flag: Follow up
Flag Status: Flagged

Of course. My apologies. Please see attached. I have checked it by opening it prior to sending to you.

(See attached file: ICC Second request Q1.doc)

Thank you,

Kate

Kathryn M. Scotti
Attorney - Commercial
United States Steel Corporation
600 Grant Street - Room 1880
Pittsburgh, PA 15219-2800
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Cell: 412-999-5760
Fax: 412-433-2843

"Foster, Pat" <pfoster@icc.illinois.gov>

"Foster, Pat" <pfoster@icc.illinois.gov>
09/16/2009 02:29 PM

To'Kathryn M Scotti' <KMScotti@uss.com>
cc"Favoriti, Richard" <rfavorit@icc.illinois.gov>
SubjectRE: USS GCW Response to ICC July 29, 2009 Inquiry

Hello Kate,

I wanted to echo Dick's thanks for sending the email below. I also wanted to alert you that we have not been able to open "ICC Second Request Q1.doc," which appears in the body of your email. Could I ask you please to check that attachment and resend it?

Again, thanks.

Patrick Foster

From: Favoriti, Richard
Sent: Wednesday, September 16, 2009 10:38 AM
To: 'Kathryn M Scotti'
Cc: Foster, Pat

Subject: RE: USS GCW Response to ICC July 29, 2009 Inquiry

Thanks, Kate.

Dick F.

From: Kathryn M Scotti [mailto:KMScotti@uss.com]
Sent: Monday, September 14, 2009 4:21 PM
To: Favoriti, Richard
Cc: Foster, Pat
Subject: USS GCW Response to ICC July 29, 2009 Inquiry

Dear Mr. Favoriti,

I have received the a response from USS GCW regarding the first inquiry from your July 29, 2009 communication. Please see the response and the related attachments to the ICC's inquiry. Please contact me if you have any additional questions.

Next week, the economic summit G-20 will be taking place in Pittsburgh. U. S. Steel's headquarters employees will be working from home from September 21-25. I will remain available via this email address, or my cell number, listed below.

Thank you,

Kate Scotti

ICC Second request Q1.doc *(See attached file: Coke Plant Gas Flow ICC.ppt)(See attached file: Coke Plant Process Description.doc)(See attached file: Operator Responsibility Interpretation Sketch.PDF)(See attached file: COG State Jurisdiction Drawing.doc)*

Kathryn M. Scotti
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ICC Question #1

The first request involves the GCW Coke Oven Gas system. Please provide us with a detailed description and drawing of the entire process from the heating of coking coal in the ovens themselves to the use of coke oven gas in the hot strip mill. Please include drawings of all pipes, show each location in which the gas is processed or treated in any way, and provide detailed descriptions of the nature of all processing, treatment, or other operations performed on the gas, including without limitation compression and the removal of any gas, liquid, or solid from the gas. The drawing should show each line leading out of the coke ovens and include all points at which such lines converge, with appropriate notations for each point at which any processing, treatment, or other operation takes place, and should include all transportation up to the point at which the coke oven gas system lines enter the hot strip mills.

GCW Response

INTRODUCTION

The Coke Plant sketch and process description are attached (Attachments 1 and 2).

In response to Question 1 and the questions submitted from the June 4, 2009 ICC Staff visit to the U.S. Steel Granite City Works (GCW), Staff infers that there may be a "gathering line" located in the GCW Coke Plant. However, an analysis using API RP 80 and 49 CFR 195.2 reveals that GCW has no "gathering line" in any of its gas systems.

Additionally, a further, more detailed study reveals that the coke oven gas (COG) pipeline is properly classified as a fuel gas line.

The rationale for these conclusions is presented below.

PRODUCTION OPERATION.

API RP 80 is used to define the complex nature of natural gas "production operation" and "gas gathering" based on the natural gas industry production of gas from wellheads up to connection with transmission and/or other pipelines for transportation of gas to consumers. Prior to API RP 80 adoption in 49 CFR 192, PHMSA used the definition of "production facility" defined in 49 CFR 195.2 as a reasonable guide to distinguish facilities used in gas production. Such support can be found in PHMSA interpretation PI-92-010. Another example of utilizing 49 CFR 195.2 as a reasonable guide is PHMSA interpretation PI-93-060. In this interpretation, both the 2 3/8" line and the 2" are used in the production of gas and are not covered by Parts 40, 191,192, and 199. It should also be noted in the decision on PI-92-046 that the Armco coke plant and subsequent gas production did not fall under any jurisdiction within the coke plant premises. By its very

nature and complexity, a coke plant operation contains all the characteristics associated with a production facility not jurisdictional under parts 40, 191,192, 195, and 199.

The definition of "production operation" is provided in Section 2.3 of API RP 80, "Guidelines for the Definition of Onshore Gas Gathering Lines".

- "Production Operation" means piping and equipment used for production and preparation for transportation or delivery of hydrocarbon gas and/or liquids and includes the following processes:
    - extraction and recovery, lifting, stabilization, treatment, separation, production processing, storage, and measurement of hydrocarbon gas and/or liquids; and,
    - associated production compression, gas lift, gas injection, or fuel gas supply.

The definition on "Production Facility" is provided in Section 49 CFR 195.2.

- "Production facility" means piping or equipment used in the production, extraction, recovery, lifting, stabilization, separation or treating of petroleum or carbon dioxide, or associated storage or measurement. (To be a production facility under this definition, piping or equipment must be used in the process of extracting petroleum or carbon dioxide from the ground or from facilities where CO2is produced, and preparing it for transportation by pipeline. This includes piping between treatment plants which extract carbon dioxide, and facilities utilized for the injection of carbon dioxide for recovery operations.)

Using the definitions within API RP 80 section 2.3 and 49 CFR 195.2, the coke plant operation from the coke ovens to the valve located downstream of the meter at the exit of the coke plant is clearly defined as a "production operation". It is significant that this production facility is contained solely on the premises of GCW.

CLASSIFICATION OF COKE OVEN GAS (COG) PIPELINE

The Coke Oven Gas (COG) pipeline is the pipeline downstream of the production operation. It begins at the valve located downstream of the meter at the exit of the coke plant. API RP 80, Section 2.3.1.2 states: "It should be noted that all or part of the gas from a production operation may go directly to a distribution facility, a transmission facility, or a large volume end user without entering a gathering line."

In the initial determination of jurisdiction for the coke oven gas pipeline, GCW cited PHMSA interpretation PI-92-046, regarding a 1 ¼-mile coke oven gas pipeline owned by an Armco steel plant, which states that a coke oven gas pipeline may be jurisdictional even though the gas in transportation is owned by the ultimate consumer of the gas. The

GCW coke oven gas pipeline, however, is not similar to the proposed 1 ¼-mile long Armco coke oven gas line that was determined to be jurisdictional. It appears that the Armco coke plant and the Armco steel plant are not located on the same premises. Apparently, there is no contiguous property line connecting the two facilities. Since the Armco coke plant and steel plant are not located on the same premises or contiguous property, the coke oven gas leaving the Armco coke plant is in transportation to the Armco steel plant and the pipeline is subject to 49 CFR 192 jurisdiction even though the ultimate consumer owns both the gas and the pipeline.

In contrast, the GCW coke plant, the coke oven gas pipeline, and the GCW steel plant are all contained on the same premises – a contiguous piece of property. In accordance with Ameren's tariffs, (https://www2.ameren.com/ACMSContent/Rates/Rates_ipel3otctc.pdf or https://www2.ameren.com/ACMSContent/Rates/Rates_ipg3otctc.pdf) "premises means a contiguous tract of land separated by nothing more that a highway, street, alley, or railroad right-of-way ..."

Upon further review using API RP 80, PHMSA interpretations, and PHMSA Drawing 3, GCW now believes the coke oven gas piping system should be classified as in-plant fuel gas lines not subject to Illinois Gas Pipeline Safety Act's jurisdiction.

The PHMSA "Operator Responsibility – Drawing 3" diagram shows that Part 192 jurisdiction ends at the property line once the gas is owned by the ultimate consumer. GCW cited this distinction in determining ICC Pipeline Safety jurisdiction over its natural gas pipelines. GCW also used this fundamental drawing in determining that the "South Plant" line is jurisdictional (left hand side of drawing) whereas all other plant natural gas pipelines are non-jurisdictional fuel gas pipeline (right hand side of drawing) even though portions of those gas pipelines are located in a public place. Note that the July 28, 1976 PHMSA interpretation letter to Mr. Richard H. Stock, National LP-Gas Association, states that the term "public place" includes "any publicly owned right-of-way." Publicly owned right-of-way includes streets and roadways.

The Operator Responsibility – Drawing 3 can be used to define ICC Pipeline Safety jurisdiction. In a sense, GCW "receives" the gas at the outlet of the production operation. On Drawing 3, the customer receives the gas where it is metered. It is reasonable, then, to substitute the coke plant production facility in the position shown as the Reducing/Metering position on the drawing while recognizing the fact that the "production operation" is non-jurisdictional. The Armco coke plant to steel plant piping (PI-92-046) can be described by the left hand side of the drawing in which the coke plant is transporting gas to the steel plant across non-contiguous property lines. The pipeline falls under State jurisdiction for Part 192 compliance. On the other hand, GCW would fall under the right hand side of the drawing in which there is no State jurisdiction. This is illustrated on Attachment 4. The coke oven gas pipeline would be classified as fuel gas piping even though a portion of the pipeline is located in a public place. The fact that fuel gas piping is located in a public place is not relevant to jurisdiction. This has already been explained in GCW's earlier correspondence regarding the natural gas pipelines.

The issue of jurisdictional boundaries was discussed within PI-92-023, in which the limit of jurisdiction of Part 192 over a pipeline would be the boundary of the property or the outlet of any device necessary to control pressure in the pipeline, whichever is farther downstream. This interpretation is consistent with Operator Responsibility – Drawing 3.

The regulation in 49 CFR 192.1 (b) (5) (ii) can be used as a reasonable guideline for excluding jurisdiction of GCW's coke oven gas pipeline located in the public place. This section, which applies to petroleum gas or petroleum gas/air mixtures, states that Part 192 does not apply to "A single customer, if the system is located entirely on the customer's premises (no matter if a portion of the system is located in a public place)."

Since all the coke oven gas in question is moving within one contiguous premises, there is no gas in transportation, and the coke oven gas pipeline is non-jurisdictional.

SUMMARY

The production operation, which begins at the coke ovens and ends at the valve after the meter leaving the coke plant, is located entirely on the premises of GCW, and is non-jurisdictional. The coke oven gas pipeline and the steel plant are also located on the same premises, with contiguous property lines. Therefore the gas in the coke oven gas pipeline is not in transportation, and the pipeline is non-jurisdictional. There is no "gathering line" on the premises.