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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 act requires each gas corporation to develop a plan, as specified, for the safe and reliable operation of its commission-regulated gas pipeline facility, as defined. The act requires the commission to accept, modify, or reject the plan for each gas corporation by December 31, 2012, and to build into an approved plan sufficient flexibility to redirect activities to respond to safety requirements. The act requires that the plan be periodically reviewed and updated.*

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, giving priority to safety, reliability, and affordability of service, 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, *consistent with specified federal regulations, and a specified order of the commission*, 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 require gas corporations to file a report as soon as practicable, that includes a summary of utility leak management practices, a list of new methane leaks in 2013 by grade, a list of open leaks that are being monitored or are scheduled to be repaired, and a best estimate of gas loss due to leaks.* 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 to ensure that the rules and procedures it adopts are not inconsistent with the regulations and procedures adopted by those agencies. procedures, in consultation with the State Air Resources Board.~~ 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, (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~~ *reducing methane leaks and promoting public safety*, ~~achieve the goals of the bill and to determine bill, and~~ whether alternative practices may be more effective at achieving the goals of the bill, (4) establish and require the use of best practices for leak surveys, patrols, leak survey technology, leak prevention, and leak reduction, (5) establish protocols and procedures for the development and use of metrics to quantify the volume of emissions from leaking 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 gas pipeline facilities, and for evaluating and tracking leaks geographically and over time that may be incorporated into a gas corporation's plan for the safe and reliable operation of its commission-regulated gas pipeline facility, or into other state emissions tracking systems, or both, including regulations of the State Air Resources Board for the reporting of greenhouse gases, with the requirement that the metrics provide~~ operators, the commission, and the public ~~have~~ *with* accurate information about the number and severity of leaks and about the quantity of gas that is emitted to the atmosphere over 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 ~~and the State Air Resources Board~~ 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. In order to achieve transparency and accountability for rate revenues and

best value for ratepayers, 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

1 awareness that climate change impacts impose high social costs,
2 including impacts upon the public health and economy.

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

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

12 (g) Examining the methods used by gas corporations under
13 existing federal and state rules to conduct and schedule leak repair
14 and prevention based on the implications of these practices with
15 respect to emissions of greenhouse gases, in addition to safety,
16 will enable a more thorough evaluation of whether existing
17 practices are commensurate with California’s goals for reducing
18 emissions of greenhouse gases.

19 (h) Reducing leaks and repairing pipelines and associated
20 infrastructure in California provides significant employment
21 opportunities for California residents and for domestic fabricators
22 of high quality pipeline materials and other equipment associated
23 with finding and fixing leaks.

24 (i) Providing just and reasonable rate revenues for gas
25 corporations to find, categorize, and repair leaks promptly when
26 discovered, including employing an adequate workforce, is in the
27 public interest, and promotes the interests of customers and the
28 public.

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

32
33 Article 3. Methane Leakage Abatement

34
35 975. (a) For purposes of this chapter, “commission-regulated
36 gas pipeline facility” has the same meaning as defined in Section
37 950.

38 (b) With priority given to safety, reliability, and affordability
39 of service, the commission shall adopt rules and procedures
40 governing the operation, maintenance, repair, and replacement of

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

5 (1) Minimize leaks as a hazard to be mitigated pursuant to
6 paragraph (1) of subdivision (d) of Section ~~961~~. 961, *consistent*
7 *with the requirements of Section 192.703(c) of Subpart M of Title*
8 *49 of the Code of Federal Regulations, the commission's General*
9 *Order 112-E, and their successors.*

10 (2) While giving due consideration to the cost considerations
11 of Section 977, reduce emissions of natural gas from those
12 commission-regulated gas pipeline facilities that are intrastate
13 transmission and distribution lines to the maximum extent feasible
14 in order to advance the state's goals in reducing emissions of
15 greenhouse gases pursuant to the California Global Warming
16 Solutions Act of 2006 (Division 25.5 (commencing with Section
17 38500) of the Health and Safety Code).

18 (c) *As soon as practicable, the commission shall require gas*
19 *corporations to file a report that includes, but is not limited to, all*
20 *of the following:*

21 (1) *A summary of utility leak management practices.*

22 (2) *A list of new methane leaks in 2013 by grade.*

23 (3) *A list of open leaks that are being monitored or are*
24 *scheduled to be repaired.*

25 (4) *A best estimate of gas loss due to leaks.*

26 (e)

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

34 ~~(d) In developing the rules and procedures pursuant to~~
35 ~~subdivision (c), the commission shall consult with the State Air~~
36 ~~Resources Board, the gas corporation's workforce, and those other~~
37 ~~state and federal entities that the commission determines have~~
38 ~~regulatory roles of relevance, to ensure that the rules and~~
39 ~~procedures it adopts are not inconsistent with regulations and~~
40 ~~procedures adopted by those agencies.~~

1 (e) The rules and procedures adopted pursuant to subdivision
2 ~~(e)~~ (d) 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 possible
12 after discovery, consistent with established safety requirements
13 and the goals of reducing air pollution and the climate change
14 impacts of methane emissions.

15 (3) Evaluate the operations, maintenance, and repair practices
16 of those commission-regulated gas pipeline facilities that are
17 intrastate transmission and distribution lines to determine whether
18 existing practices are effective at ~~achieving~~ *reducing methane*
19 *leaks and promoting public safety, consistent with Section 961,*
20 *achieve* the goals of subdivision ~~(b)~~ and determine (b), and whether
21 alternative practices may be more effective at achieving the goals
22 of subdivision (b).

23 (4) Establish and require the use of best practices for leak
24 surveys, patrols, leak survey technology, leak prevention, and leak
25 reduction. The commission shall consider in the development of
26 best practices the quality of materials and ~~equipment from various~~
27 ~~sources, including foreign and domestic third-party suppliers.~~
28 *equipment.* Collected leak data shall remain the property of the
29 utility and shall be available to the commission and parties in
30 commission proceedings as determined by the ~~commission.~~
31 *commission or specified by statute.*

32 (5) Establish protocols and procedures for the development and
33 use of metrics to quantify the volume of emissions from leaking
34 ~~components not inconsistent with the protocols and procedures~~
35 ~~utilized in mandatory reporting to state and federal air quality~~
36 ~~agencies, and for evaluating and tracking leaks, both geographically~~
37 ~~and over time, so that gas pipeline facilities, and for evaluating~~
38 *and tracking leaks geographically and over time, that may be*
39 *incorporated into the plans required by Section 961, or into other*
40 *state emissions tracking systems, or both, including the regulations*

1 *for the reporting of greenhouse gases of the State Air Resources*
2 *Board. The quantification of emissions shall provide operators,*
3 *the commission, and the public have with accurate information*
4 *about the number and severity of leaks and about the quantity of*
5 *natural gas that is emitted into the atmosphere over time.*

6 (6) To the extent feasible, require the owner of each
7 commission-regulated gas pipeline facility that is an intrastate
8 transmission or distribution line to calculate and report to the
9 commission *and the State Air Resources Board* a baseline
10 systemwide leak rate, along with any data and computer models
11 used in making that calculation, to periodically update that
12 systemwide leak rate calculation, and to annually report on
13 measures that will be taken in the following year to reduce the
14 systemwide leak rate to achieve the goals of subdivision (b).

15 (f) The rules and procedures, including best practices and repair
16 standards, shall be incorporated into the safety plans required by
17 ~~Section 961.~~ *961 and the applicable general orders adopted by*
18 *the commission.*

19 (g) Consistent with subdivision (e) of Section 961, the
20 commission shall facilitate robust ongoing participation of the
21 workforce of gas corporations and those state and federal entities
22 that have regulatory roles of relevance in all aspects of the
23 ~~proceeding.~~ *proceeding to ensure that the rules and procedures it*
24 *adopts are not inconsistent with the regulations and procedures*
25 *adopted by those agencies.* Nothing in this section affects the
26 commission's authority to determine eligibility for intervenor
27 compensation.

28 (h) *Nothing in this article shall affect or shall be interpreted to*
29 *affect the existing authority of the State Air Resources Board to*
30 *adopt rules and regulations to achieve the maximum*
31 *technologically feasible and cost-effective greenhouse gas emission*
32 *reductions and to maintain and continue emission reductions under*
33 *the California Global Warming Solutions Act of 2006 (Division*
34 *25.5 (commencing with Section 38500) of the Health and Safety*
35 *Code).*

36 977. In order to achieve transparency and accountability for
37 rate revenues and best value for ratepayers, and consistent with
38 the commission's existing ratemaking procedures and authority
39 to establish just and reasonable rates, the commission shall consider
40 all of the following:

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

4 (b) Providing revenues for all activities identified and required
5 pursuant to Section 975, including any adjustment of allowance
6 for lost and unaccounted for gas related to actual leakage volumes.

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

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

12 978. Except as expressly so provided, this article does not
13 expand or in any manner alter the commission's jurisdiction over
14 the regulation of emissions of greenhouse gases.

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