

AMENDED IN SENATE APRIL 10, 2014

AMENDED IN SENATE MARCH 25, 2014

SENATE BILL

No. 1371

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

February 21, 2014

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 amended, 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.

The California Global Solutions Act of 2006 requires the State Air Resources Board to adopt regulations to require the reporting and verification of emissions of greenhouse gases and to monitor and enforce compliance with the reporting and verification program, and requires

the state board to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions level in 1990, to be achieved by 2020.

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~~ *reduce* emissions of natural gas from commission-regulated gas pipeline facilities to the maximum extent feasible ~~with the goal of cutting total emission in ½ by January 1, 2020.~~ *in order to advance the state's goals in reducing emissions of greenhouse gases pursuant to the California Global Warming Solutions Act of 2006.* 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 the commission to consult with the ~~State Air Resources Board~~ *state board* and those other state and federal entities that the commission determines have regulatory roles of relevance to the rules and procedures under consideration. The bill would require that the rules and procedures provide for the ~~elimination~~ *cost-effective avoidance, reduction, and 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 ~~eliminated~~ *repaired* as soon as reasonably possible after discovery, consistent with the ~~goal~~ *goals* of reducing the risk of ~~injury or loss of life.~~ *injury, loss of life, property damage, and air pollution.* The bill would require the rules and procedures to provide for the ranking, by volume, of leaks recorded by each commission-regulated gas pipeline facility and require the implementation of programs that provide for the ongoing repair of leaks that are in the top 20% of gas volumes leaked on an annual basis. The bill would require that the rules and procedures evaluate the operations, maintenance, and repair practices of commission-regulated gas pipeline facilities to determine whether existing practices are effective at achieving the goals of the bill and to determine whether alternative practices may be more effective at achieving the goals of the bill. The bill would require that the rules and procedures establish and require the use of best practices for leak surveys, patrols, leak survey technology, ~~and metrics for evaluating and comparing leaks~~ *leak prevention, and leak reduction.* The bill would require the rules and procedures to establish protocols and procedures for the development

and use of metrics to quantify the volume of emissions from leaking components, and for evaluating and tracking leaks, both geographically and over time, 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 rules and procedures, to the extent feasible, provide for the establishment of a baseline systemwide leak rate, a periodic updating of systemwide leak rate quantifications, and an annual reporting structure of the require the owner of each commission-regulated gas pipeline facility to calculate and report to the commission a baseline systemwide leak rate, to periodically update that systemwide leak rate calculation, and to annually report measures that will be taken in the following year to reduce the systemwide leak rate to achieve the goals of the bill for each commission-regulated pipeline. bill. The bill would require that the commission consider whether the costs of compliance with the adopted rules and procedures are commensurate with the short- and long-term benefits resulting from reducing leaks and emissions 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. Article 3 (commencing with Section 975) is added
2 to Chapter 4.5 of Part 1 of Division 1 of the Public Utilities Code,
3 to read:

4

5

Article 3. Methane Leakage Abatement

6

7 975. The Legislature finds and declares all of the following:

8

9 (a) The Legislature has established that safety of the natural gas
10 pipeline infrastructure in California is a priority for the Public
11 Utilities Commission and ~~gas corporations.~~ *corporations, and*
12 *nothing in this article shall compromise or deprioritize safety as*
13 *a top consideration.*

14

15 (b) ~~The~~ *It is undisputed that natural gas pipelines and*
16 *infrastructure in California leak natural gas. The incidence of*
17 *natural gas leaks and their repair is considered by the industry and*
18 *regulators to be a significant indicator of pipeline integrity and*
19 *safety.*

20

21 (c) The Legislature has established a policy goal to significantly

22

23 reduce emissions of greenhouse gases in California.
24 (d) There is a growing awareness of the potency of methane,
25 the primary component of natural gas, as a greenhouse gas. The
26 Intergovernmental Panel on Climate Change estimates that the
27 global warming potential of methane is ~~approximately 80~~ 84 times
28 that of carbon dioxide over a 20-year time horizon. *There is also*
29 *a growing awareness that climate change impacts impose high*
30 *social costs, including impacts upon the public health and*
31 *economy.*

32

33 (e) ~~It is undisputed that natural gas pipelines and infrastructure~~
34 ~~in California leak substantial volumes of natural gas, estimated in~~
35 ~~2011 to exceed 35 billion cubic feet annually.~~

36

37

(f)
(e) Reducing these fugitive methane emissions by promptly and
effectively repairing or replacing the pipes and associated
infrastructure that is responsible for these leaks advances both
policy goals of natural gas pipeline safety and integrity and
reducing emissions of greenhouse gases.

(g) ~~Although there are existing~~

1 (f) Existing federal and state rules and regulations that pertain
2 pertaining to the natural gas transmission and distribution system
3 and associated infrastructure, these rules and regulations are
4 insufficient to prevent infrastructure were not developed for the
5 purpose of preventing the climate change impacts from leaks of
6 natural gas.

7 (g) Examining the methods used by gas corporations under
8 existing federal and state rules to conduct and schedule leak repair
9 and prevention based on the implications of these practices with
10 respect to emissions of greenhouse gases will enable a more
11 thorough evaluation of whether existing practices are
12 commensurate with California's goals for reducing emissions of
13 greenhouse gases.

14 (h) Reducing leaks and promoting the integrity of repairing
15 pipelines and associated infrastructure in California provides
16 significant employment opportunities for California residents and
17 for domestic fabricators of high quality pipeline materials and
18 other equipment associated with finding and fixing leaks.

19 (i) Providing just and reasonable rate revenues for gas
20 corporations to find, categorize, and eliminate repair leaks
21 promptly when discovered, including employing an adequate
22 workforce, is in the public interest, and promotes the interests of
23 customers and the public.

24 976. (a) For purposes of this chapter, "commission-regulated
25 gas pipeline facility" has the same meaning as defined in Section
26 950.

27 (b) The commission shall adopt rules and procedures governing
28 the operation, maintenance, repair, and replacement of
29 commission-regulated gas pipeline facilities to achieve both of the
30 following:

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

33 (2) While giving due consideration to the cost considerations
34 of Section 977, eliminate uncontrolled reduce emissions of natural
35 gas from commission-regulated gas pipeline facilities to the
36 maximum extent feasible with the goal of cutting total emission
37 in half by January 1, 2020, feasible in order to advance the state's
38 goals in reducing emissions of greenhouse gases pursuant to the
39 California Global Warming Solutions Act of 2006 (Division 25.5
40 (commencing with Section 38500) of the Health and Safety Code).

1 (c) Not later than January 15, 2015, the commission shall
2 commence a proceeding to adopt rules and procedures for intrastate
3 distribution lines and intrastate transmission lines, as respectively
4 described in paragraphs (1) and (2) of subdivision (a) of Section
5 950, to achieve the goals of subdivision (b). The commission shall
6 consult with the State Air Resources Board and those other state
7 and federal entities that the commission determines have regulatory
8 roles of relevance to the rules and procedures under consideration.
9 The commission shall adopt rules and procedures not later than
10 December 31, 2015.

11 (d) The rules and procedures adopted pursuant to subdivision
12 (c) shall accomplish all of the following:

13 (1) Provide for the ~~elimination~~ *cost-effective avoidance,*
14 *reduction, and repair* of leaks in commission-regulated gas pipeline
15 facilities within a reasonable time after discovery, consistent with
16 eliminating hazards and reducing emissions to achieve the goals
17 in subdivision (b). *Cost-effectiveness criteria used to determine*
18 *leak avoidance, reduction, and repair requirements pursuant to*
19 *this paragraph shall take into account societal and public costs*
20 *associated with climate change and air pollution, including*
21 *peer-reviewed estimates of the social costs of emissions of*
22 *greenhouse gases.*

23 (2) ~~Provide for the elimination~~ *As determined by the commission,*
24 *provide for the repair* of any leaks discovered in close proximity
25 to residential and commercial buildings as soon as reasonably
26 possible after discovery, consistent with the ~~goal~~ *goals* of reducing
27 the risk of ~~injury or loss of life.~~ *injury, loss of life, property*
28 *damage, and air pollution, including the climate change potential*
29 *associated with methane emissions.*

30 (3) *Commensurate with a goal of reducing systemwide emissions*
31 *of methane, provide for a ranking, by volume, of leaks recorded*
32 *by each commission-regulated gas pipeline facility and require*
33 *the implementation of programs that, at a minimum, provide for*
34 *the ongoing repair of leaks that are in the top 20 percent of gas*
35 *volumes leaked on an annual basis.*

36 (4) *Evaluate the operations, maintenance, and repair practices*
37 *of commission-regulated gas pipeline facilities to determine*
38 *whether existing practices are effective at achieving the goals of*
39 *subdivision (b) and determine whether alternative practices may*
40 *be more effective at achieving the goals of subdivision (b).*

1 ~~(3)~~

2 (5) Establish and require the use of best practices for leak
3 surveys, patrols, leak survey technology, ~~and metrics for evaluating~~
4 ~~and comparing leaks so that operators, the commission, and the~~
5 ~~public have accurate information about the number and severity~~
6 ~~of leaks and about the quantity of natural gas that is emitted to the~~
7 ~~atmosphere over time.~~ *leak prevention, and leak reduction.* Best
8 practices shall include evaluation of the quality of materials and
9 equipment from various sources, including foreign and domestic
10 third-party suppliers.

11 (6) *Establish protocols and procedures for the development and*
12 *use of metrics to quantify the volume of emissions from leaking*
13 *components, and for evaluating and tracking leaks, both*
14 *geographically and over time, so that operators, the commission,*
15 *and the public have accurate information about the number and*
16 *severity of leaks and about the quantity of natural gas that is*
17 *emitted into the atmosphere over time.*

18 ~~(4)~~

19 (7) To the extent feasible, ~~provide for each~~ *require the owner*
20 *of each* commission-regulated gas pipeline ~~facility,~~ *the*
21 ~~establishment of a baseline systemwide leak rate, a periodic~~
22 ~~updating of facility to calculate and report to the commission a~~
23 ~~baseline systemwide leak rate, along with any data and computer~~
24 ~~models used in making that calculation, to periodically update~~
25 ~~that systemwide leak rate quantifications, and an annual reporting~~
26 ~~structure of the calculation, and to annually report on~~ *measures*
27 *that will be taken in the following year to reduce the systemwide*
28 *leak rate to achieve the goals of subdivision (b).*

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

32 (f) Consistent with subdivision (e) of Section 961, the
33 commission shall facilitate robust ongoing participation of the
34 workforce of gas corporations *and those state and federal entities*
35 *that have regulatory roles of relevance* in all aspects of the
36 proceeding.

37 977. As an element of the proceeding required by Section 976,
38 the commission shall consider whether the costs of compliance
39 with the adopted rules and procedures are commensurate with the
40 short- and long-term benefits resulting from reducing leaks and

1 emissions and shall provide for cost recovery in rates charged to
2 their customers by a gas corporation, consistent with the
3 commission’s existing ratemaking procedures and authority to
4 establish just and reasonable rates. Cost considerations shall
5 include, but are not limited to, all of the following:

6 (a) Providing an adequate workforce to achieve the objectives
7 of reducing hazards and emissions from leaks, including leak
8 ~~elimination~~; *avoidance, reduction, and repair*.

9 (b) Directing the revenues from any allowance for lost or
10 unaccounted for natural gas to leak ~~elimination~~; *avoidance,*
11 *reduction, and repair*.

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

14 (d) The impact on affordability of gas service for vulnerable
15 customers as a result of the incremental costs of compliance with
16 the adopted rules and procedures.

17 SEC. 2. No reimbursement is required by this act pursuant to
18 Section 6 of Article XIII B of the California Constitution because
19 the only costs that may be incurred by a local agency or school
20 district will be incurred because this act creates a new crime or
21 infraction, eliminates a crime or infraction, or changes the penalty
22 for a crime or infraction, within the meaning of Section 17556 of
23 the Government Code, or changes the definition of a crime within
24 the meaning of Section 6 of Article XIII B of the California
25 Constitution.