

AMENDED IN ASSEMBLY JUNE 10, 2014

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

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 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 ~~natural gas leakage abatement~~ *for the operation, maintenance, repair, and replacement* of 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~~. *2015, to adopt those rules and procedures.* 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. 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 *and prioritization* of recorded leaks and leaking components by volume or energy content. The bill would require that the rules and procedures evaluate the ~~natural gas leakage abatement practices~~ *operations, maintenance, and repair 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 gas
- 4 pipeline infrastructure in California is a priority for the Public
- 5 Utilities Commission and gas corporations, and nothing in this
- 6 article shall compromise or deprioritize safety as a top
- 7 consideration.
- 8 (b) It is undisputed that natural gas pipelines and infrastructure
- 9 in California leak natural gas. The incidence of natural gas leaks

1 and their repair is considered by the industry and regulators to be
2 a significant indicator of pipeline integrity and safety.

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

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

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

18 (f) Existing federal and state rules and regulations pertaining to
19 the natural gas transmission and distribution system and associated
20 infrastructure were not developed for the purpose of preventing
21 the climate change impacts from leaks of natural gas.

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

29 (h) Reducing leaks and repairing pipelines and associated
30 infrastructure in California provides significant employment
31 opportunities for California residents and for domestic fabricators
32 of high quality pipeline materials and other equipment associated
33 with finding and fixing leaks.

34 (i) Providing just and reasonable rate revenues for gas
35 corporations to find, categorize, and repair leaks promptly when
36 discovered, including employing an adequate workforce, is in the
37 public interest, and promotes the interests of customers and the
38 public.

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

4
5 Article 3. Methane Leakage Abatement
6

7 975. (a) For purposes of this chapter, “commission-regulated
8 gas pipeline facility” has the same meaning as defined in Section
9 950.

10 (b) The commission shall adopt rules and procedures governing
11 ~~natural gas leakage abatement for the operation, maintenance,~~
12 ~~repair, and replacement of~~ those commission-regulated gas pipeline
13 facilities that are intrastate transmission and distribution lines, as
14 described in paragraphs (1) and (2) of subdivision (a) of Section
15 950, to ~~reduce emissions of natural gas pursuant to the California~~
16 ~~Global Warming Solutions Act of 2006 (Division 25.5~~
17 ~~(commencing with Section 38500) of the Health and Safety Code).~~
18 *achieve both of the following:*

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

21 *(2) While giving due consideration to the cost considerations*
22 *of Section 977, reduce emissions of natural gas from those*
23 *commission-regulated gas pipeline facilities that are intrastate*
24 *transmission and distribution lines to the maximum extent feasible*
25 *in order to advance the state’s goals in reducing emissions of*
26 *greenhouse gases pursuant to the California Global Warming*
27 *Solutions Act of 2006 (Division 25.5 (commencing with Section*
28 *38500) of the Health and Safety Code).*

29 (c) Not later than January 15, 2015, the commission shall
30 commence a proceeding to adopt rules and procedures for those
31 commission-regulated pipeline facilities that are intrastate
32 transmission and distribution lines, as respectively described in
33 paragraphs (1) and (2) of subdivision (a) of Section 950, to achieve
34 the goals of subdivision (b).

35 (d) In developing the rules and procedures pursuant to
36 subdivision (c), the commission shall consult with the State Air
37 Resources Board, the gas corporation’s workforce, and those other
38 state and federal entities that the commission determines have
39 regulatory roles of relevance.

1 (e) The rules and procedures adopted pursuant to subdivision
2 (c) shall accomplish all of the following:

3 (1) Provide for the maximum technologically feasible and
4 cost-effective avoidance, reduction, and repair of leaks and leaking
5 components in those commission-regulated gas pipeline facilities
6 that are intrastate transmission and distribution lines within a
7 reasonable time after discovery, consistent with the California
8 Global Warming Solutions Act of 2006 (Division 25.5
9 (commencing with Section 38500) of the Health and Safety Code)
10 to achieve the goals in subdivision (b).

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

14 ~~(2)~~

15 (3) Provide for the ranking *and prioritization* of recorded leaks
16 and leaking components by volume or energy content.

17 ~~(3)~~

18 (4) Evaluate the ~~natural gas leakage abatement practices for~~
19 *operations, maintenance, and repair practices* of those
20 commission-regulated gas pipeline facilities that are intrastate
21 transmission and distribution lines to determine whether existing
22 practices are effective at achieving the goals of subdivision (b)
23 and determine whether alternative practices may be more effective
24 at achieving the goals of subdivision (b).

25 ~~(4)~~

26 (5) Establish and require the use of best practices for leak
27 surveys, patrols, leak survey technology, leak prevention, and leak
28 reduction. The Commission shall consider in the development of
29 best practices the quality of materials and equipment from various
30 sources, including foreign and domestic third-party suppliers.

31 (6) *Establish protocols and procedures for the development and*
32 *use of metrics to quantify the volume of emissions from leaking*
33 *components, and for evaluating and tracking leaks, both*
34 *geographically and over time, so that operators, the commission,*
35 *and the public have accurate information about the number and*
36 *severity of leaks and about the quantity of natural gas that is*
37 *emitted into the atmosphere over time.*

38 (7) *To the extent feasible, require the owner of each*
39 *commission-regulated gas pipeline facility that is an intrastate*
40 *transmission or distribution line to calculate and report to the*

1 *commission a baseline systemwide leak rate, along with any data*
2 *and computer models used in making that calculation, to*
3 *periodically update that systemwide leak rate calculation, and to*
4 *annually report on measures that will be taken in the following*
5 *year to reduce the systemwide leak rate to achieve the goals of*
6 *subdivision (b).*

7 *(f) The rules and procedures, including best practices and repair*
8 *standards, shall be incorporated into the safety plans required by*
9 *Section 961.*

10 *(g) Consistent with subdivision (e) of Section 961, the*
11 *commission shall facilitate robust ongoing participation of the*
12 *workforce of gas corporations and those state and federal entities*
13 *that have regulatory roles of relevance in all aspects of the*
14 *proceeding. Nothing in this section affects the commission's*
15 *authority to determine eligibility for intervenor compensation.*

16 *977. Consistent with the commission's existing ratemaking*
17 *procedures and authority to establish just and reasonable rates,*
18 *the commission shall consider all of the following:*

19 *(a) Providing an adequate workforce to achieve the objectives*
20 *of reducing hazards and emissions from leaks, including leak*
21 *avoidance, reduction, and repair.*

22 *(b) Directing the revenues from any allowance for lost or*
23 *unaccounted for natural gas to leak avoidance, reduction, and*
24 *repair.*

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

27 *(d) The impact on affordability of gas service for vulnerable*
28 *customers as a result of the incremental costs of compliance with*
29 *the adopted rules and procedures.*

30 *(e) The social and public costs associated with climate change*
31 *and air pollution, including peer-reviewed estimates of the social*
32 *costs of emissions of greenhouse gases.*

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

- 1 the meaning of Section 6 of Article XIII B of the California
- 2 Constitution.

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