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Underground Natural Gas Storage Interim Final Rule

On December 19, 2016, PHMSA issued its Underground Natural Gas Storage (UGS) Interim Final Rule (IFR) regulations for all underground natural gas storage facilities constructed on or before July 18, 2017, including solution mined salt caverns, depleted reservoirs, and aquifer storage facilities, to address safety issues related to downhole facilities including wells, well casing and tubing, and reservoirs. The IFR adopts and incorporates by reference the requirements and recommendations contained in API RP 1170 and 1171. To ensure enforceability of discretionary recommendations, PHMSA is making all recommendations in both RPs mandatory out of concern that failure to do so would weaken key safety provisions. The IFR provides a mechanism for operators to deviate from the recommendations in API 1170 and 1171, however deviations must be technically supported by a Subject Matter Expert (SME) to demonstrate that there will be no adverse impact on operations, maintenance, emergency preparedness and response, integrity and overall safety. The SME recommendation must then be approved and dated by a senior executive officer with responsibility over the storage assets.

All storage operators must develop a risk assessment plan for their storage facilities and have it in place no later than January 18, 2018 (the implementation date for the IFR). This risk assessment plan will guide the Operator in development of the remainder of their program, as follows:

Operators of salt cavern storage facilities must develop procedures for operation, maintenance, integrity demonstration and verification, monitoring, threat assessment and analysis, remediation, site security, emergency response and preparedness, and record keeping consistent with the recommendations contained in Sections 9, 10, and 11 in API RP 1170. Operators of depleted reservoirs and aquifer storage facilities must develop these same procedures consistent with the recommendations contained in Sections 8-11 in API RP 1171. The procedures must also include an implementation plan and prioritized implementation schedule based on site-specific risk assessment and threats. Preventative and mitigative measures must also be scheduled consistent with the risk associated with each asset (such as an individual storage well).

There are also new reporting requirements for storage operators, all of which will require significant time and resources. These include an annual report, incident reports, safety-related condition reports, and National Registry information.

PHMSA expects that baseline assessments will start within one year, but not to exceed two years, and that operators will complete those assessments within 3-8 years depending on facility size and complexity. PHMSA's initial inspections of facilities will focus on whether procedures are in place and whether the technical justification for the implementation plan and schedules are consistent with the operator's risk assessment results.

The effective date of these new regulations is January 18, 2017. Comments concerning the IFR must be received by PHMSA no later than February 17, 2017.