ENERGY TRANSFER

April 7, 2017

The Office of Policy and Strategic Planning
U.S. Department of Commerce
1401 Constitution Ave. NW
Room 5863
Washington, DC 20230

VIA E-GOV WEB SITE (http://www.regulations.gov)

Re: Docket No. DOC-2017-0002: Construction of Pipelines Using Domestic Steel and Iron

Dear Sir or Madam:

Per the notice of request for comments issued by the Office of Policy and Strategic Planning of the Department of Commerce ("DOC") and published in the March 16, 2017, issue of the *Federal Register*, 82 Fed. Reg. 13973, Energy Transfer Partners ("ETP"), on behalf of those of its affiliates that construct, operate and maintain natural gas and hazardous liquid transmission and gathering pipelines, submits the attached comments.

ETP is a Delaware Limited Partnership whose affiliates and subsidiaries operate many natural gas and hazardous liquid transmission and gathering pipeline systems, totaling approximately 70,000 miles that would be subject to these proposed restrictions. ETP offers the following attached comments for consideration. ETP hopes that DOC considers these comments in the spirit in which they are offered, to provide objective clarity to an issue that, while well-intended, would likely be unworkable and not in the best interests of pipeline safety and integrity.

ETP appreciates the opportunity to comment on this subject and is willing to work further with DOC in any appropriate forums to resolve the issues of concern. Please feel free to contact me for any further information regarding ETP's comments.

Respectfully submitted,

Eric J. Amundsen
Vice President, Technical Services

Energy Transfer Partners Comments

U.S. Department of Commerce, Office of Policy and Strategic Planning:

Construction of Pipelines Using Domestic Steel and Iron

Energy Transfer Partners ("ETP") offers the following comments on Request for Comments in Docket No. 170309252-7252-01 published in the Federal Register on March 16, 2017. The Notice contained two sets of questions, the first designated a – g and the second numbered 1 – 8. Those questions, their designations in the Notice, and the ETP responses are provided below.

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

a. Operation, and

b. Construction

b. NAICS code(s)?

486210 - Natural Gas Transportation,

486110 - Crude Oil Transportation,

486910 - Natural Gas Liquids Transportation,

211130 - Fractionating and other types of extracting

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

Natural gas and crude oil gathering and transmission and NGL (natural gas liquids) transmission

d. Where are your operations located?

Across the continental US; many states

e. How many employees?

Approximately 30,000

f. Approximate sales revenue?

$28,127,000,000

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

We constructed over 1,800 miles of pipeline in 2016.

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.**

   The January 2017 issue of Pipeline & Gas Journal reports 15,279 miles now under construction, with an additional 16,355 miles of new and planned pipelines. Our knowledge and experience give us no reason to doubt these mileages.

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.)?**

   Most pipe mills today are non-integrated mills. This means any given pipe mill may use steel produced in one or more facilities that may or may not be located in the same country. Therefore, the ratio of domestic to foreign steel production can be very different from the ratio of domestic to foreign pipe manufacture. Over the past few years, we have purchased approximately 1.3 million metric tons of pipe. The steel for this pipe and the finished pipe where produced as tabulated below.

	Steel	Pipe
US production	19%	67%
Other North American	35%	12%
Non-North American	46%	21%

   These sourcing and purchasing decisions are based upon price, quality, ability to meet specifications and ability to meet schedule.

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

   Not applicable. Energy Transfer maintains only a small inventory of pipe material for emergency use and does not inventory pipe for maintenance or growth related projects.

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

   Our use of plastic and fiberglass pipe is negligible compared to our use of steel pipe.

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

   Technology has not appreciably changed the material requirements or construction techniques in recent years. Mechanized girth welding and automated ultrasonic inspection of girth welds have been utilized in lieu of manual stick welding and radiographic inspection, particularly on larger projects, for several years.

   Refinement of steel chemistries and manufacturing/milling processes have provided higher strength pipe which can translate into lower bulk material or tonnage needed to provide an equivalent pipeline design and preservation of resources.

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?**

   FERC – up to 30 months for a 7C permit

   US Army Corps of Engineers

      Wetlands or water body crossings - 12 – 18 months

      USACE project crossing (dam, levee, etc.) – 6 – 18 months

      Water quality permit – 1 – 12 months

   US Fish and Wildlife Service – 1 – 18 months (could double if “take authorization” is required)

   EPA or state delegate

      Storm water discharge – 2 days – 6 months

      Hydrostatic test water discharge – 1 – 12 months

   National Historic Preservation Act clearance (delegated to SHPO) – 1 – 18 months

   Coastal Zone Consistency determination (delegated to state environmental office) – 1 – 18 months

   National Marine Fisheries Service – NA – 12 months

   US National Park Service – NA – 6 months

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

Such requirements would be expected to have a significant adverse impact on project execution schedules. When we purchased pipe for three projects domestically, we in effect consumed the entire domestic capacity and potentially impacted other proposed pipeline projects and their ability to procure within the domestic market. If the US pipeline industry were constrained to only domestic steel and pipe mills, we do not believe the domestic producers have sufficient capacity. This has been evident in past years when construction activity was moderately high. The impacts of such a restriction are expected to severely delay project schedules, drive up costs, decrease availability, and lower quality.

In general we believe such a restriction or mandate should be thoughtfully crafted so that it sufficiently considers the best interest of public safety, the reliability of pipeline facilities and the financial interests of shareholders or unitholders, ratepayers and employees. The domestic suppliers do not by any stretch have monopolies on or even distinct advantages in quality, cost or delivery performance. Pipeline operators have been and will continue to be responsible for specifying and obtaining pipe and pipeline components that meet quality requirements, and the operators have a fiduciary responsibility to their partners, shareholders or unitholders, ratepayers and employees to not spend more than is reasonably necessary to meet those requirements. We have seen enough instances of non-North American providers supplying high quality products with more stringent requirements on time at competitive prices and with few quality issues arising during production to resist the exclusion of these suppliers from our projects. There are also instances where the lack of domestic mill capabilities for special applications such as low temperature, sour service, and thicker wall requirements, has made non-North American mills the only viable suppliers. Notwithstanding, and as tabulated above, we have, in fact, sourced a high percentage of our pipeline materials from the US and from North America.

Additionally, a large portion of the cost of a new pipeline is the construction cost. Construction of US pipelines is performed almost exclusively by US contractors employing US workers. There currently exists a good balance that demonstrates both fiscal and safety responsibility and keeps a high proportion, but not all, of our capital expenditures in the US and North America.

In conclusion, regulatory proposals and directives should be given careful consideration by utilizing data-driven, scientifically-supported feedback from multiple sources.