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AMENDED IN ASSEMBLY MAY 27, 2011  
AMENDED IN ASSEMBLY MAY 18, 2011  
AMENDED IN ASSEMBLY MARCH 16, 2011  
AMENDED IN ASSEMBLY FEBRUARY 23, 2011  
CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

**ASSEMBLY BILL**

**No. 56**

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**Introduced by Assembly Member Hill**

December 6, 2010

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An act to add ~~Sections 746, 770.5, and 770.6 to Section 770.6 to, and to add Chapter 4.5 (commencing with Section 950) to Part 1 of Division 1 of, the Public Utilities Code, relating to gas corporations.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 56, as amended, Hill. Gas corporations: rate recovery and expenditure: intrastate pipeline safety.

(1) Under existing law, the Public Utilities Commission has regulatory authority over public utilities. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable.

This bill would prohibit a gas corporation from recovering any fine or penalty in any rate approved by the commission. The bill would require a gas corporation to file semiannual reports with the commission and the Division of Ratepayer Advocates describing how the utility is spending moneys that the commission has authorized to be collected from ratepayers to reimburse the utility for public safety activities. The

~~bill would require the commission, in consultation with the commission's Division of Ratepayer Advocates, to work to align ratemaking policies, practices, and incentives to better reflect safety concerns and ensure ongoing commitments to public safety gas transmission and storage safety reports with the commission's consumer protection safety division that include certain matter and require that if the division determines that 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 commission's immediate attention.~~ If the commission authorizes a gas corporation to recover expenses incurred for public safety, the bill would require the commission to require the gas corporation to establish and maintain a balancing account to record the difference between the approved revenue requirements for public safety and the actual expenditures made by the utility. The bill would require a gas corporation to return moneys approved for expenditure for public safety by the commission to the balancing account, if those funds are not expended within a reasonable period of time after the commission grants approval of the public safety expenditure, as determined by the commission. The bill would require the commission to consider the safety record of a gas corporation in determining what constitutes a reasonable rate of return for the utility.

(2) The Public Utilities Act authorizes the commission to ascertain and fix just and reasonable standards, classifications, regulations, practices, measurements, or service to be furnished, imposed, observed, and followed by specified public utilities, including gas corporations, as defined.

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 intrastate gas pipeline facility, as defined. Existing law authorizes the Secretary of Transportation to prescribe or enforce safety standards and practices for an intrastate pipeline facility or intrastate pipeline transportation to the extent that the safety standards and practices are regulated by a state authority that submits to the secretary annually a certification for the facilities and transportation or alternatively authorizes the secretary to make an agreement with a state authority authorizing it to take necessary action to meet certain pipeline safety requirements. Existing law prohibits a state authority from adopting or

continuing in force safety standards for interstate pipeline facilities or interstate pipeline transportation. Existing law authorizes a state authority that has submitted a current certification to adopt additional or more stringent safety standards for intrastate pipeline facilities and intrastate pipeline transportation only if those standards are compatible with the minimum standards prescribed by PHMSA.

This bill would designate the commission as the state authority responsible for development, submission, and administration of a state pipeline safety program certification for natural gas pipelines. The bill would require the commission to adopt and enforce compatible safety standards, as defined, for commission-regulated gas pipeline facilities, as defined, to accomplish specified results. ~~The bill would require the commission to track proposed safety, reliability, and facility integrity-related projects and activities for which a gas corporation requested compensation in any rate request that was granted by the commission in order to determine if the project or activity was undertaken and completed and to require any gas corporation that fails to undertake or complete safety, reliability, and facility integrity-related projects and activities for which the commission granted recovery in rates to promptly make a public filing as to the justification for failing to undertake or complete the proposed project or activity, in consultation with a specified independent review panel, to develop minimum criteria and standards for the installation of sectionalized block valves and automated and remote shutoff valves and to establish a timeline by which the owner or operator of a commission-regulated gas pipeline facility, as defined, is required to meet the minimum criteria and standards. The bill would require each gas corporation to prepare and submit to the commission a proposed comprehensive pressure testing implementation plan that includes specified elements and require that, at the conclusion of an implementation period, all intrastate transmission line segments meet specified requirements.~~

The bill would require the commission, by July 1, 2012, to open an appropriate proceeding or expand the scope of an existing proceeding to establish compatible emergency response standards, as defined, that owners or operators of certain commission-regulated gas pipeline facilities, as defined, would be required to follow. The standards would require owners or operators of intrastate transmission and distribution lines to implement emergency response plans, with specified requirements, that are compatible with PHMSA's regulations concerning emergency plans. The bill would require the owners of intrastate

transmission lines to provide the State Fire Marshal and the chief fire official of the applicable local government with instructions on how to access and utilize the National Pipeline Mapping System developed by PHMSA to improve local response capabilities for pipeline emergencies. The bill would require the commission to report to the Legislature on the status of establishing the compatible emergency response standards on or before January 1, 2013.

(3) Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because the provisions of this bill would be a part of the act and because a violation of an order or decision of the commission implementing its requirements would be a crime, the bill would impose a state-mandated local program by creating a new crime.

(4) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1     ~~SECTION 1. Section 746 is added to the Public Utilities Code,~~  
2     ~~to read:~~  
3     ~~746. (a) A gas corporation shall not recover any fine or penalty~~  
4     ~~in any rate approved by the commission.~~  
5     ~~(b) A gas corporation shall file semiannual reports with the~~  
6     ~~commission and the Division of Ratepayer Advocates describing~~  
7     ~~how the utility is spending moneys that the commission has~~  
8     ~~authorized to be collected from ratepayers to reimburse the utility~~  
9     ~~for public safety activities.~~  
10    ~~(c) The commission, in consultation with the Division of~~  
11    ~~Ratepayer Advocates, shall work to align ratemaking policies,~~  
12    ~~practices, and incentives to better reflect safety concerns and ensure~~  
13    ~~ongoing commitments to public safety.~~  
14    ~~(d) If the commission authorizes a gas corporation to recover~~  
15    ~~expenses incurred for public safety, the commission shall require~~  
16    ~~the gas corporation to establish and maintain a balancing account~~

1 to record the difference between the approved revenue requirements  
2 for public safety and the actual expenditures made by the utility.  
3 A gas corporation shall return moneys approved for expenditure  
4 for public safety by the commission, to the balancing account, if  
5 those funds are not expended within a reasonable period of time  
6 after the commission grants approval of the public safety  
7 expenditure, as determined by the commission.

8 (e) In determining what constitutes a reasonable rate of return,  
9 the commission shall consider the safety record of the gas  
10 corporation.

11 SEC. 2. Section 770.5 is added to the Public Utilities Code, to  
12 read:

13 770.5. (a) For purposes of this section the following terms  
14 have the following meanings:

15 (1) "Class 1 location," "class 2 location," "class 3 location,"  
16 and "class 4 location" have those meanings as defined in the  
17 regulations adopted by the United States Department of  
18 Transportation pursuant to Chapter 601 (commencing with Section  
19 60101) of Subtitle VIII of Title 49 of the United States Code (49  
20 C.F.R. 192.5, as adopted January 1, 2011, or a successor  
21 regulation).

22 (2) "Commission-regulated gas pipeline facility" means an  
23 intrastate gas pipeline facility, as defined in Section 60101 of Title  
24 49 of the United States Code and in the regulations adopted by the  
25 Department of Transportation (49 C.F.R. 192.3, as adopted October  
26 1, 2010, or a successor regulation), that transports natural gas and  
27 is subject to the regulatory authority of the commission, including  
28 a pipeline that the commission, pursuant to subsection (c) of  
29 Section 717 of Title 15 of the United States Code, has certified to  
30 the Federal Energy Regulatory Commission as being subject to  
31 the regulatory jurisdiction of the commission over rates and service.  
32 "Commission-regulated gas pipeline facility" does not include  
33 those pipelines that are excluded from regulation by the Federal  
34 Energy Regulatory Commission pursuant to subsection (b) of  
35 Section 717 of Title 15 of the United States Code because they are  
36 facilities used for the distribution of natural gas.

37 (3) "Compatible safety standards" means additional or more  
38 stringent safety standards for commission-regulated gas pipeline  
39 facilities that are compatible with the minimum safety standards  
40 adopted by the Department of Transportation pursuant to Chapter

1 601 (commencing with Section 60101) of Subtitle VIII of Title 49  
2 of the United States Code and which the commission is authorized  
3 to adopt pursuant to subsection (c) of Section 60104 of that chapter.

4 (4) “High consequence area” has the same meaning as defined  
5 in the regulations adopted by the United States Department of  
6 Transportation pursuant to Chapter 601 (commencing with Section  
7 60101) of Subtitle VIII of Title 49 of the United States Code (49  
8 C.F.R. 192.903, as adopted January 1, 2011, or a successor  
9 regulation).

10 (b) The commission shall be the state authority responsible for  
11 the development, submission, and administration of a state pipeline  
12 safety program certification for natural gas pipelines pursuant to  
13 Chapter 601 (commencing with Section 60101) of Subtitle VIII  
14 of Title 49 of the United States Code.

15 (c) The commission shall adopt and enforce compatible safety  
16 standards for commission-regulated gas pipeline facilities to  
17 accomplish all of the following:

18 (1) Require the owner or operator to make an annual  
19 performance measure report to the commission concerning the  
20 condition of commission-regulated gas pipeline facilities. The  
21 performance measure report shall include the total number of  
22 anomalies identified as a result of safety assessments, the total  
23 number of conditions repaired, and the actual anomalies needing  
24 repair that are identified by the pipeline owner or operator during  
25 the inspections, the conditions requiring repair, and any other  
26 information the commission determines is necessary to evaluate  
27 the safety and performance of the pipeline facilities. The annual  
28 performance measure reports shall be made publicly available on  
29 the Internet to the extent that doing so does not create a public  
30 safety risk. The commission shall consult with the federal  
31 Department of Homeland Security in determining what information  
32 may be made available without creating a public safety risk.

33 (2) Require the owner or operator to evaluate the integrity of  
34 all commission-regulated gas pipeline facilities outside high  
35 consequence areas and to include this evaluation as part of their  
36 safety assessment reports.

37 (3) Require the owner or operator of commission-regulated gas  
38 pipeline facilities to conduct outreach and public education relative  
39 to excavation dangers and the availability of the one-call

1 notification program in order to reduce dangerous incidences  
2 caused by third-party excavations.

3 (4) Require the owner or operator of commission-regulated gas  
4 pipeline facilities to prioritize those facilities that, because of their  
5 proximity to an earthquake fault zone delineated by the State  
6 Geologist pursuant to the Alquist-Priolo Earthquake Fault Zoning  
7 Act (Chapter 7.5 (commencing with Section 2621) of Division 2  
8 of the Public Resources Code), should be subject to heightened  
9 safety oversight. The commission shall develop protocol to ensure  
10 the safety of those pipelines that are located in an earthquake fault  
11 zone and in a high consequence area.

12 (5) The commission, in consultation with the independent review  
13 panel appointed to investigate the San Bruno natural gas pipeline  
14 explosion of 2010, shall develop minimum criteria and standards  
15 for the installation of sectionalized block valves and automated  
16 and remote shutoff valves, taking into consideration weather-related  
17 and outside faces, operating pressure, the rate of potential release  
18 of natural gas, the potential for ignition of the gas, and accessibility.  
19 The commission shall establish a timeline by which the owner or  
20 operator of a commission-regulated gas pipeline facility shall meet  
21 the minimum criteria and standards established by the commission,  
22 unless technically unfeasible, for each of the following:

23 (A) Each commission-regulated gas pipeline facility that is first  
24 placed in service or replaced.

25 (B) Each commission-regulated gas pipeline facility that  
26 traverses an earthquake fault zone designated by the State Geologist  
27 pursuant to the Alquist-Priolo Earthquake Fault Zoning Act  
28 (Chapter 7.5 (commencing with Section 2621) of Division 2 of  
29 the Public Resources Code).

30 (C) Each commission-regulated gas pipeline facility that is in  
31 a class 3 location, class 4 location, or high consequence area.

32 (6) Require the owner or operator of all commission-regulated  
33 gas pipeline facilities that are in a class 3 location, class 4 location,  
34 or high consequence area to establish a maximum allowable  
35 operating pressure for the facility. The maximum allowable  
36 operating pressure shall be established by conducting a hydrostatic  
37 pressure test, unless the commission determines that the owner or  
38 operator has adequately established a maximum allowable  
39 operating pressure using either of the following:

40 (A) Prior hydrostatic testing.

1 ~~(B) Thorough documentation, including as-built drawings,~~  
2 ~~alignment sheets and specifications, design, construction, testing,~~  
3 ~~and maintenance records, demonstrating that the maximum~~  
4 ~~allowable operating pressure has been accurately established based~~  
5 ~~on the weakest pipeline section or facility component.~~

6 ~~(7) Require owners and operators of commission-regulated gas~~  
7 ~~pipeline facilities to complete, by January 1, 2022, a modernization~~  
8 ~~program to upgrade key facilities located in high consequence~~  
9 ~~areas. The commission shall consult with owners and operators~~  
10 ~~and interested stakeholders in developing the program requirements~~  
11 ~~and schedule. The program shall contain criteria for prioritizing~~  
12 ~~critical gas pipeline facilities and ensure that all upgraded facilities~~  
13 ~~can accommodate state-of-the-art inspections, including internal~~  
14 ~~corrosion inspection methods. It is the intent of the Legislature~~  
15 ~~that state agencies expedite any necessary permit work or approval~~  
16 ~~that is necessary for any demolition, construction, repair,~~  
17 ~~replacement, inspection, or testing activity that may be required~~  
18 ~~pursuant to this paragraph.~~

19 ~~(d) The commission shall adopt and enforce a one-call~~  
20 ~~notification program for the state consistent with the requirements~~  
21 ~~adopted by the Department of Transportation pursuant to Chapter~~  
22 ~~601 (commencing with Section 60101) of Subtitle VIII of Title 49~~  
23 ~~of the United States Code.~~

24 ~~(e) The commission shall track proposed safety, reliability, and~~  
25 ~~facility integrity-related projects and activities for which a gas~~  
26 ~~corporation requested compensation in any rate request that was~~  
27 ~~granted by the commission in order to determine if the project or~~  
28 ~~activity was undertaken and completed. The commission shall~~  
29 ~~require any gas corporation that fails to undertake or complete~~  
30 ~~safety, reliability, and facility integrity-related projects and~~  
31 ~~activities for which the commission granted recovery in rates to~~  
32 ~~promptly make a public filing as to the justification for failing to~~  
33 ~~undertake or complete the proposed project or activity.~~

34 ~~(f) In its general rate case, a gas corporation shall demonstrate,~~  
35 ~~to the satisfaction of the commission, each of the following:~~

36 ~~(1) That its proposed rates will be sufficient to enable the gas~~  
37 ~~corporation to fund those projects and activities necessary to~~  
38 ~~maintain safe and reliable service and to meet federal and state~~  
39 ~~safety requirements in a cost-effective manner.~~

1 ~~(2) If rate recovery was previously approved by the commission~~  
2 ~~for safety-related projects or activities, and the gas corporation~~  
3 ~~seeks to reprioritize use of the moneys for other safety-related~~  
4 ~~projects or activities, that the reprioritization is based on sound~~  
5 ~~risk management principles.~~

6 ~~(3) If rate recovery is sought for safety-related projects or~~  
7 ~~activities, that an adequate safety assessment has been undertaken~~  
8 ~~on the gas pipeline facilities on which the projects or activities are~~  
9 ~~to be undertaken so that the projects and activities can be~~  
10 ~~undertaken in a thorough, yet cost-effective, manner without~~  
11 ~~incurring cost overruns.~~

12 ~~(4) That any settlement agreement filed in the case that~~  
13 ~~encompasses safety-related projects or activities identifies those~~  
14 ~~projects and activities with specificity and allocates funding for~~  
15 ~~those projects and activities on a project-by-project, or~~  
16 ~~activity-by-activity basis.~~

17 ~~SEC. 3.~~

18 *SECTION 1.* Section 770.6 is added to the Public Utilities  
19 Code, to read:

20 770.6. (a) For purposes of this section, the following terms  
21 have the following meanings:

22 (1) “Commission-regulated gas pipeline facility” has the same  
23 meaning as defined in Section ~~770.5~~ 950.

24 (2) “Compatible emergency response standards” means  
25 emergency response standards that are applicable to intrastate  
26 transmission and distribution lines that are in addition to, or more  
27 stringent than, the minimum safety standards adopted by the United  
28 States Department of Transportation pursuant to Chapter 601  
29 (commencing with Section 60101) of Subtitle VIII of Title 49 of  
30 the United States Code and that the commission is authorized to  
31 adopt pursuant to Section 60104(c) of that chapter.

32 (b) On or before July 1, 2012, the commission shall open an  
33 appropriate proceeding or expand the scope of an existing  
34 proceeding to establish compatible emergency response standards  
35 that owners or operators of commission-regulated gas pipeline  
36 facilities shall be required to follow for intrastate transmission and  
37 distribution lines. The commission shall establish the standards to  
38 ensure that intrastate transmission and distribution lines have  
39 emergency response plans that adequately prepare them for a  
40 natural disaster or malfunction that could cause injury to human

1 life or property, with the purpose of minimizing the occurrence of  
2 both.

3 (c) The commission shall establish the compatible emergency  
4 response standards in consultation with the California Emergency  
5 Management Agency and members of California's first responder  
6 community, including, but not limited to, members of the California  
7 Fire Chiefs Association.

8 (d) The compatible emergency response standards shall require  
9 owners or operators of intrastate transmission and distribution lines  
10 to implement emergency response plans that are compatible with  
11 the United States Department of Transportation Pipeline and  
12 Hazardous Materials Safety Administration's regulations  
13 concerning emergency plans contained in Section 192.615 of Title  
14 49 of the Code of Federal Regulations, and those plans shall  
15 include, but not be limited to, all of the following requirements:

16 (1) Emergency shutdown and pressure reduction shall be utilized  
17 whenever deemed necessary and appropriate by the owners or  
18 operators to minimize hazards to life or property. An owner or  
19 operator shall notify appropriate first responders of emergency  
20 shutdown and pressure reduction.

21 (2) During an emergency response effort, the incident  
22 commander may direct coordination between first responders and  
23 owners or operators to ensure timely and ongoing communication  
24 on decisions for emergency shutdown and pressure reduction.

25 (3) Owners or operators of intrastate transmission and  
26 distribution lines shall establish and maintain liaison with  
27 appropriate fire, police, and other public officials to do all of the  
28 following:

29 (A) Learn the responsibility and resources of each government  
30 organization that may respond to a gas pipeline emergency,  
31 including, but not limited to, the role of the incident commander  
32 in an emergency.

33 (B) Acquaint the officials with the owner's or operator's ability  
34 in responding to a gas pipeline emergency.

35 (C) Identify the types of gas pipeline emergencies of which the  
36 owner or operator notifies the officials.

37 (D) Plan how the owner or operator and officials can engage in  
38 mutual assistance to minimize hazards to life or property, or both.

1 (E) Identify and update information on individual personnel  
2 responsible for the liaison with the appropriate first responder  
3 organizations.

4 (4) Owners and operators of intrastate transmission lines shall  
5 provide the State Fire Marshal and the chief fire official of the  
6 applicable city, county, city and county, or fire protection district  
7 with instructions on how to access and utilize the National Pipeline  
8 Mapping System developed by the United States Department of  
9 Transportation, Pipeline and Hazardous Materials Safety  
10 Administration, utilizing data submitted pursuant to Section 60132  
11 of Title 49 of the United States Code, to improve local response  
12 capabilities for pipeline emergencies.

13 (e) (1) The commission shall report to the Legislature on the  
14 status of establishing the compatible emergency response standards  
15 on or before January 1, 2013.

16 (2) A report to be submitted pursuant to paragraph (1) shall be  
17 submitted in compliance with Section 9795 of the Government  
18 Code.

19 *SEC. 2. Chapter 4.5 (commencing with Section 950) is added*  
20 *to Part 1 of Division 1 of the Public Utilities Code, to read:*

21  
22 *CHAPTER 4.5. GAS PIPELINE SAFETY*

23  
24 *Article 1. General*

25  
26 *950. For purposes of this chapter, the following terms have*  
27 *the following meanings:*

28 (a) *“Class 1 location,” “class 2 location,” “class 3 location,”*  
29 *and “class 4 location” have the same meanings as defined in the*  
30 *regulations adopted by the United States Department of*  
31 *Transportation pursuant to Chapter 601 (commencing with Section*  
32 *60101) of Subtitle VIII of Title 49 of the United States Code (49*  
33 *C.F.R. 192.5, as adopted January 1, 2011, or a successor*  
34 *regulation).*

35 (b) *“Commission-regulated gas pipeline facility” means an*  
36 *intrastate gas pipeline facility as defined in Section 60101 of Title*  
37 *49 of the United States Code, that is subject to the safety regulatory*  
38 *authority of the commission to the extent authorized between the*  
39 *commission and the United States Secretary of Transportation,*  
40 *including each of the following pipelines:*

1 (1) An intrastate distribution line, which is a pipeline that is  
2 not subject to the jurisdiction of the Federal Energy Regulatory  
3 Commission pursuant to Section 717(b) of Title 15 of the United  
4 States Code because it is used for the local distribution of natural  
5 gas.

6 (2) An intrastate transmission line, which is a transmission  
7 pipeline that the commission, pursuant to Section 717(c) of Title  
8 15 of the United States Code, has certified to the Federal Energy  
9 Regulatory Commission as being subject to the regulatory  
10 jurisdiction of the commission over rates and service. For these  
11 purposes, a transmission pipeline means a pipeline other than a  
12 gathering line that: (A) transports gas from a gathering line or  
13 storage facility to a distribution center, storage facility, or large  
14 volume customer that is not downstream from a distribution center,  
15 (B) operates at a hoop stress of 20 percent or more of specified  
16 maximum yield strength, or (C) transports gas within a storage  
17 field.

18 (3) An intrastate gathering line, which is a pipeline that  
19 transports gas from a current production facility to a transmission  
20 line or main.

21 (4) A mobilehome park master-metered natural gas distribution  
22 system that is subject to the commission's safety inspection and  
23 enforcement program pursuant to Chapter 4 (commencing with  
24 Section 4351) of Division 2.

25 (5) A propane distribution system that is subject to the  
26 commission's safety inspection and enforcement program pursuant  
27 to Chapter 4.1 (commencing with Section 4451) of Division 2.

28 (c) "High consequence area" has the same meaning as defined  
29 in the regulations adopted by the United States Department of  
30 Transportation pursuant to Chapter 601 (commencing with Section  
31 60101) of Subtitle VIII of Title 49 of the United States Code (49  
32 C.F.R. 192.903, as adopted January 1, 2011, or a successor  
33 regulation).

34

35 *Article 2. Natural Gas Pipeline Safety Act of 2011*

36

37 955. (a) This article shall be known and may be cited as the  
38 Natural Gas Pipeline Safety Act of 2011.

39 (b) The commission is the state authority responsible for  
40 regulating and enforcing intrastate gas pipeline transportation

1 and pipeline facilities pursuant to Chapter 601 (commencing with  
2 Section 60101) of Subtitle VIII of Title 49 of the United States  
3 Code, including the development, submission, and administration  
4 of a state pipeline safety program certification for natural gas  
5 pipelines pursuant to Section 60105 of that chapter.

6 957. The commission, in consultation with the independent  
7 review panel appointed to investigate the San Bruno natural gas  
8 pipeline explosion of 2010, shall develop minimum criteria and  
9 standards for the installation of sectionalized block valves and  
10 automated and remote shutoff valves, taking into consideration  
11 weather-related and outside factors, operating pressure, the rate of  
12 potential release of natural gas, the potential for ignition of the  
13 gas, and accessibility. The commission shall establish a timeline  
14 by which the owner or operator of a commission-regulated gas  
15 pipeline facility shall meet the minimum criteria and standards  
16 established by the commission, unless technically unfeasible, for  
17 each of the following:

18 (a) Each commission-regulated gas pipeline facility that is first  
19 placed in service or replaced.

20 (b) Each commission-regulated gas pipeline facility that  
21 traverses an earthquake fault zone designated by the State  
22 Geologist pursuant to the Alquist-Priolo Earthquake Fault Zoning  
23 Act (Chapter 7.5 (commencing with Section 2621) of Division 2  
24 of the Public Resources Code).

25 (c) Each commission-regulated gas pipeline facility that is in  
26 a class 3 location, class 4 location, or high consequence area.

27 958. (a) Each gas corporation shall prepare and submit to  
28 the commission a proposed comprehensive pressure testing  
29 implementation plan for all intrastate transmission lines to either  
30 pressure test those lines or to replace all segments of intrastate  
31 transmission lines that were not pressure tested or that lack  
32 sufficient details related to performance of pressure testing. The  
33 comprehensive pressure testing implementation plan shall provide  
34 for testing or replacing all intrastate transmission lines as soon  
35 as practicable. The comprehensive pressure testing implementation  
36 plan shall set forth criteria on which pipeline segments were  
37 identified for replacement instead of pressure testing.

38 (b) The comprehensive pressure testing implementation plan  
39 shall include a timeline for completion that is as soon as  
40 practicable, and includes interim safety enhancement measures,

1 *including increased patrols and leak surveys, pressure reductions,*  
2 *prioritization of pressure testing for critical pipelines that must*  
3 *run at or near maximum allowable operating pressure values that*  
4 *result in hoop stress levels at or above 30 percent of specified*  
5 *minimum yield stress, and any other measure that the commission*  
6 *determines will enhance public safety during the implementation*  
7 *period. Engineering-based assumptions may be used to determine*  
8 *maximum allowable operating pressure in the absence of complete*  
9 *records, but only as an interim measure until such time as all the*  
10 *lines have been tested or replaced, in order to allow the gas system*  
11 *to continue to operate.*

12 *(c) At the completion of the implementation period, all*  
13 *California natural gas intrastate transmission line segments shall*  
14 *meet all of the following:*

15 *(1) Have been pressure tested.*

16 *(2) Have traceable, verifiable, and complete records readily*  
17 *available.*

18 *(3) Where warranted, be capable of accommodating in-line*  
19 *inspection devices.*

20 *959. (a) Each gas corporation shall, twice a year, file with*  
21 *the commission's consumer protection safety division a gas*  
22 *transmission and storage safety report. The consumer protection*  
23 *safety division shall review the reports to monitor each gas*  
24 *corporation's storage and pipeline-related activities to assess*  
25 *whether the projects that have been identified as high risk are*  
26 *being carried out, and to track whether the gas corporation is*  
27 *spending its allocated funds on these storage and pipeline-related*  
28 *safety, reliability, and integrity activities for which they have*  
29 *received approval from the commission.*

30 *(b) The gas transmission and storage safety report shall include*  
31 *a thorough description and explanation of the strategic planning*  
32 *and decisionmaking approach used to determine and rank the gas*  
33 *storage projects, intrastate transmission line safety, integrity, and*  
34 *reliability, operation and maintenance activities, and inspections*  
35 *of its intrastate transmission lines. If there has been no change in*  
36 *the gas corporation's approach for determining and ranking which*  
37 *projects and activities are prioritized since the previous gas*  
38 *transmission and storage safety report, the subsequent report may*  
39 *reference the immediately preceding report.*

1 (c) *If the commission’s consumer protection safety division*  
 2 *determines that there is a deficiency in a gas corporation’s*  
 3 *prioritization or administration of the storage or pipeline capital*  
 4 *projects or operation and maintenance activities, the division shall*  
 5 *bring the problems to the commission’s immediate attention.*

6 968. (a) *A gas corporation shall not recover any fine or penalty*  
 7 *in any rate approved by the commission.*

8 (b) *Each gas corporation shall demonstrate to the satisfaction*  
 9 *of the commission, in its general rate case, that its proposed rates*  
 10 *will be sufficient to enable the gas corporation to fund those*  
 11 *projects and activities necessary to maintain safe and reliable*  
 12 *service and to meet federal and state safety requirements*  
 13 *applicable to its gas plant, in a cost-effective manner.*

14 (c) *In determining what constitutes a reasonable rate of return,*  
 15 *the commission shall consider the safety record of the gas*  
 16 *corporation.*

17 (d) *If the commission authorizes a gas corporation to recover*  
 18 *expenses incurred for public safety, the commission shall require*  
 19 *the gas corporation to establish and maintain a balancing account*  
 20 *to record the difference between the approved revenue*  
 21 *requirements for public safety and the actual expenditures made*  
 22 *by the utility. A gas corporation shall return moneys approved for*  
 23 *expenditure for public safety by the commission, to the balancing*  
 24 *account, if those funds are not expended within a reasonable period*  
 25 *of time after the commission grants approval of the public safety*  
 26 *expenditure, as determined by the commission.*

27 ~~SEC. 4.~~

28 SEC. 3. No reimbursement is required by this act pursuant to  
 29 Section 6 of Article XIII B of the California Constitution because  
 30 the only costs that may be incurred by a local agency or school  
 31 district will be incurred because this act creates a new crime or  
 32 infraction, eliminates a crime or infraction, or changes the penalty  
 33 for a crime or infraction, within the meaning of Section 17556 of  
 34 the Government Code, or changes the definition of a crime within  
 35 the meaning of Section 6 of Article XIII B of the California  
 36 Constitution.