

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: RN 11 24213
POSITION: Neutral, note concerns

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

BILL SUMMARY: Natural Gas: Service and Safety

Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including specified gas corporations. Existing federal law requires the United States Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) to adopt minimum safety standards for pipeline transportation and for pipeline facilities, including an interstate gas pipeline facility and an intrastate gas pipeline facility, as defined.

This bill would create the Natural Gas Pipeline Safety Act of 2011. The bill 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. This responsibility would include 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 plans for safe and reliable operation of commission-regulated gas pipeline facilities. The bill would require the PUC to accept, modify, or reject the plan for each gas corporation by December 31, 2012, and to build flexibility into an approved plan to redirect activities to respond to safety requirements. The bill requires the plans to be periodically updated.

FISCAL SUMMARY

The PUC estimates an annual cost of \$444,000 Public Utilities Commission Reimbursement Account for 4.0 Utilities Engineers to review the gas corporation safety plans in a hearing proceeding, conduct more hearings if the PUC deems a plan inadequate, and prepare reports. The positions would enable the PUC and gas corporations to support on-going public utility employee participation to establish an industry-wide culture of safety. This provision would require interviewing utility personnel, meeting with industry representatives, and developing and monitoring safety policy and performance measures. Any additional resources would be subject to review and approval through the annual budget development process.

The PUC conducts inspections and investigations of natural gas transmission, distribution, and master-metered facilities and propane distribution systems. The PHMSA audits the PUC annually to verify its ability to ensure gas safety as an agent of the Federal Government. The PHMSA audit results determine the amount of federal funding the PUC receives in grants to carry out its Gas Safety Program.

COMMENTS

Finance has a neutral, note concerns position on the bill. Authorizing statutory changes for this program may be premature given a forthcoming report from the National Transportation Safety Board due in September 2011.

(Continued)

Analyst/Principal Date Program Budget Manager Date
(0621) J. McGuinn Karen Finn

Department Deputy Director Date

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

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

M. Leno

RN 11 24213

SB 705

COMMENTS – Continued

-Related Legislation

SB 44 (Corbett) would create the Natural Gas Pipeline Safety Act of 2011. The bill would require the PUC to open or expand a proceeding to adopt stricter emergency response standards relating to natural gas operations. SB 44 is similar to SB 216, but adds Public Utilities Code (Code) Section 956 to adopt stricter emergency response standards; SB 216 adds Code Section 957 to evaluate compatible transmission safety standards to enhance public safety. These bills could result in a chaptering conflict with the definition of "compatible emergency response" and the definition of "compatible transmission safety" in Code Section 950(a)(5).

SB 216 (Yee) also would create the Natural Gas Pipeline Safety Act of 2011. This bill would add Code Section 957 to 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 "compatible emergency response standards."

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. The bill would require the PUC safety division, if it 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 LA CO RV	(Fiscal Impact by Fiscal Year)							Fund Code
		PROP		(Dollars in Thousands)			FC		
		98	FC	2011-2012	FC	2012-2013		FC	
8660/PUC	SO	No	C	\$222	C	\$444	C	\$444	0462
8660/PUC	SO	No		----- See Fiscal Summary -----					0890

<u>Fund Code</u>	<u>Title</u>
0462	Publ Utilities Comm Utilities Reimb Acct
0890	Trust Fund, Federal