

## **STATE-OF-THE-ART SMART:**

### **Despite A Tightening Economy, Gulf South Pipeline Is Investing In Cutting-Edge Technologies To Make Its Pipelines Safer**

At a time when many natural gas pipeline companies are feeling the squeeze of a constricting economy and responding with sweeping cutbacks, Gulf South Pipeline is investing more heavily than ever before in state-of-the-art technologies to make its multi-state pipeline system safer for people and the environment.

“In our view, investing in safety and operating with integrity are smart business strategies,” says Rolf A. Gafvert, President of the Houston-based Gulf South. “Like our competitors, we have had to tighten our belts in some sectors to accommodate difficult economic conditions, but safety is an area that never has been on the table for cutbacks. On the contrary, we have stepped up our investment in the leading safety technologies, and we will continue that trend.”

Gulf South Pipeline, LLP, owns and operates the largest interstate natural gas pipeline system in the Gulf Coast region of the United States and provides critical links to major markets nationwide. The existing Gulf South Pipeline system comprises 8,800 miles of pipeline with 33 compressor stations and 120 major pipeline interconnects running from south Texas through the Gulf states and into the Florida market area. Gulf South Pipeline currently moves one trillion cubic feet of natural gas per year, or five percent of the Nation’s demand.

With its \$1.2 billion Gulf Pines Pipeline project, Gulf South plans to expand its pipeline network by 750 miles. Gulf Pines is being developed to meet the increasing natural gas demand in the expanding southeastern United States, from Florida northward to the Carolinas.

### **A Corporate Culture That Breeds Success**

Gafvert calls Gulf South Pipeline’s employees “the heartbeat of the company” and unabashedly credits them with its many accomplishments.

“Gulf South has achieved success for a lot of reasons, but all of them boil down to one thing—our employees,” says Gafvert. “In every aspect of our operations, we adhere to a theory of *principled entrepreneurship*. We select people based—first and foremost—on their virtue, values and talents, rather than on their credentials or how well they test. This practice creates a

culture of passionate commitment to creating and producing, a family of people who genuinely care about *doing what's right*, not merely what's required.”

Gafvert says that Gulf South actively fosters an environment that promotes creativity and interaction among its people. Moreover, the company has instituted a curriculum of educational programs to expand employees' database of knowledge and add value to corporate operations. It is an environment in which Gulf South's people appear to thrive: The company has experienced virtually no employee turnover, and employee morale is steadfastly high.

“We seek out employees who have humility,” says Gafvert. “Author Daniel Boorstein said, ‘The greatest obstacle to discovery is not ignorance, but the illusion of knowledge.’ We earnestly search for men and women with vision—the ability to see what is not there. Our employees are the genesis of our past success, and they are the catalyst for our success in the future.”

(STEPHANIE: You were going to send me some information so we can include a sentence or two about some of the new people you've added; perhaps quotes from each one.)

## **Gulf South Focus: Safety, Operational Integrity**

Public confidence in the safety of the Nation's pipelines is a necessary prerequisite for expanding and upgrading existing networks so they can continue to deliver the energy that keeps America on the move. Gulf South is taking a leadership role in earning the public's confidence in the pipeline industry by doing more than federal safety guidelines require through the company's own self-imposed safety practices and criteria.

Says Gafvert: “We focus not merely on doing what federal regulations require, but on doing what's right and what's necessary to ensure the safety of the people who live and work near our pipelines and the integrity of the surrounding environment.”

One of the primary ways in which Gulf South is pursuing operational excellence is by expanding its use of advanced inline inspection, or “smart pigging.” A smart pig is a cylindrical device with computerized sensors that moves through a pipeline, collecting data that can be used to check for corrosion, dents and other anomalies. The goal is to identify points of wear and repair them before a leak occurs. Currently, there are no federal regulations regarding inline inspections, although that may change soon as a result of legislation signed by President Bush in December 2002.

“The U.S. Department of Transportation's Office of Pipeline Safety is preparing a proposed rule regarding the newly mandated inspections,” says Scott Williams, Gulf South's (TITLE). “We anticipate that the new regulations will increase inline inspection requirements, and we expect to be well ahead of the curve because of the emphasis that we have placed in that area for the past several years.”

About 2,000 miles of Gulf South's existing pipelines either can accommodate inline inspections today or can be "pigged" with only minor modifications, which are being completed as rapidly as possible. Some of the remaining pipelines have characteristics such as inconsistent size or plug valves that preclude the use of a smart pig. In such cases, other inspection techniques are used, such as *hydrostatic testing*, which surveys a pipeline for leaks by pressurizing it from the inside with a liquid, such as water. In some instances, Gulf South uses *cathodic protection*, a monitored program by which electrical current is applied along the pipe in quantities sufficient to inhibit corrosion safely. In still others, Gulf South personnel walk literally miles of lines performing close visual inspections on every inch of pipeline.

In addition to its aggressive maintenance efforts and continual pipeline monitoring, Gulf South has instituted public education programs and taken steps to enhance its curriculum for employee training—all aimed at maximizing public safety and protecting the environment.

"Every Gulf South employee knows that protecting people is the first priority, and protecting the environment is a close second," says Williams. "That's a mantra that has been handed down from the company's top tier to every employee. We live by it, without exception."

## **Prioritized Problem-Solving**

In addition to continually expanding its inline inspection program, Gulf South has increased its reliability spending dramatically over the past several years. "Reliability" refers to a group of safety and improvement projects that the company developed as a result of a baseline risk assessment survey performed in the mid-late '90s.

"Once we had developed the projects that were identified in the baseline, we assigned the priorities in terms of the risk involved with each challenge," says Williams. "It was a way of focusing our efforts in the areas that were in most need of attention—projects that involved potential risk to people came first, those that involved environmental risk were second, and risks to company assets were last."

The company has applied the same algorithm to all of its projects, a computational system that has enabled Gulf South to use its resources effectively. Safety projects that involve high-density populations—such as those that are close proximity to schools or residential areas—are Priority One.

Much of Gulf South's progress in leak reduction is attributable to changes in the structure of the company's Corrosion Group, which has added several Senior Corrosion Technicians who work closely with the Corrosion Manager and provide technical assistance to crews.

"We have one of the best coating programs in the industry," says Williams.

Rather than every area's being responsible for painting its own above-ground meters and compression stations, Gulf South has united all locations under the central control of one Painting and Coating Inspector. The result is an unbiased, consistent assessment of all facilities that results in efficient prioritization of maintenance projects.

(STEPHANIE: I need some help on the coating program—unsure what else to say here. I'm puzzled by the graph showing coating expenditures increasing sharply in 2001, then decreasing sharply in 2002. Help!)

## **Gulf South's Commitment to Safety Produces Results**

Overall, since 1997, Gulf South's reliability expenditures have increased from approximately \$4 million per year to \$10 million in 2002 and a projected \$11 million in 2003. During the same period, the company has cut the number of leaks its pipelines have experienced virtually in half.

"The significance of the large reduction in leaks is that it has been a steady decline," says \_\_\_\_\_. "The reduction in the number of leaks was not accomplished by selling off portions of our gathering system or accounting hijinks. We have reported a continuous reduction in leaks, year after year, although the volumes transported by our pipelines remain high—about \_\_\_\_\_ barrels."

(STEPHANIE: You were going to get some other stats, as well as information on awards, from Earl?)

## **Supporting Stronger Federal Guidelines for A Safer Future**

"Pipeline safety and environmental stewardship aren't just serious business to Gulf South—they are our first priority," says (NAME), (TITLE).

Gulf South has taken a proactive stance in meeting and exceeding regulatory requirements for its pipelines and is leading the industry in working cooperatively and earnestly with government agencies toward improving pipeline safety conditions. The company's record for the past five years is solid evidence that it is succeeding.

Since 1999, Gulf South has replaced major portions of its pipelines in order to prevent corrosion and is in the process of developing a pipeline integrity and reliability improvement plan that will be reviewed by the U.S. Environmental Protection Agency (EPA). These activities are directed by Gulf South employees who have been certified as Cathodic Protection Specialists or Corrosion Specialists by the National Association of Corrosion Engineers (NACE).

In recent years, Congress has taken a more active interest in pipelines and pipeline safety. Gulf South Pipeline has worked closely with members of Congress to improve America's pipeline infrastructure and has emerged as a leader in the national movement to promote excellence in safety and environmental security. Gulf South has supported federal legislation to:

- Increase safety and enhance public confidence in the interstate pipeline network;
- Demonstrate congressional support for the U.S. Department of Transportation's (DOT) recent actions to develop rules for periodic testing of pipelines, to implement a pipeline personnel qualification program and to increase data collection; and
- Provide the DOT with adequate funding and direction in areas such as inspection, enforcement, research and development, and public education.

As Gulf South Pipeline continues its rapid growth, the company vows to continue strengthening its leadership position in technological innovation and environmental excellence. One of the ways that the company plans to do so is by investing in the development of new concepts in pipeline safety technology. Gulf South continues to participate actively in pipeline safety discussions taking place not only within the halls of Congress, but also in state, county and local governments nationwide.