

**SENATE POLICY COMMITTEE
PUBLIC HEARING ON PIPELINES
Williamsport, PA
May 11, 2010**

**Testimony of Jay B. Irwin, Manager Operations and Technical Services
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Good Morning Chairman Erickson and distinguished Senators. My name is Jay Irwin, I am Manager of Operations and Technical Services for Williams Midstream and its investment in Laurel Mountain Midstream, LLC. With me today is Mark Hager of Williams State Government Affairs. We would like to thank you for allowing us an opportunity to address the Committee at this public hearing on pipelines -- and specifically gathering lines -- involved in the Marcellus Shale.

Based in Tulsa, Oklahoma, Williams' businesses produce, gather, process and transport clean-burning natural gas to heat homes and power electric generation across the country. Williams has provided reliable, economic natural gas transportation services to the United States for over 60 years and has committed to meeting the ever growing energy needs. Key services include:

- interstate natural gas transportation (Transco)
- natural gas exploration and production ("E&P")
- natural gas gathering and processing ("Midstream")

As an integrated natural gas company, Williams operates more than 15,000 miles of interstate natural gas pipelines, transporting 12 percent of the nation's natural gas. Williams owns the Transco pipeline, a 10,500 mile natural gas transportation system that extends from

south Texas through Pennsylvania, to New York City. Transco deliveries account for 8 percent of the natural gas consumed in the United States. The Transco pipeline has reliably served Pennsylvania for more than 60 years, providing service to major local distribution companies such as Philadelphia Gas Works, PECO Energy, Columbia Gas and UGI. The Transco pipeline system delivers approximately 30 percent of the total natural gas Pennsylvania consumed in 2008. Transco has over 100 employees and over 1,000 miles of pipeline in Pennsylvania with six compressor stations and several gas storage fields. Williams has a history of environmental stewardship where we do business. We work with the Pennsylvania Department of Environmental Protection to ensure that we are operating within the limits established by the department.

In addition to gas transportation, Williams' Exploration and Production (E&P) and Midstream business units are now operating in Pennsylvania from offices in Canonsburg and Moon Township. In 2009, E&P entered a joint participation agreement with Rex that covers portions of Westmoreland, Centre and Clearfield counties. Williams E&P has subsequently expanded its lease holdings in the basin to include Columbia County and a few other counties, but these expansions are not part of the deal with Rex, and are 100 percent held by Williams.

Also in 2009, Midstream entered into a joint venture with Atlas Energy regarding gathering and processing operations. Williams Midstream has also announced a project in this area that will provide gas gathering services. Springhill Gathering, a 31-mile gas gathering system, is planned for Susquehanna, Luzerne and Wyoming counties. Our team has begun meeting with landowners, county and state elected officials and regulators to discuss this vital project.

The Marcellus Shale gas formation is not new to Pennsylvania -- in fact this formation is some 380 million years old resting on top of the Onondaga formation approximately 7,000 to 8,000 feet below the surface. Shallow natural gas production has taken place in Pennsylvania for many years. With respect to Marcellus, estimates have suggested the gas supply to be as high as 500 TCF with more than half recoverable with today's technology. Although there has been drilling into and through the Marcellus for years, it is the technology enhancement in horizontal drilling techniques that have made the drilling into tight shale formations a profitable business opportunity.

For those unfamiliar with the Midstream business, let me briefly explain. There are three basic components to the natural gas business. Exploration and production -- or upstream; gas gathering -- or midstream; and natural gas transportation -- or downstream. Gas gathering and processing -- the Midstream component, is very important. Natural gas coming out of the ground often contains other compounds that would ruin either the sophisticated equipment used in the production of electricity or not burn properly coming out of someone's gas stove. These impurities are stripped -- or processed -- out of the gas and include products like propane. There is a secondary market for these, of course, and they are not put into the waste stream. The natural gas is also "compressed" to be made ready to enter the natural gas transmission system.

There have been questions as to why natural gas production companies can't simply gather their own gas and get it to the transmission system. That would mean an increase in the amount of pipelines running across the state -- if each production company performed their own gathering work -- and could also damage the vital transportation infrastructure with gas that may not be "pipeline ready". Williams has continued to emphasize to landowners, municipalities and

others that we are a safe operator with decades of experience. We did not just arrive in the Marcellus and begin a Midstream line of business.

Williams believes that the Marcellus Shale play represents a unique opportunity for Pennsylvania. We have also worked to help regulators, legislators and local public officials understand that the gas under the ground in the Marcellus Shale really has no value if it cannot get to market via an effective gas gathering and transportation system.

At Williams, public safety and environmental protection are at the cornerstone of how we conduct business. Williams has an exemplary safety track record in both exploration and production and its Midstream businesses.

Williams is also in full support of the “One Call Before You Dig” system, or 8-1-1, which urges residents and contractors to call a single number to discover if pipelines run underneath where they plan to build a fence, swimming pool or other structure. Much of the damage done to our lines is caused by third-party contractors. We continue to work with our industry to operate safely.

Williams is a member of the Marcellus Shale Coalition (MSC), formed in 2008 to advance responsible development of natural gas from the Marcellus Shale in Pennsylvania. In preparing this testimony it was requested that we discuss who should have the power to regulate gathering lines. As a member of the MSC, we support the testimony provided by the MSC at the En Banc Hearing held by the Pennsylvania Public Utility Commission (PUC) on April 22, 2010. In her testimony, MSC President Kathryn Klaber identified three key points:

- Industry support for the regulation of gathering pipeline consistent with the comprehensive requirements of 49 CFR 192 overseen by the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA). The

MSC supports the PUC becoming a state agent for the purpose of inspecting and enforcing these current, federal safety regulatory requirements.

- The MSC believes gathering facilities are regulated appropriately for safety under the federal law and that existing regulations, which articulate very specific design, operation and maintenance standards and protocols will address development of the Marcellus Shale safely and efficiently.
- The MSC believes the regulation of natural gas gathering for safety purposes is an independent issue from utility regulation and the two issues should not be intermingled.

Williams supports the PUC's efforts to gain federal "agency status" to ensure compliance with the federal requirements at 49 CFR 192.

In closing, Williams is dedicated to pipeline safety and the transportation of natural gas in the safest, most efficient and economical manner possible. We believe the regulations are currently in place to ensure public safety in concert with the development of the Marcellus Shale. We appreciate the opportunity to be here today and we are happy to answer any questions you may have today or following this hearing.