

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 5, 2011
POSITION: Neutral, note concerns

BILL NUMBER: SB 44
AUTHOR: E. Corbett
RELATED BILLS: SB 216 (Yee), SB 705 (Leno), AB 56 (Hill)

BILL SUMMARY: Public Utilities: Gas Pipeline Response Standards

Existing law requires the California Public Utilities Commission (PUC) to regulate gas transmission, investor-owned utilities, master-metered mobile home parks, storage facilities, and propane operators. The PUC sets requirements for utility gas gathering, transmission, and distribution piping systems. This bill would create the Natural Gas Pipeline Safety Act of 2011.

This bill would require natural gas operators to improve communication and coordination with first responders (i.e., police, fire, public works, or other emergency response personnel who initially secure disaster sites and render aid). The bill would require the PUC, in consultation with the California Emergency Management Agency, the State Fire Marshal, and members of California's first responders' community to adopt stricter emergency response standards.

FISCAL SUMMARY

The PUC estimates it would require \$217,000 PUC Utilities Reimbursement Account and 2.0 positions to open a proceeding to set emergency response standards and enforce these standards for regulated entities. There may be minor additional costs to the California Emergency Management Agency, the State Fire Marshal and the first responder community to consult with the PUC in establishing the standards. Any additional resources would be subject to review and approval through the annual budget process.

Under the California Constitution, costs to local governments resulting from legislation related to crimes or criminal penalties are not reimbursable. Therefore, any local government costs resulting from this measure would not be state-reimbursable. The bill contains an appropriate state-mandated cost reimbursement disclaimer.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the April 25, 2011 version are minor and do not alter our position. The bill now would require owners or operators of regulated transmission lines to be available to meet with local fire departments to review contingency plans once each calendar year. The bill also now conforms one definition to the latest amended version of SB 216 (Yee).

COMMENTS

Finance has a neutral, note concerns position on the bill. Authorizing statutory changes and requirements for this program now may be premature given a forthcoming report from the National Transportation Safety Board (NTSB) due in September 2011. Further, while the bill could result in unified emergency response standards for liquid and gas intrastate pipelines, the bill has chaptering issues.

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Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

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COMMENTS – Continued

If SB 216 (Yee) were chaptered after this bill, the definition of “emergency response standards” would be changed to the definition of “transmission safety standards”. The replacement of the term “compatible emergency response standard” would result in the term having no stated meaning. In addition, the bill would add Public Utilities Code (Code) Section 950 (c) defining a “high consequence area”. Further, SB 705 (Leno) which also would establish a “Natural Gas Pipeline Safety Act of 2011” contains provisions differing from both SB 216 and this bill. SB 705 defines “commission-regulated gas pipeline facility” differently from both bills by excluding facilities owned and operated by a local government entity from the definition.

The bill would require the PUC to open a proceeding or expand the scope of an existing proceeding to establish compatible emergency response standards that owners or operators of commission-regulated gas pipeline facilities follow for intrastate transmission and distribution lines. The standards would require intrastate transmission and distribution lines have emergency response plans to prepare for a natural disaster or malfunction which could cause injury to human life or property.

The new standards would include the following:

- Ensuring owners and operators include procedures to utilize emergency shutdown and pressure reduction whenever deemed necessary.
- Ensuring natural gas owners and operators have established and maintained liaisons with appropriate fire, police and other local officials.
- Ensuring owners and operators provide fire chiefs appropriate maps of natural gas pipeline locations in a format easily integrated with their other mapping information.

The bill would require the PUC to submit a report to the Legislature before January 1, 2013 detailing the status of establishing the compatible emergency response standards.

Related Legislation

SB 216 (Yee) also would create the Natural Gas Pipeline Safety Act of 2011, and would require the PUC, unless preempted under federal law, to require the installation of automatic shut-off or remote controlled sectionalized block valves on specified intrastate transmission lines located in “high consequence areas”, as defined, or extending across active seismic earthquake faults. The bill would require the owner or operator of a commission-regulated gas pipeline facility that is an intrastate transmission line to provide the PUC with a valve location plan, along with any recommendations for valve locations. There could be a chaptering issue with the definition of “compatible emergency response” (SB 44) being removed and replaced with the definition of “compatible transmission safety” (SB 216) in Code Section 950 (5) b. This would result in no clarification of the meaning of the term, “compatible emergency response standards”.

SB 705 (Leno) also would create the Natural Gas Pipeline Safety Act of 2011. SB 705 would designate the PUC as the state authority over gas corporations, but not over local public agencies, responsible for regulating and enforcing intrastate gas pipeline transportation and pipeline facilities pursuant to federal law, including the development, submission, and administration of a state pipeline safety program certification for natural gas pipelines. The bill would require each gas corporation to develop and periodically update plan for the safe and reliable operation of its commission-regulated gas pipeline facility. The bill would require the PUC to accept, modify, or reject the plan for each gas corporation by December 31, 2012, and to build into an approved plan sufficient flexibility to redirect activities to respond to safety requirements.

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COMMENTS – Continued

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AB 56 (Hill) would prohibit a gas corporation from recovering any fine or penalty in any rate approved by the PUC and would require a gas corporation to file semiannual gas transmission and storage safety reports with the PUC containing specified information. AB 56 also would require if the PUC safety division determines there is a deficiency in a gas corporation's prioritization or administration of the storage or pipeline capital projects or operation and maintenance activities, to bring the deficiency to the immediate attention of PUC management.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	
0690/Cal EMA	SO	No		-----	No/Minor Fiscal Impact	-----			0001
3540/Forest&Fire	SO	No		-----	No/Minor Fiscal Impact	-----			0001
8660/PUC	SO	No	C	\$217	C	\$217	C	\$217	0462
<u>Fund Code</u>	<u>Title</u>								
0001	General Fund								
0462	Publ Utilities Comm Utilities Reimb Acct								