Committee for a Study on Propane Gas Pipeline Facilities

December 7, 2017 – Washington DC

A regional industry perspective and data from the Propane Gas Association of New England (PGANE) on compliance costs for jurisdictional systems, differences between large and small firms LP gas operators, and incident and other safety data.

Leslie Anderson, President and CEO

Lyndon Rickards, PGANE Emergency Response Committee
The fundamental problem is trying to fit small propane systems into large natural gas regulations.

• In 1996, 49 CFR 192 was changed to clarify that NFPA 58 applied to propane facilities, unless NFPA is silent on an issue. This change was made in order to recognize that the DOT Pipeline Regulations were primarily intended to cover fuel distribution pipelines.

• NFPA 58 is a code specific to the propane industry, which is very different in size and scope from the natural gas industry.

• Over the years, there has been an expansion in Northern New England by some state regulators beyond the intent of these rules concerning the scope and enforcement of these DOT rules in regards to propane pipeline facilities.
Magnitude of the Risk does not equate to the burden of paperwork and magnitude of inspections for small LP gas pipeline facilities.

- Miles of Pipeline
- Compressor Stations
- Regulator Stations
- Metering Stations
- Delivery Stations
- Transmission Lines
- Distribution Lines
- Meters
- Unlimited Supply on Site

- Feet of Pipeline
- Storage Tank with Shut Off Valve
- Regulators or Meters
- Limited Supply on Site
Small Jurisdictional Propane (JLP) Account

- 1-500 gallon underground tank
- Serves 5 customers
- 5 Rinnai heaters
- 2000 gallons/year
Small Jurisdictional Propane Account

• 2 JLP sites
• 2-1000 gallon underground tanks each
• Each serves 16 customers at condos
Large Jurisdictional Propane Account

- Underground 30,000 and 18,000 gallon tanks
- Serves over 150 customers
Disproportionate Inspection Burden for Propane Industry in Northern New England

<table>
<thead>
<tr>
<th>State</th>
<th>Natural Gas Services</th>
<th>Propane Systems</th>
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<tbody>
<tr>
<td>Maine</td>
<td>34,002</td>
<td>715</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>91,500</td>
<td>800</td>
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<tr>
<td>Vermont</td>
<td>50,000</td>
<td>342</td>
</tr>
<tr>
<td>TOTAL</td>
<td>175,502</td>
<td>1,857</td>
</tr>
<tr>
<td>Percentage of Total</td>
<td>96%</td>
<td>4%</td>
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- From 2004-2010 50% of the PHMSA PUC Inspector’s time was spent on propane systems and 50% on natural gas.
- Paperwork inspections are more lengthy and burdensome than any other federal inspections. Inspectors have spent over two days at a company site just reviewing plans and paperwork.
Northern New England Marketers Experienced Overburdensome Inspections in ME and VT

• White glove test
• Timing of Requests
• Burden of Requests
• Expansion of definitions
  • Public space
  • Where jurisdiction ends – State looking at the second stage regulator rather than the meter

• Maine marketers formed a working group to address PUC overreach in 2009-2011, hired an outside attorney and spent over $20,000 to resolve overreach issues.
JLP Costs to Employer for Training and Inspections*
(Does not include site specific costs)

**Medium Regional Companies (<750)**
- Often staff a full time position – JLP Coordinator $75-100K employer costs
- Training of technician $8,000/technician (5 = 40K)
- Equipment Odorometer - $4,500-$7,000
- State Inspections – 20 hours/year field staff, other inspections handled by JLP coordinator
- Initial Technician training not included

- **Total = $125,000 - $175,000/year**

**Small Companies (10-50 employees)**
- Training of technician $10,000/technician (2 = 20K)
- Hiring consultant to prepare plans and assist $15,000
- State Inspection employer costs 80 hours/year employee costs plus 2 full day inspections (VT)
- Turnover costs $10,000
- Equipment Odorometer - $4,500-$7,000

- **Total = $55,000 - $75,000 year**

*All of these costs are due to jurisdictional requirements beyond normal NFPA 58 training and compliance costs.*
JLP Costs at a Small Site (less than 25 customers) for Initial Paperwork and Ongoing Recordkeeping

Initial Set-up:
- Installation documentation of pressure, leak and operating test maintained. System components listed. System installed meeting NFPA 58 requirements
- Jurisdictional site specific binder created following procedures as outlined in Operations and Maintenance Manual
- System mapped
- Documentation of MOP & MAOP established
- Establish Site Specific Emergency Response Plan
- Ensure mailing of Public Awareness Message to new user(s) and every 6 months following initial notification Register site with One-Call Provider
- Create site specific Distribution Integrity Management Plan for system

Ongoing Paperwork Recordkeeping:
- Establish schedule and perform annual: – Leak survey – Atmospheric corrosion inspection – Regulator inspection – Relief Valve inspection – Key Valve inspection – Cathodic Protection testing
- Establish schedule and perform quarterly: – Patrolling – Odorization
- Review Digsafe/One Call Tickets

Total annual costs for a small sites = $2,550/year minimum
JLP Costs Associated with DigSafe*

• The Digsafe Program in Northern New England is not sophisticated enough for small JLP systems. For example, registered systems have a 500 ft to 2 mile radius in Maine. Companies receive erroneous tickets for sites.

• Example – In 2016, DF Richard a family owned 60 employee company received 623 tickets. Of these only 4 were correct and applied to an excavation at a propane facility. One was over 2.65 miles from the closest facility.

• Staff hours per year for a small company = 15 minutes/ticket
  • = 150 hours per year for a small company
  • = 1000-2000 hours per year for a medium regional company

*All of these costs are due to jurisdictional requirements beyond normal NFPA 58 training and compliance costs.
Total Financial Annual Costs Per Site

- Small Marketer Estimate: $7,000
- Regional Medium Marketer: $6,200
- Large Multistate Marketer: $5,000

The costs listed above are the additional costs due to the system falling under 49 CFR 192. These costs do not include the costs associated with NFPA 58, CETP training costs, etc.
JLP Costs Impact the Cost of Propane to the Consumer and Impact our Smaller Members

• 75% of our members refuse to deliver to JLP sites.
• 25% of our smaller members refuse to add additional JLP sites.
• Smaller member companies are often absorbing the costs and not charging it directly to the customer, so they are losing money on the accounts.
Would there be a safety risk if the JLP sites with less than 100 customers simply fell under NFPA 58 and not 49 CFR 192?

- No, there would be less of safety risk because removing the paperwork and recordkeeping burden would free up the time of safety personnel to focus on other important areas such as fleet safety, more JSAs, etc.
- There would be less of a financial burden on small businesses so they would have more money in their safety budget to spend on higher risks.
- Inspection burden on the propane industry is disproportionate to the relative risk.
- Propane systems operating under NFPA 58 are just as safe.
- Insurance and risk management perspective.
Small propane sites falling under 192 increases the safety risks rather than reducing them because the sites are reconfigured so that they do not fall under the burden of the 192 recordkeeping requirements.

- Breaking apart small systems
  - Increases the number of tanks
  - Increases the number of deliveries
  - Increases the number of vehicles on the road making deliveries
  - Increases the number of times the tanks must be filled
  - Increases the risk of worker compensation claims
  - Reduces the distance between the tank and the building
  - Increases the risk of vehicle damage
  - Increases the risk of snow plow damage
  - Increases exposure for ER
  - New systems are being designed to not fall under 192
Quantifying the Amount of Increased Risk

Case Study – Maine

• In Maine in 2017, there are 650 JLPs (down from 715 in 2015) and 31 operators/companies. On five year inspection cycle, 137 this year scheduled for inspections.

• Estimate that for every one JLP site there are at least 3-5 systems that are no longer JLP and have been broken apart.* This equates to between 1,950 - 3,250 sites that are no longer subject to 49 CFR 192, and are now operating similarly to the following picture.

* Based on author’s experience overseeing JLP accounts at the largest regional propane company in Maine from 2000-2014, and discussions with many of our members to determine this figure.
Small LP Gas Jurisdictional Systems
Risk Assumptions Based on a 6 Customer Site

• Adding 5 additional tanks to one site (Maine Example)
  • Average annual delivery trips increase from 5-6 to 10-12 times per year
  • Equates to 55 more tank fills
  • Equates to 5 more vehicle trips over the road
  • Equates to 55 more potential worker comp claims = 55 more chances of an injury
  • Decreases productivity for the employer, increases overhead costs

Statewide (Maine Example 1,950 - 3,250 sites)
• Equates to 9,750 – 16,250 additional tanks statewide
• = 107,250 – 178,750 additional tank fills
• = 9,750 – 16,250 additional vehicle trips/year

Nationwide
Maine sold 1.79% of US total propane residential and commercial odorized LP in 2015
Jurisdictional System Rules Require Outdated NFPA Codebooks

• 49 CFR 192 uses – 2004 Version
• NFPA is an evolving standard that is updated every three years
  • Committees review major incidents and change the code to reflect the best practices in the industry. This system is one of the reasons the propane industry has very few incidents. NFPA 58 is a dedicated code book unique to propane. Emergency responder and firefighting concerns are addressed.
Propane and Safety Incidents

• There is a reason we don’t have any accident data
• Propane industry safety commitment
• PERC assessment funded industry programs for nationally certified training programs for our drivers and technicians, emergency responders

“I have been here at the PUC for eight years and there have been no LPG incidents meting the federal reporting thresholds during that time. In that same time period, I believe we’ve had one or two initial telephonic notifications for LPG situations that ultimately weren’t incidents under the more stringent state requirements. I’m not aware of LPG incidents, reportable under any criteria, in the two years prior to my employment here, nor was I able to find record of any in the files.”

Gary A. Kenny, P.E., Gas Safety Manager, Maine Public Utilities Commission
Requiring Small Propane Systems in public and private locations with less than 100 customers to comply with 49 CFR 192 is bad public policy.

- Is More of a Detriment than Benefit to Public Safety
- Is Bad for the Environment
- Is Burdensome to Small Businesses
- Is Bad for Consumers
- Increases Potential Risks to the Public and the Employees
Leslie Anderson Professional Information:

• Leslie Anderson is currently the President and CEO of the Propane Gas Association of New England. She has over 15 years of experience in the propane industry. She spent 14 years overseeing risk management, safety, insurance, and regulatory compliance at Dead River Company, where she spent 10 years directly developing and overseeing the jurisdictional propane program. Dead River Company is the 14th largest propane company in the US, and operates in Maine, New Hampshire, Vermont, and Massachusetts. Leslie spent two years working for the Department of Environmental Protection at the State of Maine where she was Bureau Director for the largest environmental division. As a member of DEP's Senior Management Team, the Bureau Director for BRWM oversees the Divisions of Remediation (Brownfields, VRAP, Federal Sites, Lead and Asbestos), Petroleum Management, Materials Management (Solid, Liquid, and Hazardous Waste), Emergency Response, and Technical Services. BRWM is the largest Bureau within DEP with over 100 staff in four field offices throughout the state.

• Leslie is a member of the Propane Education & Research Council (PERC) and serves on the Safety and Technical Training advisory council. Leslie is a licensed attorney in Maine and admitted to the Federal District Court of Maine and the First Circuit Court of Appeals.
Lyndon Rickards Professional Information:

• Lyndon Rickards has over 30 years of experience in the propane and fuel oil industry. He spent 11 years in the field as a service technician and a delivery driver. He has been working in the HR and Risk Management Department at Eastern Propane and Oil for the past 21 years where he has been developing training programs as well as providing training on several safety and technical topics. Lyndon is currently responsible for corporate safety policy development and implementation, federal, state, and local regulatory compliance, as well as administering company training programs. He continues to work toward regulatory compliance, safety initiatives and other effective risk management programs for Eastern employees and their customers.

• Lyndon works with the Propane Education & Research Council (PERC) as a subject matter expert where he provides his expertise for industry training program content development. Lyndon is an active member of the Propane Gas Association of New England’s (PGANE) Emergencies Response Committee and participates twice a year as an instructor at the Massachusetts and NH Fire Academies. He is also a member of the Safety & Health Council of Northern New England.