

BEFORE THE
OFFICE OF POLICY AND STRATEGIC
PLANNING
UNITED STATES DEPARTMENT OF COMMERCE
WASHINGTON, D.C.

Construction of Pipelines) Docket Number: 170309252–7252–01
Using Domestic Steel and Iron)

COMMENTS OF THE AMERICAN PUBLIC GAS ASSOCIATION

The American Public Gas Association (“APGA”) is the national, non-profit association of publicly-owned natural gas distribution systems. APGA was formed in 1961 as a non-profit, non-partisan organization, and currently has over 700 members in 37 states. Overall, there are nearly 1,000 municipally-owned systems in the U.S. serving more than five million customers. Publicly-owned gas systems are not-for-profit retail distribution entities that are owned by, and accountable to, the citizens they serve. They include municipal gas distribution systems, public utility districts, county districts, and other public agencies that have natural gas distribution facilities.

In its March 16, 2017 Notice; Request for Comments the Department of Commerce (Department) requested information on the construction and maintenance of American pipelines to help the Department develop a plan for the domestic sourcing of materials for the construction, retrofitting, repair, and expansion of pipelines inside the United States as directed by the January 24, 2017 Presidential Memorandum regarding “Construction of American Pipelines”. Public gas utilities deliver natural gas to over 5 million customers through approximately 141,000 miles of distribution mains¹ and approximately 5.3 million service lines² APGA and its members are, therefore, vitally interested in the development of the plan for the domestic sourcing of pipeline materials.

¹ Main means a distribution line that serves as a common source of supply for more than one service line. [49 CFR 192.3]. Mains are typically 1 to 8 inches diameter.

² Service line means a distribution line that transports gas from a common source of supply to an individual customer, to two adjacent or adjoining residential or small commercial customers [49 CFR 192.3]. Service lines are typically short, 30 to 100 feet in length and ½ to 2 inches in diameter.

General Comments:

APGA and its members strongly support the intent of the January 24, 2017 Presidential Memorandum. APGA's members strive to "Buy American" whenever possible. Over 90% of pipeline and components installed by APGA members in 2016 was American-made.

As government entities, however, APGA members are required to follow the procurement regulations of the government entity that owns each utility, e.g. towns, cities, counties, utility districts or other forms of local government. These procurement regulations may limit the ability of public gas systems to comply with any domestic sourcing plan developed by the Department.

In addition, since the vast majority of pipeline construction projects of public gas systems do not require federal permits there is limited opportunity for any federal domestic sourcing plan to reduce the permitting burdens for these pipelines.

Specific Comments:

Definition of "pipeline":

In its request for information the Department defined "pipeline" as follows:

"For the purposes of this notice the term "pipeline" refers to any conduit of pipe used for conveyance of gases, liquids or other products. The physical facilities include: Pipes, valves, fittings, connectors, and other iron and steel assemblies or apparatus attached to the pipe."

This definition is overly broad as it would include not only large interstate energy pipeline projects but also local natural gas distribution pipelines such as those operated by APGA members. It would include water and sewer pipelines as well. It would include in-home gas and water piping installed by plumbers. APGA urges the Department to limit the definition of pipelines subject to any federal domestic sourcing plan to only those pipelines that require federal permits for construction.

Response to questions:

APGA offers the following in response to the specific questions included in the notice.

- a. What is your role regarding U.S. pipelines?

The American Public Gas Association ("APGA") is the national, non-profit association of publicly-owned natural gas distribution systems. APGA was formed in 1961 as a non-profit, non-partisan organization, and currently has over 700 members in 37 states.

Overall, there are nearly 1,000 municipally-owned systems in the U.S. serving more than five million customers.

b. NAICS code(s)?

Most APGA members fall under NAICS Code 4924 for Natural Gas Distribution.

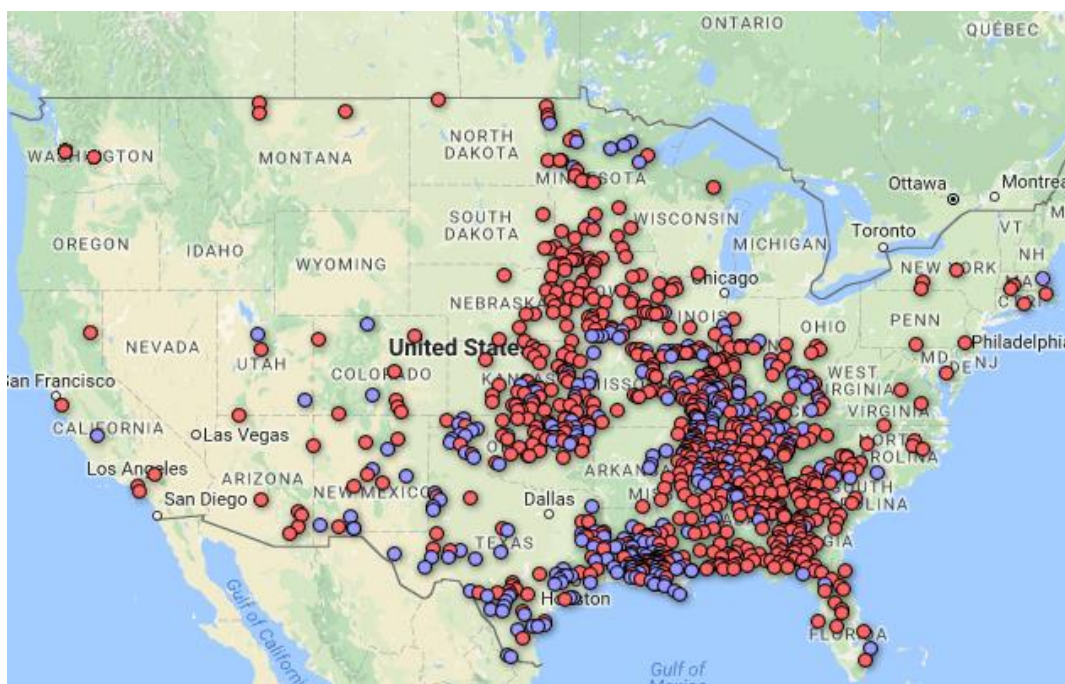
c. What types of pipelines does your company operate, construct, manufacture, or distribute?

According to annual reports filed with the US Department of Transportation (DOT), at the end of calendar year 2015, the latest year for which data is available, public gas utilities operate approximately 141,000 miles of distribution mains, 70% of which are plastic. Public gas utilities also operate 5.3 million service lines, 70% of which are plastic. A few public gas systems also operate approximately 5,400 miles of piping that is classified as transmission under the Pipeline and Hazardous Materials Safety Administration’s (PHMSA) regulations at 49 CFR Part 192. Most of these transmission lines are steel.

With few exceptions, these pipelines are strictly intrastate pipelines, and usually located within a limited geographic area, e.g. within the state in which they operate.

d. Where are your operations located?

APGA members operate in 37 states, predominantly in the South and Midwest. See the map below. Red dots are APGA members – blue dots are non-members.



e. How many employees?

Public gas utilities employ approximately 23,000 employees.

f. Approximate sales revenue?

According to Form 176 filed with the Energy Information Agency for 2015, the most recent year for which there is data, public gas utilities earned just over \$5 billion in gas sales revenue.

g. Approximately how many miles of pipeline did your company construct, repair, fabricate, or distribute in 2016?

According to a survey of APGA members APGA estimates that public gas systems installed approximately 1,200 miles of main in 2016, 90% of which was plastic and 10% steel. APGA also estimates that public gas systems installed approximately 100,000 service lines in 2016, 98% plastic and 2% steel. Assuming a typical service line length of 60 feet, 100,000 service lines would equal 1,137 miles of pipe.

1. In a few sentences, describe your assessment of U.S. pipeline demand (such as miles of pipeline planned for construction) for the next few years.

APGA expects the future demand for pipelines by public gas systems to be about the same as in 2016.

2. To what extent are your companies' pipeline materials sourced domestically? What factors influence this decision (price, quality, supply shortages, pipeline requirements, domestic sourcing requirements, etc.)?

Public gas systems are government entities, therefore public gas systems are subject to procurement requirements of the government body that owns the utility. Many, but not all, government procurement policies specify domestic sourcing whenever possible, however many government procurement policies also require competitive bidding and procuring piping and components from the lowest bidder. Over 90% of piping installed by public gas systems is plastic and plastic pipe is almost all domestically-sourced. Some components such as valves and regulators may be imported.

3. If applicable, please estimate your company's capacity to fabricate pipelines or steel for pipelines. What was your capacity utilization in 2016? If applicable, what factors prevented your company from operating at capacity?

Not applicable.

4. If applicable, please estimate in days or months' supply your existing inventories of pipe.

Not applicable.

What share of your inventory is fully produced in the United States?

Not applicable.

5. To what extent are materials other than iron and steel the primary materials used in your pipelines?

Over 90% of new distribution pipe installed in the United States by public gas utilities is polyethylene plastic.

6. To what extent is technology changing the material requirements and construction techniques in the pipeline industry?

APGA is not aware of any changes in material requirements or construction techniques that would impact the sourcing of piping or components used by public gas utilities.

7. If applicable, how many permits from a Federal agency are required for pipeline construction or repair? Which Federal agencies require permits and how long does it take to obtain them?

Most pipeline construction by public gas systems is subject only to state and local permitting. Construction of new service lines by public gas utilities typically requires no federal permits. On occasion, installation of a gas main by a public gas utility may require a permit from the Army Corp of Engineers for a water crossing, which may take anywhere from 6 weeks to over a year to obtain. For projects requiring a Corp of Engineers permit, the US Fish and Wildlife Service must certify that the project will not adversely affect any endangered species (whether actually formally listed as endangered, or even if they are just being monitored by the Service). This delays the permitting anywhere from a week to several years, depending on the answer.

8. Please describe in a few sentences how domestic content requirements would affect your operations.

For those APGA members that currently have "Buy American" policies a domestic content requirement would have no impact. Some members have reported higher costs and longer lead times when domestic sourcing has been required for piping relocated due to federal highway projects. These costs are passed on in the energy costs to the utility's customers.

Since most public gas systems have 5 or fewer employees, the recordkeeping and administrative cost of tracking the domestic content of piping and components could be burdensome.

APGA appreciates the opportunity to provide these comments on the Department's efforts to develop a domestic sourcing plan. Any questions concerning these comments should be directed to John Erickson, APGA Vice President, Operations (202-464-0834 or jerickson@apga.org).

A handwritten signature in black ink, appearing to read "Bert Kalisch". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Bert Kalisch, President and CEO