U.S. Department of Transportation
Pipeline and Hazardous Materials
Safety Administration

1200 New Jersey Ave, S.E.
Washington, D.C. 20590

APR 1 9 2011

Mr. Thomas Correll
Director-Pipeline Safety and Risk
Northern Natural Gas Company
1111 South 103rd Street
Omaha, NE 68124

Dear Mr. Correll:

In a letter to the Pipeline and Hazardous Materials Safety Administration (PHMSA) received March 21, 2011, you requested written clarification regarding the applicability of the distribution integrity management program (DIMP) regulation to farm taps operated by Northern Natural Gas (NNG). You stated that it is NNG's belief that its farm tap facilities are transmission facilities since: (1) they meet the criteria for, and are properly classified as, transmission facilities; (2) the facilities have been addressed and characterized for many years as transmission facilities during PHMSA audits; and (3) the configuration is very similar to a town border station (meter station) or a direct sales lateral, both of which would be considered a transmission facility under PHMSA rules. Secondly, based on *Frequently Asked Question (FAQ) B.1.2*, you infer that the intent of the DIMP rule is to address natural gas pipeline systems in areas with greater population density, as is characteristic of most distribution system areas. Finally, you indicate that you are seeking clarification of this issue to avoid a potential duplicative layer of integrity management regulatory oversight.

PHMSA Response:
49 C.F.R. § 192.1003 of the pipeline safety regulations clearly states that any gas distribution pipeline covered under Part 192 must have an IM program that meets the requirements of the DIMP regulation. In *DIMP FAQ C.3.7*, PHMSA informed operators of distribution, gathering, and transmission lines whose system includes "farm taps" meeting the definition of a distribution line that they must have a DIMP covering these facilities. A distribution line is a "pipeline other than a gathering or transmission line."[1] A transmission line is "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."[2]

Therefore, NNG's farm taps are transmission lines if: (1) they serve large volume customers; or (2) they operate at hoop stress of 20 percent or more of SMYS; or (3) they transport gas within a

[1] 49 C.F.R. § 192.3.
[2] *Id.*

storage field. Farm taps which do not meet these criteria are distribution pipelines and must comply with DIMP.

PHMSA has recognized farm taps as distribution lines for several years as addressed in the following rulemakings:

(1) In the "Customer-Owned Service Lines" Final Rule, PHMSA defined a "farm tap" as "industry jargon for a pipeline that branches from a transmission or gathering line to deliver gas to a farmer or other landowner."[3]

Although many commenters argued against the inclusion of farm taps in this rule, PHMSA determined in the Final Rule that an operator who primarily operates gathering or transmission lines is also operating a distribution line when it delivers gas directly to customers through farm taps or industrial taps. The pertinent section of the preamble is quoted below:

> To begin with, while we recognize that Congress was primarily concerned about residential customers, the mandate is not so limited. Congress applied the mandate to "operators of natural gas distribution pipelines." But these operators are not just local distribution companies as the commenters suggested. Some operators primarily engaged in the gathering or transmission of gas also operate distribution pipelines. They do so when they deliver gas directly to customers through farm taps and industrial taps. In fact, because portions of these delivery lines qualify as service lines, gathering and transmission operators report them as distribution pipelines under 49 CFR 191.13. Moreover, farm and industrial tap customers are not immune from harm by potential hazards that could occur on their piping. And surely not all farm and industrial tap customers know enough about gas piping safety to make even a single maintenance notice unnecessary.[4]

(2) In the "Excess Flow Valve-Performance Standards" Final Rule, a few commenters objected to what they thought was the proposed requirement to install EFVs immediately downstream of the service-to-main connection when the line served more than one residence (branch service). In the Final Rule, PHMSA determined that the references to "main" or "transmission line" included farm taps.

> In the NPRM, RSPA intended that all new and replaced service lines, whether from a main or transmission line, where the source of gas supply consistently operates above 10 psig, be required to have an EFV installed. The reference to "main" and "transmission" lines was intended to cover farm taps, as farm taps are also subject to the type of incident that could benefit from an EFV. The final rule deletes the reference to "main" and "transmission" and sets performance standards for EFVs installed on single-residence gas service lines. By referring to "service" line, RSPA intends for the standards to apply if an EFV is installed on a farm tap.[5]

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[3] *Customer-Owned Service Lines,* 60 Fed. Reg. 41821, 41823 (August 14, 1995).

[4] *Id.*

[5] *"Excess Flow Valve-Performance Standards",* 61 Fed. Reg. 31449, 31453 (June 20, 1996).

In referencing *FAQ B.1.2,* you suggest that farm taps were not intended to be included in the DIMP rule. The purpose of *FAQ B.1.2* was to explain to stakeholders the reason why the concept of "high consequence areas" used in transmission integrity management was not applied to distribution integrity management. The FAQ stated that since transmission pipelines are often in rural areas, the use of high consequence areas (HCAs) allows operators to focus safety improvement efforts on areas where consequences could be more significant. Since distribution pipelines are largely in proximity to populated areas, the use of HCAs was not necessary and instead operators were required to consider their entire pipeline under DIMP. This distinction does not *exclude* distribution lines in less populated areas from DIMP.

Your final concern stated that you sought to avoid potentially duplicative layers of regulatory oversight. States will implement the DIMP rule in accordance with their particular certification under 49 U.S.C. 60105 for intrastate facilities or agreement under section 60106 for interstate facilities. As defined in 49 U.S.C. 60101, an "intrastate gas pipeline facility" means a gas pipeline facility and transportation of gas within a State not subject to the jurisdiction of Federal Energy Regulatory Commission (FERC) under the Natural Gas Act (15 U.S.C. 717 et seq.). Since the typical "farm tap" is not subject to a FERC filing, these facilities are intrastate and regulated by the State. In your specific situation, the South Dakota Public Utilities Commission (SDPUC) has a 60105 agreement and has regulatory authority to inspect intrastate pipeline facilities within South Dakota.

You have not provided us with the specifics of NNG's farm taps, but please note that unless NNG's farm taps meet the definition of a transmission line and are incorporated in NNG's IMP plan, NNG must comply with requirements of 49 CFR Part 192 Subpart P – Gas Distribution Pipeline Integrity Management (DIMP).

I hope that this information is helpful to you. If I can be of further assistance, please contact me at 202-366-4595.

Sincerely,

for: Jeffrey D. Wiese
Associate Administrator for Pipeline Safety

Northern Natural Gas

March 4, 2011

Jeff Wiese

Associate Administrator

US DOT/PHMSA/OPS

PHP-1

1200 New Jersey Avenue, SE East Bldg., 2nd Floor

Washington, DC 20590

Dear Mr. Wiese:

The South Dakota Public Utility Commission contacted Northern Natural Gas Company (Northern) in January 2011 and indicated their intent to inspect Northern's distribution integrity management plan (DIMP) for farm taps. The South Dakota Public Utility Commission referenced a Pipeline and Hazardous Material Safety Administration (PHMSA) document on the subject titled "Frequently Asked Questions" (FAQ) to support its position that certain Northern "farm tap" facilities meet the definition of natural gas distribution system facilities and therefore would require a DIMP. It is Northern's belief that its farm tap facilities are transmission facilities governed by the integrity management requirements for transmission pipelines. Northern Natural Gas respectfully seeks clarification from PHMSA concerning a question and response within the FAQ that may have led to a misunderstanding of the application of the DIMP regulations to Northern's "farm tap" facilities.

The FAQ referenced by the South Dakota PUC is FAQ C.3.7. The response to that FAQ states, in part, "The vast majority of "farm taps" meet the definition of a distribution line given that they do not meet the criteria to be classified as a gathering line or a transmission line." While it may be true that many farm taps may not be classified as a gathering or transmission line, Northern believes that the farm tap facilities it owns meet the criteria for, and are properly classified as, transmission facilities. These Northern facilities have been addressed and characterized for many years as transmission facilities during PHMSA jurisdictional audits. In fact, Northern owns no facilities that could be classified as "distribution facilities." The key components of Northern farm tap facilities include the riser, regulator settings, meter and odorizer. Northern does not own or operate any of the facilities downstream of the meter outlet. This configuration is very similar to a town border station (meter station) or a direct sales lateral, both of which would be considered a transmission facility under PHMSA rules - rather than distribution facilities.

Most of Northern's farm taps are located in rural, Class 1 areas and the house or other structure/facility being served is a significant distance from the farm tap. Typically, the farm tap riser extends off the transmission line and all Northern-owned facilities are located within 25 feet of the pipeline. The service line extending to the customer facility is not constructed, owned or maintained by Northern and Northern

has no control over the service line. In most instances Northern has no easement rights related to the service line. Northern has no contract or other business relationship with the farm tap customers other than Northern's easement rights to construct and maintain its transmission facilities. In nearly all cases, a local distribution company provides retail services to the farm tap owner.

Northern believes that another Frequently Asked Question - FAQ B.1.2 - seems to contradict the conclusion that farm taps in remote Class 1 areas meet the definition of a distribution system. This FAQ addresses the question of why distribution integrity management requirements do not focus on high consequence areas as is the case with transmission pipelines. The following is the response provided for the FAQ:

"The integrity management requirements for transmission pipelines are focused on portions of the pipeline where significant consequences could result if an incident occurs — so-called "high consequence areas". Transmission pipelines often traverse rural areas. This approach requires safety-improvement efforts to be focused on areas where consequences of an event would be more significant, in areas with greater human density, or more sensitive environment. Distribution pipelines are largely in developed, more populated areas, since they exist to deliver gas to those populations. As the population is in close proximity to much of these distribution systems, the consequences of an incident are similar throughout. For distribution pipelines, PHMSA concluded it is more appropriate that operators consider their entire pipelines under their integrity management programs." (Emphasis added.)

It is clear from this response that the intent of the DIMP rule was to address natural gas pipeline systems in areas with greater population density which is inherent to distribution system areas. Since most of Northern's farm taps are located in rural areas and are part of transmission line facilities, Northern's farm taps are best addressed, as they have been in the past, by the natural gas transmission regulations including the integrity management regulations where applicable.

In examining these two FAQ responses, Northern believes that the proper application to the farm tap facilities on its transmission system is to continue to manage and audit these facilities within the definition of transmission facilities. PHMSA's clarification in this regard is important to avoid needless duplicative integrity management of its farm tap facilities and to avoid a potential duplicative layer of regulatory oversight. Accordingly, Northern respectfully seeks expeditious written clarification that the recently issued DIMP policy does not apply to Northern's transmission facilities, including Northern's farm tap transmission facilities.

Thank you for your assistance.

Thomas Correll

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