

**Introduced by Senator Leno**  
(Principal coauthor: Assembly Member Mullin)  
**(Coauthor: Senator Hill)**

February 21, 2014

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An act to add Article 3 (commencing with Section 975) to Chapter 4.5 of Part 1 of Division 1 of the Public Utilities Code, relating to natural gas.

LEGISLATIVE COUNSEL'S DIGEST

SB 1371, as introduced, Leno. Natural gas: leakage abatement.

The California Constitution establishes the Public Utilities Commission with regulatory authority over public utilities, authorizes the commission to establish its own procedures, subject to statutory limitations or directions and constitutional requirements of due process, and authorizes the commission to fix rates and establish rules for all public utilities, subject to control by the Legislature.

The Natural Gas Pipeline Safety Act of 2011, within the Public Utilities Act, designates the commission as the state authority 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.

This bill would require the commission to adopt rules and procedures governing the operation, maintenance, repair, and replacement of commission-regulated gas pipeline facilities to minimize leaks as a hazard to be mitigated pursuant to the Natural Gas Pipeline Safety Act of 2011 and to eliminate uncontrolled emissions of natural gas from commission-regulated gas pipeline facilities to the maximum extent feasible. The bill would require the commission to commence a

proceeding by January 15, 2015, and to adopt rules and procedures not later than December 31, 2015. The bill would require that the rules and procedures provide for repair of leaks in commission-regulated gas pipeline facilities within a reasonable time after discovery, but require that leaks discovered in close proximity to residential and commercial buildings be repaired upon discovery so that the emission of leaking gas that can result in injury or loss of life will be substantially eliminated. The bill would additionally require that the rules and procedures establish best practices for leak surveys, patrols, leak survey technology, and metrics for evaluating and comparing leaks so that operators, the commission, and the public have accurate information about the number and severity of leaks and about the quantity of gas that is emitted to the atmosphere over time. The bill would require that the commission consider the costs of compliance with the rules and procedures and provide for cost recovery in rates charged to their customers by a gas corporation, consistent with the commission's existing ratemaking procedures and authority to establish just and reasonable rates.

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.

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. The Legislature finds and declares all of the
- 2 following:
- 3 (a) The Legislature has established that safety of the natural gas
- 4 pipeline infrastructure in California is a priority for the Public
- 5 Utilities Commission and gas corporations.

1 (b) The incidence of natural gas leaks and their repair is  
2 considered by the industry and regulators to be a significant  
3 indicator of pipeline integrity and safety.

4 (c) The Legislature has established a policy goal to significantly  
5 reduce emissions of greenhouse gases in California.

6 (d) There is a growing awareness of the potency of methane,  
7 the primary component of natural gas, as a greenhouse gas. The  
8 Intergovernmental Panel on Climate Change estimates that the  
9 global warming potential of methane is 84 times that of carbon  
10 dioxide over a 20-year time horizon.

11 (e) Fugitive methane volumes from pipelines in California may  
12 exceed 35 billion cubic feet annually and may exceed 500 billion  
13 cubic feet nationwide.

14 (f) Reducing these fugitive emissions by repairing pipeline leaks  
15 promptly and effectively advances both policy goals of natural gas  
16 pipeline safety and integrity and reducing emissions of greenhouse  
17 gases.

18 (g) Reducing leaks and promoting pipeline integrity in California  
19 provides significant employment opportunities for California  
20 residents and for domestic fabricators of high quality pipeline  
21 materials.

22 (h) Providing just and reasonable rate revenues for gas  
23 corporations to reduce leaks and repair them promptly when  
24 discovered, including employing an adequate workforce, is in the  
25 public interest, and promotes the interests of customers and the  
26 public.

27 SEC. 2. Article 3 (commencing with Section 975) is added to  
28 Chapter 4.5 of Part 1 of Division 1 of the Public Utilities Code, to  
29 read:

30  
31 Article 3. Methane Leakage Abatement

32  
33 975. (a) For purposes of this chapter, “commission-regulated  
34 gas pipeline facility” has the same meaning as defined in Section  
35 950.

36 (b) The commission shall adopt rules and procedures governing  
37 the operation, maintenance, repair, and replacement of  
38 commission-regulated gas pipeline facilities to achieve both of the  
39 following:

1 (1) Minimize leaks as a hazard to be mitigated pursuant to  
2 paragraph (1) of subdivision (d) of Section 961.

3 (2) Eliminate uncontrolled emissions of natural gas from  
4 commission-regulated gas pipeline facilities to the maximum extent  
5 feasible, in order to advance the state's goals in reducing emissions  
6 of greenhouse gases pursuant to the California Global Warming  
7 Solutions Act of 2006 (Division 25.5 (commencing with Section  
8 38500) of the Health and Safety Code).

9 (c) Not later than January 15, 2015, the commission shall  
10 commence a proceeding to adopt rules and procedures for intrastate  
11 distribution lines and intrastate transmission lines, as respectively  
12 described in paragraphs (1) and (2) of subdivision (a) of Section  
13 950, to achieve the goals of subdivision (b). The commission shall  
14 adopt rules and procedures not later than December 31, 2015.

15 (d) The rules and procedures shall provide for the repair of leaks  
16 in commission-regulated gas pipeline facilities within a reasonable  
17 time after discovery, consistent with eliminating hazards and  
18 reducing emissions to achieve the goals in subdivision (b). Leaks  
19 discovered in close proximity to residential and commercial  
20 buildings shall be repaired upon discovery so that the emission of  
21 leaking gas that can result in injury or loss of life will be  
22 substantially eliminated.

23 (e) The rules and procedures shall establish best practices for  
24 leak surveys, patrols, leak survey technology, and metrics for  
25 evaluating and comparing leaks so that operators, the commission,  
26 and the public have accurate information about the number and  
27 severity of leaks and about the quantity of natural gas that is  
28 emitted to the atmosphere over time. Best practices shall include  
29 evaluation of the quality of materials and equipment from various  
30 sources, including foreign and domestic third-party suppliers.

31 (f) The rules and procedures, including best practices and repair  
32 standards, shall be incorporated into the safety plans required by  
33 Section 961.

34 (g) Consistent with subdivision (e) of Section 961, the  
35 commission shall facilitate robust ongoing participation of the  
36 workforce of gas corporations in all aspects of the proceeding.

37 976. As an element of the proceeding required by Section 975,  
38 the commission shall consider the costs of compliance with the  
39 rules and procedures and shall provide for cost recovery in rates  
40 charged to their customers by a gas corporation, consistent with

1 the commission's existing ratemaking procedures and authority  
2 to establish just and reasonable rates. Cost considerations shall  
3 include all of the following:

4 (a) Providing an adequate workforce to achieve the objectives  
5 of reducing hazards and emissions from leaks, including prompt  
6 leak repair and elimination.

7 (b) Directing the revenues from any allowance for lost or  
8 unaccounted for natural gas to leak repair and elimination.

9 (c) Providing guidance for treatment of expenditures as being  
10 either an item of expense or a capital investment.

11 SEC. 3. No reimbursement is required by this act pursuant to  
12 Section 6 of Article XIII B of the California Constitution because  
13 the only costs that may be incurred by a local agency or school  
14 district will be incurred because this act creates a new crime or  
15 infraction, eliminates a crime or infraction, or changes the penalty  
16 for a crime or infraction, within the meaning of Section 17556 of  
17 the Government Code, or changes the definition of a crime within  
18 the meaning of Section 6 of Article XIII B of the California  
19 Constitution.

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