

U.S. Department of Transportation
Pipeline and Hazardous Materials Safety Administration
400 Seventh Street, S.W.
Washington, D.C. 20590

January 12, 2006

Mr. Ron Law
Executive Administrator
Idaho Public Utilities Commission
P.O. Box 83720
Boise, ID 83720-0074

Dear Mr. Law:

The Pipeline and Hazardous Materials Safety Administration (PHMSA) has considered your letter dated November 7, 2005, notifying us that the Idaho Public Utilities Commission (Commission) reviewed and approved a request by Intermountain Gas Company (Intermountain) for a waiver of compliance with 49 CFR 192.481(a).

The waiver would apply only to residential meters and allow Intermountain to perform atmospheric corrosion inspections at least once every 4 years with intervals not to exceed 51 months.

Section 192.481(a), Atmospheric corrosion control: Monitoring, states that each operator must inspect each onshore pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion at least once every 3 calendar years, but with intervals not exceeding 39 months.

Although Intermountain is performing leak surveys of its non-business district at least once every 5 calendar years instead of once every 4 calendar years as required by the regulations, and although Intermountain has implemented an automated meter reading (AMR) system for its residential and commercial meters, the Commission has not provided adequate justification as to why Intermountain should not perform its atmospheric corrosion inspections at least once every 3 calendar years, but with intervals not exceeding 39 months. It is PHMSA's judgment that operators should maintain their preventive measures to identify potential leaks by conducting visual inspections for atmospheric corrosion and find problem areas before leaks occur, rather than rely on discovering leaks after they occur.

Based on the above information and PHMSA's evaluation of the facts presented by the Commission, PHMSA objects to the waiver, and the Commission's order is stayed. The Commission may appeal this matter by providing any new information from Intermountain that would justify granting this waiver.

Sincerely,
Theodore L. Wine
Deputy Associate Administrator for Pipeline Safety

IDAHO PUBLIC UTILITIES commission
P.O. Box 83720
Boise, Idaho 83720-0074

November 7, 2005

Ref. Case No. INT-P-05-01

Florence Hamm
Director of Regulation
Office of Pipeline Safety
US Department of Transportation
400 Seventh Street, SW Room 2103
Washington, DC 20590

Dear Ms. Hamm:

Subject: Request for Waiver of 49 CFR 192.481(a) as it Pertains to Exposed Facilities Associated with Residential Meters

The Idaho Public Utilities Commission has reviewed and approved a request by Intermountain Gas Company (Intermountain) for a waiver of compliance with 49 CFR 192.481(a). Intermountain seeks a waiver of the Federal Pipeline Safety Regulations that require each operator to inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of corrosion at least once every three years. Intermountain has requested the waiver for residential meters only.

As a condition of the waiver, Intermountain proposed to perform the atmospheric corrosion inspection of residential meters and associated exposed piping in conjunction with the appropriate business district or non-business district leak survey schedule. Intermountain is exceeding the federal leak survey requirements by increasing the frequency of their non-business district leak survey from 5 years to 4 years. Intermountain business district leak survey is performed annually. In approving Intermountain's request, the Commission's Order requires the company to perform the atmospheric corrosion inspection at least once every 4 years with intervals not to exceed 51 months.

At the Commission's direction, I am forwarding Intermountain's petition for your review and approval, and a copy of the Commission's Order No. 29906. If you have any questions or if I may be of any assistance, please contact me at (208) 334-0330.

Sincerely,
Ron Law
Executive Administrator
Enclosures

November 7, 2005

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF)	
INTERMOUNTAIN GAS COMPANY FOR)	CASE NO. INT-P-05-1
WAIVER OF THE ATMOSPHERIC)	
CORROSION INSPECTION RULE (IDAPA)	ORDER NO. 29906
<u>31.11.01.201; 49 C.F.R. § 192.481(a)</u>)	

On September 14, 2005, Intermountain Gas Company (Intermountain Gas, Company) filed a Petition for Waiver of a pipeline safety rule regarding atmospheric corrosion inspection with the Idaho Public Utilities Commission (Commission). On October 4, 2005, the Commission issued Order No. 29885, Notice of Petition and Modified Procedure, establishing a deadline for the submission of comments and/or objections. The only comments filed were those of Commission Staff. With this Order the Commission approves the Company's Petition as more fully set forth below.

THE COMPANY'S PETITION

Intermountain Gas seeks a waiver of the federal pipeline safety rule that requires each operator to inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of corrosion at least once every three years. This requirement is set forth in 49 C.F.R. § 192.481(a). The Commission adopted this federal regulation with IDAPA 31.11.01.201.

The Company states it is requesting the waiver only for residential meters. Separate code requires yearly routine maintenance on its commercial and large volume meters, and consequently the atmospheric corrosion inspections are done along with the required yearly maintenance. The Petition states that in July 2003, the Company installed automated meter reading (AMR) systems for residential and commercial meters. Prior to July 2003, meter readers, on foot, would perform a visual inspection of the above ground facilities in conjunction with their meter reads. With the Company's implementation of AMR there is no longer any regular maintenance need or requirement to visit each residential meter on an annual basis.

Intermountain Gas states it has never experienced atmospheric corrosion or safety-related conditions resulting from atmospheric corrosion on its residential or commercial meters in the entire history of its operations, dating back to 1955. The Company states that the dry, arid environment in which it operates as well as the fact that the entire steel pipeline is cathodically protected is the reason it has not experienced any corrosion in the last 50 years.

As a condition of the waiver, Intermountain Gas proposes to perform the atmospheric corrosion inspection of residential meters and associated piping in conjunction with the appropriate business district or non-business district leak survey schedule. The Company states that non-business district leak surveys are performed every four years, and business district leak surveys are conducted annually. The Company states that approval of the waiver to allow the atmospheric corrosion inspections to coincide with the annual business district and four-year non-business district leak survey schedules will help the Company to maximize operating efficiencies without jeopardizing corrosion safety requirements.

STAFF COMMENTS

Commission Staff reviewed the Petition for Waiver filed by Intermountain Gas and recommended approving the Company's request. Current regulations require the Company to inspect residential meters and associated piping for evidence of atmospheric corrosion at least once every 3 years, but with intervals not exceeding 39 months. As a condition of the waiver, the Company proposes to perform the atmospheric corrosion inspection of residential meters in conjunction with the appropriate business district or non-business district leak survey schedule. Regulations require business district leak surveys be performed once each calendar year with intervals not exceeding 15 months, and that non-business district leak surveys be performed at least once every 5 years, with intervals not exceeding 63 months. It is Intermountain Gas Company's current practice to conduct the non-business district leak surveys every four years, which more than meets the requirement in the rule.

Commission Staff has been inspecting Intermountain Gas Company's facilities since 2001 and has not found any incidents of atmospheric corrosion on residential meters or associated piping. The Staff has only inspected a small portion of the Company's meters in comparison to their total number, but has looked at meters across their entire distribution system.

Intermountain Gas Company states in its waiver request that it has never experienced atmospheric corrosion or safety-related conditions resulting from atmospheric corrosion on any of its residential or commercial meters during the history of its operation dating back to 1955. The Company credits this as a direct result of the dry and arid environment in which it operates, and the fact that its entire steel pipeline system has been cathodically protected. The Staff's inspection experience would support the Company's assessment. Staff believes that enlarging the inspection frequency from once every three years to once every four years, as the Company has requested, does not pose a significant threat to the safety of the pipelines.

Staff recommended approval of Intermountain Gas Company's request to couple atmospheric corrosion inspections of residential meters and associated exposed piping with the Company's annual business district and four-year non-business district leak survey schedule. Staff recommended that the Commission authorize the Company to deviate from the requirement of once every 3 years, with intervals not to exceed 39 months, and order the Company to perform the atmospheric corrosion inspection, at a minimum, once every 4 years, with intervals not to exceed 51 months, for its residential meters.

DISCUSSION AND FINDINGS

Intermountain Gas petitioned for a waiver of the atmospheric corrosion inspection requirements set forth by 49 C.F.R. § 192.481(a). The Commission adopted this federal regulation with Safety Rule 201, IDAPA 31.11.01.201. The Commission's Safety Rule 3, IDAPA 31.11.01.003, provides that any person requesting a waiver of any safety rule may petition for a waiver pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 et seq. A waiver request must describe the specific waiver sought, refer to the particular rule or Order that is controlling, and state the facts to support the waiver. IDAPA 31.01.01.053.

The Commission may waive compliance with federal pipeline safety standards because it operates a pipeline safety program certified pursuant to 49 U.S.C. § 60105. 49 U.S.C. § 60118(d). If the Commission grants a waiver request, it must give the Secretary of Transportation written notice of such waiver at least 60 days before the waiver's effective date. 49 U.S.C. § 60118(d).

After reviewing the waiver request and Staff comments we find it reasonable to grant Intermountain Gas Company's request for a waiver of Safety Rule 201, and more specifically our adoption of 49 C.F.R. § 192.481(a). We find, given the facts of this specific case, that a waiver from the requirements set forth in 49 C.F.R. § 192.481(a), under the terms proposed by the Company and recommended by Staff, is appropriate and consistent with pipeline safety. We note that our granting of this request is not a complete waiver from compliance with the provisions of § 192.481(a), but in effect extends the time period in which the Company must conduct atmospheric corrosion inspections for residential customers from once every three years to once every four years. We also note that the Company states it has never experienced atmospheric corrosion or safety-related conditions resulting from atmospheric corrosion on any of its residential or commercial meters during the history of its operation dating back to 1955 due to the dry and arid environment in which the Company operates, and the fact that its entire steel pipeline system has been cathodically protected. Staff's inspection experience supports the Company's assessment. The Company is required to perform residential leak surveys every five years, and it chooses to do these every four years. We find the request to perform the corrosion inspections along with the leak surveys, once every four years, to be reasonable.

ORDER

IT IS HEREBY ORDERED that Intermountain Gas Company's Petition for a waiver of Safety Rule 201, and more specifically the adoption of 49 C.F.R. § 192.481(a) regarding the frequency of atmospheric corrosion inspection of residential meters and associated exposed piping is granted.

IT IS FURTHER ORDERED that the waiver applies only to residential customers and applies only to the required frequency of inspections. The Company shall inspect all residential meters and associated exposed piping for evidence of atmospheric corrosion at least once every 4 calendar years, but with intervals not exceeding 51 months. Associated exposed piping includes any above ground piping, fittings, regulators, reliefs, or any other above ground appurtenance designed to carry natural gas that is located between the origin of the service line and the connection to customer residence piping. This inspection may occur with the Company's annual business district and four-year non-business

district leak survey schedule.

IT IS FURTHER ORDERED that Intermountain Gas shall in all other respects comply with 49 C.F.R. § 192.481(a) and all other applicable safety rules and regulations.

IT IS FURTHER ORDERED that the Commission's Executive Administrator forward a copy of Intermountain Gas Company's request and this Order to the Office of Pipeline Safety (OPS) for its review.

IT IS FURTHER ORDERED that this Order granting the Company a waiver shall not become effective until January 7, 2006, unless the OPS authorizes this waiver to become effective sooner.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See Idaho Code § 61626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 7th day of November 2005.

Paul Kjellander, President

Marsha H. Smith, Commissioner

Dennis S. Hansen, Commissioner

Attest:

Jean D. Jewell
Commission Secretary

Morgan W. Richards
ISB # 1913
804 East Pennsylvania Lane
Boise, Idaho 83706
Telephone (208) 345-8371

Attorney for Intermountain Gas Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF) Case No. INT-G-05-03
INTERMOUNTAIN GAS COMPANY) **PETITION FOR WAIVER**
FOR WAIVER TO MODIFY ATMOSPHERIC)
CORROSION CONTROL PATROL FREQUENCY)

Intermountain Gas Company ("Intermountain"), an Idaho corporation with general offices located at 555 South Cole Road, Boise, Idaho, hereby requests a waiver from IDAPA 31.11.01 — Safety and Accident Reporting Rules for Utilities, Rule 201 (SARA 201), compliance with the Code of Federal Regulations, Title 49, Section 192.481(a), as it pertains to exposed facilities associated with residential meters.

Communications in reference to this Petition should be addressed to:

Eldon Book
Sr. Vice President, General Manager of Utility Operations Intermountain Gas Company
Post Office Box 7608, Boise, ID 83707
and
Morgan W. Richards
Attorney
804 East Pennsylvania Lane, Boise, ID 83706

In support of this Petition, Intermountain does allege and state as follows:

I.

Intermountain is a gas utility, subject to the jurisdiction of the Idaho Public Utilities Commission, engaged in the sale of and distribution of natural gas within the State of Idaho under authority of Commission Certificate No. 219 issued December 2, 1955, as amended and supplemented by Order No. 6564, dated October 3, 1962.

Intermountain provides natural gas service to the following Idaho communities and counties and adjoining areas:

Ada County — Boise, Eagle, Garden City, Kuna, Meridian, and Star;
Bannock County — Chubbuck, Inkom, Lava Hot Springs, McCammon, and Pocatello;
Bear Lake County — Georgetown, and Montpelier;
Bingham County — Aberdeen, Basalt, Blackfoot, Firth, Fort Hall, Moreland/Riverside, and Shelly;
Blaine County — Bellevue, Hailey, Ketchum, and Sun Valley; Bonneville County — Ammon, Idaho falls, Iona, and Ucon;
Canyon County — Caldwell, Greenleaf, Middleton, Nampa, Parma, and Wilder;
Caribou County — Bancroft, Conda, Grace, and Soda Springs; Cassia County — Burley, Declo, Malta, and Raft River;
Elmore County — Glens Ferry, Hammett, and Mountain Home; Fremont County — Parker, and St. Anthony;
Gem County — Emmett;
Gooding County — Gooding, and Wendell;
Jefferson County Lewisville, Menan, Rigby, and Ririe; Jerome County — Jerome;
Lincoln County — Shoshone;
Madison County — Rexburg, and Sugar City;
Minidoka County — Heyburn, Paul, and Rupert;
Owyhee County — Bruneau, and Homedale;
Payette County — Fruitland, New Plymouth, and Payette; Power County — American Falls;

Twin Falls County — Buhl, Filer, Hansen, Kimberly, Murtaugh, and Twin Falls;
Washington County — Weiser.

Intermountain's properties in these locations consist of transmission pipelines, a compressor station, a liquefied natural gas storage facility, distribution mains, services, meter and regulators, and general plant and equipment.

II.

Intermountain seeks with this Petition for Waiver to obtain a waiver from compliance with the Code of Federal Regulations, Title 49, Section 192.481(a). This section of the code requires operators of natural gas pipelines to "inspect each pipeline or portion of a pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion...at least once every 3 years, but with intervals not exceeding 39 months."

Currently, Intermountain inspects regulator stations, commercial and large volume meters for atmospheric corrosion on an annual basis which allows us to incorporate the atmospheric corrosion inspections with other routine maintenance that is required, by code, on an annual basis. By this waiver, Intermountain is requesting a change to the atmospheric corrosion inspection interval for residential meters from three (3) years to four (4) years.

III.

In July of 2003, Intermountain implemented an automated meter reading (AMR) system for residential and commercial meters to improve customer service through more accurate meter reads and to continue improvement in operating efficiencies. Prior to July of 2003, Intermountain performed the atmospheric corrosion control monitoring on residential and commercial meters and associated exposed piping in conjunction with the monthly meter reading function. Meter readers, on foot, would perform a visual inspection of the above ground facilities associated with a residential or commercial customer meter as they performed their monthly meter reads. Intermountain does not have a regular maintenance need or requirement to visit each residential meter on an annual basis.

Intermountain has never experienced atmospheric corrosion or safety-related conditions resulting from atmospheric corrosion on our residential or commercial meters in the entire history of our operations, dating back to 1955. This is a direct result of the dry, arid, environment Intermountain operates in and the fact that the entire steel pipeline system is cathodically protected.

With the implementation of AMR, Meter Readers are no longer physically observing each residential and commercial meter during the course of routine meter reading to visually examine for atmospheric corrosion on residential and customer meters and associated exposed piping. The results from the years of monthly atmospheric corrosion inspections that were performed in conjunction with the monthly meter reading activity affirmed that atmospheric corrosion does not exist on Intermountain's residential and commercial meters.

IV.

In April of 1999, The Office of Pipeline Safety contemplated changing the onshore atmospheric corrosion inspection interval from three (3) to five (5) years due to "the generally low incidence of serious problems on protected pipelines", as stated in the Federal Register dated April 7, 1999, Volume 64, Number 66.

V.

Intermountain requests consideration for a waiver from Code of Federal Regulations, Title 49, Section 192.481(a):

"Each operator must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion as follows:

If the pipeline is located onshore, then the frequency of the inspection is at least once every 3 calendar years, but with intervals not to exceed 39 months."

As a condition of the waiver, Intermountain proposes to perform the atmospheric corrosion inspection of residential meters and associated exposed piping in conjunction with the appropriate business district or non-business district leak survey schedule. Intermountain has already exceeded federal leak survey requirements by increasing the frequency of our non-business district leak survey from five (5) years to four (4) years. Additionally, our business district leak survey is performed annually.

Approval of this waiver will facilitate Intermountain's continued efforts to maximize operating efficiencies without jeopardizing atmospheric corrosion safety requirements by coupling atmospheric corrosion inspections with Intermountain's annual business district and four (4) year non-business district leak survey schedules.

VI.

This Petition is filed pursuant to the applicable statutes and the Rules and Regulations of the Commission.

VII.

Intermountain requests that this matter be handled under modified procedure pursuant to Rules 201-204 of the Commission's Rules of Procedure. Intermountain stands ready for immediate consideration of this matter.

WHEREFORE, Intermountain respectfully petitions the Idaho Public Utilities Commission as follows:

- a. That the proposed waiver herewith submitted be approved without suspension and made effective upon approval.
- b. That this Petition be heard and acted upon without hearing under modified procedure, and
- c. For such other relief as this Commission may determine proper herein.

DATED at Boise, Idaho, this 16th day of September, 2005.

INTERMOUNTAIN GAS COMPANY

By: Eldon Book
Senior Vice President,
General Manager Utility Operations

By: Morgan W. Richards, Jr.
Attorney for Intermountain Gas Company