

AMENDED IN ASSEMBLY JUNE 18, 2014
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 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, 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~~. *relevance to ensure that the rules and procedures it adopts are not inconsistent with the regulations and procedures adopted by those agencies.* The bill would require that the rules and procedures (1) 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~~ *discovery, (2) provide for the repair of leaks as soon as reasonably possible after discovery, consistent with established safety requirements and the goals of reducing air pollution and the climate change impacts of methane emissions, (3) evaluate the 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~~ *bill*, (4) 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~~ *reduction*, (5) establish protocols and procedures for the development and use of metrics to quantify the volume of emissions from leaking ~~components~~, *components not inconsistent with the protocols and procedures utilized in mandatory reporting to state and federal air quality agencies*, 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~~, *time*, and (6) 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
10 and their repair is considered by the industry and regulators to be
11 a significant indicator of pipeline integrity and safety.

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

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

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

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

31 (g) Examining the methods used by gas corporations under
32 existing federal and state rules to conduct and schedule leak repair
33 and prevention based on the implications of these practices with
34 respect to emissions of greenhouse ~~gases~~ *gases, in addition to*
35 *safety*, will enable a more thorough evaluation of whether existing
36 practices are commensurate with California's goals for reducing
37 emissions of greenhouse gases.

1 (h) Reducing leaks and repairing pipelines and associated
2 infrastructure in California provides significant employment
3 opportunities for California residents and for domestic fabricators
4 of high quality pipeline materials and other equipment associated
5 with finding and fixing leaks.

6 (i) Providing just and reasonable rate revenues for gas
7 corporations to find, categorize, and repair leaks promptly when
8 discovered, including employing an adequate workforce, is in the
9 public interest, and promotes the interests of customers and the
10 public.

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

14
15 Article 3. Methane Leakage Abatement
16

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 those
22 commission-regulated gas pipeline facilities that are intrastate
23 transmission and distribution lines, as described in paragraphs (1)
24 and (2) of subdivision (a) of Section 950, to achieve both of the
25 following:

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

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

36 (c) Not later than January 15, 2015, the commission shall
37 commence a proceeding to adopt rules and procedures for those
38 commission-regulated pipeline facilities that are intrastate
39 transmission and distribution lines, as respectively described in

1 paragraphs (1) and (2) of subdivision (a) of Section 950, to achieve
2 the goals of subdivision (b).

3 (d) In developing the rules and procedures pursuant to
4 subdivision (c), the commission shall consult with the State Air
5 Resources Board, the gas corporation's workforce, and those other
6 state and federal entities that the commission determines have
7 regulatory roles of ~~relevance~~. *relevance, to ensure that the rules*
8 *and procedures it adopts are not inconsistent with regulations and*
9 *procedures adopted by those agencies.*

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

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

20 (2) Provide for the repair of leaks as soon as reasonably possible
21 after discovery, consistent with *established safety requirements*
22 *and* the goals of reducing air pollution and the climate change
23 impacts of methane emissions.

24 ~~(3) Provide for the ranking and prioritization of recorded leaks~~
25 ~~and leaking components by volume or energy content.~~

26 ~~(4)~~

27 (3) Evaluate the operations, maintenance, and repair practices
28 of those commission-regulated gas pipeline facilities that are
29 intrastate transmission and distribution lines to determine whether
30 existing practices are effective at achieving the goals of subdivision
31 (b) and determine whether alternative practices may be more
32 effective at achieving the goals of subdivision (b).

33 ~~(5)~~

34 (4) Establish and require the use of best practices for leak
35 surveys, patrols, leak survey technology, leak prevention, and leak
36 reduction. The commission shall consider in the development of
37 best practices the quality of materials and equipment from various
38 sources, including foreign and domestic third-party suppliers.
39 *Collected leak data shall remain the property of the utility and*

1 *shall be available to the commission and parties in commission*
2 *proceedings as determined by the commission.*

3 ~~(6)~~

4 (5) Establish protocols and procedures for the development and
5 use of metrics to quantify the volume of emissions from leaking
6 ~~components~~, *components not inconsistent with the protocols and*
7 *procedures utilized in mandatory reporting to state and federal*
8 *air quality agencies*, and for evaluating and tracking leaks, both
9 geographically and over time, so that operators, the commission,
10 and the public have accurate information about the number and
11 severity of leaks and about the quantity of natural gas that is
12 emitted into the atmosphere over time.

13 ~~(7)~~

14 (6) To the extent feasible, require the owner of each
15 commission-regulated gas pipeline facility that is an intrastate
16 transmission or distribution line to calculate and report to the
17 commission a baseline systemwide leak rate, along with any data
18 and computer models used in making that calculation, to
19 periodically update that systemwide leak rate calculation, and to
20 annually report on measures that will be taken in the following
21 year to reduce the systemwide leak rate to achieve the goals of
22 subdivision (b).

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

26 (g) Consistent with subdivision (e) of Section 961, the
27 commission shall facilitate robust ongoing participation of the
28 workforce of gas corporations and those state and federal entities
29 that have regulatory roles of relevance in all aspects of the
30 proceeding. Nothing in this section affects the commission's
31 authority to determine eligibility for intervenor compensation.

32 977. Consistent with the commission's existing ratemaking
33 procedures and authority to establish just and reasonable rates, the
34 commission shall consider all of the following:

35 (a) Providing an adequate workforce to achieve the objectives
36 of reducing hazards and emissions from leaks, including leak
37 avoidance, reduction, and repair.

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

1 (b) *Providing revenues for all activities identified and required*
2 *pursuant to Section 976, including any adjustment of allowance*
3 *for lost and unaccounted for gas related to actual leakage volumes.*

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

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

9 (e) The social and public costs associated with climate change
10 and air pollution, including peer-reviewed estimates of the social
11 costs of emissions of greenhouse gases.

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