

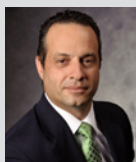


# IN THE PIPELINE

TEXAS PIPELINE ASSOCIATION NEWSLETTER

WINTER 2018

## FROM THE CHAIRMAN



Welcome to the Winter 2018 issue of *In the Pipeline*, the e-newsletter of the Texas Pipeline Association.

As I am sure you are fully aware, the cooperative efforts of our pipeline and industry partners were successful in convincing the 85th Texas Legislature of the importance of eminent domain rights to enable us to conduct our business and provide the conduit for the energy that meets the needs of both the state and the country. Our collaborative efforts to support our industry, as well as our ability to act prudently and fairly, were well received. Your participation helped enormously. We expect this important topic to again be a significant item on the 2018 agenda. Your assistance educating the legislature, emphasizing best practices and providing the information we need, will be invaluable to our efforts.

We are also working to ensure the new T-4 fee will be equitable and the fees collected will go to improved pipeline safety at the Railroad Commission of Texas. Phil Gamble has kindly contributed an update on this effort. We also have the primary elections in March. Our pipeline safety and environmental committees continue to work with regulators for the betterment of industry. ERCOT has again asked for TPA's support in implementing its Black Start plan, which we will hear more on from James Mann.

In closing, thank you to all our contributing authors. I hope you enjoy and benefit from the topics covered in this issue.

John Loiacono, Enbridge Energy Company  
Chairman, Texas Pipeline Association

## A MESSAGE FROM RAILROAD COMMISSION OF TEXAS CHAIRMAN CHRISTI CRADDICK



As the Chairman of your Railroad Commission, I am proud of the work we have done to ensure Texas remains the top energy state in the country.

I am excited to share with you my decision to run for re-election in 2018 to continue to guide the efficient, effective regulation of Texas' important energy sector and our state's long-term energy success.

When I was thinking about running for Railroad Commissioner in 2011, one of

the main reasons I ultimately decided to run was that I wanted to be a part of the team that would help bring the agency into the 21st century. Starting on day one at the Commission, I made this a top priority.

Throughout my term, that has meant bringing more of our data online, addressing dire needs related to information technology infrastructure and finding efficiencies in our rules and processes. These accomplishments have allowed us to do our job better, saving time and

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## IN THIS ISSUE

Message from the New Chairman	1
Message from the RRC Chairman	1
Message from the President	2
RRC Considering Changes to Rules & Fees	2
Black Start Program	3
Texas Legislative Committee Report	3
News Briefs	4
New Members	4
TPA Calendar	4



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## MESSAGE FROM THE PRESIDENT



Friends,

Greetings and Happy New Year from the Texas Pipeline Association! As we embark on the task of having an effective and positive 2018, I want to thank all our member companies for contributing to a very successful 2017! Because of your support, TPA was a leading voice during the 2017 legislative regular and special sessions on pipeline and midstream issues. We were also able to file numerous comments with state and federal regulators on pipeline safety and environmental initiatives and we actively participated in events and conferences to educate and promote the pipeline industry to policymakers and the public. These things would not have been possible without your and your employees' commitment to TPA! Your efforts have certainly benefited our industry and I truly cannot be more grateful!

As we begin the new year, we must continue to build on our momentum. As you know, TPA and other like-minded industry groups were able to join together to stop legislation that would have had a negative impact on the ability to build infrastructure in the state. We successfully presented a snapshot of data, which illustrated that condemnation is never a preferred process, and in fact, the pipeline industry successfully negotiates with landowners 96 percent of the time. Furthermore, we showed that less than 1 percent of condemnations ever went to court. These are powerful facts that show our industry respects landowners and negotiates with them in a fair and equitable manner. It is imperative that our industry continues to build on this record. TPA will once again be collecting data to share this positive message.

As we have seen, the new year has thus far been good to the overall energy industry. While the industry can be optimistic of future opportunities, it must also remain diligent in tackling the challenges the opposition will certainly bring forward. Over the interim, TPA will be monitoring interim legislative charges and issues important to the industry and communicating the value of the pipeline industry to the State of Texas and its citizenry. It will also be beneficial to grow our ranks in the association as there is always power in numbers. To that end, if there is a company you feel may benefit from membership in TPA, please contact our office so we may share all of what TPA and our member companies have to offer.

Thank you for your ongoing support. I wish you and yours a happy and prosperous 2018!

All my best,  
Thure Cannon



## RAILROAD COMMISSION CONSIDERING CHANGES TO RULES AND FEES; TPA WEIGHED IN

By Phil Gamble, The Law Office of Phil Gamble

The Sunset Bill authorized the Railroad Commission of Texas (RRC) to establish pipeline safety and regulatory fees for permits or registrations for pipelines under the jurisdiction of the pipeline safety and regulatory program. The RRC is authorized to collect fees in an amount sufficient to support all pipeline safety and regulatory costs. The RRC staff calculated that it will need to collect approximately \$4 million in pipeline safety and regulatory fees for 2017/18. The RRC will be conducting a rulemaking for the purpose of modifying Statewide Rule 70 (Pipeline Permits Required - Form T-4) to assess the fees.

RRC Rule 70 was last amended in March 2015, requiring pipeline operators to submit

documentation supporting classification as either a common carrier, gas utility or private line. The amendments to Rule 70 under consideration by the RRC staff would not modify the current permit classification process.

The RRC staff has not released the text of any proposed rule but it did host a workshop in Austin on Nov. 28 to discuss concepts of the proposed rulemaking and solicit input from stakeholders. At the workshop, Wei Wang, RRC CFO and interim executive director, outlined the pipeline safety 2017/18 budget, which is approximately \$14 million. The RRC receives approximately \$5 million from PHMSA. LDCs pay a \$1 per service line fee to the RRC, which generates approximately \$5 million. The \$4 million necessary to complete the budget will be generated from the pipeline safety and regulatory fee.

Next, Kari French, RRC oversight and safety division director, presented statistics on the Pipeline Safety Division, as well as an overview of the proposed changes to Rule 70 and the pipeline permitting process. There are approximately 4,600 active T-4s representing 1,327

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## BLACK START PROGRAM SEES ELECTRIC AND GAS INDUSTRY WORKING TOGETHER TO RESTORE GRID IN AN EMERGENCY

By James Mann, Duggins Wren Mann & Romero, LLP

**B**lack Start, a program whose name is derived from its intent, brings the ERCOT grid back online if the electric grid, or large segments of it, goes dark. Power plants are selected by ERCOT to participate in the program, with generation units divided into two main groups, Black Start and Next Start.

In the event of a grid failure, Black Start units are brought online first. These units are typically small, gas-fueled units that can generate the electric energy needed for startup on site. Next Start units are typically larger gas-fueled generators that are initially energized by the Black Start units. Next Start units create “islands” of restored power that start energizing generators at other grid locations until all necessary generation units are back in operation and the lights are back on statewide.

Transmission operators train for the task by using simulators that start with the state going dark. Black Start units, which in the simulation look like small islands of power, light up first then create a power pathway to Next Start units. Next Start units create larger islands of power and pathways to other generators on the grid until power is restored to the entire grid.

Observing the simulations makes it apparent just how difficult overcoming a grid failure can be. If the electric load is not kept in balance with the amount of energy generated as each circuit is opened, the generators can trip off, causing that island to go black, followed by successive connected islands that can eventually take the whole grid down. As difficult as it is when using the simulators, the reality is a lot more complicated because the simulations assume all the gas supply that is needed will be available.

The electric/gas working group for the Black Start program was created after the 2011 winter power outages, which showed that gas supply providers needed to be part of the planning process. Some generation units in 2011 had equipment failures following a widespread and prolonged freezing event. However, other generation units encountered natural gas supply disruptions, some of which were due to power disruptions at the pipeline facilities that are necessary to transport the gas.

No matter the cause, the 85th Texas Legislature held hearings

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## TEXAS LEGISLATIVE COMMITTEE REPORT

By Michael Garcia, Bill Messer, PC

### HOUSE ENERGY RESOURCES COMMITTEE

On Dec. 12, 2017, the House Energy Resources Committee met to discuss the following interim charges:

1. Evaluate the impact energy exploration and production have on state and county roads and make recommendations on how to improve road quality in areas impacted by these activities.
2. Examine how state policies may facilitate investment in public infrastructure and workforce development in the Permian Basin region to support the anticipated growth in industry activity and population, and capture the full economic potential of the region.
3. Monitor the agencies and programs under the committee's jurisdiction and oversee the implementation of relevant legislation passed by the 85th Texas Legislature.

Witnesses included representatives of the Texas Independent Producers & Royalty Owners Association, Texas Royalty Council, American Royalty Council, Texas Alliance of Energy Producers & Panhandle Producers, MOTRAN Alliance, Inc., Permian Road Safety Coalition, Midland College, Parsley Energy, Odessa College and University of Texas Permian Basin.

### HOUSE LAND AND RESOURCE MANAGEMENT COMMITTEE

On Dec. 20, 2017, the House Land and Resource Management Committee met to take up its interim charge to review the General Land Office's role and efforts during the recovery period following Hurricane Harvey; examine the state's readiness and protocols in response to storm-related natural disasters; provide an assessment of public lands; and make recommendations on future and ongoing mitigation strategies regarding state assets.

This same committee is charged with studying eminent domain-related issues. We fully expect to have a hearing on this issue later this year.

### UPCOMING HEARINGS

#### Jan. 30

The Senate Finance Committee will discuss the Texas Emission Reduction Plan. Specifically, members will review the Texas Emission Reduction Plan (TERP) and its economic benefits to the state. The committee will examine whether or not the state's investment in TERP, including transfers from the Department of Transportation, is being effectively utilized to comply with federal air quality standards, reduce pollution and protect the public



TPA hosted more than 150 members and guests in Houston on Jan. 12 at its annual meeting luncheon, which featured a keynote address by RRC Chairman Craddick. From left to right: TPA President Thure Cannon, RRC Chairman Craddick and TPA Chairman John Loiacono.

### JOHN LOIACONO ELECTED CHAIRMAN OF THE TEXAS PIPELINE ASSOCIATION

AUSTIN, Texas [Jan. 16, 2018] – John Loiacono, director of commercial services for the Enbridge Energy Company, Inc., has been elected chairman of the Texas Pipeline Association (TPA). TPA is the largest state trade association in the country that solely represents the interests of the intrastate pipeline network. The association made the announcement last Friday at its annual meeting, held at the Hilton DoubleTree Hotel in downtown Houston.

“I look forward to working closely with John Loiacono as the new chairman of TPA,” said TPA President Thure Cannon. “John’s vast experience will be an asset in the year ahead as we face the growth and challenges of the very dynamic oil and gas industry. I would also like to thank our outgoing chairman, James A. Cisarik, for leading the association with such distinguished integrity and determination. His service to the association has proved invaluable.”

Loiacono has more than 27 years of experience in petroleum production and natural gas gathering, processing, treating and transmission. In his current role, he is responsible for gas marketing, scheduling, transportation services, gas control and business fundamentals related to Enbridge’s U.S. Gas Gathering and Processing Services division. He has previously served Enbridge as vice president and director of commercial activity. Before joining Enbridge in 2000, John served as an asset optimizer for Midcoast Energy, as well as senior asset manager for MCNIC Pipeline & Processing Company. He has also worked in various roles at Delhi Gas Pipeline Corporation, Santa Fe Minerals and Texas Oil & Gas Corporation. He holds a Bachelor of Science in petroleum engineering from the University of Missouri-Rolla and an MBA from Oklahoma City University.

“I am certainly looking forward to working on the issues facing our industry during this time of unprecedented energy growth in our state,” said Loiacono. “The Texas Pipeline Association has a strong membership and is well positioned to meet these challenges.”

In a recent [Bulwark’s Oil & Gas Industry Leaders podcast](#), Thure Cannon discusses the importance of the state’s oil and gas industry, as well as his journey from working at the Texas Legislature to becoming president of TPA.

### DR. HONEYCUTT APPOINTED CHAIR OF EPA’S SCIENCE ADVISORY BOARD

In the announcement that was released in November, the Texas Pipeline Association (TPA) and the GPA Midstream Association (GPA) congratulated Dr. Michael Honeycutt on his appointment as chair of the EPA’s Chartered Science Advisory Board (SAB).

Said Thure Cannon, president of TPA, “This is an excellent appointment. Dr. Honeycutt’s years of service to the state have provided him with broad familiarity of the scientific and regulatory issues affecting the energy industry.”

Both TPA and GPA have direct experience working with Dr. Honeycutt in his capacity as the chief toxicologist for the Texas Commission on Environmental Quality (TCEQ). He has consulted with member companies on regional air quality issues, including challenges presented by the impacts from emissions due to the production of oil and gas in the Barnett Shale Region, as well as on the potential health benefits of a lower ozone National Ambient Air Quality Standard.

“It’s great to see the SAB reforms that Administrator Pruitt has made,” said Mark Sutton, president of the GPA Midstream Association. “Having Dr. Honeycutt as SAB chair not only places someone on the board who is familiar and knowledgeable about the midstream industry, but also provides some much-needed regional diversity.”

Cannon and Sutton cited Dr. Honeycutt’s demonstrated expertise and balanced judgement, combined with his commitment to applying a rigorous scientific approach toward evaluating environmental issues, as qualities that make him a uniquely qualified candidate for service on the SAB.

### WELCOME NEW MEMBERS Buckeye Partners, L.P.

### 2018/2019 TPA BOARD MEETING DATES

Thursday, April 12	San Antonio
Friday, July 13	Lost Pines
Thursday, Oct. 11	Plano
Friday, Jan. 11, 2019	Houston

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