

Senate Bill No. 1371

Passed the Senate August 27, 2014

Secretary of the Senate

Passed the Assembly August 26, 2014

Chief Clerk of the Assembly

This bill was received by the Governor this _____ day
of _____, 2014, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

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, 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, 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 reducing methane leaks and promoting public safety, achieve the goals of the 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 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 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.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares all of the following:

(a) The Legislature has established that safety of the natural gas pipeline infrastructure in California is a priority for the Public Utilities Commission and gas corporations, and nothing in this

article shall compromise or deprioritize safety as a top consideration.

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

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

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

(e) Reducing 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.

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

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

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

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

public interest, and promotes the interests of customers and the public.

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

Article 3. Methane Leakage Abatement

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

(b) With priority given to safety, reliability, and affordability of service, the commission shall 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, as described in paragraphs (1) and (2) of subdivision (a) of Section 950, to achieve both of the following:

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

(2) While giving due consideration to the cost considerations of Section 977, reduce emissions of natural gas from those commission-regulated gas pipeline facilities that are intrastate transmission and distribution lines 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 (Division 25.5 (commencing with Section 38500) of the Health and Safety Code).

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

- (1) A summary of utility leak management practices.
- (2) A list of new methane leaks in 2013 by grade.
- (3) A list of open leaks that are being monitored or are scheduled to be repaired.
- (4) A best estimate of gas loss due to leaks.

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

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

(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, consistent with the California Global Warming Solutions Act of 2006 (Division 25.5 (commencing with Section 38500) of the Health and Safety Code) to achieve the goals in subdivision (b).

(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 of those commission-regulated gas pipeline facilities that are intrastate transmission and distribution lines to determine whether existing practices are effective at reducing methane leaks and promoting public safety, consistent with Section 961, achieve the goals of subdivision (b), and whether alternative practices may be more effective at achieving the goals of subdivision (b).

(4) Establish and require the use of best practices for leak surveys, patrols, leak survey technology, leak prevention, and leak reduction. The commission shall consider in the development of best practices the quality of materials and equipment. Collected leak data shall remain the property of the utility and shall be available to the commission and parties in commission proceedings as determined by the commission or specified by statute.

(5) Establish protocols and procedures for the development and use of metrics to quantify the volume of emissions from leaking gas pipeline facilities, and for evaluating and tracking leaks geographically and over time, that may be incorporated into the plans required by Section 961, or into other state emissions tracking

systems, or both, including the regulations for the reporting of greenhouse gases of the State Air Resources Board. The quantification of emissions shall provide operators, the commission, and the public with accurate information about the number and severity of leaks and about the quantity of natural gas that is emitted into the atmosphere over time.

(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, along with any data and computer models used in making that calculation, to periodically update that systemwide leak rate calculation, and to annually report on measures that will be taken in the following year to reduce the systemwide leak rate to achieve the goals of subdivision (b).

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

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

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

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

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

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

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

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

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

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

Approved _____, 2014

Governor