
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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COMMISSION PROVIDES GUIDANCE ON ACCOUNTING FOR COSTS ASSOCIATED WITH PIPELINE INTEGRITY MANAGEMENT PROGRAMS

The Federal Energy Regulatory Commission today provided guidance on how jurisdictional natural gas companies should account for costs associated with implementation of new pipeline integrity management requirements (IM Regulations) of the U.S. Department of Transportation's Office of Pipeline Safety (OPS).

The IM Regulations require natural gas and hazardous liquid pipelines to assess, evaluate, repair and validate, through a comprehensive analysis, the safety, reliability and security of their facilities in high consequence areas to better protect the public and the environment. OPS estimates the cost of compliance with the IM Regulations for jurisdictional and non-jurisdictional entities will be \$4.7 billion over 20 years.

The Commission finds that the costs to: (1) prepare a plan to implement the program; (2) identify high consequence areas; (3) develop and maintain a record keeping system; and (4) inspect affected pipeline segments should be expensed. The Commission further clarifies that costs of modifying pipelines to permit in-line inspections, such as installing pig launchers and receivers, should be capitalized consistent with the Commission's existing rules for plant additions. Similarly, certain costs associated with developing or enhancing computer software or costs incurred to add or replace other items of plant also should be capitalized.

However, minor items of property replaced as part of a remedial action should continue to be expensed.

The order makes this guidance effective January 1, 2006, and prospective in application. Amounts capitalized in periods prior to January 1, 2006, will be permitted to remain as recorded.

For more information, see the Commission's website at www.ferc.gov.