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BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

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IN THE MATTER OF: : Docket Number:  
TRANSWESTERN PHOENIX : CP06-459-000  
EXPANSION PROJECT :  
- - - - -x

Albins Civic Center  
Black Canyon  
Community Association  
19055 East K-Mine Road  
Black Canyon City, Arizona

Tuesday, June 5, 2007

The above-entitled matter came on for scoping  
meeting, pursuant to notice, at 7:12 p.m.

BEFORE:  
DOUG SIPE, FERC

## P R O C E E D I N G S

(7:12 p.m.)

MR. SIPE: Good evening. On behalf of the Federal Energy Regulatory Commission, referred to as FERC, I would like to welcome you all tonight. This is a public comment meeting on the draft Environmental Impact Statement for Transwestern Pipeline Company's proposed Phoenix Expansion Project. Let the record show that the public comment meeting began at 7:12 p.m. on June 5, 2007.

My name is Doug Sipe and I am the FERC project manager for this project. Mark Mackiewicz, sitting to the far right here, is the Bureau of Land Management National Project Manager. Directly to my right is Ron Reineke, a regional community assistant and Technical Services CAT's manager. He works with the Pipeline and Hazardous Material Safety Administration, PHMSA, who used to be known as Office of Pipeline Safety.

I'll describe the roles of the agencies in a minute and a bit later Mark and Ross will expand on the roles of their respective agencies. Bill Braun, on my left, and Amy Davis you met at the sign-in table. They are with NRG. They're the ones that helped us write this nice, thick phone book called a draft Environmental Impact Statement.

1           The FERC is an independent agency that regulates  
2           the interstate transmission of electricity, natural gas and  
3           oil. FERC reviews proposals and authorizes construction of  
4           interstate natural gas pipelines, storage facilities and  
5           liquified natural gas terminals as well as licensing and  
6           inspecting of hydroelectric projects. The purpose of the  
7           Commission is to protect the public and energy customers and  
8           assuring that regulated energy companies are acting within  
9           the law.

10           We are located in Washington, D.C. If you guys  
11           are familiar with that area, we're just north of the United  
12           States Capitol, Union Station, the big train station in D.C.  
13           We're right down the street from those guys. FERC has up to  
14           five commissioners who are appointed by the President of the  
15           United States with advise and consent of the Senate.  
16           Commissioners serve five-year terms and have equal vote on  
17           regulatory matters. One member of the Commission is  
18           designated by the President to serve as our chair and FERC's  
19           administrative head.

20           FERC has approximately 1200 staff employees. I'm  
21           a part of the staff and we do our recommendations, we send  
22           those upstairs and that's part of what they make their vote  
23           on. Chairman Joseph T. Kelliher is right now our chairman.  
24           You guys may be familiar with Commissioner Mark Spitzer.  
25           He's from this area. He became a commissioner I think about

1 a year ago with us. He used to work in the Arizona areas --  
2 just a little background. The FERC is the lead federal  
3 agency responsible for the National Environmental Policy  
4 Act, review of the Phoenix Expansion Project and the lead  
5 agency for the preparation of the EIS.

6 NEPA requires FERC to analyze the environmental  
7 impacts, consider alternatives and provide appropriate  
8 mitigation measures on proposed projects. The BLM, the  
9 Forest Service, the Pipeline and Hazardous Materials Safety  
10 Administration, the Bureau of Indian Affairs and the Navajo  
11 Nation are participating as cooperating agencies in the  
12 preparation of the EIS.

13 This meeting is a joint agency public comment  
14 meeting and I can only thank the amount of cooperating  
15 agencies we have and without the cooperating agencies -- I  
16 know there is some staff here from BLM -- we wouldn't get  
17 very far. They provide a lot of good input for us.

18 The purpose of tonight's meeting is to provide  
19 each of you with the opportunity to give us your comments on  
20 the draft EIS and for us to answer any questions you may  
21 have regarding the proposed Transwestern Project. This  
22 meeting is a little bit different than the scoping we had  
23 here in March of 2006. That was in the pre-filing process  
24 of the project. That was before they filed an application.  
25 That's what a scoping meeting -- that's a NEPA term. That's

1        what it's called. Tonight is a comment meeting on the draft  
2        Environmental Impact Statement. We will also take your  
3        questions and any concerns you may have concerning the  
4        project.

5                    It would help us the most if your comments are  
6        specific as possible regarding the proposed project and the  
7        draft EIS> If you wish to speak tonight, there's a  
8        speaker's list over there at the table, which is pretty well  
9        empty right now. But it's a small crowd. A lot of times we  
10       have a speaker's list because we do have a lot of speakers  
11       and we try to get them in order. But if you guys, after I'm  
12       done and after the cooperating agencies are done giving  
13       their spill and the company, if you guys have any questions  
14       or anything, just let me know and you'll need to come up to  
15       the microphone and you can speak.

16                   If you do not wish to speak, there are blue  
17        handouts over on the table that provide instructions to make  
18        it easy for you to send written comments into us. The  
19        speaker's list and the handouts are both with Amy at the  
20        sign-in table.

21                   During our review of the project we assembled  
22        information from a variety of sources, including  
23        Transwestern, you the public, other state, local and federal  
24        agencies and our own independent analysis and field work.  
25        We analyzed this information and prepared a draft EIS that

1 was distributed to the public for comment. A notice of  
2 availability of the draft EIS was issued for the project on  
3 April 27, 2007.

4 We are in the midst of a 45-day comment period on  
5 the draft EIS. The formal comment period will end on June  
6 18, 2007. It is during this period that we receive comments  
7 on the draft EIS and all written comments received during  
8 this time period or verbally tonight will be addressed in  
9 the final EIS. So basically what happens is we first issue  
10 a draft. This draft comes out to you guys and all of our  
11 stakeholders in the project. Or you may have received a  
12 little CD. The same thing. It's a lot less weight. It  
13 saves the government a lot of money.

14 After the comment period and after we have a  
15 chance to go over all the comments, we will put out a final  
16 Environmental Impact Statement. After the final  
17 Environmental Impact Statement goes out the street, there's  
18 usually a cooling off period. That's what we call it at the  
19 Commission and then the Commission will vote to approve or  
20 deny the project.

21 The 45-day comment period is a NEPA comment  
22 period. That is not to say we will not take comments after  
23 that time, but we ask for them as soon as possible in order  
24 to give us time to analyze and research the issues to  
25 provide adequate response.

1           I would like to add that the FERC strongly  
2 encourages electronic filing of any comments. The  
3 instructions for this can be located on our website at  
4 [www.FERC.gov](http://www.FERC.gov) under the e-filing link and the blue handouts  
5 at the sign-in table with Amy also tell you how to file  
6 comments electronically, plus there's a nice little brochure  
7 on how handle e-filing. E-Subscription at FERC I always  
8 like to go over. That's a nice tool that we offer. You can  
9 e-subscribe to this project and you'll get e-mails daily now  
10 most likely on this project. Every time there's something  
11 filed under the record you will ge an e-mail sent to you and  
12 you can click on it or you can delete.

13           If you received a copy of the draft EIS, paper or  
14 CD, you will automatically receive a copy of the final EIS.  
15 If you did not get a copy of the draft and would like to get  
16 a copy of the final, please sign in on the attendance list  
17 and provide us your name and address and we'll make sure we  
18 get you a copy of the final EIS. We do have extra copies of  
19 the draft if anybody would like to have one of those. We  
20 have some extra CDs and such over there. We don't actually  
21 have the extra copies with us tonight, but we can get you  
22 guys a copy. They were sent out last week. They're not  
23 here yet.

24           The EIS is not a decision document. It is being  
25 prepared to advise the Commission and to disclose to the

1 public the environmental impact of constructing and  
2 operating the proposed project. When it is completed, the  
3 Commission will consider the environmental information from  
4 the draft EIS, along with the non-environmental issues such  
5 as engineering, markets and rates in making its decision to  
6 approve or deny a certificate, which would be FERC's  
7 authorization for this project.

8           There is no review of FERC's decision by the  
9 President or Congress, maintaining FERC's independence as a  
10 regulatory agency in providing for fair and unbiased  
11 decisions. If the Commission votes to approve the project  
12 and a certificate of public convenience and necessity is  
13 issued, Transwestern will be required to meet certain  
14 conditions as outlined in the certificate. Those conditions  
15 are in the draft Environmental Impact Statement right now.  
16 There are approximately 35 of them. You can take a look at  
17 those. It's basically the conditions that goes at the end  
18 of the certificate that we issue that the companies have to  
19 abide by. Most likely that number will change. It will  
20 most like decrease because in a draft we require these guys  
21 to do a lot of stuff before we issue the final and before  
22 the Commission votes on the project.

23           FERC environmental staff will monitor the project  
24 through construction and restoration, performing daily on-  
25 site inspections to ensure environmental compliance with the

1 conditions of the FERC certificate if this project is  
2 proposed.

3 Our cooperating agencies will use the final EIS  
4 in support of their permitting efforts. Mark Mackiewicz  
5 with the BLM and Ross Reineke with PHMSA will now speak to  
6 you about their respective roles on the EIS process.

7 Mark?

8 MR. MACKIEWICZ: Good evening. My name again is  
9 Mark Mackiewicz. I'm a national project manager with our  
10 Washington, D.C. Office. The Bureau of Land Management is  
11 the lead federal agency with the responsibility of issuing  
12 rights-of-way across all federal lands. This includes lands  
13 managed by the Bureau of Land Management, Bureau of  
14 Reclamation as well as the National Forest System and lands  
15 managed by the United States Forest Services, specifically,  
16 the Prescott National Forest and the Kaibab National Forest.  
17 This project is within the jurisdiction of BLM's Phoenix  
18 District Office, including the lower Sonoran field office as  
19 well as the Hassayampa field office. In addition, it will  
20 cross lands within the jurisdiction of the Farmington field  
21 office in New Mexico.

22 And as Doug has mentioned, we are a cooperating  
23 agency in the preparation of the draft Environmental Impact  
24 Statement. We, as an agency, have independently evaluated  
25 the content of this document in support of our decision to

1 either approve or disapprove a right-of-way for the project.

2 Again, the purpose of this meeting is to solicit  
3 your comments as to the adequacy of the draft Environmental  
4 Impact Statement and to determine whether we have adequately  
5 both the physical as well as the human impacts to the  
6 environment. Thank you.

7 MR. REINEKE: Good evening. My name is Ross  
8 Reineke. I'm with the Office of the Pipeline and Hazardous  
9 Materials Safety Administration. We are part of DOT. We're  
10 also known as the Office of Pipeline Safety, OPS.

11 I would like to thank Doug Sipe for inviting me  
12 to this public comment meeting. Given the concerns of the  
13 public with respect pipeline safety, my purpose at this  
14 meeting is to assure you that if the pipeline receives a  
15 favorable review from FERC, the Office of Pipeline Safety  
16 will maintain a continual regulatory watch over the pipeline  
17 from its construction to it's testing and for the entire  
18 operational life of the pipeline.

19 This regulatory oversight will consist of  
20 measuring the operator's performance to ensure that the  
21 pipeline is constructed of suitable materials, that it is  
22 welded in accordance with industry standards, that the  
23 welders themselves are qualified to join the pipeline, that  
24 the pipeline is installed to the proper depth, that it is  
25 coated to assure effective cathodic protection from

1 corrosion, that the backfill is suitable and that the  
2 pipeline is properly tested upon completion to ensure that  
3 it can hold the pressures that the operator requires to  
4 transport the natural gas.

5 Beyond the construction process, the Office of  
6 Pipeline Safety conducts inspections periodically over all  
7 aspects of the operations and maintenance of the pipeline.  
8 The operator must have a written plan in place to instruct  
9 its personnel and to relate to federal inspectors exactly  
10 what testing or monitoring is done and the frequency. In  
11 addition, if the testing or monitoring prompts a response or  
12 a corrective action, the operator must detail his process to  
13 address problems.

14 Beyond the routine functions that have for  
15 decades been the baseline for operations and maintenance,  
16 OPS has in the past few years implemented new initiatives to  
17 ensure pipeline safety. At the forefront is the integrity  
18 management program. This program was published in the  
19 Federal Register December 15, 2003. It requires operators  
20 to identify high consequence areas (a class 3 or class 4)  
21 area or other areas with specified population density  
22 concentrations or buildings of assembly or buildings housing  
23 confined or impaired persons.

24 The Integrity Management Plan, IMP, mandates that  
25 operators rely not on spot checks, but on a comprehensive

1 understanding of its pipelines using established risk  
2 assessment methods combined with emerging technology. The  
3 attempt is to find critical defects and repair them before a  
4 failure occurs. The plan is continual, implementing up-to-  
5 date mapping techniques, hydrostatic testing, in line  
6 inspection of the pipeline, verification of the ILI, and  
7 additional steps to assure that the pipeline has a real time  
8 file with any anomalies documented and tracked. To measure  
9 the effectiveness of its integrity management plan,  
10 operators are required to measure performance through a  
11 variety of measurements including test excavations.

12 Another initiative relevant to this meeting is  
13 public awareness. Last year, a standard was adopted as  
14 regulation API RP1162. The standard requires operators to  
15 identify persons affected by the pipeline in a community; to  
16 inform the public about recognizing leaks and taking  
17 appropriate action; and to evaluate the effectiveness of the  
18 program. RP 1162 establishes lines of communication and  
19 information sharing with the public, excavators, emergency  
20 responders, and local officials. Operators have prepared  
21 their written plans to comply with the standard, which was  
22 implemented in October 2006.

23 The initiatives that I have described are a  
24 sampling of what PHMSA/OPS does. The Western region of  
25 PHMSA inspects interstate operators in 12 western states.

1 If procedures are not adequate, or if an operator is not  
2 following its procedures or prescriptive regulatory  
3 requirements, PHMSA is authorized to seek punitive action in  
4 the form of remedial action, civil penalties, which is a  
5 frequent practice, and even criminal action. The authority  
6 is granted by Congress and the agency is responsible to  
7 Congress for the execution of its mandates.

8 I hope that the preceding has been informative.  
9 PHMSA's mission is pipeline safety and we want to assure the  
10 public that pipeline safety to all stakeholders is our  
11 number one goal. Thank you.

12 MR. SIPE: Thank you, Ross. We appreciate that.

13 I would like to point out to the audience that  
14 there are TransWestern representatives here to answer your  
15 questions and they have brought detailed maps of the project  
16 and of the pipeline route. I would appreciate you talk to  
17 them after the formal part of this meeting is over. I saw  
18 some people back there before the meeting started and after  
19 the formal part of this meeting have at it and we're going  
20 to be here actually after that, too.

21 Steven Veatch, Senior Director of Certificates  
22 and Tariffs, a representative of Transwestern, is now going  
23 to give you a brief overview in the status of the Phoenix  
24 Expansion Project.

25 MR. VEATCH: Good evening. As Doug said, my name

1 is Steven Veatch. I'm Senior Director of Certificate and  
2 Tariffs representing Transwestern Pipeline. Tonight I'd  
3 like to give you a brief overview of the Transwestern  
4 Pipeline Company Phoenix Expansion Project and where we  
5 stand at this time on the project itself. And as Doug  
6 indicated, with me tonight are representatives of the  
7 Project Management, Engineering, Right-of-Way, Construction,  
8 Operations and our Environmental Group, who will be  
9 available to answer any questions you might have at the  
10 conclusion of the meeting.

11 The overall Phoenix Expansion Project in Arizona  
12 consist of the construction of approximately 95 miles of 42-  
13 inch pipeline and additionally 164 miles of 36-inch diameter  
14 natural gas pipeline. Transwestern will also be  
15 constructing minor lateral lines and meter stations in  
16 addition to various taps, valves and other auxiliary  
17 facilities. The project is designed to transport 500  
18 million cubic feet of natural gas per day to customers in  
19 the state. Customers having executed binding, preceding  
20 agreements to participate in the expansion are Arizona  
21 Public Service Company, Salt River Project Agricultural  
22 Improvement and Power District, Southwest Gas Corporation,  
23 Gila River Power LP and Unisource Energy, Inc. The total  
24 contracts executed by those five parties total 370 million  
25 cubic feet per day. Four of the five have executed 15-year

1 contracts, with Gila River executing a four-year agreement  
2 for the project.

3 Transwestern is currently looking to receive the  
4 FERC certificate of public convenience and necessity in  
5 September of this year and hoping to commence construction  
6 in October. Our initial in-service is scheduled for July  
7 2008 with overall in-service of the project in October 2008.  
8 At this point in time Transwestern has ordered the pipe for  
9 the project and it is currently in production. Construction  
10 contracts for the pipeline have been awarded to Gregory &  
11 Cook Construction and Rockford Corporation. In addition,  
12 the horizontal directional drilling will be performed by  
13 Michael's Corporation.

14 As of this date, 41 percent of the private  
15 easements needed for the project have been secured. This,  
16 coupled with the right-of-way, Transwestern has requested  
17 from the Bureau of Land Management, the Prescott and Kaibab  
18 National Forest, Arizona State Lands and the Navajo Nation  
19 represents over 171 miles or approximately 60 percent of the  
20 overall project.

21 Let me state again that we do have  
22 representatives from the project team that will be available  
23 to answer any questions you might have after the meeting.  
24 Thank you.

25 MR. SIPE: Thank you, Steve.

1                   We will now begin the important part of the  
2 meeting with your comments. I know we don't have any  
3 speakers signed up, but we are here to answer any questions  
4 you may have and I can walk back in there and give you the  
5 mic because we do have a court reporter and he will get  
6 upset with me if we start asking questions and he can't  
7 record it. So I can bring the mic back to you guys to speak  
8 to me, if you want, or any of the cooperating agencies.

9                   That's it. Right now it's up to you guys. If  
10 you want to ask me any questions or if you have any concerns  
11 or anything like that. Does anybody have any specific  
12 questions? That's what we're here for. We traveled from  
13 Washington, D.C., Utah, Denver, Minneapolis.

14                   MS. McKEEL: Stevie McKeel, S-T-E-V-I-E M-C-K-E-  
15 E-L. What pages in the EIS is the conditions on? Do you  
16 know? While you're looking, what are the odds of that draft  
17 becoming a reality or being changed?

18                   MR. SIPE: What you're looking at is on page 516  
19 of the draft Environmental Impact Statement is what's stated  
20 here. It's our recommended mitigation measures. Usually,  
21 the first 10 to 12 are standard for most projects, most EIS  
22 projects and then project-specific they get the further you  
23 go down the line. Most likely this draft will change  
24 because of the comments we received, like the difference  
25 between scoping and a comment meeting would be, for example,

1       like in Prescott Valley we had approximately 120 people in  
2       March at our scoping meetings and last night for the comment  
3       meetings on the draft we had four people. There was a route  
4       change. The route was changed and it moved it away and we  
5       were able to do that. So that's the difference between what  
6       happens in scoping to what actually goes into the draft.

7                In the comments we receive, what we'll do is  
8       we'll take this draft EIS and you'll be able to see where we  
9       changed the document on the margin is where we usually put  
10       where we changed the document.

11               MS. McKEEL: Will you be using line-x on the  
12       pipeline for corrosion?

13               MR. SIPE: The pipeline companies do use  
14       corrosion measures they use on the pipeline themselves, but  
15       I don't want to go into the specifics right now.

16               MS. McKEEL: What did Ross mean by there's  
17       frequent action on taking legal action? How often do we get  
18       in a court battle on pipelines?

19               MR. SIPE: Ross, do you want to address that  
20       question? I can somewhat address it. How often do we get  
21       in court battles over pipeline projects? Your question  
22       about legal battles over the pipeline project itself. What  
23       type of legal battles?

24               MS. McKEEL: He stated that there was frequent  
25       action to take legal action and I just wondered what

1 "frequent action".

2 MR. SIPE: Civil penalties. We're not lawyers,  
3 so we don't like to talk about court decisions. A lot of  
4 the court issues that happen on these type of projects is  
5 over easement negotiations. It happens in the private  
6 sector where a private companies are going against the  
7 pipeline company for commercial reasons, but really that's  
8 the main court battles you have. Now the court battles you  
9 may have is we have intervenors on this project.

10 Intervenor have rehearing status on the project and they  
11 may file for a rehearing when the Commission votes to  
12 approve the project. That's a type of court issue you may  
13 have, but I don't really want to address specific court  
14 issues because I'm not an attorney.

15 VOICE: He said at the beginning if there are  
16 problems with the pipeline, them meeting the conditions and  
17 regulations of his agency what occurs and you're saying --  
18 why don't you let them know what are the ramifications.

19 MR. REINEKE: If a pipeline operator does not  
20 follow the federal regulations, there are civil penalties  
21 that we levy and we have the authority of Congress to do  
22 that.

23 MR. SIPE: Actually, under the Energy Policy Act  
24 of 2005, years back FERC did not have a civil penalty  
25 authority on the pipeline industry itself, but ePACT gave

1 FERC that authority to be able to fine up to a million  
2 dollars a day for certain actions on a pipeline issue.

3 MR. REINEKE: Ours is up to \$100,000 a day.  
4 That's our limit.

5 MR. SIPE: Usually what happens is FERC will --  
6 we regulate the industry and when a pipeline project is  
7 built we follow it through the restoration of the project  
8 environmentally like the restoration of the right-of-way.  
9 Once we deem the restoration successful, it basically turns  
10 the operation part to PHMSA and the Office of Pipeline  
11 Safety. Then once a new project comes in the door again, we  
12 start it all over again with FERC. Once it's built and  
13 restored, we again turn it over to OPS.

14 Does anybody else have any other questions?

15 MR. COTHERN: My name is Bob Cothern. I  
16 understand from a BLM person that their visual resource  
17 management folks have not received any information they were  
18 supposed to have gotten yet. Could you check into that and  
19 get that to them if they don't have it?

20 MR. SIPE: Absolutely. There is a lot of  
21 outstanding information you see by the conditions in the  
22 draft Environmental Impact Statement. We are requesting  
23 that the applicant provide agencies with the information  
24 that they need. That's part of the procession of the  
25 project. They don't have everything at once. It just keeps

1 on building. For example, they just filed their restoration  
2 plan that was required for them to do with us and with the  
3 BLM. They will file different sources of information with  
4 the Forest Service, with the Corps of Engineers, so this is  
5 an ongoing process. Even after they get a certificate, if  
6 they get a certification from FERC, they will still owe the  
7 agencies a lot of information to get their permits.

8 MR. MACKIEWICZ: Transwestern is working very  
9 closely BLM in developing a visual resource management plan  
10 and it's a work in progress right now. That particular plan  
11 will be part of what we call our Plan of Development. That  
12 plan of development is attached to their right-of-way grant  
13 and when that's completed, Transwestern will be required to  
14 mitigate any visual impacts out there. We do have, again, a  
15 firm, a local contracting firm and it's working on that. In  
16 fact, tomorrow we will be working on that a little bit more.  
17 If a right-of-way is issued, they will be required to follow  
18 that plan. So we're pretty comfortable right now with the  
19 efforts that Transwestern has put forth into completing a  
20 visual resource management plan.

21 MR. SIPE: To let you guys know how it works,  
22 right now we have a draft EIS out on the street. That will  
23 turn into a final document. After we have a final EIS, the  
24 Commission will vote on the project. After the Commission  
25 votes on the project, the company files what is called an

1 implementation plan with FERC. They have to satisfy all the  
2 conditions in the document and then we have to give them a  
3 construction clearance letter in order to build, so there  
4 are a lot of steps left.

5 Does anybody else have any questions?

6 (No response.)

7 MR. SIPE: It is formal, but it's informal.  
8 Usually, we require everyone to stand up and come up to the  
9 mic to speak. I usually don't walk around. Does anybody  
10 have any further questions? We will be here to take your  
11 questions after the formal part. I can close the meeting.  
12 We'll stand around. We can look at maps. You guys can ask  
13 anything you want.

14 No one? Going once, going twice. Without any  
15 more speakers or any more questions, the formal part of this  
16 meeting will conclude. On behalf of the Federal Energy  
17 Regulatory Commission, the Bureau of Land Management and the  
18 Forest Service, the Pipeline and Hazardous Material Safety  
19 Administration, the Bureau of Indian Affairs and the Navajo  
20 Nation, I'd like to thank you all for coming tonight. Let  
21 the record reflect that the TransWestern Phoenix Expansion  
22 Project public comment meeting concluded at 7:45 p.m. Thank  
23 you.

24 (Whereupon, at 7:45 p.m., the above-entitled  
25 matter was concluded.)