

DOT Pipeline Safety Forum

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***Panel 2: Financial Challenges to the
Liquid Petroleum Pipeline Industry***

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Integrity Costs

- Integrity costs have been substantially more than originally estimated
- Results are based on survey of entities that operate ~ 75% of PHMSA regulated miles
- From 2004-2009, these liquid pipeline operators reported
 - ~ \$2.7 billion was spent on pipeline integrity management activities
 - Nearly \$600 million on integrity management related to pipeline-owned tankage.

- R&D activities are supported by both individual companies and by associations
- PRCI funding by the Liquid Pipeline industry
 - Includes ~ [39] member companies
 - Resulted in ~ \$39 million in funds for R&D efforts over the last 5 years
- Liquid Pipeline industry user fees support R&D
 - Federal user fees total more that \$17 million per year
 - Supplemented by State user fees

Regulatory Costs

- Liquid Pipeline tariffs are adjusted annually by the FERC based on annual changes to a PPI related Index
- Liquid Pipelines do not recover safety expenditures through cost-of-service rate filings
- The FERC Index is a lagging indicator, intended to reflect the historical impact of industry-wide costs in setting future rate changes
- The Indexing methodology is reviewed every 5 years
- Its critical to have a rate methodology that the industry can rely upon when making significant investments