

# Manpower Issues Top INGAA Foundation Agenda

By Jeff Share/Editor



**W**ith little fuss, the INGAA Foundation has evolved into an influential organization that has helped keep both operators and service providers aware of issues that affect their livelihoods.

That it has been able throughout its 17-year history to educate, enlighten and entertain its members without a hint of discord or crossing that fine line of antitrust that separates the legal interests of both sectors is a testament to the integrity of members and officers. The Foundation, for those unfamiliar with it, is an outgrowth of the Interstate Natural Gas Association of America (INGAA), the lobbying body for the large-transmission pipeline companies in North America.

The Foundation joins top executives of operating companies with their peers in various service sectors in a forum that 1) enables them to better understand the operators' demand for the services; 2) enables the operators to learn about the availability of the resources; while 3) helping both sides to build the relationships that are essential in moving the industry forward. The Foundation has two conferences in the spring and fall as well as a number of committee meetings during the year. It employs its own executive director, Mark Shaffer, and sponsors key studies that are often ground-breaking in nature.

In today's hectic environments, pipelines and their service providers are the busiest that they have been in years, both with new construction and following integrity mandates ordered by the federal government. Sometimes too

much of a good thing carries a heavy price tag. While no one wants a return to the slowdown that followed the Enron collapse and trading scandals, today's activity carries its own unique set of challenges, all of which must be dealt for the pipeline industry to create the infrastructure necessary to bring more natural gas to homes and businesses. So communications between both sides has never been more important.

*P&GJ* discussed those challenges and how they affect the Foundation with its new chairman, Jeryl Mohn, senior vice president of Operations and Engineering for Panhandle Energy, the gas pipeline, storage and LNG unit of Southern Union Company. Mohn, 55, is a native of Kansas who has worked for Panhandle since 1974. A member of the Foundation since 1999, he was named chairman at last fall's annual meeting in Carmel, CA.

**P&GJ:** What are the goals this year for the INGAA Foundation?

**Mohn:** This is a period of infrastructure build in our industry that is almost unprecedented. We certainly haven't seen this kind of activity in years, perhaps even decades. One of our goals for this year is to create forums where operators and service providers can maintain a focus on resource requirements to successfully complete the projects in front of us. We've also engaged FERC in a dialogue to ensure they're informed of the resource demand and the challenges we're facing.

Taking a very close look at our workforce demographics and developing strategies to build the workforce of the future is something far reaching and what we haven't done a lot of as an industry. We all know the demographics from looking at all kinds of industry and business sectors and recognize that we have a large concentration of the workforce either eligible for retirement today or the next five to ten years.

We have a study under way with two important goals. First, to educate members about our exposure and the risks this situation presents. Second, we plan to develop some workable strategies that can help us in the short term as well as prepare for the future.

We also know that other trade associations have efforts under way, so we will try to partner with them in order to develop a means in which to better prepare ourselves in dealing with looming manpower issues. This involves not just the professional level such as engineers and those on the business side, but our technicians and field workers as well.

Another goal this year is to continue our focus on challenges to maintain and operate our existing infrastructure. This includes pipeline integrity-related topics so we can continue to better understand the enforcement of integrity-management regulations. This also pertains to environmental rules we have, which in most cases, focus on our engines - either turbines or reciprocating equipment - in order to better manage our emissions.

Finally, we're focusing on the greenhouse gas issue that is facing many of us including the Washington lawmakers. We're sponsoring a small study to support our industry's development of their position on the management of greenhouse gases.

We'll also provide some education forums for all our members at our April meeting. This is a good area of focus for the Foundation because it aligns with our mission - to advance the usage of natural gas for the benefit of the environment and the consuming public.

**P&GJ:** Is the manpower issue a concern more for the operating companies, the service providers, or both?

**Mohn:** It's absolutely a concern across the board. Companies that provide engineering design services for us are taxed like never before. Foundation members talk about the work they've turned away and the demand that they have - not just from the pipeline sector but other sectors of the business such as the midstream and liquids pipelines. We draw from exactly the same pool.

Though most operators do not do design

and detailed drafting work like they did 20 years ago, we still have a need for top-notch engineers and project managers to help us effectively deploy our resources. The other end of the spectrum is when you get into the field you need mechanics or instrumentation technicians to maintain your equipment.

The competition for field employees is particularly tough where pipelines reach into producing regions, such as the San Juan and Anadarko basins. Many of our operating companies and service providers have seen our employees head toward midstream and production companies.

This affects Foundation members either involved in new construction or in servicing operating equipment so it touches nearly every sector of our business. We've also seen labor costs increase to retain and attract qualified employees.

**P&GJ:** Is it an issue of trying to attract young people to engineering jobs?

**Mohn:** Taking our company as an example, we've hired a number of engineers since 2000 and have had very little turnover. I believe there are some very attractive attributes of our business sector to engineers.

We offer stability and we value engineers who think independently, can manage projects, and grow into more responsibility. We don't sit engineers behind drafting tables. As a sector we've done okay in holding our own in competing against either manufacturing, petrochemicals, Big Oil, etc. not just to attract people, but to retain them.

At the field skill level - instrumentation

technicians, mechanics, etc. — I expect our workforce study that I mentioned earlier will lead us to partner with technical schools to attract people into our industry. Some operating companies, including ours, are already involved in this type of effort. I'm anxious to get our strategies defined and begin the implementation of them.

**P&GJ:** After such a long downturn are these good times for the pipeline industry?

**Mohn:** The signs are clearly positive for our companies as we expand our business through the investment of capital for reasonable return. The demand that exists today for infrastructure to connect new supply and even to continue to grow into new or existing markets makes this a very positive time for the industry, at least when you look at the number of projects that are out there, many of which are absolutely going to get built.

The business climate seems to be favorable when you look at demand for natural gas around the country. Whether you deliver gas into the Southeast for power generation or into the Northeast and Midwest for heating load or more traditional industrial/commercial use, demand for natural gas is steady or growing slightly.

**P&GJ:** Where are we today in resolving the pipeline integrity mandates?

**Mohn:** As you know, the pipeline safety reauthorization in 2002 and the regulations that followed require that we inspect 50% of pipelines in high consequence areas by December 2007, and complete the other 50% by December 2012.

There is no question that the industry will meet the 2007 mandate. Most companies have also been through a PHMSA audit of pipeline integrity programs and are expecting a response from our regulators regarding those inspections sometime this year.

Pipeline companies did propose to revise the interval that requires us to re-inspect all of our pipelines within seven years of the initial inspection. Our minimum expectation has been that we should at least get done with this baseline inspection of the first 10-year program before we start re-inspecting.

The industry's more fundamental position is that we have definitely moved to a risk-management approach to pipeline integrity and therefore, should not have a prescriptive requirement of seven years for re-inspection. Some pipeline threats may require re-inspection more frequently than seven years while others can easily extend to at least 10-12 years.

Modifications to the re-inspection interval was not included in the 2006 reauthoriza-

tion of the pipeline safety law, even though the General Accounting Office produced a report, requested by Congress, that supported a risk-management approach.

Now we're working a framework that has been endorsed by congressional staffers and by Admiral Thomas Barrett, head of the Pipeline and Hazardous Materials Safety Administration (PHMSA) that would provide for waivers (PHMSA calls them special permits) from that seven-year requirement.

**P&GJ:** How have you seen the relationship between operating and service companies change?

**Mohn:** Supply and demand is a fickle thing. When you have a service that's in demand, the provider of that service has leverage. When you have a service that isn't in demand, then the user of that service has leverage. We joke about it at the Foundation all the time, but it's clearly an acknowledgment from an operator's perspective that we're in an environment today where there's greater demand for services than there is supply. The Foundation provides a forum to build relationships to understand each other's business needs and maintain open and honest communications.

The Foundation did a member satisfaction survey recently that found the number one benefit valued by Foundation members is the

opportunity to network and build relationships. You learn who the people are that you do business with and whom you want to do business with, regardless of who has leverage. None of our businesses are mega businesses. I can probably pick up the phone and call the presidents of nearly every company that we do business with.

The Foundation forums have also highlighted the need to be far more strategic than we have been in the past. We are now awarding contracts for pipeline construction months in advance of getting a FERC certificate.

We're buying pipe much earlier in a project's life and we're facing lead times on turbine equipment in excess of a year. You need to think far more strategically to anticipate these lead times, but also in figuring out how best to arrange your business with a service provider to ensure that you'll have access to the resources you'll need.

The challenges in the framework of the Foundation became crystal clear last year during a workshop to discuss resource availability to build new infrastructure. Throughout the meeting we had an antitrust attorney present who gave us a cautionary note going in. It's a very competitive business by nature, and we're careful not to cross the line.

A key to the success of the Foundation is

that we have a simple organizational structure and we thrive on participation from any and all members. There are presently 109 members of the Foundation, roughly 25% in each segment: pipeline operators, engineering and construction companies, research and consulting companies, and pipeline and equipment manufacturers or service companies. We really span the entirety of the natural gas pipeline business when you look at the diversity of our membership.

We've debated over the years whether we should expand to the gathering and processing (midstream), LDCs, and oil pipelines, but we've consistently landed back on the natural gas pipeline business — that's why we're called the "INGAA" Foundation. Simply put, we're comprised of interstate natural gas companies, although we've added an LNG member (Cheniere Energy). Cheniere has been a good fit since several of our companies such as El Paso, Southern Union and Dominion have LNG assets that are FERC regulated.

In closing, it has been an honor to move into the Chairman role in the Foundation for this year. The partnership between pipeline operators and the service providers enabled by the Foundation will be key in guiding us through these years of considerable infrastructure expansion. **P&GJ**