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April 7, 2011

Cynthia L. Quarterman
Administrator
Pipeline and Hazardous Materials Safety Administration
1200 New Jersey Avenue, SE.
Washington, DC 20590

Dear Ms. Quarterman:

Thank you for your letter dated March 31, 2011, regarding the safety concerns of the aging pipeline infrastructure. I share your concerns and also want to ensure that the pipeline facilities in Michigan provide safe and reliable service to the public.

The Public Service Commission's (Commission) Gas Operations Staff (Staff) reviews Michigan's distribution pipeline operators' data filed in their annual reports. In recent years the review has become more in-depth and focused on the amount of cast iron and the cathodic protection status of steel facilities. The review of the 2009 annual report data is included as Attachment A to this letter.

Staff has used these reviews of the annual report data to prepare testimony in cases before the Commission. The testimony looks even closer at the data by making comparisons between the Michigan distribution pipeline operators as well as nationally against all operators. The comparisons include the miles of higher risk pipelines, leaks, and the operators' replacement efforts. Staff used this data and the comparisons to justify the need for accelerated replacement programs.

Attachment B includes the testimony of Staff in Michigan Consolidated Gas Company (Mich Con) Case No. U-15985. The Commission supported an accelerated replacement program by including the following in the Order for Case No. U-15985:

Within 30 days of the date of this order, Mich Con shall file in a new docket a detailed plan for main renewal, including a long term plan to significantly reduce the amount of cast iron main in Mich Con's system. The plan will be reviewed by the Commission and made available for public comment.

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Mich Con subsequently made an application to the Commission for approval of a main renewal program in Case No. U-16407. Staff filed testimony in this case and it is included as Attachment C to this letter. This case is still pending before the Commission.

Attachment D includes the testimony of Staff in SEMCO Energy Gas Company Case U-16169. The Commission supported the accelerated replacement program proposed by including the following in the Settlement Agreement for Case No. U-16169:

The Company shall initiate a new Main Replacement Program ("MRP") as set forth in Attachment C. It is agreed that the MRP carrying cost rate shall be 11.66%. The Company shall maintain its current main renewal program under existing rates of 9 miles per year in addition to the accelerated MRP which specified at least an average of \$4.4 million a year or approximately an additional 13 miles per year.

The Commission recognizes the need to improve public safety and has acted upon that need by supporting these accelerated replacement programs. The Commission appreciates the opportunity to participate in the Forum and plans on sending a representative.

Thank you for the opportunity to comment on this important issue and I look forward to our continued gas pipeline safety partnership.

Very truly yours,


Orjiakor N. Isiogu, Chairman
Michigan Public Service Commission