

EXHIBIT 14

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Pipeline Safety: Clarification of Terms Relating to Pipeline Operational Status

A Rule by the Pipeline and Hazardous Materials Safety Administration on 08/16/2016

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ENHANCED CONTENTThe logo for regulations.gov, featuring the text "regulations.gov" in a lowercase, sans-serif font. The word "regulations" is in a darker shade than ".gov".**Docket Number:**PHMSA-2016-0075 (<https://www.regulations.gov/docket?D=PHMSA-2016-0075>)

ENHANCED CONTENT

PUBLISHED DOCUMENT**AGENCY:**

Pipeline and Hazardous Materials Safety Administration (PHMSA); DOT.

ACTION:

Issuance of Advisory Bulletin.

SUMMARY:

PHMSA is issuing this advisory bulletin to all owners and operators (operators) of hazardous liquid, carbon dioxide, and gas pipelines, as defined in 49 Code of Federal Regulations Parts 192 and 195, to clarify the regulatory requirements that may vary depending on the operational status of a pipeline. Further, this advisory bulletin identifies regulatory requirements operators must follow for the abandonment of pipelines. Pipeline owners and operators should verify their operations and procedures align with the regulatory intent of defined terms as described under this bulletin. Congress recognized the need for this clarification in its Protecting our Infrastructure of Pipelines and Enhancing Safety Act of 2016.

DATES:

August 16, 2016.

FOR FURTHER INFORMATION CONTACT:

Ms. Linda Daugherty at 816-329-3800 or by email to Linda.Daugherty@dot.gov
(<mailto:Linda.Daugherty@dot.gov>).

SUPPLEMENTARY INFORMATION:

I. Background

On March 17, 2014, a hazardous liquid pipeline company was notified by emergency responders of crude oil leaking up from below the pavement in a residential area in Wilmington, California. The leak was close to a refinery. The company initially informed the regulator that it had no active lines in the area but responded anyway.

On March 18, 2014, the company excavated the area surrounding the leaking oil and learned that the leak originated from a pipeline that it owned. The pipeline had been purchased 16 years ago and the company understood that the previous operator had properly abandoned and purged the pipeline prior to purchase. Regulators determined the pipeline leaked due to an internal "pinhole" corrosion leak on a weld.

Subsequent investigations determined that while the pipeline was not in operation, its valves were positioned to prevent flow but the pipeline had never been purged and cleaned. Some regulators and industry representatives informally referred to such pipelines as "idled."

On May 31, 2015, a 24-inch natural gas "auxiliary" pipeline crossing the Arkansas River in North Little Rock, Arkansas, failed due to vortex-induced vibration after high water levels eroded the ground cover and exposed the pipeline to the river's flow. The failure released 3,858 cubic feet of natural gas into the atmosphere and resulted in the temporary closure of the Arkansas River to vessel traffic for five days. The pipeline at the time of the failure was isolated by two mainline valves, at an approximate pressure of 700 pounds per square inch (psig). The pipeline, considered an emergency back-up pipeline crossing the river, has not been fully operated since 1972. However, the company did maintain the pipeline as an active pipeline, subject to in-line inspection, cathodic protection, and other maintenance requirements.

On October 28, 2015, Cypress, California, city public works employees identified an oil-water mixture on a local road. Approximately 28 barrels of oil-water mixture was determined to have leaked from an oil pipeline that was believed to have been purged of oil prior to deactivation in 1997. The owner of the pipeline had purchased it from another company just prior to the failure.

Congress recognized the need for PHMSA to provide clarification of operational terms and ensure all operators are aware of and abide by the regulatory requirements for properly abandoning pipelines. In its "Protecting our Infrastructure of Pipelines and Enhancing Safety Act of 2016," Congress required PHMSA to issue an advisory bulletin to owners and operators of gas or hazardous liquid pipeline facilities and Federal and State pipeline safety personnel regarding procedures required to change the status of a pipeline facility from active to abandoned, including specific guidance on the terms recognized by the Secretary for each pipeline status referred to in such advisory bulletin.

PHMSA regulations do not recognize an "idle" status for hazardous liquid or gas pipelines. The regulations consider pipelines to be either active and fully subject to all relevant parts of the safety regulations or abandoned. The process and requirements for pipeline abandonment are captured in §§ 192.727 and 195.402(c)(10) for gas and hazardous liquid pipelines, respectively. These requirements include purging all combustibles and sealing any facilities left in place. The last owner or operator of abandoned offshore

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facilities and abandoned onshore facilities that cross over, under, or through commercially navigable waterways must file a report with PHMSA. PHMSA regulations define the term “abandoned” to mean permanently removed from service (§ 192.3).

A 1998 report by the Research and Special Programs Administration (RSPA), a predecessor agency to PHMSA, titled: “Analysis of Pipeline Burial Surveys in the Gulf of Mexico,” stated: “Abandonment involves the permanent and, for all practical purposes, irreversible process of discontinuing the use of a pipeline. The physical asset is abandoned in the truest sense of the word; no future use or value is attributed to it, and no attempts are made to maintain serviceability. Pipeline systems or segments that are not abandoned, but only idled, decommissioned, or mothballed, are considered to have the potential for reuse at some point in the future. The maintenance and inspection to be performed in these cases is a function of the probability of reuse, the cost and difficulty of remediation which may be required, and the potential impact of the in-place and idled facility on human safety and the environment.”

PHMSA is aware that some pipelines may have been abandoned prior to the effective date of the abandonment regulations. Companies may not have access to records relating to where these pipelines are located or whether they were properly purged of combustibles and sealed. Owners and operators have a responsibility to assure facilities for which they are responsible or last owned do not present a hazard to people, property or the environment.

In the case study from Wilmington, California, provided above, the pipeline company was aware of the pipeline and believed it to have been properly abandoned by the previous owner/operator. The pipeline company was cited and fined by a State regulator because it did not properly maintain the active line or, alternatively, properly abandon the pipeline facility.

Pipelines not currently in operation but that may be used in the future are sometimes informally referred to as “idled,” “inactive,” or “decommissioned.” These pipelines may be shut down and still contain hazardous liquids or gas. Usually, the mainline valves on these pipelines are closed, isolating them from other pipeline segments. Frequently, blind flanges or welded end caps are used for further isolation. Some pipelines do not operate for short periods of time such as weeks or months. Other pipelines do not operate for years. If a pipeline is not properly abandoned and may be used for the future for transportation of hazardous liquid or gas, PHMSA regulations consider it an active pipeline. Owners and operators of pipelines that are not operating but contain hazardous liquids and gas must comply with all relevant safety requirements, including periodic maintenance, integrity management assessments, damage prevention programs, and public awareness programs.

PHMSA is aware that some owners and operators may properly purge a pipeline of combustibles without abandonment because of an expectation to later continue using the pipeline in hazardous materials transportation. A purged pipeline presents different risks, and different regulatory treatment may be appropriate. Degradation of such a pipeline can occur, but it is not likely to result in significant safety impacts to people, property, or the environment. PHMSA will accept deferral of certain activities for purged but active pipelines. These deferred activities might include actions impractical on most purged pipelines such as in-line inspection. PHMSA is considering proposing procedures in a future rulemaking that would address methods owners or operators could use to notify regulators of purged but active pipelines. In the interim, owners or operators planning to defer certain activities for purged pipelines should coordinate the

deferral in advance with regulators. All deferred activities must be completed prior to, or as part of, any later return-to-service. Pipeline owners and operators are fully responsible for the safety of their pipeline facilities at all times and during all operational statuses.

II. Advisory Bulletin (ADB-2016-05)

To: Owners and Operators of Hazardous Liquid, Carbon Dioxide and Gas Pipelines.

Subject: Clarification of Terms Relating to Pipeline Operational Status.

Advisory: PHMSA regulations do not recognize an “idle” status for a hazardous liquid or gas pipelines. The regulations consider pipelines to be either active and fully subject to all parts of the safety regulations or abandoned. The process and requirements for pipeline abandonment are captured in §§ 192.727 and 195.402(c)(10) for gas and hazardous liquid pipelines, respectively. Pipelines abandoned after the effective date of the regulations must comply with requirements to purge all combustibles and seal any facilities left in place. The last owner or operator of abandoned offshore facilities and abandoned onshore facilities that cross over, under, or through commercially navigable waterways must file a report with PHMSA. PHMSA regulations define the term “abandoned” to mean permanently removed from service.

Companies that own pipelines abandoned prior to the effective date of the abandonment regulations may not have access to records relating to where these pipelines are located or whether they were properly purged of combustibles and sealed. To the extent feasible, owners and operators have a responsibility to assure facilities for which they are responsible or last owned do not present a hazard to people, property or the environment.

Pipelines not currently in operation are sometimes informally referred to as “idled,” “inactive,” or “decommissioned.” These pipelines may be shut down and still contain hazardous liquids or gas. Usually, the mainline valves on these pipelines are closed, isolating them from other pipeline segments. If a pipeline is not properly abandoned and may be used in the future for transportation of hazardous liquid or gas, PHMSA regulations consider it as an active pipeline. Owners and operators of pipelines that are not operating but contain hazardous liquids and gas must comply with all applicable safety requirements, including periodic maintenance, integrity management assessments, damage prevention programs, response planning, and public awareness programs.

PHMSA is aware that some owners and operators may properly purge a pipeline of combustibles with the expectation to later use that pipeline in hazardous materials transportation. A purged pipeline presents different risks, and therefore different regulatory treatment may be appropriate. Degradation of such a pipeline can occur, but is not likely to result in significant safety impacts to people, property, or the environment. PHMSA will accept deferral of certain activities for purged but active pipelines. These deferred activities might include actions impractical on most purged pipelines, such as in-line inspection. PHMSA is considering proposing procedures in a future rulemaking that would address methods owners or operators could use to notify regulators of purged but active pipelines. In the interim, owners or operators planning to defer certain activities for purged pipelines should coordinate the deferral in advance with regulators. All deferred activities must be completed prior to, or as part of, any later return-to-service. Pipeline owners and operators are fully responsible for the safety of their pipeline facilities at all times and during all operational statuses.

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Alan K. Mayberry,

Acting Associate Administrator for Pipeline Safety.

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