



DCA, AGA Utility Contractor Workshop Draws 140 to Chicago

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In the effort to strengthen the working relationship between natural gas utility operators and the contractors who build their facilities, two associations collaborated on the Utility Contractor Workshop in Chicago, April 29-30.



A panel discussion at the DCA/AGA Utility Contractor Workshop on First- and Second-Party Damage Prevention, moderated by Andrew Lu of the AGA, focused on how operators and contractors can work collectively to reduce incidents. Participants included (from left) Loren Brace of Michels Corp., Kevin Parker of Mears Group Inc./InfraSource, Reid Hess of Questar Gas and Gary Hebbeler of Duke Energy.

Presented by the Distribution Contractors Association (DCA) and the American Gas Association (AGA), the workshop attracted 140 attendees who represent gas utilities, contractors, manufacturers, labor unions, industry experts and the federal government.

Building safe and reliable infrastructure to deliver natural gas requires cooperation between the utilities and the contractors that work for them, a process that must include experience, trust and continuous communication. According to an AGA report, of the 71 million residential, commercial and industrial natural gas customers in the United States, 92 percent — or 68 million customers — receive their gas from association members. Building the infrastructure needed to meet that capacity requires strong working relationships between operators and contractors alike.

While these relationships currently exist in the gas distribution industry, the Utility Contractor Workshop was developed to improve communication and operations, thereby further strengthening cooperation.

The packed day and a half forum featured speakers, moderated panels on a variety of subjects, breakout sessions and open discussion among the participants. While a broad range of topics were discussed and progress was made on a

host of issues, one thing was clear in the end: This forum was only the first of what the organizers hope will be a regular industry event.

20-Year Forecast Predicts Vast Construction Workload on the Horizon

The workshop kicked off with an informative presentation by Mark Bridgers of Continuum Advisory Group, which provides management consulting to energy stakeholders involved with development and capital asset construction. The presentation focused on the past and expected investment in pipeline infrastructure from 2008 through 2031 and the drivers behind this investment. A geographic description was provided about the job creation and economic benefits that are resulting from the shale energy boom, including the current renaissance in American manufacturing and how operators and contractors must be prepared to meet the rising demand.

Continuum expects three waves of pipeline spending over the next 20 years followed by a possible flattening of investment after 100 years of distribution infrastructure is replaced. The continued shale energy phenomenon and anticipated replacement in steel, cast iron and plastic pipeline systems could mean the investment of hundreds of billions of dollars to expand U.S. pipeline capacity. It was clear at the end of the presentation that strong relationships between operators and contractors are needed now more than ever, and the discussion served as an effective segue to the workshop's panel discussions and breakout sessions, of which participants jumped in with both feet.

Extended Discussion on Operator Qualification and "Portability"

The first panel featured representatives from National Grid, the Northeast Gas Association, Hallen Construction Co., K.R. Swerdfeger Construction Co. and the Gas Technology Institute (GTI). The panel focused on effective training programs and how they relate to, and are distinguished from, programs and methods to comply with often varying operator qualification (OQ) programs maintained by gas operators. DCA members continually express frustration over the lack of portability of their OQ programs and believe that consistency is needed so they may carry them from operator to operator. Because of the high level of interest, this panel ran over and the discussion continued into the breakout sessions.

Utility commissions are beginning to require third party participation in the OQ process, and many expect those requirements to extend to other regions of the country. In the Northeast, stakeholders including GTI, the Northeast Gas Association, National Grid and several contractors have collaborated to develop a regional qualification pilot program that includes providing certified instructors who deliver standardized and condensed content on "consistent construction practices." One panelist encouraged gas operators to stop thinking in terms of "compliance" with OQ requirements and adapt to the ever changing regulatory and business environment. This includes procedural and technical improvements, combining classroom with computer training before taking education to the field, where use of various tablets (Android, iPhone, etc.) and industry practices must be continually updated.

While panelists understood that the specific model used in the Northeast may not work across the country, many in the audience agreed that conversation about the collaborative process should be taken to other parts of the country where regional gas associations exist.

There was ample discussion about training vs. qualification. There seems to be a substantial amount of pushback from operators when asked about standardization of covered tasks and the OQ requirements subject to them. Operators were encouraged to understand that “doing the right thing” includes a willingness to change and begin working more closely with their contractors on training and qualification programs.

Contractors generally agreed that more communication and cooperation is needed, and expressed that they don’t take their OQ responsibilities lightly. Contractors often keep workers in the field under observation until they are deemed prepared to even undergo a qualification process. Once they are, classroom and computer-based training is combined with “real life” training scenarios. The underlying sentiment on the contractor side was that while classroom and computer training is key, there is no substitute for on-the-job training in the field.

At the same time, both operators and contractors are in need of more information from regulators about a variety of subjects, including whether contractors should be empowered to qualify their own people, whether requirements for a third-party role in the OQ process should be expected nationwide, and what types of technologies will be needed in the future. Big concerns about liability related to transfer of OQ records from operator to operator remain in the contractor community.

One thing that operators and contractors were in complete agreement about is the need to reach out to the next generation of workers in the gas distribution industry. Because of misguided negative perceptions about the potential for success in the construction industry and the need for a four-year college degree, the industry has to break through these stereotypes and recruit talent in the next-generation workforce. Efforts to approach young people in technical and vocational schools, community colleges and other audiences are happening now and need to continue.

Changes in Work Procedures Require Cooperation and Communication

A panel moderated by Continuum then discussed the drivers of work procedure changes and evaluated if the frequency of change is accelerating, decelerating or staying the same versus historical trends. Representatives from DCA’s Miller Pipeline and Hallen Construction joined panelists from NW Natural and Dominion East Ohio to share experiences on practices that have been implemented to help share updated work procedures and enhance communications between operators and contractors.

It was clear across this panel that significant work procedure changes are taking place more frequently today. The main driver of these changes is increased regulatory requirements, such as those from PHMSA’s Distribution Integrity Management Program (DIMP) rule as well as ever-changing state and local regulations. Rising demands on municipalities and development of new and improved technologies can also dictate changes in construction company policies.

Both operators and contractors agreed that most changes in procedure are either forced through regulation or, if voluntary, are done so to preempt pending regulation. Changes in standard operating procedures (SOP) are passed down from operators to contractors and both sides have to work together to fully communicate expectations and what is needed to meet them at an affordable cost. Industry groups like DCA and AGA can play a role in facilitating

this cooperation, but it is incumbent on individual operators and contractors to work in good faith to ensure that everything is on the discussion table.

The panel also talked about best practices in rolling out changes in work procedures and efficient ways to ensure that the information is implemented and retained. A variety of methods are used, including face-to-face meetings, teleconferences, training sessions, job-site communication, CDs, thumb drives and email are common techniques used by gas operators. Contractors on the panel indicated that roll out approaches are usually email driven and that often not enough information is provided for a contractor to effectively sort things out. It was expressed that as technology improves and we enter a “tablet” culture, changes in procedures will be increasingly sent directly to those in the field doing the work.

Finally, the Work Procedures Panel discussed approaches to ensure compliance with revised work procedures once they are rolled out. Operators usually depend on their inspectors to ensure compliance. If problems arise, communication with the contractor’s leadership and corrective action is employed if necessary. Gas operators commonly look for contractors who are fully qualified to perform all aspects of pipeline construction and back their work up with regular training for their personnel.

Gas operators said that once work procedure changes have been communicated, contractors are generally expected to comply with any and all changes in code, regulation or company policy. Contractor panelists agreed but said utilities sometimes need to do a better job in fully communicating changes in operation, personnel, and all peripheral expectations. In the end, increased partnership and cooperation was considered the best way to introduce, rollout, and ensure compliance with changes in work procedure.

PHMSA Talks Jurisdiction, Regulatory Agenda and Damage Prevention

Annamarie Robertson of the Pipeline and Hazardous Materials Safety Administration (PHMSA) then provided a broad description of the agency, the pipeline network under its jurisdiction, and the anticipated regulations on the horizon for the gas distribution industry. Many attendees were surprised to learn that distribution systems comprise of 81 percent of the some 2.6 million miles of pipeline regulated by PHMSA. Although the agency tries to employ a risk-based regulatory approach as well as inspection processes, the 2011 incident in San Bruno, California, has brought increased scrutiny to the agency and the pipeline industry in general.

Regarding the regulatory climate in relation to the expected uptick in workload, PHMSA is encouraging state programs to plan for extensive pipeline infrastructure work. The agency believes that considerable repair, rehabilitation and replacement is needed for “high-risk” pipeline infrastructure, including cast iron mains, plastic pipe installed between 1960 and 1980, unprotected bare steel, copper and older pipe with inadequate records to verify integrity.

Robertson said PHMSA hopes to release a final rule on state damage prevention enforcement before the end of the year, and believes the rule will lead to necessary adjustments to state laws and damage prevention programs that currently include no or inadequate enforcement.

Breakout Sessions Tackle Industry Priorities

Three breakout sessions were held in the afternoon of the first day of the workshop, where all attendees were invited to weigh in on some of key issues addressed by both utilities and contractors. Moderators oversaw discussions on the following areas:

Training and Qualification: Participants continued the discussion about effective approaches to training and operator qualification, emerging technologies that are enhancing the effectiveness of OQ programs maintained by operators and contractors alike, the need for more consistency in OQ compliance, and the overall effort to recruit the next generation of workers in the distribution construction industry.

Quality Assurance: This session focused on operator inspection and other quality assurance methods, both during and “post job.” Participants expressed the need to focus on the quality of inspector versus the percentage of total inspections, and how *all* information should be passed on from operator to contractor. Third parties were encouraged in order to reduce inspector bias, and investigation, root-cause analysis and corrective action should always be optimized. The ever-increasing problem of addressing cross bores was repeatedly cited as a main reason for effective quality assurance.

Worker Safety: The safety breakout focused on damage prevention, specifically on first- and second-party damages. Increased use of directional drilling and the general uptick in gas pipeline construction has led to an increase in first- and second-party hits. Contractors pointed out that a key issue surrounds *who* is performing the utility locate (contractor or contract locator). Participants also discussed issues related to billing, addressing “untonables,” efforts to mitigate cross-bores and other important topics.

Contractor Oversight and Management

DCA members Michels Corp. and ARB Inc. joined AGL Resources and Southwest Gas on a panel that evaluated practices gas utilities use to monitor the quality of work performed by their contractors and how contractors feel utilities can improve quality assurance programs that would better meet their intended results. While several performance metrics were offered and thoroughly discussed, the general agreement was again that consistency, communication and cooperation between operators and their contractors win the day.

Depending on the size and experience of the contractor, gas operators try to maintain a centralized oversight program when possible. However, some factors call for state-specific requirements in certain areas. Operator reps on the panel said that when measuring contractor performance, everything should be on the table, from OQ records, work history to general consideration of their current working relationship. Risk-based analysis is commonly used, and it is imperative that when problems arise, operators communicate what went wrong and how to fix the problem. Specific metrics are used, but communication is everything.

When asked how gas utilities can help contractors with oversight, contractor panelists suggested that providing quality inspectors and employing a consistent inspection process is important. Focusing on the entire project rather than on specific inspections would also increase project effectiveness, as would ensuring enough inspectors working on a site to avoid project delays. Generally, if contractors know what is expected by the operator, and that the operator will provide the people needed to mitigate possible conflicts and inconsistencies, they can get the job done

effectively and comfortably. Once again, forging and enhancing working relationships is paramount to establishing this environment.

Panel on First- and Second-Party Damages Closes the Workshop

In the final panel of the event, Duke Energy, Questar Gas, Mears Group/Infrasource and Michels Corp. discussed the recent increase in first- and second-party damages and how operators and contractors can work collectively to reduce these incidents. Directional drilling practices were a focus of the discussion, as was the often neglected issue of operators ensuring quality locates of their facilities.

Interestingly, gas operator panelists said they either did not track their first-party damages or had incomplete records of them. Contractors noted that although they may have facility hits, the vast majority are “third party,” or damages on an outside facility with an overwhelming percentage being unmarked or mismarked buried utilities. A very low percentage of contractor damages tend to be on the gas facilities contractors work on.

The issue of facility locates was a key discussion point in this panel. Although some contractors agree to locate the gas facility when bidding the project, most rely on the operator to locate and mark the facility, as that is the operator’s primary responsibility in the damage prevention process. However, many contractors will verify the accuracy of these locates for safety reasons. After all, it is usually the contractor who is closest to the hazard.

When asked what gas utilities are doing to ensure the accuracy of their utility locates, a variety of responses on the panel and in the audience revealed some very different approaches. Some operators employ extensive locator training and oversight. For example, one panelist described a process where locators are regularly audited, and subsequent meetings with the utility and even contractors are conducted to address problem areas. In other cases, operators provide no such assurances and address problems with inaccurate locates after the fact. Obviously this reflects varying philosophies and damage prevention priorities among gas utilities.

Horizontal directional drilling (HDD) practices were extensively discussed. After refuting common misperceptions about HDD and those engaged in it, contractors on the panel assured the audience that for the most part, those involved with HDD are experienced and put to work only after extensive training and preparation.

Foundation for a Long-Term Conversation

After lively discussion on a wide variety of important topics, DCA and AGA members left the workshop with a lot to think about. Several issues were addressed that had not been openly talked about before, and progress was made on some longstanding issues between gas utilities and their contractors. The event organizers noted that there was plenty of disagreement and still a lot of work left to be done, but it was clear that this forum worked and the conversation should continue.

DCA and AGA collectively developed the structure and agenda of the workshop, and the groups believe that this cooperative approach was a main reason for the strong turnout at the event. The groups plan to organize more of these workshops in the future, with goal of providing an open forum to increase communication, cooperation and ultimately a higher level of safety and effectiveness within the industry.