

AMENDED IN SENATE MAY 27, 2014  
AMENDED IN SENATE MAY 7, 2014  
AMENDED IN SENATE APRIL 10, 2014  
AMENDED IN SENATE MARCH 25, 2014

**SENATE BILL**

**No. 1371**

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**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 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 Warming 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 *natural gas leakage abatement* for those commission-regulated gas pipeline facilities that are intrastate transmission and distribution lines to minimize leaks as a hazard to be mitigated pursuant to the Natural Gas Pipeline Safety Act of 2011 and to reduce emissions of natural gas from those facilities to the maximum extent feasible 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 board, *the gas corporation's workforce*, and those other state and federal entities that the commission determines have regulatory roles of relevance to the rules and procedures under consideration. *relevance*. The bill would require that the rules and procedures provide for the maximum technologically feasible and cost-effective avoidance, reduction, and repair of leaks *and leaking components* in those commission-regulated gas pipeline facilities that are intrastate transmission and distribution lines within a reasonable time after discovery. 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 that is an intrastate transmission or distribution line 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.~~ *of recorded leaks and leaking components by volume or energy content*. The bill would require that the rules and procedures evaluate the operations, maintenance, and repair practices of *natural gas leakage abatement practices* for those 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, 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, require the owner of each commission-regulated gas pipeline facility that is an intrastate transmission or distribution line 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. The bill would require that the commission consider specified topics in a manner 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*
- 4     *gas pipeline infrastructure in California is a priority for the Public*
- 5     *Utilities Commission and gas corporations, and nothing in this*

1 *article shall compromise or deprioritize safety as a top*  
2 *consideration.*

3 *(b) It is undisputed that natural gas pipelines and infrastructure*  
4 *in California leak natural gas. The incidence of natural gas leaks*  
5 *and their repair is considered by the industry and regulators to*  
6 *be a significant indicator of pipeline integrity and safety.*

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

9 *(d) There is a growing awareness of the potency of methane,*  
10 *the primary component of natural gas, as a greenhouse gas. The*  
11 *Intergovernmental Panel on Climate Change estimates that the*  
12 *global warming potential of methane is 28 times that of carbon*  
13 *dioxide over a 100-year time horizon and 84 times that of carbon*  
14 *dioxide over a 20-year time horizon. There is also a growing*  
15 *awareness that climate change impacts impose high social costs,*  
16 *including impacts upon the public health and economy.*

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

22 *(f) Existing federal and state rules and regulations pertaining*  
23 *to the natural gas transmission and distribution system and*  
24 *associated infrastructure were not developed for the purpose of*  
25 *preventing the climate change impacts from leaks of natural gas.*

26 *(g) Examining the methods used by gas corporations under*  
27 *existing federal and state rules to conduct and schedule leak repair*  
28 *and prevention based on the implications of these practices with*  
29 *respect to emissions of greenhouse gases will enable a more*  
30 *thorough evaluation of whether existing practices are*  
31 *commensurate with California's goals for reducing emissions of*  
32 *greenhouse gases.*

33 *(h) Reducing leaks and repairing pipelines and associated*  
34 *infrastructure in California provides significant employment*  
35 *opportunities for California residents and for domestic fabricators*  
36 *of high quality pipeline materials and other equipment associated*  
37 *with finding and fixing leaks.*

38 *(i) Providing just and reasonable rate revenues for gas*  
39 *corporations to find, categorize, and repair leaks promptly when*  
40 *discovered, including employing an adequate workforce, is in the*

1 *public interest, and promotes the interests of customers and the*  
2 *public.*

3 **SECTION 1.**

4 *SEC. 2.* Article 3 (commencing with Section 975) is added to  
5 Chapter 4.5 of Part 1 of Division 1 of the Public Utilities Code, to  
6 read:

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Article 3. Methane Leakage Abatement

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

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

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

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

22 (d) ~~There is a growing awareness of the potency of methane,~~  
23 ~~the primary component of natural gas, as a greenhouse gas. The~~  
24 ~~Intergovernmental Panel on Climate Change estimates that the~~  
25 ~~global warming potential of methane is 28 times that of carbon~~  
26 ~~dioxide over a 100-year time horizon and 84 times that of carbon~~  
27 ~~dioxide over a 20-year time horizon. There is also a growing~~  
28 ~~awareness that climate change impacts impose high social costs,~~  
29 ~~including impacts upon the public health and economy.~~

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

35 (f) ~~Existing federal and state rules and regulations pertaining to~~  
36 ~~the natural gas transmission and distribution system and associated~~  
37 ~~infrastructure were not developed for the purpose of preventing~~  
38 ~~the climate change impacts from leaks of natural gas.~~

39 (g) ~~Examining the methods used by gas corporations under~~  
40 ~~existing federal and state rules to conduct and schedule leak repair~~

1 and prevention based on the implications of these practices with  
2 respect to emissions of greenhouse gases will enable a more  
3 thorough evaluation of whether existing practices are  
4 commensurate with California's goals for reducing emissions of  
5 greenhouse gases.

6 ~~(h) Reducing leaks and repairing pipelines and associated~~  
7 ~~infrastructure in California provides significant employment~~  
8 ~~opportunities for California residents and for domestic fabricators~~  
9 ~~of high quality pipeline materials and other equipment associated~~  
10 ~~with finding and fixing leaks.~~

11 ~~(i) Providing just and reasonable rate revenues for gas~~  
12 ~~corporations to find, categorize, and repair leaks promptly when~~  
13 ~~discovered, including employing an adequate workforce, is in the~~  
14 ~~public interest, and promotes the interests of customers and the~~  
15 ~~public.~~

16 976.

17 975. (a) For purposes of this chapter, "commission-regulated  
18 gas pipeline facility" has the same meaning as defined in Section  
19 950.

20 (b) The commission shall adopt rules and procedures governing  
21 ~~the operation, maintenance, repair, and replacement of natural gas~~  
22 ~~leakage abatement for those commission-regulated gas pipeline~~  
23 ~~facilities that are intrastate transmission and distribution lines, as~~  
24 ~~described in paragraphs (1) and (2) of subdivision (a) of Section~~  
25 ~~950, to achieve both of the following: *reduce emissions of natural*~~  
26 ~~*gas pursuant to the California Global Warming Solutions Act of*~~  
27 ~~*2006 (Division 25.5 (commencing with Section 38500) of the*~~  
28 ~~*Health and Safety Code).*~~

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

31 ~~(2) While giving due consideration to the cost considerations~~  
32 ~~of Section 977, reduce emissions of natural gas from those~~  
33 ~~commission-regulated gas pipeline facilities that are intrastate~~  
34 ~~transmission and distribution lines to the maximum extent feasible~~  
35 ~~in order to advance the state's goals in reducing emissions of~~  
36 ~~greenhouse gases pursuant to the California Global Warming~~  
37 ~~Solutions Act of 2006 (Division 25.5 (commencing with Section~~  
38 ~~38500) of the Health and Safety Code).~~

39 (c) Not later than January 15, 2015, the commission shall  
40 commence a proceeding to adopt rules and procedures for those

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

10 *(d) In developing the rules and procedures pursuant to*  
11 *subdivision (c), the commission shall consult with the State Air*  
12 *Resources Board, the gas corporation's workforce, and those other*  
13 *state and federal entities that the commission determines have*  
14 *regulatory roles of relevance.*

15 ~~(d)~~

16 *(e) The rules and procedures adopted pursuant to subdivision*  
17 *(c) shall accomplish all of the following:*

18 *(1) Provide for the maximum technologically feasible and*  
19 *cost-effective avoidance, reduction, and repair of leaks and leaking*  
20 *components in those commission-regulated gas pipeline facilities*  
21 *that are intrastate transmission and distribution lines within a*  
22 *reasonable time after discovery, consistent with the California*  
23 *Global Warming Solutions Act of 2006 (Division 25.5*  
24 *(commencing with Section 38500) of the Health and Safety Code)*  
25 *to achieve the goals in subdivision (b).*

26 ~~*(2) Provide for the repair of leaks as soon as reasonably possible*~~  
27 ~~*after discovery, consistent with the goals of reducing air pollution*~~  
28 ~~*and the climate change impacts of methane emissions.*~~

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

36 *(2) Provide for the ranking of recorded leaks and leaking*  
37 *components by volume or energy content.*

38 ~~(4)~~

39 ~~*(3) Evaluate the operations, maintenance, and repair practices*~~  
40 ~~*of natural gas leakage abatement practices for those*~~

1 commission-regulated gas pipeline facilities that are intrastate  
2 transmission and distribution lines to determine whether existing  
3 practices are effective at achieving the goals of subdivision (b)  
4 and determine whether alternative practices may be more effective  
5 at achieving the goals of subdivision (b).

6 ~~(5)~~

7 (4) Establish and require the use of best practices for leak  
8 surveys, patrols, leak survey technology, leak prevention, and leak  
9 reduction. ~~Best practices shall include evaluation of the quality of~~  
10 ~~materials and equipment from various sources, including foreign~~  
11 ~~and domestic third-party suppliers. The Commission shall consider~~  
12 ~~in the development of best practices the quality of materials and~~  
13 ~~equipment from various sources, including foreign and domestic~~  
14 ~~third-party suppliers.~~

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

22 ~~(7) To the extent feasible, require the owner of each~~  
23 ~~commission-regulated gas pipeline facility that is an intrastate~~  
24 ~~transmission or distribution line to calculate and report to the~~  
25 ~~commission a baseline systemwide leak rate, along with any data~~  
26 ~~and computer models used in making that calculation, to~~  
27 ~~periodically update that systemwide leak rate calculation, and to~~  
28 ~~annually report on measures that will be taken in the following~~  
29 ~~year to reduce the systemwide leak rate to achieve the goals of~~  
30 ~~subdivision (b).~~

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

34 ~~(f) Consistent with subdivision (e) of Section 961, the~~  
35 ~~commission shall facilitate robust ongoing participation of the~~  
36 ~~workforce of gas corporations and those state and federal entities~~  
37 ~~that have regulatory roles of relevance in all aspects of the~~  
38 ~~proceeding. Nothing in this section affects the commission's~~  
39 ~~authority to determine eligibility for intervenor compensation.~~

1     ~~977. Consistent with the commission’s existing ratemaking~~  
2 ~~procedures and authority to establish just and reasonable rates, the~~  
3 ~~commission shall consider all of the following:~~

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

7     ~~(b) Directing the revenues from any allowance for lost or~~  
8 ~~unaccounted for natural gas to leak avoidance, reduction, and~~  
9 ~~repair.~~

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

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

15    ~~(e) The social and public costs associated with climate change~~  
16 ~~and air pollution, including peer-reviewed estimates of the social~~  
17 ~~costs of emissions of greenhouse gases.~~

18    ~~SEC. 2.~~

19    ~~SEC. 3. No reimbursement is required by this act pursuant to~~  
20 ~~Section 6 of Article XIII B of the California Constitution because~~  
21 ~~the only costs that may be incurred by a local agency or school~~  
22 ~~district will be incurred because this act creates a new crime or~~  
23 ~~infraction, eliminates a crime or infraction, or changes the penalty~~  
24 ~~for a crime or infraction, within the meaning of Section 17556 of~~  
25 ~~the Government Code, or changes the definition of a crime within~~  
26 ~~the meaning of Section 6 of Article XIII B of the California~~  
27 ~~Constitution.~~