

To: Stephanie Mullen, Executive Director

From: Hayley Williamson

Date: June 27, 2016

RE: NARUC Gas Subcommittee semi-annual report

The NARUC gas subcommittee continues to meet on a monthly basis. The meetings are conducted via telephone conference, and usually consist of market and legislative updates. In the last 6 months, the NARUC gas subcommittee has focused on updates to the Pipeline and Hazardous Materials Safety Administration, and major market updates. Both topics will be summarized in this memo.

The following are major updates to the Pipeline and Hazardous Materials Safety Administration (“PHMSA”):

1. **Pipeline Reauthorization** S. 2276, the Safe Pipes Act. On June 22, 2016, President Obama signed the Safe Pipes Act reauthorizing PHMSA through 2019 as well as its associated programs, including the one-call notification program, the pipeline integrity program, and state damage prevention programs. Some key details:
 - PHMSA authorization had expired 2015 so now reauthorized through 2019.
 - Seeks to strengthen pipeline safety, clarify safety oversight efforts and provides greater regulatory certainty in connection with transporting energy commodities.
 - Includes the one-call notification program, the pipeline integrity program, and state damage prevention programs.
 - Includes a mandate to analyze the potential for leaks to occur at underground natural gas storage facilities in the United States and craft new rules for underground natural gas storage. Invites States with a pipeline safety program certification, at their request, to participate in the inspection of interstate pipeline facilities.
 - Expressly includes a number of mandates that had been included in the previous PHMSA reauthorization bill in 2011. The 2011 reauthorization included about 42 specific directives for PHMSA to carry out to improve pipeline safety. The legislation ensures that PHMSA will finish the 2011 act requirements.
 - Provisions also aimed at closing perceived gaps in federal standards, enhancing the quality and timeliness of agency rule-makings, and promoting the better use of data and technology to improve pipeline safety.
 - Includes reforms and new tools related to the transportation of gas and hazardous liquids by pipeline. For example, mandates PHMSA to provide a report to Congress within eighteen months studying the risks and safety recommendations for existing hazardous liquid pipelines.
 - Establishes a working group made up of PHMSA and state officials, industry stakeholders, and safety groups to develop recommendations on how to create an information sharing system to improve safety outcomes.
 - Authorizes PHMSA to create a national integrated pipeline safety database.

- 2. PHMSA Proposed Rulemaking and Webinars.** PHMSA has released a Notice of Proposed Rulemaking to substantially revise PHMSA rules (at 49 CFR Part 192) for construction, operation and maintenance of natural gas pipeline systems. This is a 549-page notice. At this time public comments will be accepted on or before July 7, 2016 (folks are seeking a further extension due to the expansive of the rules to ensure thoughtful helpful informative comments are submitted). (Docket PHMSA 2011-0023) The proposed rulemaking includes extensive changes that impact transportation gas companies nationwide as well as the enforcement requirements assigned to State pipeline safety programs. A number of stakeholders have raised concerns with understanding the breadth of the proposed rulemaking including, among other things, the definitions and how it affects distribution lines.

The following are major market updates:

The June 2016 issue of LNG Newsletter states that despite hydrocarbon prices remaining low, buyers and sellers continue to enter into long-term agreements both in North America and worldwide. This makes for a stable, well-functioning market.

Despite expectations for record-setting summer demand, pressure on this summer's natural gas prices is likely to be downward compared to summer 2015, according to the Natural Gas Supply Association ("NGSA"). NGSA further stated that production is expected to meet demand. Combined demand from all major customer sectors—electric, industrial, residential, and commercial—NGSA projects record-high demand this summer, mainly coming from the electric sector. The electric sector is forecasted to increase 11% compared to last summer.