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DEPARTMENT OF TRANSPORTATION

Pipeline and Hazardous Materials Safety Administration

49 CFR Part 195

[Docket No. PHMSA-2003-15864; Notice 4]

RIN 2137- AD98

**Pipeline Safety: Protecting Unusually Sensitive Areas from Rural Low-Stress Hazardous
Liquid Pipelines**

AGENCY: Pipeline and Hazardous Materials Safety Administration (PHMSA), DOT.

ACTION: Supplemental Notice of Proposed Rulemaking.

SUMMARY: In this supplemental notice of proposed rulemaking (SNPRM) PHMSA is modifying its pending proposal for regulating rural low-stress hazardous liquid pipelines within a prescribed buffer of an “unusually sensitive area” (USA). This modification addresses new requirements in the Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006 (PIPES Act). We propose to apply all Federal hazardous liquid pipeline safety regulations to these pipelines instead of the narrower, threat-focused set of requirements we originally proposed to apply to these pipelines. This action will help protect USAs from the potential adverse impacts of releases from low-stress hazardous liquid pipelines in rural areas.

DATES: Anyone may submit written comments on the proposed regulatory changes by

[INSERT DATE 30 DAYS FOLLOWING DATE OF PUBLICATION IN THE FEDERAL REGISTER]. Comments that are filed will be considered to the extent possible.

ADDRESSES: Reference Docket No. PHMSA-2003-15864 and submit comments in one of the following ways:

(1) DOT Web Site: <http://dms.dot.gov>. To submit comments on the DOT electronic docket site, click “Comment/Submissions,” click “Continue,” fill in the requested information, click “Continue,” enter your comment, then click “Submit;”

(2) Fax: 1-202-493-2251;

(3) Mail: Docket Management System: U.S. Department of Transportation, 400 Seventh Street, SW, Nassif Building, Room PL-401, Washington, DC 20590-0001;

(4) Hand Delivery: DOT Docket Management System, Room PL-401 on the plaza of the Nassif Building, 400 Seventh Street, SW, Washington, DC between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays; or

(5) E-Gov Web Site: <http://www.regulations.gov>. This site allows the public to enter comments on any **Federal Register** notice issued by any agency.

INSTRUCTIONS: Identify docket number PHMSA-2003-15864 at the beginning of your comments. If you send comments by mail, please provide two copies. If you wish to receive PHMSA's confirmation receipt, include a self-addressed stamped postcard. Internet users may file comments at <http://www.regulations.gov>, and may access all comments received by DOT at <http://dms.dot.gov> by performing a simple search for the docket number. Note: All comments will post without changes or edits to <http://dms.dot.gov> including any personal information provided. Please see the Privacy Act heading under Section VIII, Regulatory Analyses and Notices, of the Supplementary Information.

FOR FURTHER INFORMATION CONTACT: Lane Miller by phone at (405) 954-4969 or by e-mail at Lane.Miller@dot.gov.

SUPPLEMENTARY INFORMATION:

I. Background

PHMSA published a notice of proposed rulemaking (NPRM) on September 6, 2006 (71 FR 52504) proposing to extend certain threat-focused pipeline safety regulations to rural onshore low-stress hazardous liquid pipelines within a prescribed buffer of previously defined USAs. Low-stress hazardous liquid pipelines, except those in populated areas or that cross commercially navigable waterways, have not been subject to the safety regulations in 49 CFR Part 195.¹ Unusually sensitive areas are areas requiring extra protection because of the presence of sole-source drinking water resources, endangered species, or other ecological resources that could be adversely affected by accidents or leaks occurring on hazardous liquid pipelines.

The NPRM proposed to define a category of “regulated rural onshore low-stress lines” - rural lines operating at or below 20% SMYS, with a diameter of 8 5/8 inches or greater, located in or within a quarter-mile of a USA- and to require operators of these lines to comply with a threat-focused set of requirements in Part 195 that already apply to other hazardous liquid pipelines.² The proposed safety requirements addressed the most common threats to the integrity of these

¹ For a full discussion of the background concerning historical treatment of rural low-stress pipelines and the decision to apply safety regulations at this time, see the September 6, 2006 NPRM.

² The NPRM also proposed to apply threat-focused Part 195 safety requirements to rural onshore gathering lines located in or within ¼ mile of a USA. Rural gathering lines are not in the PIPES Act mandate and therefore, are not part of this SNPRM.

rural lines: corrosion and third party damage. The proposal was intended to provide additional integrity protection, to avoid significant adverse environmental consequences, and to improve public confidence in the safety of these unregulated low-stress lines.

II. Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006

The PIPES Act was signed into law on December 29, 2006 (Pub. L. No. 109-468). The PIPES Act includes provisions affecting hazardous liquid pipelines operating at low-stress (i.e., hoop stress less than 20 percent of specified minimum yield strength (SMYS)). Specifically, section four of the PIPES Act requires that PHMSA “issue regulations subjecting low-stress hazardous liquid pipelines to the same standards and regulations as other hazardous liquid pipelines” with some limited exceptions. The Act expressly authorizes the Secretary of Transportation to adopt the new regulations in phases.

The focused requirements the NPRM proposed to apply to those non-regulated rural low-stress lines specified in the NPRM would not fulfill the PIPES Act requirement. Finalizing that proposal without change would thus impose some requirements on those pipelines, only to be followed by additional regulations imposing further requirements soon after. PHMSA considers that such sequential application of requirements would be inefficient and would pose an unnecessary additional burden on pipeline operators. Further, PHMSA notes that the low-stress pipelines covered by the proposed rule are those where additional safety regulation is most important — larger diameter pipelines that could adversely affect USAs. PHMSA therefore concludes that the most appropriate and expeditious means of implementing the PIPES Act mandate is in phases. In phase one, we are modifying the September 2006 NPRM proposal via

this SNPRM to add to the requirements to be applied to the higher-risk, larger-diameter rural low-stress pipelines we proposed to regulate. (The PIPES Act explicitly provides that the regulations issued shall not apply to gathering lines. Gathering lines are not addressed in this SNPRM, and the requirements proposed for those lines in rural areas remain as described in the September 2006 NPRM.)

The phase one rulemaking applies to those low-stress pipelines 8 5/8 inches or greater in diameter located in or within a half-mile of a USA, as defined in 49 CFR §195.6. For this phase, PHMSA collected preliminary information from large pipeline operators about the extent and location of low-stress pipeline not currently subject to regulation. PHMSA found some of these larger pipeline operators have considerable mileage of low-stress pipeline not currently subject to regulation, while others do not. Based on this information and operators' testimony at Congressional hearings, PHMSA believes most operators of these larger-diameter low-stress pipelines also operate pipeline at higher stresses or operate regulated low-stress pipe within populated areas. Nevertheless, to ensure that PHMSA has complete data on the lines that will be affected by this proposal, PHMSA seeks public comment and data on the extent of rural low-stress pipelines 8 5/8 inches or greater in diameter.

In phase two, PHMSA will initiate a separate rulemaking to make Part 195 safety standards applicable to all remaining unregulated rural low-stress pipelines. One of the main reasons for the two-phase approach is the lack of data PHMSA has about the extent of smaller-diameter rural low-stress pipelines. Operators with only rural low-stress pipelines that do not cross commercially navigable waterways are not now subject to pipeline safety regulations. Although

the Pipeline Safety Improvement Act of 2002 (codified at 49 U.S.C. § 60132) requires operators of pipeline facilities (except for distribution and gathering lines) to submit location information to the National Pipeline Mapping System (NPMS). PHMSA only required this information only from operators of regulated pipelines. Thus, other than information that may have been submitted to the NPMS, PHMSA lacks adequate knowledge of this community of pipeline operators. PHMSA does not have information on the number of such operators, or on the total mileage of small-diameter low-stress pipeline they operate, nor does PHMSA have information on the mileage of large-diameter low-stress pipelines located outside of USAs. PHMSA will need this information, or a reasonable basis from which to estimate it, for the second phase of the rulemaking. PHMSA seeks public comment on the extent of rural low-stress pipelines less than 8 5/8 inches in diameter as well as the total mileage of low-stress pipelines currently in service.

To better understand the rural low-stress infrastructure and the risks it poses, PHMSA is proposing in this SNPRM to extend the reporting requirements of Subpart B of Part 195 to operators of all currently unregulated rural low-stress pipelines. Our proposal would require any operator of a rural low-stress pipeline file annual reports as well as reports of accidents and significant conditions affecting safety. In addition to the reporting requirements of Subpart B, we are reminding operators of pipeline facilities that 49 U.S.C § 60132 requires them to submit information on these lines to the NPMS. This combination of reporting requirements will help improve the completeness and accuracy of information for this community of pipeline operators.

Although for the phase one SNPRM, PHMSA collected preliminary information from some large pipeline operators about the extent and location of rural low-stress pipeline not currently

subject to regulation, this limited number of operators may not be representative of the broader community of operators of these pipelines. Therefore, to have the adequate data for phase two, we plan to request the approval of the Office of Management and Budget (OMB) to conduct a broader survey to obtain more accurate and representative data.

III. Advisory Committee

On February 12, 2007, PHMSA convened, via telephone conference, a meeting of its Technical Hazardous Liquid Pipeline Safety Standards Committee (THLPSSC). The THLPSSC is a statutorily mandated advisory committee that advises PHMSA about the technical feasibility, reasonableness and cost-effectiveness of its proposed regulations. The purpose of the meeting was to inform the committee about PHMSA's two phase approach to carrying out the PIPES Act mandate on low-stress pipelines by addressing the higher-risk larger-diameter pipelines first. PHMSA also discussed some of the key comments to the NPRM. The committee did not vote on PHMSA's approach but offered comments about particular proposed requirements and on whether operators of these low-stress pipelines would have economic and operational difficulties in complying with Part 195 requirements. Although some committee members favored extending all of Part 195 immediately to all unregulated low-stress pipelines, the majority supported the two phase approach described above. The majority agreed PHMSA should proceed with addressing the higher risk low-stress pipelines first to ensure that needed protections for these lines are put into place promptly. The THLPSSC's comments are discussed below in the relevant sections of this preamble.

IV. Comments on September 6, 2006 NPRM

PHMSA received several written comments in response to the September 6, 2006, NPRM.

These comments, addressed below, along with the THLPSSC's comments, have affected the approach being taken in this SNPRM.

Buffer Size

The NPRM proposed to define regulated rural low-stress pipelines through use of a quarter-mile buffer around USAs. Specifically, pipelines of 8 5/8 inches or greater in diameter and operating at stress levels equal to or less than 20 percent SMYS would be regulated if they were located in or within a quarter-mile of a USA. Cook Inlet Keeper, the Northern Alaska Environmental Center, the Pipeline Safety Trust and Cook Inlet Regional Advisory Council questioned the adequacy of this quarter-mile buffer. In particular, these commenters suggested that spilled oil or petroleum product that entered a waterway could travel further and affect USAs more than a quarter-mile from the pipeline. Other commenters suggested that the rule should allow operators to conduct a comprehensive spread analysis to reduce or increase the buffer size. Through such an analysis, operators would determine the extent to which spilled product would spread, considering local topography and other conditions. Operators could have several reasons for using comprehensive spread analysis. For example, local topography may be such that use of a quarter-mile buffer would be excessive (e.g., the USA is uphill from the pipeline and could not be affected by a release) or that the buffer may be too small (e.g., a fast-moving waterway could transport spilled product to a USA more than a quarter of a mile away). At the same time, specifying a buffer distance provides a reasonable degree of protection and allows operators to

avoid the expense and burden of conducting a comprehensive spread analysis in circumstances where they conclude such an analysis is not needed.

At the committee meeting, PHMSA discussed widening the buffer to one-half mile and allowing use of comprehensive spread analysis. Several THLPSSC members agreed with allowing the comprehensive spread analysis as an alternative. One THLPSSC member recommended PHMSA not use the half-mile buffer, but instead, only allow the comprehensive spread analysis.

As stated in the NPRM, incident data indicates that a buffer of a quarter-mile is sufficient. PHMSA believes that a quarter-mile buffer will encompass the vast majority of currently unregulated rural low-stress pipeline that could affect a USA. Nevertheless, PHMSA has increased the proposed buffer to a half-mile to further ensure a release from a low-stress pipeline does not affect a USA.

For purposes of applying integrity management (IM) requirements, PHMSA agrees that operators should have the option of using comprehensive spread analyses in lieu of the half-mile buffer. Such analyses are how operators determine which segments of their hazardous liquid pipelines operating at stress levels greater than 20 percent SMYS are subject to the IM requirements in §195.452. These analyses can be costly. Low-stress pipelines pose less risk, because the quantity of product that would be released in the event of a leak and the rate at which it would be released is less than for pipelines operating at higher pressure. PHMSA considers that operators of rural low-stress pipelines should be able to use the half-mile buffer to identify their pipeline segments subject to IM requirements in lieu of conducting a spread analysis, but

accepts that operators may want to do more comprehensive analysis to determine with more precision the segments that could affect a USA.

PHMSA has therefore modified the proposed rule to define those low-stress lines in rural areas that will become subject to regulation at this time as those in or within a half-mile of a USA.

The proposed rule further allows operators to use comprehensive spread analysis, in lieu of the buffer, to determine the portions of its pipeline that could affect a USA. Where such analysis is used, only that portion of the pipeline that can affect the USA will become subject to IM requirements.

Leak Detection

The NPRM proposed that operators of regulated low-stress pipelines in rural areas “establish and apply a program, based on API 1130, or other appropriate method suitable for the commodity being transported to detect leaks on the regulated segments.” Several commenters addressed this requirement, noting that API 1130 is not applicable to all low-stress lines. The relatively limited flow through many lines and the start-and-stop nature of the flow make it difficult to apply current leak detection methods.

THLPSSC members did not support this proposed requirement. They recommended PHMSA not apply this requirement exclusively to rural low-stress pipelines before PHMSA addresses it for other pipelines. The Committee suggested PHMSA should instead apply the existing leak detection capabilities requirement in §195.452 to rural low-stress pipelines.

This issue has been rendered moot by the statutory mandate that all requirements of Part 195 be applied to low-stress pipelines. Pipelines affected by this rulemaking will be subject to the requirements in §§195.134, 195.444 and 195.452(i)(3). PHMSA recognizes that on low-stress pipelines, a leak may go undetected for a while. To more promptly detect leaks, some operators have increased the frequency of their patrolling programs and enhanced their public education programs to educate the public about reporting leaks. PHMSA welcomes comment on additional measures that may be needed to detect a slow leak more quickly. PHMSA continues to do research on new, more effective leak detection technologies.

Continuous Monitoring

The NPRM proposed that operators “continuously monitor to identify and remediate any changes in operating conditions that could necessitate cleaning the lines and accelerating the corrosion control program.” This proposed requirement was in addition to the corrosion control provisions of subpart H. Several commenters questioned the meaning of the requirement to “continuously monitor.” They noted that it was not clear what actions an operator would have to take to meet this requirement. THLPSSC members recommended PHMSA extend the existing Subpart H corrosion requirements to rural low-stress pipelines rather than define and apply a different requirement for continuous monitoring to these pipelines.

This SNPRM clarifies the requirements. Now that operators of these phase one rural low-stress lines will be subject to §195.452 IM requirements, the proposed “continuously monitor” requirement would be redundant with the requirements for information analysis in §195.452(g) and continual evaluation in §195.452(j). Thus, because the IM requirements will address the

threat we were trying to address in the NPRM, we have deleted the proposed “continuously monitor” language. Using the information analysis and continual evaluation data, operators should pay particular attention to any change in operations that could increase the threats to these low-stress pipelines, particularly the threat of internal corrosion.

As part of the NPRM’s threat-focused requirements, PHMSA had proposed that operators clean their lines as necessary based on continuous monitoring. Now that we are proposing to subject these lines to the IM requirements, cleaning the lines should be part of an operator’s IM program. As part of an IM program, operators will have to conduct a baseline assessment and continual integrity evaluation and assessments. Typically, before running a smart pig, operators run a cleaning pig. If a hydrostatic test is conducted, operators run a de-watering pig. And through the information analysis and continual evaluation data, operators will be aware of conditions necessitating the running of cleaning pigs.

Additionally, as part of phase two, PHMSA will review Subpart H corrosion requirements that apply to all regulated pipelines and determine if any modifications, such as requiring cleaning pigs, are necessary on a broader scale. PHMSA will undertake this review to satisfy the PIPES Act requirement. Section 22 of the PIPES Act requires PHMSA, in consultation with the THLPSSC and other appropriate entities, to review the internal corrosion regulations in Subpart H to determine if they are adequate to ensure that the pipeline facilities to which they apply will not present a public safety or environmental hazard.

Economic burden of compliance

Several commenters, including the Independent Petroleum Association of America, the Independent Petroleum Association of Mountain States, Western States Petroleum Association, Independent Petroleum Association of New Mexico, the Ohio Oil and Gas Association, and Oklahoma Independent Petroleum Association commented that the proposal could have unintended economic consequences on operators of marginal and stripper wells. In particular, these commenters noted that the costs to perform IM assessments could become prohibitive and could result in some operators of low-stress pipelines deciding to abandon their pipelines. If all of the assessment alternatives are too costly, the operator may abandon the pipeline operation forcing well operators to transport their oil by truck. This could result in increased harm to the public or environment or in loss of critical energy supply.

To avoid that outcome, PHMSA has included in this SNPRM a proposal providing relief in certain circumstances where the operator decides to abandon a low-stress pipeline because of the economic burden of complying with the IM assessment requirements of §195.452. This provision is designed to provide an operator the needed flexibility in rare, special circumstances where it is economically infeasible for the operator to comply with the IM assessment requirements. PHMSA has tried to establish a volume for product transport indicative of the point at which the economic cost to comply with the IM assessment provision would be prohibitive. Thus, under the proposal, an operator of a pipeline that carries oil from a production facility at a rate lower than or equal to 14,000 barrels per day could obtain relief by notifying PHMSA of its decision to abandon the line. PHMSA is proposing this rate based on its belief that if an operator is unable to use the least costly assessment option (in-line inspection) the cost of

compliance will be too much of an economic burden. PHMSA understands it may be impractical to use in-line inspection (i.e., smart pigs) at flow rates below 14,000 barrels per day, because there is insufficient movement of product within the line to propel the pig (assuming a 10-inch diameter pipeline).

As proposed, for an operator to qualify for the relief, the flow rate of its pipeline during operation must be less than 14,000 barrels per day. This is the maximum flow rate in the line on any given day. This is not an average flow rate. PHMSA understands that some low-stress pipelines serving marginal wells operate intermittently. A pipeline that receives enough volume to run the pig, even on an intermittent basis, would not be eligible for the notification provision. An example is a 10-inch pipeline that has 30,000 barrels pumped into it every 3 days. On average, the pipeline flow rate is 10,000 barrels per day, but the flow rate every 3 days is enough to run a pig. Thus, this pipeline would not be eligible for the notification provision even though its average flow rate is 10,000 barrels per day. The important factor is the ability to use in-line inspection, which is dependent on the actual flow rate, not a rate averaged over periods including slack time. If unable to use in-line inspection, it is unlikely an operator will choose the costlier options of hydrostatic testing or direct assessment. This could then trigger an operator's economic decision to abandon the pipeline.

PHMSA would evaluate the notification by the operator, and consult with the Department of Energy (DOE), as appropriate, to help analyze the potential energy impact of loss of the pipeline. PHMSA also may, as necessary, consult with the appropriate State. PHMSA will stay enforcement of the integrity assessment requirement until the analysis is complete. If the

analysis concludes there would be an adverse energy or safety impact, PHMSA would work with the pipeline operator to grant a special permit allowing continued operation of the pipeline, while also assuring safety through alternative safety requirements. Although this provision would be limited to the operators to which the proposed criteria apply, any operator may still be able to seek relief from any of the other requirements through special permit provisions in 49 USC 60118.

PHMSA invites public comment on this approach, on the appropriateness of the proposed threshold, and on other approaches that might be used to avoid adverse impact on U.S. energy supply and on safety because of the economic burden to comply with the requirements proposed in this SNPRM. PHMSA welcomes comment on the appropriate criteria for determining the threshold where it is likely the cost to comply could result in the unintended consequence of an operator shutting down its pipeline operation forcing well operators to transport their oil by truck.

Other comments to the NPRM are not relevant to this SNPRM. PHMSA will address all comments (to the NPRM and SNPRM) as part of the final rulemaking.

V. Application of 49 CFR Part 195 Requirements

This SNPRM extends all Part 195 requirements to rural low-stress pipelines that meet specific criteria with respect to size (8 5/8 inches or more in diameter), operating pressure (at or below 20 percent SMYS) and location relative to USAs (in or within a half-mile of a USA).

Subpart A – General: This subpart addresses the scope and applicability of Part 195, the definition of terms used in the part, and related administrative matters. The NPRM proposed to revise §195.1 of this part for clarity and to add §195.12 defining and specifying requirements applicable to *regulated low-stress lines* in rural areas.

This SNPRM is not changing the proposed clarifications to §195.1. We are revising the criteria proposed in §195.12 only to increase the size of the buffer around USAs from a quarter to a half-mile, and to allow an option for operators to use comprehensive spread analysis, in lieu of the specified buffer, to determine which portions of their pipeline can affect a USA. The spread analysis would apply only for purposes of the integrity management requirements of §195.452. As with the NPRM, this SNPRM only applies to those rural low-stress pipelines of 8 5/8 inches or greater in diameter and operating at or below 20 percent SMYS located within a prescribed buffer of a USA (now one-half mile). Extension of Part 195 to other rural low-stress pipelines will be addressed in a later rulemaking.

Subpart B – Annual, Accident, and Safety-Related Condition Reporting: This subpart includes requirements for operators to submit certain data to PHMSA annually, to report accidents occurring on their pipelines, and to report significant conditions that can affect safety. The NPRM proposed to require that operators of those rural low-stress lines comply with all the reporting requirements in this subpart. This SNPRM proposes to extend Subpart B reporting requirements to operators of all currently unregulated low-stress pipelines, for the reasons described above. We are proposing to add a new §195.48 to Subpart B to clarify which pipelines are subject to these reporting requirements.

Subpart C – Design Requirements, Subpart D – Construction, and Subpart E – Pressure Testing:

These subparts ensure a minimum standard of integrity for all new, replaced, and relocated pipelines. These subparts are not related to operation and maintenance of existing pipelines.

The NPRM proposed to require that new, replaced, and relocated rural low-stress pipelines meet the requirements of these subparts. This SNPRM does not change that proposal. A later rulemaking will address all other rural unregulated low-stress pipelines.

Subpart F – Operation and Maintenance: This subpart includes requirements applicable to the operation and maintenance of pipelines, once constructed. The NPRM proposed to apply some sections of this subpart to those rural low-stress lines the NPRM proposed to regulate. These were §195.406, Maximum operating pressure; §195.410, Line markers; §195.440, Public Awareness; §195.442, Damage prevention program, and parts of § 195.452, Pipeline Integrity Management. This SNPRM proposes to make all remaining sections of Subpart F applicable to these low-stress lines.

With respect to pipeline integrity management, the NPRM proposed to apply requirements related to integrity management (proposed §195.12(b)(10)) that represented a focused application of the requirements in §195.452. This focused approach on the threats most common to rural low-stress pipelines is no longer appropriate, given the PIPES Act mandate that low-stress pipelines be made subject to the same standards as other hazardous liquid pipelines. This SNPRM applies all requirements of §195.452 to affected rural low-stress pipelines (those meeting the specified criteria) without change, except for the notification provision described

above, which allows limited relief upon notification of a decision to abandon. Operators of low-stress pipelines currently subject to Part 195 appear not to have experienced significant economic hardship because of their complying with Part 195 requirements, including the integrity management requirements of §195.452. Operators have not requested waivers from compliance.

During the February teleconference, PHMSA sought comments from THLPSSC members on this issue. Committee members did not believe that requiring compliance with all of Part 195 would cause economic or operational hardship for most operators of the rural low-stress lines covered in the first phase of the rulemaking.

Based on the THLPSSC's comments and testimony operators gave during Congressional hearings in 2006, PHMSA believes that most operators of these unregulated low-stress lines already use Part 195 or American Society of Mechanical Engineers (ASME) Standard B31.4 as guidelines for their daily operations and maintenance. ASME Standard B31.4 is the industry standard for liquid pipelines and is substantially similar to Part 195. Thus, PHMSA believes that requiring compliance with Part 195 will only slightly increase costs to meet the record keeping requirements, modify procedures, and meet the required operations and maintenance scheduled activities.

Subpart G – Qualification of Pipeline Personnel: This subpart includes requirements applicable to the training and qualification of personnel who perform work on the pipeline. The NPRM proposed that operators of the affected rural low-stress pipelines demonstrate their compliance with this subpart by describing the processes used to determine qualification of persons

performing operations and maintenance tasks. In accordance with the PIPES Act mandate to apply the same standards that apply to all other regulated pipelines, this SNPRM proposes that operators of the affected rural low-stress lines comply with all of Subpart G. Again, based on the THLPSSC's comments and operators' testimony, PHMSA expects that there will be minimal burden in complying with these requirements. Operators of other pipelines, including low-stress pipelines already regulated under Part 195, have been subject to these requirements and have operator qualification programs that can be applied.

Subpart H – Corrosion Control: This subpart includes requirements to prevent and mitigate corrosion damage of steel pipelines. The NPRM proposed to apply the requirements of this subpart and proposed a time frame ranging from 2 to 3 years following the effective date of the final rule for existing pipelines to comply. This SNPRM does not change the proposed requirements except for removing the proposal for continuous monitoring because it will be covered by the existing IM requirements for information analysis and continual evaluation.

VI. Compliance Time Frames

The NPRM proposed a range of potential implementation timeframes for the various safety requirements, requested comment on their appropriateness, and stated that a final rule would require a completion period within the proposed ranges. The statutory mandate that DOT apply all requirements of Part 195 to low-stress pipelines affects these proposed timeframes. We are no longer proposing that individual safety requirements apply, but rather that all the requirements of Part 195 apply to the phase one covered pipelines.

It will still be necessary for operators to identify the pipeline segments meeting the criteria in this SNPRM before they can modify their programs and make other changes to implement Part 195 requirements. The NPRM proposed that this identification be completed within 6 to 12 months following the effective date of the final rule. In this SNPRM, PHMSA proposes the same time frame for segment identification. PHMSA is also proposing that operators comply with the reporting requirements of Subpart B within the same timeframe.

We are proposing that all pipelines meeting the criteria in this SNPRM comply with all requirements of Part 195 within 12 months to 24 months after a final rule, with certain exceptions. The NPRM proposed compliance time frames ranging from 12 months to 18 months. Because this SNPRM proposes compliance with all of Part 195, rather than a focused set of requirements, we have proposed a range from 12 months to 24 months. We continue to propose a period of 24 months to 36 months for an operator to implement Subpart H corrosion control requirements. These requirements may necessitate physical modification to the pipeline (e.g., installation of cathodic protection), which will require a longer period to implement. We seek comments on what would be the most appropriate period for compliance.

We have revised the proposed timeframes for implementing IM requirements of §195.452. This SNPRM proposes that operators develop and implement an IM program within 12 months from a final rule, since that is the standard that was applied to pipelines covered by §195.452 when the IM regulations were issued. There were no major problems with this implementation time frame. As did the NPRM, this SNPRM proposes that IM baseline assessments be completed within a proposed period ranging between 60 months to 84 months. This proposal would further

require that 50 percent of the baseline assessments be completed within a period ranging between 36 months to 48 months, beginning with the highest-risk pipe. This 50 percent requirement is consistent with the requirement imposed on pipelines that were originally subject to §195.452.

We seek comment on the most appropriate time frames for compliance. As did the NPRM, PHMSA seeks comments and supporting documentation to address the effects of these proposed compliance periods. These comments should address cost, operational difficulties in complying, technology concerns, and other issues, such as time needed to secure necessary permits.

VII. Proposed Rule

Proposed definition of rural low-stress pipelines to which Part 195 requirements will apply:

The NPRM defined “regulated low-stress pipelines in rural areas” and proposed requirements that would apply to this class of pipeline. With the PIPES Act mandate, the Part 195 regulations will apply to all rural low-stress pipelines, although this is being done in phases. PHMSA concludes that it would be confusing to continue to use the term “regulated rural low-stress pipelines” when all rural low-stress pipelines will eventually be “regulated.” This SNPRM includes criteria defining which currently unregulated low-stress pipelines will become subject to Part 195, but no longer uses the term “regulated rural low-stress pipelines.”

The criteria used in this SNPRM to specify the rural low-stress pipelines to which Part 195 requirements will apply are the same as those proposed in the NPRM, with two exceptions. The first exception is the NPRM included, as one of the criteria defining regulated rural low-stress pipelines, the location of a pipeline in or within a quarter of a mile of a USA as defined in

§195.6. This proposal increases this distance to a half-mile for reasons described above. In addition, the new criteria allow for use of comprehensive spread analysis for IM purposes to determine the precise area of pipeline that could affect a USA.

Section-by-section analysis

Section 195.1

In the NPRM, PHMSA proposed a rewrite of this section to clarify which lines are subject to Part 195, and which are exempt. The changes did not modify the intent or scope of any exceptions from Part 195's coverage. Instead, PHMSA intends to make the exceptions easier to read. Those changes have been retained in this SNPRM. Although not included in the regulations, operators of any rural low-stress pipelines are reminded of their statutory duty to provide pipeline location information to the National Pipeline Mapping System.

Section 195.12

We have modified proposed §195.12 to define the criteria for those rural low-stress lines that we propose to regulate in phase one and to require that operators of these pipelines comply with all requirements of Part 195. This change is consistent with the PIPES Act mandate. We have eliminated the proposal for threat-focused Part 195 requirements since compliance with all of Part 195 will now be required for the pipelines covered in phase one. .

We have modified proposed §195.12 to propose appropriate deadlines for identifying rural low-stress pipeline segments meeting the proposed criteria and for complying with Part 195 requirements. We have also revised this proposed section to provide for notification where an

operator determines that the economic burden of implementing IM assessment requirements of §195.452 would cause the operator to abandon operation of its pipeline. This notification would be limited to pipelines serving production facilities and for which flow rates are too low to use in-line inspection tools. PHMSA would analyze the potential energy impact and safety issues associated with abandonment of the pipeline. We discuss this proposed notification provision above in section IV. PHMSA invites public comment on the adequacy of this approach and on the appropriate criteria it should use to structure a notification provision when compliance is not economically viable.

Section 195.48

This section is added to extend the scope of Subpart B reporting requirements to include all rural low-stress pipelines.

Section 195.452(m)

We propose to revise this section to include on-line entry as an option for sending notifications to PHMSA. This affects notifications required under §195.452 and the notifications proposed in this SNPRM. The web site was developed after §195.452 was published. PHMSA has informed pipeline operators that they may submit notifications via the web site and, if they do so, need not submit by mail or fax. This proposed revision conforms the regulation to current practice.

VIII. Regulatory Analyses and Notices

PRIVACY ACT STATEMENT: Anyone may search the electronic form of all comments received for any of our dockets. You may review DOT's complete Privacy Act Statement in the **Federal Register** published on April 11, 2000 (70 FR 19477) and at <http://dms.dot.gov>.

Executive Order 12866 and DOT Policies and Procedures.

This supplemental notice of proposed rulemaking is a significant regulatory action under Section 3(f) of Executive Order 12866 (58 FR 51735; Oct. 4, 1993). Therefore, the Office of Management and Budget (OMB) received a copy of this proposal to review. This supplemental notice of proposed rulemaking also is significant under DOT regulatory policies and procedures (44 FR 11034; February 26, 1979).

PHMSA prepared a draft Regulatory Evaluation for this supplemental notice of proposed rulemaking and a copy is in the docket. The evaluation concludes that the benefits of this proposal are expected to exceed its costs. The expected benefits of this proposal will be approximately \$41 million over 20 years using a 7 percent discount rate and \$58 million over 20 years using a 3 percent discount rate. These benefits are exclusively the result of reduced incident consequences. The expected costs of this proposal will be approximately \$24 million over 20 years using a 7 percent discount rate and \$34 million over 20 years using a 3 percent discount rate. Benefits exceed costs and the proposed rule is expected to be cost-beneficial. At the 7 percent discount rate, the net benefits (excess of benefits over costs) are estimated to be approximately \$18 million and at the 3 percent discount rate the net benefits are expected to be approximately \$24 million. The change from the NPRM's proposal that the pipeline be located

in or within a quarter-mile of a USA to the SNPRM 's proposal that a pipeline be located in or within a half-mile of a USA would add an estimated 803 miles of regulated low-stress pipeline. In addition, an estimated additional 3,921 miles of rural low-stress pipeline would be brought under the subpart B reporting requirements for annual, accident, and safety-related condition reporting with PHMSA. PHMSA expects the costs of this required reporting to be nominal. Most of those costs would likely be incurred only when a reportable accident has occurred or a safety-related condition has been discovered. The primary benefit of this requirement is that it would provide PHMSA with information about low-stress pipelines that can be used to quickly identify and evaluate problems, should they arise. This SNPRM provides relief through notification in the rare cases where operators cannot comply with the integrity management assessment requirements because the economic burden would be too great. This will have the benefit of allowing pipelines serving marginal wells to continue operation. This SNPRM would result in minimal economic burden to operators of any size. PHMSA invites comments on the draft regulatory evaluation.

Regulatory Flexibility Act.

Under the Regulatory Flexibility Act (5 U.S.C. § 601 et seq.), PHMSA must consider whether rulemaking actions would have a significant economic impact on a substantial number of small entities. The information PHMSA compiled for phase one does not indicate the number of operators with rural low-stress pipeline that would be covered by this supplemental notice of proposed rulemaking. Nevertheless, this information shows that this proposal will affect mostly major pipeline operators, and very few small entities. Consequently, PHMSA does not believe

that this proposal will have a substantial impact on a significant number of small entities.

PHMSA invites comments on the regulatory flexibility analysis.

Executive Order 13175.

PHMSA has analyzed this supplemental notice of proposed rulemaking according to the principles and criteria set forth in Executive Order 13175, “Consultation and Coordination with Indian Tribal Governments.” Because this proposal would not significantly or uniquely affect the communities of the Indian tribal governments or impose substantial direct compliance costs, the funding and consultation requirements of Executive Order 13175 do not apply.

Paperwork Reduction Act.

This supplemental notice of proposed rulemaking applies the existing information collection requirements in Subpart B for annual, accident, and safety-related condition reports to all rural low-stress pipeline operators. Operators of low-stress pipelines that currently are not required to follow Part 195 will take an estimated 4,201 burden hours to comply with the paperwork requirements during the first year and 1,069 burden hours in every year thereafter because of this SNPRM. The calculations are based on 35 operators with 4,724 miles of previously unregulated rural low-stress pipeline. This mileage includes 803 miles of low-stress pipeline within a half-mile of a USA and an estimated additional 3,921 miles of rural low-stress pipeline that would be subject only to subpart B reporting requirements. These burden hour estimates are based on data for currently regulated pipelines.

The associated cost of these annual burden hours is \$207,425 in the first year and \$52,745 in every year thereafter. Most of the burden hours will be generated by the operators who were not previously regulated. For those operators that currently have regulated pipelines under Part 195 and are required including the additional mileage addressed in this SNPRM, the associated burden hour increase will be minimal. (See the accompanying Paperwork Reduction Act analysis for a more detailed explanation.) As required by the Paperwork Reduction Act of 1995 (44 U.S.C. § 3507(d)), PHMSA submitted a separate paperwork analysis to the Office of Management and Budget to revise the existing approved collection. PHMSA also seeks comments on these estimates.

Unfunded Mandates Reform Act of 1995.

This supplemental notice of proposed rulemaking does not impose unfunded mandates under the Unfunded Mandates Reform Act of 1995. It does not result in costs of \$100 million or more to either State, local, or tribal governments, in the aggregate, or to the private sector, and is the least burdensome alternative that achieves the objective of this proposal.

National Environmental Policy Act.

PHMSA has analyzed this supplemental notice of proposed rulemaking for purposes of the National Environmental Policy Act (42 U.S.C. § 4321 et seq.). PHMSA has preliminarily determined that this proposal is unlikely to significantly affect the quality of the human environment. This proposal would require only limited physical modification or other work that would disturb pipeline rights-of-way resulting in negligible to minor negative environmental impacts from activities such as installing and maintaining line markers and implementing

corrosion controls. Based on comments from the advisory committee and testimony operators gave during Congressional hearings in 2006, PHMSA also believes that many of these safety measures (for example, implementing corrosion control and installing and maintaining line markers) are already being undertaken for a large portion of the pipeline mileage that would become regulated under this proposal. Furthermore, by requiring activities such as accident reporting, implementing public awareness and damage prevention programs, and establishing operator qualification programs, it is likely the number of spills on rural onshore low-stress lines will be reduced, resulting in minor to moderate positive environmental impacts that would offset the negative environmental effects. An environmental assessment document is in the docket. A final determination on environmental impact will be made after the end of the comment period.

Executive Order 13132.

PHMSA has analyzed this supplemental notice of proposed rulemaking according to the principles and criteria contained in Executive Order 13132 (“Federalism”). This proposal does not (1) have substantial direct effects on the States, the relationship between the national government and the States, or the distribution of power and responsibilities among the various levels of government; (2) impose substantial direct compliance costs on State and local governments; or (3) preempt state law. Therefore, the consultation and funding requirements of Executive Order 13132 do not apply.

Executive Order 13211.

This supplemental notice of proposed rulemaking is not a “significant energy action” under Executive Order 13211. It is not likely to have a significant adverse effect on the supply, distribution, or use of energy. Further, this proposal has not been designated by the Administrator of the Office of Information and Regulatory Affairs as a significant energy action.

List of Subjects in 49 CFR Part 195

Carbon dioxide, Crude oil, Petroleum, Pipeline safety, Reporting and recordkeeping requirements.

For the reasons discussed in the preamble, PHMSA proposes to amend 49 CFR Part 195 as follows:

PART 195 – TRANSPORTATION OF HAZARDOUS LIQUIDS BY PIPELINE

1. The authority citation for Part 195 continues to read as follows:

Authority: 49 U.S.C. 5103, 60102, 60104, 60108, 60109, 60118; and 49 CFR 1.53.

2. Section 195.1 is revised to read as follows:

§195.1 Which pipelines are covered by this part?

(a) *Covered.* Except for the pipelines listed in paragraph (b) of this section, this part applies to pipeline facilities and the transportation of hazardous liquids or carbon dioxide associated with those facilities in or affecting interstate or foreign commerce, including pipeline facilities on the Outer Continental Shelf (OCS). This includes:

- (1) Any pipeline that transports a highly volatile liquid (HVL);
- (2) Transportation through any pipeline, other than a gathering line, that has a maximum operating pressure (MOP) greater than 20 percent of the specified minimum yield strength;
- (3) Any pipeline segment that crosses a waterway currently used for commercial navigation;
- (4) Transportation of petroleum in any of the following onshore gathering pipelines:
 - (i) A pipeline located in a non-rural area;
 - (ii) A regulated rural gathering pipeline defined in §195.11. The requirements for these lines are provided in §195.11³; or
 - (iii) A pipeline located in an inlet of the Gulf of Mexico. These lines are only subject to the requirements in §195.413;
- (5) Transportation of a hazardous liquid or carbon dioxide through a low-stress pipeline or segment of pipeline that:
 - (i) Is in a non-rural area; or

³ See the September 6, 2006 NPRM (71 FR 52504) for the proposed text of §195.11.

(ii) As of [effective date of final rule] meets the criteria defined in § 195.12(a).

(6) For purposes of the reporting requirements in Subpart B, a rural low-stress pipeline of any diameter.

(b) *Excepted.* This part does not apply to any of the following:

- (1) Transportation of a hazardous liquid transported in a gaseous state;
- (2) Transportation of a hazardous liquid through a pipeline by gravity;
- (3) A pipeline subject to safety regulations of the U.S. Coast Guard;
- (4) A low-stress pipeline that serves refining, manufacturing, or truck, rail, or vessel terminal facilities, if the pipeline is less than one mile long (measured outside facility grounds) and does not cross an offshore area or a waterway currently used for commercial navigation;
- (5) Transportation of hazardous liquid or carbon dioxide in an offshore pipeline in State waters where the pipeline is located upstream from the outlet flange of the following farthest downstream facility: the facility where hydrocarbons or carbon dioxide are produced or the facility where produced hydrocarbons or carbon dioxide are first separated, dehydrated, or otherwise processed;
- (6) Transportation of hazardous liquid or carbon dioxide in a pipeline on the OCS where the pipeline is located upstream of the point at which operating responsibility transfers from a producing operator to a transporting operator;
- (7) A pipeline segment upstream (generally seaward) of the last valve on the last production facility on the OCS where a pipeline on the OCS is producer-operated and crosses into State waters without first connecting to a transporting operator's facility on the OCS. Safety equipment protecting PHMSA-regulated pipeline segments is not excluded. A producing operator of a segment falling within this exception may petition the Administrator, under 49 CFR

§ 190.9, for approval to operate under PHMSA regulations governing pipeline design, construction, operation, and maintenance;

(8) Transportation of a hazardous liquid or carbon dioxide through onshore production (including flow lines), refining, or manufacturing facilities or storage or in-plant piping systems associated with such facilities;

(9) Transportation of a hazardous liquid or carbon dioxide:

(i) By vessel, aircraft, tank truck, tank car, or other non-pipeline mode of transportation; or

(ii) Through facilities located on the grounds of a materials transportation terminal if the facilities are used exclusively to transfer hazardous liquid or carbon dioxide between non-pipeline modes of transportation or between a non-pipeline mode and a pipeline. These facilities do not include any device and associated piping that are necessary to control pressure in the pipeline under § 195.406(b); or

(10) Transportation of carbon dioxide downstream from the applicable following point:

(i) The inlet of a compressor used in the injection of carbon dioxide for oil recovery operations, or the point where recycled carbon dioxide enters the injection system, whichever is farther upstream; or

(ii) The connection of the first branch pipeline in the production field where the pipeline transports carbon dioxide to an injection well or to a header or manifold from which a pipeline branches to an injection well.

(c) *Breakout tanks*. Breakout tanks subject to this part must comply with requirements that apply specifically to breakout tanks and, to the extent applicable, with requirements that apply to pipeline systems and pipeline facilities. If a conflict exists between a requirement that applies specifically to breakout tanks and a requirement that applies to pipeline systems or pipeline

facilities, the requirement that applies specifically to breakout tanks prevails. Anhydrous ammonia breakout tanks need not comply with §§ 195.132(b), 195.205(b), 195.242 (c) and (d), 195.264 (b) and (e), 195.307, 195.428 (c) and (d), and 195.432 (b) and (c).

3. Add §195.12 to read as follows:

§195.12 What requirements apply to low-stress pipelines in rural areas?

(a) *General.* This section does not apply to a rural low-stress pipeline regulated under this part as a low-stress pipeline that crosses a waterway currently used for commercial navigation. An operator of a rural low-stress pipeline meeting the following criteria must comply with the safety requirements described in paragraph (b) of this section. The pipeline:

(1) Has a nominal diameter of 8 ⁵/₈ inches (219.1 mm) or more;

(2) Is located in or within ½-mile (.80 km) of an unusually sensitive area (USA) as defined in §195.6; and

(3) Operates at a maximum pressure established under §195.406 corresponding to:

(i) A stress level equal to or less than 20 percent of the specified minimum yield strength of the line pipe; or

(ii) If the stress level is unknown or the pipeline is not constructed with steel pipe, a pressure equal to or less than 125 psi (861 kPa) gage.

(b) *Requirements.* An operator of a pipeline meeting the criteria in paragraph (a) of this section must comply with the following safety requirements and compliance deadlines.

(1) Identify all segments of pipelines meeting the criteria and comply with the reporting requirements of Subpart B for these segments before [6 - 12 months following effective date of

final rule]. To carry out the integrity management requirements in §195.452, an operator may conduct a determination per §195.452(a) in lieu of the ½ mile buffer.

(2) (i) Establish and apply a program in accordance with §195.452 to assure the integrity of the low-stress pipeline segments before [12 months following effective date of final rule].

(ii) Complete the baseline assessment of all segments in accordance with §195.452(c) not later than [60 months – 84 months following the effective date of final rule] and complete at least 50 percent of the assessments, beginning with the highest risk pipe, not later than [30 months - 48 months following the effective date of final rule].

(3) Comply with all other safety requirements of this part, except Subpart H, before [12 months- 24 months following effective date of final rule]. Comply with Subpart H before [24 months – 36 months following effective date of final rule].

(c) Economic compliance burden.

(1) An operator may notify PHMSA in accordance with § 195.452(m) of situations meeting the following criteria:

(i) The pipeline meets the criteria in paragraph (a) of this section;

(ii) The pipeline carries crude oil from a production facility;

(iii) The pipeline, when in operation, operates at a flow rate less than or equal to 14,000 barrels per day; and

(iv) The operator determines it would abandon or shut-in the pipeline as a result of the economic burden to comply with the assessment requirements in §§195.452(d) or (j).

(2) When an operator notifies PHMSA in accordance with paragraph (c)(1) of this section, PHMSA will stay compliance with §§195.452(d) and 195.452 (j)(3) until it has completed an analysis of the notification. PHMSA will consult the Department of Energy (DOE), as

appropriate, to help analyze the potential energy impact of loss of the pipeline. Based on the analysis, PHMSA may grant the operator a special permit to allow continued operation of the line while also assuring safety through alternative safety requirements.

(d) *New USAs*. If, after [effective date of final rule], an operator identifies a new unusually sensitive area and a segment of pipeline meets the criteria in paragraph (a) of this section, the operator must take the following actions:

(1) Except for paragraph (b)(2) of this section, implement the requirements of this part, within [6 months - 1 year following the effective date of final rule] from the date the area is identified;

(2) Establish and apply the program required in paragraph (b)(2)(i) within 12 months following the date the area is identified; and

(3) Complete the baseline assessment required by paragraph (b)(2)(ii) of this section according to the schedule in §195.452(d)(3).

4. Add §195.48 in Subpart B to read as follows:

§195.48 Scope

This subpart prescribes requirements for periodic reporting and for reporting of accidents and safety-related conditions. This subpart applies to all pipelines subject to this part and, beginning [6 - 9 months following the effective date of final rule], applies to all rural low-stress hazardous liquid pipelines.

5. Revise 195.452(m) to read as follows:

§195.452 Pipeline integrity management in high consequence areas.

* * * * *

(m) How does an operator notify PHMSA?

An operator must provide any notification required by this section by

(1) Entering the information directly on the Integrity Management Database web site at

<http://primis.phmsa.dot.gov/imdb/>;

(2) Sending the notification to the Information Resources Manager, Office of Pipeline Safety,
Pipeline and Hazardous Materials Safety Administration, 1200 New Jersey Avenue, SE,
Washington, DC 20590; or

(3) Sending the notification to the Information Resources Manager by facsimile to

(202) 366-7128.

Issued in Washington, DC on MAY 15 2007 .

William H. Gute
William H. Gute,

Acting Deputy Associate Administrator for Pipeline Safety.