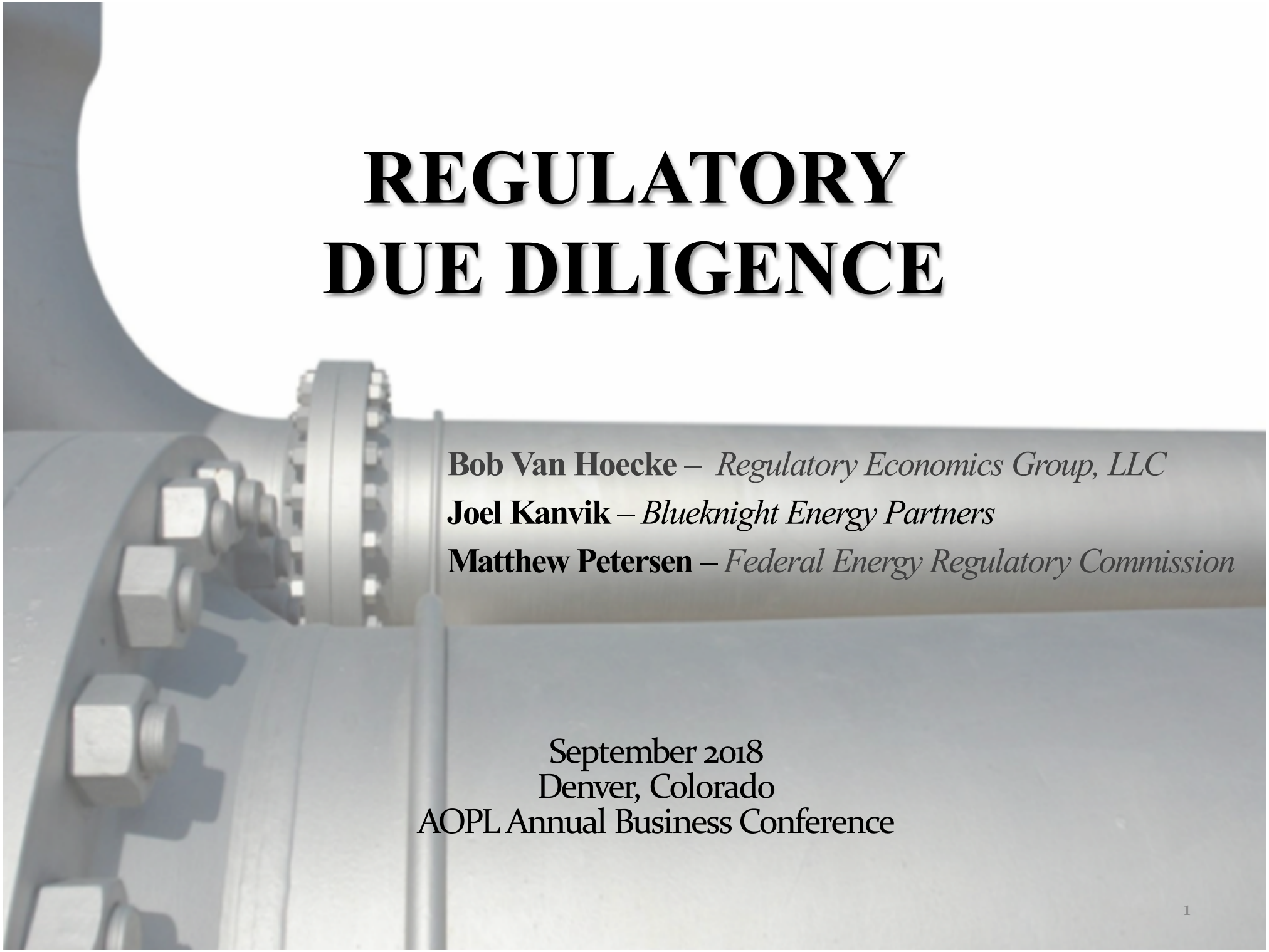

REGULATORY DUE DILIGENCE

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AOPL Annual Business Conference

Overview

- Topics to address
  - Valuation Concepts
  - Economic Regulation Risks
  - Ratemaking Issues
  - FERC Compliance
  - USoA Accounting Requirements
  - Hart-Scott-Rodino Act Issues
  - Asset Integrity Requirements
  - Health, Safety & Environmental Issues
  - Recordkeeping Issues

Disclaimer

- This presentation covers due diligence issues related to the regulation of oil pipelines. It is not intended to be a comprehensive discussion of all due diligence, legal/risk management and other transaction-related issues that a potential buyer may wish to undertake prior to acquiring an asset.

- The following presentation should not be relied upon independent of the statements and explanations presented herewith and most importantly in conjunction with your independent review of your specific circumstances, issues and applicability of regulatory and legal requirements. Not all issues addressed in this presentation are applicable to every transaction.

- The views presented are those of the individual presenters and not necessarily of the organizations with which they are affiliate, particularly the Federal Energy Regulatory Commission.

Limitations

Certain analyses, tasks, and suggestions discussed in this presentation may not be feasible due to lack of time, the stage of the acquisition progress (when you might finally be told what is going on), the seller's willingness to share information (and your leverage to demand same), or the nature of the seller's operation.

Principles of Valuation

- Value…
  - arises from the relationship an asset has with the surrounding economy
  - is never inherent in the asset itself
  - changes when its causal factors change
- Factors that support value
  - Value in use (utility)
  - Value in exchange (scarcity, purchasing power)
  - Value in possession (desire)
- Any particular indicator of value has limitations.
- Ultimately value can only be reliably estimated based on indicators that reflect relevant, actionable alternatives.

Standard Models

- Comparable sales approach
  - Requires a thick market in like assets and reliable methods for normalizing
- Reproduction cost approach
  - Built up from engineering estimates or indexation calculation
- Capitalized income approach
  - Depends upon quality forecast of volume, price, capital maintenance, and operating expenses
  - Depends on reasonable estimate of opportunity cost of capital

Pitfalls that Concepts Reveal

- Models succeed when conclusions are weighted consistent with quality of model specification and input development.
  - Are comparables really comparable?
  - Are earnings components reliably forecast?
  - Are all material risks understood?
  - Is the alternative implied by the model the relevant alternative (buyer and seller)?
- Psychological Biases
- The Winner's Curse

Psychological Biases

- *Confirmation bias* – we are drawn to details that confirm our preferred outcome
- *Optimism/pessimism bias* – we rush to judgement based on a proclivity
- *Appeal to probability* – we tend to dismiss risks entirely when they have low probability
- *Gambler's fallacy* (fighting the last war) – projecting future trends without adjustment
- *Anchoring effect* – tendency to rely too heavily on initial evidence as the best reference point

The Winner's Curse

- Winners lose when
  - The highest bid is the winner
  - Bids approximate value within random error
- Simulation with [True Value] = $100

Error	7%	-14%	-9%	5%	16%	17%	19%	-4%	-18%	17%	-17%	-5%
Bid	$ 107	$ 86	$ 91	$ 105	$ 116	$ 117	$ 119	$ 96	$ 82	$ 117	$ 83	$ 95

- What does this imply for analysis?

Accounting as a Model

- The accounting equation or identity

  [**Assets**] = [**Liabilities**] + [**Owners' Equity**]

- As a valuation model owners' equity becomes residual value.
- Substituting this concept and rearranging terms reveals

  [**Residual Value**] = [**Assets**] – [**Liabilities**]

  where assets and liabilities are at fair value.

Application to Oil Pipelines

- Comparable sales approach – unlikely to be supported by sufficient data
- Reproduction cost – used in certain rate base and property tax settings; reference point in commercial value
- Income approach – offers the most direct estimate of value but is full of estimation challenges and the need to account for risks

Sources of Economic Risk

- Acquisition price target typically based on ***projected***
  - Revenues
  - Operating costs
  - Capital requirements
- Revenue assumptions in turn are based on projected volumes and rates.
  - Volume may change.
  - Rates must be "just and reasonable" (ICA § 1(5)).
  - Terms may not be unreasonably discriminatory, preferential, or prejudicial (ICA §§ 2, 3(1)).
  - If existing rates are determined not just and reasonable, the Commission may prescribe new, lower rates, or even award damages to shippers for past charges.

Revenue Exposure

- Identify the various components of the revenue stream and determine support for each:
  - Transportation revenue
  - Other traffic-related revenues
  - Non-carrier/non-jurisdictional revenues
  - Volume commitments/contract rates
  - Seller affiliated throughput
- Identify litigation risk factors as well:
  - Page 700 data – any anomalies or revenue/cost results potentially inviting protests or complaints
  - Shipper profile – are there litigious shippers on the system; is there a history of litigation; has the shipper mix changed; are any major contracts coming to an end?

Revenue Exposure

- Are there ancillary *transportation* services?
  - Are these FERC jurisdictional?
  - How are the costs captured?
  - Where are the cost records?
  - How is the revenue tracked?
- Are there intrastate shipments?
  - Are they subject to state agency regulation?
  - If so, how does the state regulate, if at all?
  - Does the state require approvals or filings?

Revenue Exposure

- Are there non-transportation services being offered?
  - Are these included in the tariff?
  - Are these reflected as carrier activity?
  - How are the costs captured?
  - Where are the cost records?
  - How is the revenue tracked?
  - Where is it recorded?

Revenue Exposure

- How were the existing transportation rates established?
  - Cost-based
  - Indexing
  - Market-based
  - Settlement/Contract
  - Negotiated
- Each method will need to be assessed to determine if the existing rates are supportable.

Volumes

- Obtain throughput (book movements) for:
  - the last five years,
  - 1991 and 1992, and
  - the year before and after the effective date of any Grandfathered Rates.
- Obtain the volume data in the lowest level of detail possible, such as, by:
    - Month
    - Origin and destination
    - Product type
    - Shipper
    - Jurisdiction
    - Tariff and tariff item number associated with each transaction (if available)
    - Corresponding mileages

Cost-based Rates

- Obtain copy of current Page 700 COS model.
- Obtain a copy of all cost information used to develop COS model.
- Review cost information for internal consistency and consistency with prior period Form 6 data.
- Review how costs and revenues are allocated to non-FERC jurisdictional activities.
- Examine any affiliated transactions and determine if they are well documented and supported.

Cost-based Rates (cont.)

- Review methodology used to compute COS and ensure it reflects the current opinions.
- Review model logic looking for hard coded figures or questionable formulas.
- Consider recreating the COS by inserting inputs in a working COS model.
- Perform a rate design analysis to determine support for individual rates:
  - Does the seller have a rate design basis for the rates?
  - How do the rates compare to those determined using a standard FERC Staff methodology (*e.g.* bbl./bbl.-mile).
  - Can any discounted rates be used to support a revenue crediting or similar approach to ensure full cost recovery?

Rate Base Elements

- Carrier Property
  - Obtain asset ledgers at the lowest level of detail available which contain the original costs of construction the assets (by asset number, location code and FERC USoA property account, etc.) for as far back as possible.
  - Obtain property activity (i.e., additions, retirements, transfers, etc.) at the lowest level of detail available for as far back as possible.
  - Obtain monthly balances of construction work in progress for as far back as possible.
  - Identify any idle or non-carrier pipeline assets (by assets number) which are part of the transaction.
- Accrued Depreciation
  - Obtain depreciation activity (i.e. depreciation expense, retirements, adjustments, etc.) at the same level of detail as provided for carrier property.
  - Obtain the depreciation rates used to calculate depreciation expense for as far back as possible.
  - Obtain a copy of all FERC depreciation orders.
- Working Capital
  - Compile monthly balances for the following (back to 1983 if possible):
    - Oil inventories
    - Materials and supplies
    - Prepayments
    - Operating Oil Supply
- Determine how prior owned recorded Interest During Construction related to capital additions.

Operating Expenses

- Obtain the actual carrier operating expenses by FERC account, AFE, and other available categories on a monthly basis for the period at the lowest level of detail available for:
  - the last three to five years,
  - 1991 and 1992 calendar years, and
  - the 12 months preceding and subsequent to the date any grandfathered rates became effective.
- Obtain the amount of any overhead expense allocated to the pipeline from its parent company for the periods described above.
- Obtain copies of the work papers or other data supporting this allocation and a description of the methodology employed.

Other Ratemaking Items

- Federal and state tax rates for all historic years available.
- If acquisition is an MLP, obtain historic split of unit holder classifications and income allocated to each category.
- Parent Capital Structure and Cost of Debt for Parent and Pipeline (if applicable) back to 1983, if available.

Other Ratemaking Items (cont.)

- Detailed 1983 Valuation Report issued by the FERC.
- Segmentation proposals currently being considered by the Commission would require that a Carrier be able to identify capital, operating costs, revenue and throughput at a detailed segment level.
- Obtain workpapers for prior Form 6s.

Indexed Rates

- Obtain a copy of the most recent index ceiling worksheet.
- Obtain a copy of the tariff in effect on January 1, 1995.
- Obtain copies of any non-index rate increases since 1/1/1995.
- Compute ceiling rates based on indices published on FERC web site and compare to information provided by the seller.
- Examine the change in Page 700 COS and the change in rates for at least the past two years.

Market-based

- Identify each origin and destination where carrier has market-based ratemaking authority.
- Obtain copies of prior applications and Commission orders relating to market power studies, for the seller and other carriers operating in the same markets.
- Determine the products and services that were covered by the Commissions order(s).
- Evaluate if the market concentration or applicant's market share has changed significantly since the Commission issued its order.

Market-based (cont.)

- Determine whether any of FERC's MBR standards have changed since the orders were issued.
- Determine if there is any overlap between the buyer and seller which would significantly impact the market concentration or market shares included in the Commission's order granting MBR.
- Compare sellers MBR rates to comparable rates for the competition.
- If there has been a significant change or if market statistics exceed general FERC MBR thresholds then consider also establishing alternative rate support.

Market Based Rate Order

Docket Nos. OR99-1-000 and OR99-1-001

Market Based Rate Order 19990701-3118(1420612).txt

87 FERC ¶ 61,374

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: James J. Hoecker, Chairman;
Vicky A. Bailey, William L. Massey,
Linda Breathitt, and Curt H,bert, Jr.

Explorer Pipeline Company) Docket Nos. OR99-1-000
) and OR99-1-001

ORDER ON APPLICATION FOR MARKET POWER DETERMINATION
AND ON RELATED WAIVER REQUEST

(Issued June 30, 1999)

On October 15, 1998, Explorer Pipeline Company (Explorer) filed an application for a market power determination pursuant to 18 C.F.R. ⊥ 348.1. Explorer seeks permission to file market-based rates for deliveries of petroleum products from all origins on its system to all of its destinations in Houston and Dallas, Texas; Tulsa, Oklahoma; St. Louis, Missouri; and Chicago, Illinois. The Commission finds that Explorer origin markets Houston, Tulsa, and St. Louis, are not at issue in this proceeding. The Commission also finds that Explorer lacks significant market power in the destination markets of Dallas, Tulsa, Houston, St. Louis, and Chicago. Therefore Explorer may implement market-based rates in those markets. Since the Commission has made this determination before July 1, 1999, there is no need to address Explorer's related request that it be granted a waiver of the Commission's oil pipeline indexing regulations.

Background

Explorer is a joint interest pipeline owned in varying percentages by Chevron Pipe Line Company, CITGO Pipeline Investment Company, Conoco Pipe Line Company, Equilon Pipeline Company LLC, Marathon Oil Company, Phillips Investment Company, and Texaco Trading and Transportation Inc. It owns and operates a 1,400 mile petroleum products pipeline system that transports primarily gasoline, fuel oil, and jet fuel from the Gulf Coast refineries and import facilities in Texas and Louisiana into the mid-western United States. Explorer serves the major urban markets of Houston, Dallas, Fort Worth, Tulsa, St. Louis, and Chicago and more than 70 population centers by its connections.

Settlements

- Determine the circumstances of the settlement rates, contract expiration, rollover rights.
- Assess the shippers with settlement rates, and their potential rate or litigation status following termination.
- Determine whether the settlement rates create new ceiling levels after termination.

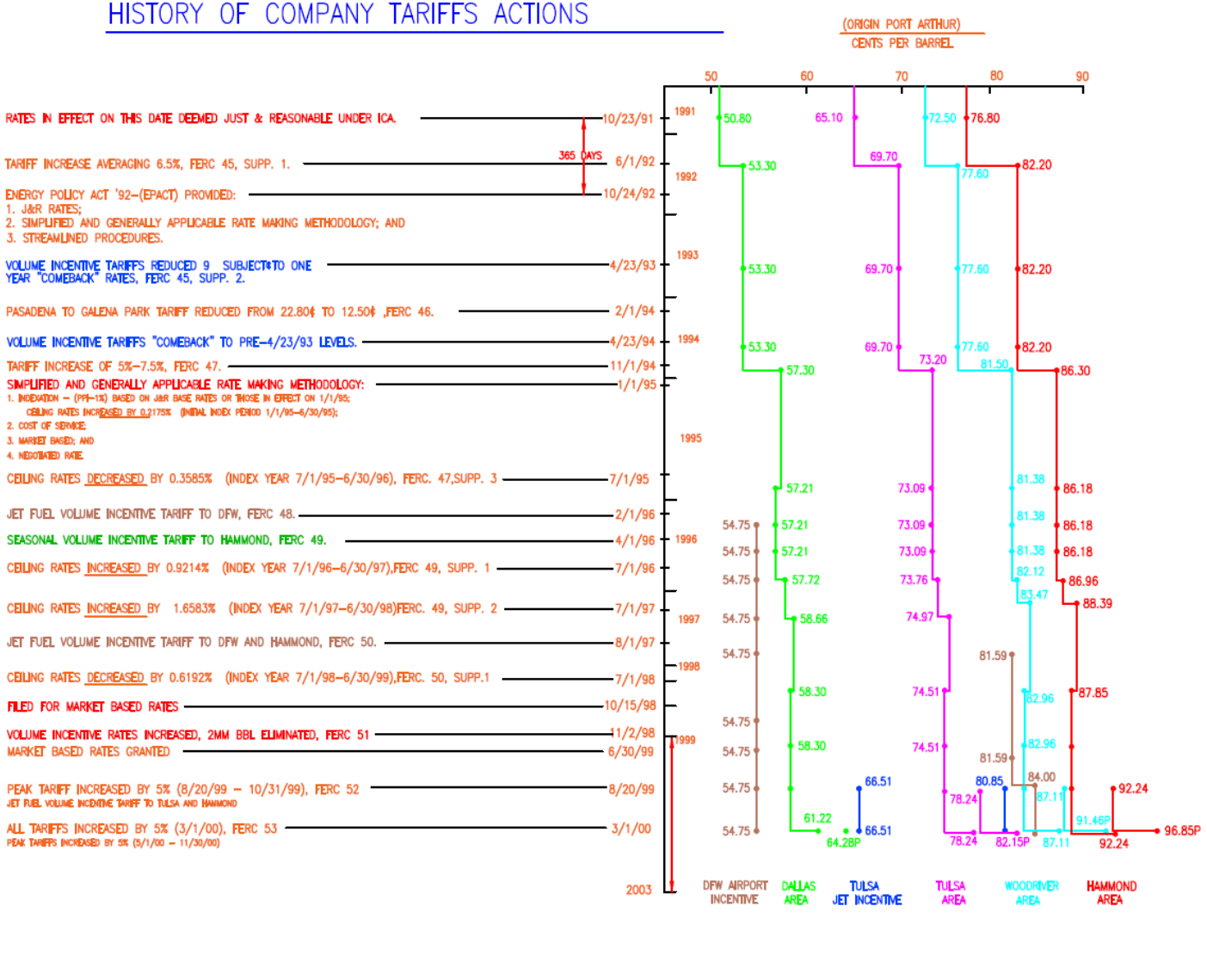
Negotiated/Contract Rates

- Assess nature of negotiated initial rates under Section 342.2(b).
  - Is there a formal or informal contract basis?
  - Is there a term, its expiration date.
- Are there contract rates following open seasons? Was there a declaratory order regarding them? Are they subject to MFN (Most Favored Nations) clauses?
- What is the basis for other published discounted rates, are there contracts or commitments by the carrier, and when do they terminate?

Grandfathered Rates

- Were any of the rates in effect on October 24, 1991 (even if later increased)?
- If so, a Grandfathered floor may apply:
  - Obtain information needed to perform SCEC (Substantial Change in Economic Circumstances) analysis;
  - Determine if existing cost support exceeds grandfathered rate level.

HISTORY OF COMPANY TARIFFS ACTIONS



Compliance Review

- FERC expects strict compliance with tariffs, regulations, statutes and policies. Although it has not audited many oil pipelines yet, it has aggressively begun to do so, and buyers should ensure that the records and practices for the assets being purchased are in compliance (or obtain indemnity for non-compliance). FERC has held buyers of assets liable for prior owner (seller) non-compliance in other industries in some circumstances.
- Review tariffs, accounting, FERC Compliance Plan, recordkeeping, and other regulatory obligations of the seller regarding the services of the transferred assets, for compliance.

Accounting Requirements

- USoA approval for posting entries
- Accurate recordation of property, revenue and expenses, etc., per the USoA
- Check depreciation rates versus approved rates in past orders.

Recordkeeping Issues

- Check compliance for the purchased assets with 18 C.F.R. Part 356, Preservation of Records.
- Ensure that the buyer will acquire full property and related records to the extent possible.
- Review state of general ledger, underlying accounting data, records for prior acquisitions by the seller.

Tariff Requirements

- Obtain a copy of all available tariffs and transmittal letters in order to develop a tariff authority file (more recent interstate filing will likely be on eLibrary, and the seller should have a tariff index online).
- Obtain any concurrences and division agreements related to joint tariffs.
- Obtain copies of my special requests or approvals obtained with filing agencies.
- Obtain a copy of any certificates of convenience issues by state regulators along with any history relating to certificate authority.

Hart-Scott-Rodino Antitrust Improvement Act of 1976

- Adopted to provide the Federal government with the opportunity to review the potential effects on competition of certain mergers, acquisitions or other consolidations that meet the Act's size and other tests before such transactions are completed.
- In general, review required if: /1
  - Acquiring Entity will hold, as a result of transaction, aggregate voting securities, assets or interests of Acquired Entity in excess of $80.8 million; and
  - Either Entity has net annual sales or assets exceeding $161.5 million and other entity has annual net sales or assets exceeding $16.2 million, or
  - Transaction exceeds $323 million.
- Each party to the transaction required to submit a filing.
- Purchaser generally pays the filing fee (dollar amount based on size of transaction).
- Unless earlier terminated, mandatory 30-day waiting period before transaction can be finalized.
- Waiting period can be tolled if there is a "second request" for information (the dreaded second request).
- Failure to comply with HSR can result in civil penalties up to $40,000 per day.

Operational, Maintenance & Integrity Records Compliance

Advisory Bulletin ADB-11-01

Reminder to operators of responsibilities under IM regulations –

- to perform detailed threat and risk analyses that integrate accurate data and information from their entire pipeline system;
- and utilize these risk analyses in the identification of appropriate assessment methods, and preventive and mitigative measures.
- Is seller in compliance?

Operational, Maintenance & Integrity Records Compliance

Advisory Bulletin ADB-11-01 (cont.)

- Operators relying on the review of design, construction, inspection, testing and other related data to calculate MAOP or MOP must assure that the records used are reliable.
- An operator must diligently search, review and scrutinize documents and records, including but not limited to, all as-built drawings, alignment sheets, and specifications, and all design, construction, inspection, testing, maintenance, manufacturer, and other related records to ensure company records accurately reflect the pipeline's physical and operational characteristics.
- These records shall be traceable, verifiable, and complete.

Operational, Maintenance & Integrity Records Compliance

Advisory Bulletin ADB-12-06

- *Traceable records* are those which can be clearly linked to original information about a pipeline segment or facility. Traceable records might include pipe mill records, purchase requisition, or as-built documentation indicating minimum pipe yield strength, seam type, wall thickness and diameter. Careful attention should be given to records transcribed from original documents as they may contain errors. Information from a transcribed document, in many cases, should be verified with complementary or supporting documents.

Operational, Maintenance & Integrity Records Compliance

Advisory Bulletin ADB-12-06 (cont.)

- *Verifiable records* are those in which information is confirmed by other complementary, but separate, documentation. Verifiable records might include contract specifications for a pressure test of a line segment complemented by pressure charts or field logs. Another example might include a purchase order to a pipe mill with pipe specifications verified by a metallurgical test of a coupon pulled from the same pipe segment. In general, the only acceptable use of an affidavit would be as a complementary document, prepared and signed at the time of the test or inspection by an individual who would have reason to be familiar with the test or inspection.
  * July 31, 2012 letter from PHMSA to AGA clarified that a verifiable record could be a single "quality" document that contains the information needed to confirm a pipeline's MAOP.

Operational, Maintenance & Integrity Records Compliance

Advisory Bulletin ADB-12-06 (cont.)

- *Complete records* are those in which the record is finalized as evidenced by a signature, date or other appropriate marking. For example, a complete pressure testing record should identify a specific segment of pipe, who conducted the test, the duration of the test, the test medium, temperatures, accurate pressure readings, and elevation information as applicable. An incomplete record might reflect that the pressure test was initiated, failed, and restarted without conclusive indication of a successful test. A record that cannot be specifically linked to an individual pipe segment is not a complete record for that segment. Incomplete or partial records are not an adequate basis for establishing MOP. If records are unknown or unknowable, a more conservative approach is indicated.

Data obtained from Document Type														
Importance	Type of Document	Traceable, Verifiable, Complete	Location	Component Type	OD	WT	Grade (SMYS)	Seam	Frequency	Welds	Manufacturer	Coating	ARO	ANSI
2	Requisition	Traceable	x	x	x	x	x	x	x		x	x	x	x
1	Purchase Order	Traceable	x	x	x	x	x	x	x		x	x	x	x
3	Bill of Lading/Packing Slip	Verifiable	x	x										
2	Weld Maps	Verifiable	x							x				
2	X-Ray Report	Verifiable	x							x				
1	MTR's/Vendor Certification	Complete	x	x	x	x	x	x	x		x			x
1	As-built Survey	Traceable	x	x	x	x	x	x		x	x			x
2	As-built Drawing	Traceable	x	x	x	x	x	x		x	x			x
1	Inspector Markups	Traceable	x	x	x	x	x	x	x	x	x	x	x	x
2	Material Transfers	Verifiable	x	x	x	x	x	x	x		x	x	x	x
3	Contract Specifications	Verifiable		x	x	x	x	x	x					x
1	Hydro/Pressure Test	Complete	x	x	x	x	x	x	x					x
3	ILI Data	Verifiable	x	x	x	x		x		x				
3	Invoices	Verifiable		x	x	x	x	x	x		x	x	x	x
2	Original Project Requirements/Scope of Work	Verifiable	x	x	x	x	x	x	x					
1	Equipment Specifications	Traceable		x	x	x	x	x	x		x			x
1	Vendor/Fabrication Drawings	Traceable		x	x	x	x	x	x		x			
	Location: could be place delivered or place manufactured or location on line via coordinate or station number													

Pipeline Integrity

OPS Integrity Management Plan (Part 195.452)

- All documents, materials, and information concerning integrity management systems;
- Pre-1970 non-seamless pipe inventory;
- General pipe inventory by Seam Type (i.e., lapweld, spiral, DSA, Smithweld, unknown, etc.);
- Coupled pipe;
- Bare pipe or ineffectively coated pipe;
- Repairs to Components (other than pipe);
- Risk management program, and related backup;
- Surge analyses/Overpressure protection studies;
- Hydraulic studies;
- Integrity/Maintenance plans;
- Repair results (B31G, RSTRENG);
- Fitness for purpose evaluations/ORA;

Pipeline Integrity (cont.)

- Smart Pig Data;
- Inventory of non-smart piggable lines;
- Elevation profiles;
- Depth of cover surveys;
- Shallow pipe;
- Shallow pipe repairs;
- Exposed pipe (Location and visual examination);
- Exposed pipe repairs;
- Erosion reports;
- Mitigation/Prioritization plans;
- Metallurgical studies (failures);
- Atmospheric corrosion;
- Inspections (last 2 years at least)

Pipeline Integrity (cont.)

- Paint specifications/programs;
- Repairs;
- Internal corrosion;
- Corrosion monitoring data (last 2 years at least);
- Inhibitor programs;
- Internal corrosion inspections (last 2 years at least);
- Pigging/sphere launching/receiving facilities;
- Cleaning pig/sphere frequency;
- Analysis of materials received during cleaning pig activities;
- Gas/liquid stream composition;
- External corrosion;
- Close interval surveys;
- Hot Spot or cell-to-cell surveys on coated, bare, or ineffectively coated pipe;

Pipeline Integrity (cont.)

- Interference tests and critical/non-critical bonds readings (bi-monthly);
- Bi-monthly rectifier reports (include last 5 years) (2 yrs would probably work for DOT);
- Annual pipe to soil readings (include last 5 years);
- Shorted casing records;
- Inspections (Work Order and Damage Reports) includes any time the line is exposed;
- Other types of inspections such as tank bottoms;
- Drawings/designs;
- Ground beds;
- Cathodic protection facilities;
- Corrosion database or other information system;
- Vendor database such as Bass-Trigon or Corrpro; and
- Compatibility with WES.

Facility Integrity

- Job Books (e.g., Design Manuals, Operating & Maintenance Manuals, etc.);
- Vendor Databooks (station, terminals, mainline valves, etc.);
- Vendor Certified Drawings (Equipment such as vessels, compressors, etc.);
- Equipment Test Reports;
- Bill of Materials - Equipment and Instrument Data Sheets along with the Piping Specifications;
- Process Hazard Analysis (PHA);
- Mechanical Integrity Program (MI);
- Diagrammatic valve charts;
- Process Flow Diagram (including material & energy balances);
- Piping & Instrumentation Diagrams (P&ID), complete with Equipment, Instrument and Pipeline Lists;
- Electrical Area Classification Plans;

Facility Integrity (cont.)

- Electrical One-Line Diagrams;
- Power Distribution Panel Schedules;
- Electrical Schematics;
- Instrument Loop Diagrams;
- Alarm & Shutdown Matrix (Cause & Effect Matrix or SAFE Chart);
- Site Plan Drawings;
- Facility Plot Plans;
- Cathodic Protection Plan Drawings;
- Emergency Operating Procedure Drawings:· Fire Protection, First Aid Equipment and Emergency Shutdown System Plans & Spill Prevention Control & Countermeasure (SPCC) Plan;

Facility Integrity (cont.)

- Electrical Grounding Drawings for Equipment and Instrumentation;
- Construction drawings relating to details covering Architectural, Civil, Structural, Piping, Mechanical, Electrical and Instrumentation;
- Electrical Interconnecting Wiring Diagrams;
- Instrument Location Plans and Installation Details;
- Conduit and Cable Schedules;
- Process Safety Information (PSI);
- Maximum Intended Inventory Calculations (PSM 10,000 lbs/ threshold); and
- Facility Design Standards & Construction Specifications

Health/Safety/Environmental

All correspondence or other communications relating to the pipeline system to and from environmental regulatory authorities including, without limitation:

- Notices of violation or other notices;
- Inquiries, investigations, or requests for information and responses thereto;
- Spill, remediation or closure reports, plans, certifications and notifications;
- All documents, materials and information concerning environmental audits, surveys, reports relating to the pipeline system and records;
- All documents, materials and information concerning DOT safety inspections reports and citations relating to the pipeline system for the last twenty (20) years of operation or as long as records exist;
- Number of High Consequence Areas - By Type & Size of Area;
- Unusually Sensitive Area (USA) locations;
- Environmentally Sensitive Area (ESA) locations;
- All documents, materials and information concerning any environmentally sensitive areas or superfund sites along the pipeline system;
- All documents, materials and information concerning mainline block valve locations, spacing and method of control;
- ERP/SPCC plans; OSRO agreements.

Data Resources

- A complete system description of the pipeline system including pipe size, MOP, normal operating pressure, peak and average flow rates, receipt and delivery point locations, pump stations locations, pipeline current capacity and ultimate capacity;
- As-built alignment sheets (hard copy ORIGINAL and electronic copy per DOT 195.404);
- As-built strip maps (hard copy original and electronic original);
- As-built relocation drawings (hard copy original and electronic original);
- As-built directional drill drawings (hard copy original and electronic original);
- Pipe Data (hard copy and digital copy) including footages for all pipe indicating locations of changes in: Pipe size: Wall thickness; Grade; Seam; Manufacturer; Coating (DOT 192 &195);
- Location and identification of abandoned, inactive, idle or out of service pipelines;

Data Resources (cont.)

- All DOT, MMS inspection and maintenance records;
- Survey field books including electronic data;
- As-built permit or crossing drawings (road, railroad, stream, river, state or federal lands);
- Hydrostatic test/retests records: All documents, materials and information concerning the pipeline system hydrostatic test records, internal corrosion;
- How water used during the hydrostatic test was disposed of during the dewatering process;
- Provide all water disposal permits utilized for the dewatering process;
- Internal design for pressure calculations (documentation);

Data Resources (cont.)

- X-ray certifications;
- MTRs on line pipe, fittings, valves;
- Purchase Requisitions;
- Purchase orders;
- Material Transfers;
- Field repairs - Maintenance reports (Sleeves, cutouts, patches, corrosion inspection, material installation and removal, etc.);
- Vendor Certifications;
- Encroachment Surveys (foreign crossings)(overhead and underground crossings); and
- Pipeline Design Standards & Construction Specifications;
- Job Books (e.g., Design Manuals, Operating & Maintenance Manuals, etc.)

DOT Compliance

- Interstate or intrastate pipeline? (Name of State if Intrastate);
- Liquid or Natural Gas Line?
- Type of Line (Gathering or Transmission);
- If Gathering, is Line(s) Jurisdictional? (To What Regulatory Agency);
- Product(s) Transported;
- If Liquids, Are Any Classified as "HVL"? (Product Names);
- OPS Assigned Operator Identification Number;
- Record of Payments of Annual User Fees (192 F7100.2-1 if Gas);
- Block and Relief Valve Inspections;
- Aerial reports (any other patrols?) – Include Record of Investigation/Disposition (2 Years or to Last OPS Inspection) (All Ground & Aerial Patrols);
- Participate in One-Call Programs?
- Present method of One-Call ticket management;

DOT Compliance (cont.)

- Service agreement in place to clear one-calls;
- Record of Line Locates (Including Disposition) – 2 Years or the Last OPS Inspection;
- Inspections (DOT Required Inspections);
- River crossings, navigable waterways (5 year inspections);
- Break/leak records & leak history & Records of Repairs to Pipe & Components. All documents, materials and information concerning leak history, accident reports, remediation areas, permits (NPDES, air), OPA manuals, lawsuits, contingent liabilities, property & casualty claims;
- Citations (CPF, Warning Letters, Fines, Waivers, Orders and related correspondence?);
- 7000-1 Reports (Last 5 years or more) or 7100.2 Reports on Gas Lines;
- Safety Related Condition Reports;
- O&M Manuals;
- Abnormal Operations Condition Reports & Identification/Response Procedure & Records of Remedial Actions;

DOT Compliance (cont.)

- Training programs/records;
- Operator Qualification Plan/records;
- Inspector Qualifications for original construction and repairs;
- Welding Program Qualification(Original construction and repairs);
- Welder Qualifications & Certifications;
- Tanks - Breakout and Non Breakout by location and number;
- Records of the design, construction, maintenance of Break-Out Tanks;
- API 653 tank inspections;
- API 610 tank inspections;
- 195.432 (a) tank inspections;
- Breakout tank inspections (including risk based);
- Damage prevention program/Records -- 2 years or to last OPS Inspection ;
- Class location/population studies (Part 192.5 - Natural Gas Lines);
- Immediate Response Zones/Areas (Include Criteria);
- Maximum Operating Pressure of lines;

DOT Compliance (cont.)

- Basis of Maximum Operating Pressure;
- MOP Calculations on Liquids Lines;
- Operates at less than 20% of SMYS? (or </> 100 psig on Gas Lines);
- Historical system pressure, temperature, flow rates;
- Pump Discharge Pressure Records - 3 Years or to Last DOT Inspection ;
- Have All Lines Been Hydrostatically Tested Per 195.300 -- 195.310?
- Lines Not Hydrostatically Tested per 195.303 Risk-Based Alternative ;
- Public Ed Program Records & Examples of Mailings, Ads other tools used -- 2 years or to last OPS Inspection;
- Pressure regulator inspections/overpressure protection (per 195.428);

DOT Compliance (cont.)

- Special variances or allowances from DOT;
- Right of Way Maintenance Plans;
- Major Tree Clearing;
- Routine ROW mowing/clearing;
- CPM Leak Detection System -- How Does It Work;
- All documents, materials and information concerning leak detection systems;
- Location of Emergency Flow Restricting Devices (Type & Rationale for Placement) (per 195.452);
- Location of Above Ground Pipe - Is it in Areas Accessible by Public?
- High Consequence Plan & Rationale Including Buffer Zone Determination

Additional Considerations

- In addition to FERC & DOT/PHMSA
  - US EPA (tanks, Title V, CWA)
  - US ACOE (water crossings)
  - FCC
- Federal Delegation of Authority
  - PHMSA to State PUC/PSC/TxRRC
  - EPA to State DNR/DEQ

Questions?