



U.S. Department
of Transportation
**Research and
Special Programs
Administration**

400 Seventh St., S.W.
Washington, D.C. 20590

NOV 25 2002

Mr. Paul Proudfoot
Supervisor, Gas Safety Program
Michigan Public Service Commission
Lansing, MI 48909-7721

Dear Mr. Proudfoot:

We have considered your letter of September 20, 2002, notifying us that the Commission granted the Consumers Energy Company a waiver from compliance with 49 CFR 192.481 and 192.723(b)(2) for portions of residential service lines located inside buildings upstream from the outlet of customer meters. Section 192.481 requires operators to reevaluate every 3 years the need for atmospheric corrosion control on exposed pipelines. Section 192.723(b)(2) requires operators to conduct leakage surveys, using leak detection equipment, on distribution lines located outside business districts every 5 years or, if the pipeline is buried or submerged and not cathodically protected, every 3 years.

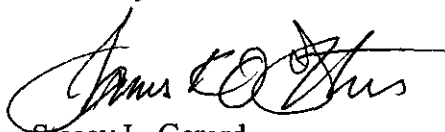
The justification for waiver of § 192.481 is that atmospheric corrosion on interior portions of residential service lines is a slow process that rarely results in leaks. Also, on interior portions of service lines, a leakage survey is generally the only practical method of evaluating the need to control atmospheric corrosion. If a leak were to occur, it would be microscopic and smelled by meter readers, who are regularly in the vicinity of the piping. The company would annually test and certify its meter readers as capable of smelling gas at a safe level or provide those readers not certified with a gas monitor set at 5 percent of the lower explosive limit. The waiver of § 192.723(b)(2) is similarly justified by the likelihood that leaks would be detected sooner through monthly visits of meter readers than by checking for leaks once every 5 years with leak detection equipment. Any meter reader who smells gas would report the problem immediately for further investigation.

After considering the justification, we believe more substantiation is needed to assure the waiver is consistent with pipeline safety. The purpose of § 192.481 is to require evaluation of the need for corrosion control before leakage occurs. The same meter readers Consumers might assign to sniff the air for gas could just as readily visually examine the meter and observable interior piping for rust. The waiver does not explain why Consumers will not use its meter readers to make such examinations. For piping that is walled in or otherwise not readily observable, there may be no practical way to comply with § 192.481.

As to §192.723(b)(2), the waiver does not substantiate to our satisfaction that relying on the ability of meter readers to smell leaking gas would provide a level of safety equivalent to compliance with § 192.723(b)(2). We are concerned that a meter reader's sense of smell might change between annual certifications, or that the odorant level in the gas could change. Moreover, since Consumers intends to provide some meter readers with gas monitoring equipment, the meter readers could use the equipment to meet the requirements of § 192.723(b)(2). The waiver does not explain why Consumers will not take the same action at least every 5 years on all interior piping and meters.

Therefore, we object to the waiver, and under 49 U.S.C. 60118(d), the Commission's action granting the waiver is stayed. Within 90 days, the Commission may appeal this matter in writing and request an opportunity for a hearing. We will consider any additional information you submit in deciding whether to withdraw our objection.

Sincerely,



Stacey L. Gerard
Associate Administrator for
Pipeline Safety

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State of Michigan
John Engler, Governor

Department of Consumer & Industry Services
Kathleen M. Wilbur, Director
Noelle A. Clark, Director

Public Service Commission

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P.O. Box 30221
Lansing, MI 48909-7721
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SEP 26 2002

September 20, 2002

Commissioners
Laura Chappelle
David A. Svanda
Robert B. Nelson

Ms. Stacey Gerard
Associate Administrator
Research & Special Programs Administration
Office of Pipeline Safety
400 Seventh Street, S.W. Room 2335
Washington D.C.

Dear Ms. Gerard:

Pursuant to the Natural Gas Pipeline Safety Act of 1968, as amended 49 USCA3 60118(d), a state agency with a presently effective annual certification from the Secretary of Transportation may waive compliance with a safety standard under that Act if the state agency determines that the waiver of compliance is not inconsistent with gas pipeline safety. 49 USC6 60118(d) further provides that any waiver granted by the state agency is subject to review by the Secretary of Transportation and that the state agency must give the Secretary of Transportation written notice of the waiver at least 60 days prior to the effective date of the waiver.

On October 19, 2001, Consumers Energy Company (Consumers Energy) filed an application requesting a partial waiver of Rule 606(2)(b) of the Michigan Gas Safety Standards for requirements of leakage survey and atmospheric corrosion control monitoring on inside service lines. Pursuant to due notice, interested persons were invited to submit comments or petition to intervene no later than November 29, 2001. No comments or petitions to intervene were filed. A prehearing conference was held on December 6, 2001, and Consumers Energy and the Commission Staff (Staff) participated in the proceedings.

In support of its application, Consumers Energy demonstrated that atmospheric corrosion leaks are not likely to occur where the atmosphere is not corrosive, as is generally the case for the atmosphere inside a residence. It is very rare to find leaks due to atmospheric corrosion inside a residence. If there are leaks as a result of atmospheric corrosion, these leaks usually start at microscopic pipe wall openings and are detectable at low enough levels to avoid risk to the public. The atmospheric corrosion rate is very low or non-existent for the portion of service lines between the inside wall of a residence and the meter location. Further, Consumers Energy has meter readers inside these residential buildings in the vicinity of such inside service lines to read inside meters on a regular basis throughout the year. They are capable of detecting and reporting the odor of odorized gas at low concentration levels before public safety is jeopardized. If a meter reader discovers the odor of odorized gas while reading a residential inside service line meter, a call is placed to report the leak. This call initiates the proper activity to diagnose and repair as required. In addition, Consumers Energy has instituted a 10-year plan to move 100,000 current inside residential medium-pressure meters to an outside location.

Staff reviewed the data presented and agreed that the proposed waiver will serve the public interest and that granting of the requested waiver is not inconsistent with gas pipeline safety nor the principles of risk management.

The Commission found in its September 16, 2002, order that granting the requested waiver was not inconsistent with gas pipeline safety. Since residential inside meter reading occurs *more frequently* than the three-year survey intervals required under CFR 192.481 or the five-year survey interval required under CFR 192.723, the requested waiver is consistent with gas pipeline safety. The proposed waiver does not apply to any inside service lines and meter set assemblies that are read by automatic/remote meter reading apparatus. In the event that Consumers Energy implements an automatic/remote meter reading system (AMR), inside medium pressure residential meters in an AMR area will either be relocated to an outside location, or an atmospheric corrosion inspection under 49 CFR 192.481 and a leak survey utilizing a leak detector device to comply with 49 CFR 192.723 will be performed by a qualified employee. Both surveys will be scheduled at the same time on intervals not to exceed three years.

This letter is intended to provide you, the Secretary's designated representative, a 60 - day notice prior to the effective date of the waiver. Enclosed you will find the following material to assist you in your review of this matter.

1. A copy of the Commission Order granting the waiver.
2. A copy of the application for the waiver and the supporting testimony.
3. A copy of the settlement agreement in this matter.

I would appreciate your expeditious review of the matter. If you have any questions regarding this matter please contact me at (517) 241-6142.

Sincerely,



Paul Proudfoot, Supervisor
Gas Safety Program

enclosures

- c Gas Safety Engineers (w/o attach)
Ivan Huntoon, Director, OPS Central Region
Warren Miller, State Liaison, OPS Central Region
Raymond McQuillan Consumers Energy (w/o attach)
Docket File U-13156 (w/o attach)

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
CONSUMERS ENERGY COMPANY for a partial)
waiver of the leakage survey and atmospheric) Case No. U-13156
corrosion control monitoring requirements)
imposed pursuant to Rule 606(2)(b) of the)
Michigan Gas Safety Standards.)
_____)

At the September 16, 2002 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Laura Chappelle, Chairman
Hon. David A. Svanda, Commissioner
Hon. Robert B. Nelson, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On October 19, 2001, Consumers Energy Company (Consumers) filed an application requesting a partial waiver of Rule 606(2)(b) of the Michigan Gas Safety Standards, as it applies to requirements concerning leakage surveys and atmospheric corrosion control monitoring on inside service lines.

Pursuant to due notice, interested persons were invited to submit comments or petitions to intervene no later than November 29, 2001. No comments or petitions to intervene were filed.

A prehearing conference was held on December 6, 2001 before Administrative Law Judge George Schankler. Consumers and the Commission Staff (Staff) participated in the proceedings. The parties subsequently entered into a settlement agreement resolving all issues in this case.

According to the settlement agreement, the parties agree that atmospheric corrosion leaks are not likely to occur where the atmosphere is not corrosive, as is generally the case inside a residence. They also agree that if there are leaks as a result of atmospheric corrosion, those leaks usually start at microscopic pipe wall openings and are detectable at low enough levels to avoid risk to the public. Moreover, they concur that the atmospheric corrosion rate is very low or non-existent for the portion of each service line between the inside wall of a residence and the meter location.

Further, the parties note that Consumers has meter readers inside these residential buildings (and in the vicinity of the utility's service lines) to read inside meters on a regular basis throughout the year. According to the parties, these meter readers are more than capable of detecting and reporting the odor of gas at low concentration levels before public safety is jeopardized. The parties go on to note that Consumers has instituted a 10-year plan to move 100,000 inside residential medium-pressure meters to an outside location. Moreover, Consumers will annually certify its meter readers' ability to detect odorized gas.

Finally, the settlement agreement indicates that the Staff agrees that the proposed waiver will serve the public interest and that granting the waiver is not inconsistent with gas pipeline safety or the principles of risk management.

The Commission finds that, based on statements set forth in the settlement agreement, granting the requested waiver is reasonable and in the public interest. Because residential inside meter reading occurs more frequently than the three-year survey interval required under CFR 192.723, the requested waiver is consistent with gas pipeline safety. Moreover, the proposed waiver does not apply to any inside service lines and meter set assemblies that are read by automatic/remote meter reading (AMR) apparatus. In the event that Consumers implements an

AMR system, inside medium-pressure residential meters in an AMR area will either be relocated to an outside location or an atmospheric corrosion inspection under 49 CFR 192.723 must be performed by a qualified employee. Both surveys will be scheduled at the same time on intervals not to exceed three years.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 300, as amended, MCL 462.2 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; 1929 PA 9 as amended, MCL 483.101 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1969 PA 165, as amended, MCL 483.151 et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACS, R 460.17101 et seq.

b. Granting Consumers' request for a partial waiver of the requirements concerning leakage surveys and atmospheric corrosion control monitoring on inside service lines is not inconsistent with gas pipeline safety.

c. The settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. Consumers Energy Company's request for a partial waiver of Rule 606(2)(b) of the Michigan Gas Safety Standards, as it relates to leakage surveys and atmospheric corrosion control monitoring on inside service lines, is granted.

C. The Commission Staff shall promptly notify the United States Department of Transportation's Office of Pipeline Safety of the issuance of this order.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ Laura Chappelle
Chairman

(S E A L)

/s/ David A. Svanda
Commissioner

/s/ Robert B. Nelson
Commissioner

By its action of September 16, 2002.

/s/ Dorothy Wideman
Its Executive Secretary

pls cc SES
→ Paul

MICHIGAN PUBLIC SERVICE
COMMISSION
OCT 19 2001
FILED

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
CONSUMERS ENERGY COMPANY)
for a partial waiver of leakage survey and)
atmospheric corrosion control monitoring)
under Rule 606(2)(b) of the Michigan)
Gas Safety Standards)
_____)

Case No. U-13156

APPLICATION OF CONSUMERS ENERGY COMPANY

Consumers Energy Company ("Consumers Energy" or the "Company") respectfully requests that the Michigan Public Service Commission ("Commission") or ("MPSC") grant a waiver of atmospheric corrosion reevaluation method, leak survey detection method, and leak survey frequency on residential inside service lines currently found in Rule 606(2)(b) ("Rule 606") [R 460.20606], of the Michigan Gas Safety Standards. In support, Consumers Energy states as follows:

1. Consumers Energy is a public utility engaged in, among other things, the transportation, distribution and sale of natural gas to over 1.6 million customers in the lower peninsula of the State of Michigan. Consumers Energy's gas system is fully integrated and interconnected, and is operated as a single system.

2. Consumers Energy's retail gas sales business and its retail gas transportation business are subject to the jurisdiction of the Commission pursuant to various provisions of 1909 PA 300, as amended, MCLA 462.2 et seq, MSA 22.21 et seq; 1919 PA 419, as amended, MCLA 460.54 et seq, MSA 22.4 et seq; 1939 PA 3 (MCLA 460.1 et seq; MSA 22.13(1) et seq, and

1929 PA 9, as amended, MCLA 483.101 et seq.; MSA 22.1332(1) et seq; 1969 PA 165, as amended, MCLA 483.151 et seq, MSA 22.1332(1) et seq; and 1969 PA 306, as amended, MCLA 24.201 et seq, MSA 3.560(101) et seq.

3. Pursuant to the Natural Gas Pipeline Safety Act of 1968, as amended, 49 USCA § 60102, Consumers Energy is also subject to the jurisdiction of the United States Department of Transportation for the regulation of safety standards for pipeline facilities and for pipeline transportation of gas.

4. The State of Michigan, through this Commission as its state agency, is certified under the Natural Gas Pipeline Safety Act of 1968, as amended, 49 USCA § 60105, to prescribe natural gas safety standards and to enforce compliance with those standards for the transportation of natural gas through intrastate pipelines and intrastate pipeline facilities.

5. Pursuant to the Natural Gas Pipeline Safety Act of 1968, as amended 49 USCA § 60118(d), a state agency with a presently effective annual certification from the Secretary of Transportation may waive compliance with a safety standard under that Act if the state agency determines that the waiver of compliance is not inconsistent with the gas pipeline safety. 49 USC § 60118(d) further provides that any waiver granted by the state agency is subject to review by the Secretary of Transportation and that the state agency must give the Secretary of Transportation written notice of the waiver at least 60 days prior to the effective date of the waiver. The Michigan Public Service Commission has a presently effective annual certification from the Secretary of Transportation.

6. Pursuant to § 3 of 1969-PA 165, as amended, MCL 483.153; MSA 22.1333, Consumers Energy's natural gas system must comply with the requirements of any standard prescribed by this Commission. By Order dated August 31, 1999 in Case No. U-11750, the

Commission approved new Michigan Gas Safety Standards (the "Michigan Gas Safety Standards"), R 460.20101, et seq, as set forth in the Order.

7. Pursuant to § 2(2) of 1969 PA 165, as amended, MCL 483.152(2); MSA 22.1332(2), this Commission may waive compliance with any standard established if the waiver is not inconsistent with gas pipeline safety.

8. The federal gas pipeline safety regulations administered by the Research and Special Programs Administration ("A" of the Department of Transportation include 49 CFR 192.723 [Distribution systems: Leakage surveys] and 49 CFR 192.481 [Atmospheric corrosion control; Monitoring], which are adopted by reference in Rule 606(2)(b), [R 460.20606] of the new Michigan Gas Safety Standards.

9. CFR 192.723 requires, in part, that "each operator shall conduct . . . a leakage survey **with leak detector equipment** . . . outside business districts as frequently as necessary, but at intervals not exceeding five years." An operator's distribution system includes the entire service line beginning at the connection to the main and ending at the customer meter or connection to the customer piping, whichever is farther downstream. Therefore, the periodic leak survey required must include the meter assembly; even for inside meters. Applicant seeks a waiver regarding inside service lines to recognize meter readers' sense of smell to detect the odor of odorized gas.

10. CFR 192.481 requires, in part, that "each operator shall, at intervals not exceeding three years for onshore pipelines, . . . reevaluate each pipeline that is exposed to the atmosphere and take remedial action whenever necessary to maintain protection against atmospheric corrosion." Applicant seeks a waiver of atmospheric corrosion reevaluation method regarding inside service lines to allow its meter readers to detect the odor of odorized gas.

11. Applicant states that there is no evidence of corrosive atmosphere for the portion of service lines between the inside wall of a residence and the meter location. Further, Applicant regularly has meter readers inside these residential buildings in the vicinity of such inside service lines to read inside meters on a regular basis throughout the year. They are capable of detecting and reporting the odor of odorized gas at low concentration levels before public safety is jeopardized.

12. Applicant asserts that atmospheric corrosion inside a residence is a very slow process that may result in microscopic leaks that allow gas to escape into residential buildings at a very slow rate. Customers, meter readers or the public can detect the odor of odorized gas before it reaches levels affecting public safety. Applicant will screen its meter readers' ability to recognize the odor of odorized gas at a level that exceeds the code requirements for leak detection equipment (and provide a monitor for those who cannot detect the odor of odorized gas at such levels). Since residential inside meter reading occurs more frequently than any survey intervals required under CFR 192.481 or CFR 192.723, Applicant believes the requested waiver is consistent with gas pipeline safety. The Testimony of David Montague filed with this Application addresses Applicant's current and past evaluations of atmospheric corrosion control on inside service lines. He concludes that atmospheric corrosion is not an issue of public safety for inside service lines. The Testimony of Gerald Richards filed with this Application describes the certifying of its meter readers' ability to detect the odor of odorized gas and the plan to furnish monitors for those whose ability to detect the odor of odorized gas is below the requirements to insure public safety. He concludes that the current and past evaluations of leak surveys of residential inside service lines have established with reasonable assurance that the proposed waiver will provide a level of safety at least equivalent to that required by the Michigan Gas Safety Standards without requiring a leakage survey with leak detector

equipment under CFR 192.723. The granting of the requested waiver is not inconsistent with gas pipeline safety.

13. Applicant has instituted a 10-year plan to move all current inside residential medium-pressure meters to an outside location. Applicant's program to move all residential medium-pressure system gas meters from inside to outside demonstrates Consumers Energy's commitment to improving the gas system piping by reducing the amount of inside service lines on our system.

WHEREFORE, Applicant requests that:

A. The Commission determine that the requested waiver is not inconsistent with gas pipeline safety and will serve the public interest;

B. The Commission grant Applicant a waiver of compliance with the requirements of CFR 192.723 incorporated in Rule 606(2)(b) [R 460.20606] of the Michigan Gas Safety Standards to use its meter readers to detect and report gas leaks inside residences instead of periodic leakage surveys with leak detection equipment;

B. The Commission grant Applicant a waiver of compliance with the requirements of CFR 192.481 incorporated in Rule 606(2)(b) [R 460.20606] of the Michigan Gas Safety Standards for the reevaluation of atmospheric corrosion control at intervals of not more than three years for all jurisdictional portions of pipelines inside residences;

C. The Commission provide United States Department of Transportation's Office of Pipeline Safety Regulations written notice of the waiver of compliance with the requirements of Rule 481 of the Michigan Gas Safety Standards, and provide that the effective date of this waiver shall be 60 days after the date that office is notified of this action or earlier if so approved by that Office.

D. The Commission grant this Application without the time and expense of a public hearing; and

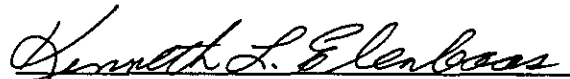
E. The Commission grant Applicant such other or additional relief as the Commission deems appropriate.

Respectfully submitted,


CONSUMERS ENERGY COMPANY

Dated: October 19, 2001

By:



Kenneth L. Elenbaas
Manager of Gas Operations –
Technical Support



Raymond E. McQuillan (P24100)
212 West Michigan Avenue
Jackson, Michigan 49201
(517) 788-0677

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
CONSUMERS ENERGY COMPANY)
for a partial waiver of the interval for)
atmospheric corrosion control monitoring)
currently contained in Section 192.481)
under Rule 606(2)(b) of the Michigan)
Gas Safety Standards)
_____)

Case No. U-13156

VERIFICATION

STATE OF MICHIGAN)
) SS
COUNTY OF JACKSON)

Kenneth L. Elenbaas, being first duly sworn, deposes and says that he is the Manager of Gas Operations - Technical Support representing Consumers Energy Company; that he has read the foregoing Application by him subscribed for and on behalf of said Applicant; that he knows the contents thereof to be true except to matters of information and belief which he believes to be true; and he is authorized to subscribe to said Application on behalf of Consumers Energy Company.

Kenneth L. Elenbaas
Kenneth L. Elenbaas
Manager of Gas Operations-Technical Support

Subscribed and sworn to before me this 18th day of October, 2001.

Stephanie L. Heyden
STEPHANIE L. HEYDEN
Notary Public, Jackson County, Michigan
My Commission Expires: Mar. 8, 2005