

(1) Has substantial direct effects on the States, the relationship between the national government and the States, or the distribution of power and responsibilities among the various levels of government;

(2) Imposes substantial direct compliance costs on States and local governments; or

(3) Preempts state law.

Therefore, the consultation and funding requirements of Executive Order 13132 (64 FR 43255; August 10, 1999) do not apply. Nevertheless, in November 18–19, 1999, and in February 12–14, 2001 public meetings, RSPA/OPS invited National Association of Pipeline Safety Representatives (NAPSR), which includes State pipeline safety regulators, to participate in a general discussion on pipeline integrity. Since then, RSPA/OPS has held conference calls with NAPSR, to receive their input before proposing an HCA definition and integrity management rule.

#### Executive Order 13211

This rulemaking is not a “significant energy action” within the meaning of Executive Order 13211 (“Actions Concerning Regulations That Significantly Affect Energy Supply, Distribution, or Use”). It is a significant regulatory action under Executive Order 12866 because of its significant public and government interest. As concluded from our Energy Impact Statement below it is not likely to have a significant adverse effect on the supply, distribution, or use of energy. Further, this rulemaking has not been designated by the Administrator of the Office of Information and Regulatory Affairs as a significant energy action.

#### Summary of the Energy Impact Statement

(For a detailed Energy Impact Statement, please refer to Docket RSPA–00–7666)

RSPA/OPS is currently proposing regulations to assess, evaluate, remediate, and validate the integrity of natural gas transmission pipelines through comprehensive analysis and inspection of pipeline systems. The proposed rule applies to all gas transmission lines, including lines transporting petroleum gas, hydrogen, and other gas products covered under 49 CFR Part 192.

In compliance with the Executive Order 13211 (66 FR 28355), RSPA/OPS has evaluated the effects of proposed rule on energy supply, distribution, or use. RSPA/OPS has determined that this proposed regulatory action will not have

significant adverse effects on energy supply, distribution, or use.

The proposed rule will not have any significant impact on the wellhead production capacity or prices. The proposed rule affects natural gas transmission lines in high consequence areas (HCAs) and has no effect on the wellhead production capacity or prices. The proposed rule does not impact gathering lines and offshore transmission lines, and has limited effect on the onshore transmission lines that are not located in the HCAs. Therefore, the proposed rule will have no significant impact on natural gas production or wellhead prices. RSPA/OPS estimates that the proposed rule will directly affect 42,268 miles of transmission lines in a network of 300,000 miles of transmission lines, as well as 900,000 miles of distribution lines. Therefore, a relatively small proportion of pipelines will be affected by the proposed rule.

The proposed rule may affect the movement of natural gas in certain areas during integrity inspection. Inspection requirements may temporarily affect transportation capacity in some pipelines. Built-in redundancies, such as, loop lines, multiple lines, storage facilities, are part of natural gas transportation infrastructures. The intricate interconnections between pipelines, the availability of storage at the market centers, and a well-developed capacity release market all contribute towards meeting natural gas demand with efficient movement of supply. Most inspections can be conducted without any significant disruption of throughput especially during off-peak seasons.

The proposed rule may not have any significant price effects on end-use consumers. In general, inter-fuel competition and gas-storage availability play significant roles in short-term price determination in U.S. because of extensive fuel switching capability in industry and power generation and the existence of a sizable storage capacity. Weather is the other significant player determining the spot market prices. Transportation cost only accounts for a small proportion of the cost paid by the end-users. The pipeline capacity reduction due to the proposed integrity rule may to a large extent be pre-planned and the market would have time to adjust for the reduction, minimizing shortages and avoiding short-term price increases.

However, because the percentage of assessments that the industry maintains will be done by internal inspection, much more than 42,268 miles of pipeline cited earlier may in fact be

assessed. The reason for this is because internal inspection devices are inserted and removed from the pipeline segment near compressor stations which are up to 50 miles apart. The HCAs may be only a few miles of this entire 50 mile section. The industry maintains that 50% of all lines or approximately 150,000 miles of all gas pipelines will be internally inspected. If this is correct then, temporary impact on local gas supplies may be realized. While RSPA/OPS did not estimate the size of such temporary impacts it could lead to small changes in natural gas prices for certain areas on the spot market. Notwithstanding possible temporary price fluctuations in the spot market, RSPA/OPS believes the proposed regulation will not significantly impact the overall energy supply, distribution, and use.

#### Unfunded Mandates

This proposed rule does impose unfunded mandates under the Unfunded Mandates Reform Act of 1995, because it may result in the expenditure by the private sector of 100 million or more in any one year. The cost-benefit analysis estimating yearly cost for operators to meet the proposed rule requirements has been placed in the docket. State regulators have participated in our meetings with the industry and research institutions on various integrity management issue discussions and have provided recommendations during our meetings and conference calls. We believe it is the least burdensome alternative that achieves the objective of the rule, because it gives options to industry on how to implement the rule.

#### National Environmental Policy Act

We have evaluated the proposed rule for purposes of the National Environmental Policy Act (42 U.S.C. 4321 *et seq.*) and have preliminarily concluded that this action would not significantly affect the quality of the human environment. The Environmental Assessment determined that the combined impacts of the baseline assessment (pressure testing, internal inspection, or direct assessment), the periodic reassessments, and the additional preventive and mitigative measures that may be implemented for gas pipeline segments that could affect high consequence areas will result in positive environmental impacts. The number of incidents and the environmental damage from failures near high consequence areas is likely to be reduced. However, from a national perspective, the impact is not expected to be significant.