

Assembly Bill No. 56

Passed the Assembly September 9, 2011

Chief Clerk of the Assembly

Passed the Senate September 8, 2011

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2011, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to add Sections 956.5, 957, 958, 958.5, 959, and 969 to the Public Utilities Code, relating to gas corporations.

LEGISLATIVE COUNSEL'S DIGEST

AB 56, Hill. Gas corporations: rate recovery and expenditure: intrastate pipeline safety.

(1) Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including gas corporations, as defined. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable.

This bill would prohibit a gas corporation from recovering any fine or penalty in any rate approved by the commission. The bill would require a gas corporation to demonstrate to the satisfaction of the commission in its general rate case proceeding that the requested revenue requirements will be sufficient to enable the gas corporation to fund those projects and activities necessary to maintain safe and reliable service and to meet federal and state safety requirements applicable to its gas plant, in a cost-effective manner. The bill would require a gas corporation to file gas transmission and storage safety reports with the commission's consumer protection safety division that include certain matter and require that if the division determines that there is a deficiency in a gas corporation's prioritization or administration of the storage or pipeline capital projects or operation and maintenance activities, to bring the deficiency to the commission's immediate attention.

This bill would require the commission, in any ratemaking proceeding in which the commission authorizes a gas corporation to recover expenses for a federal transmission pipeline integrity management program, or for related capital expenditures for the maintenance and repair of transmission pipelines, to require the gas corporation to establish and maintain a balancing account for the recovery of those expenses. This provision would not become operative if SB 879 is enacted and becomes effective on or before January 1, 2012, and SB 879 enacts an identical provision.

(2) The Public Utilities Act authorizes the commission to ascertain and fix just and reasonable standards, classifications, regulations, practices, measurements, or service to be furnished, imposed, observed, and followed by specified public utilities, including gas corporations.

Existing federal law requires the United States Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) to adopt minimum safety standards for pipeline transportation and for pipeline facilities, including an interstate gas pipeline facility and intrastate gas pipeline facility, as defined. Existing law authorizes the Secretary of Transportation to prescribe or enforce safety standards and practices for an intrastate pipeline facility or intrastate pipeline transportation to the extent that the safety standards and practices are regulated by a state authority that submits to the secretary annually a certification for the facilities and transportation or alternatively authorizes the secretary to make an agreement with a state authority authorizing it to take necessary action to meet certain pipeline safety requirements. Existing law prohibits a state authority from adopting or continuing in force safety standards for interstate pipeline facilities or interstate pipeline transportation. Existing law authorizes a state authority that has submitted a current certification to adopt additional or more stringent safety standards for intrastate pipeline facilities and intrastate pipeline transportation only if those standards are compatible with the minimum standards prescribed by PHMSA.

This bill would require owners and operators of intrastate transmission and distribution lines for natural gas, at least once each calendar year, to meet with each local fire department having fire suppression responsibilities in the area where those lines are located to discuss and review contingency plans for emergencies involving the intrastate transmission and distribution lines within the jurisdiction of the local fire department. The bill would require the commission, unless it determines that doing so is preempted under federal law, to require the installation of automatic shutoff or remote controlled sectionalized block valves on certain intrastate transmission lines, as specified. The bill would require each gas corporation to prepare and submit to the commission a proposed comprehensive pressure testing implementation plan that includes specified elements and require that, at the conclusion of an

implementation period, all intrastate transmission line segments meet specified requirements.

(3) 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.

(4) 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. Section 956.5 is added to the Public Utilities Code, to read:

956.5. Owners and operators of intrastate transmission and distribution lines, at least once each calendar year, shall meet with each local fire department having fire suppression responsibilities in the area where those lines are located to discuss and review contingency plans for emergencies involving the intrastate transmission and distribution lines within the jurisdiction of the local fire department.

SEC. 2. Section 957 is added to the Public Utilities Code, to read:

957. (a) (1) Unless the commission determines that it is prohibited from doing so by Section 60104(c) of Title 49 of the United States Code, the commission shall require the installation of automatic shutoff or remote controlled sectionalized block valves on both of the following facilities, if it determines those valves are necessary for the protection of the public:

(A) Intrastate transmission lines that are located in a high consequence area.

(B) Intrastate transmission lines that traverse an active seismic earthquake fault.

(2) Each owner or operator of a commission-regulated gas pipeline facility that is an intrastate transmission line shall provide the commission with a valve location plan, along with any recommendations for valve locations. The commission may make modifications to the valve location plan or provide for variations from any location requirements adopted by the commission pursuant to this section that it deems necessary or appropriate and consistent with protection of the public.

(3) The commission shall additionally establish action timelines, adopt standards for how to prioritize installation of automatic shutoff or remote controlled sectionalized block valves pursuant to paragraph (1), ensure that remote and automatic shutoff valves are installed as quickly as is reasonably possible, and establish ongoing procedures for monitoring progress in achieving the requirements of this section.

(b) The commission shall authorize recovery in rates for all reasonably incurred costs incurred for implementation of the requirements of this section.

(c) The commission, in consultation with the Pipeline and Hazardous Materials Safety Administration of the United States Department of Transportation, shall adopt and enforce compatible safety standards for commission-regulated gas pipeline facilities that the commission determines should be adopted to implement the requirements of this section.

SEC. 3. Section 958 is added to the Public Utilities Code, to read:

958. (a) Each gas corporation shall prepare and submit to the commission a proposed comprehensive pressure testing implementation plan for all intrastate transmission lines to either pressure test those lines or to replace all segments of intrastate transmission lines that were not pressure tested or that lack sufficient details related to performance of pressure testing. The comprehensive pressure testing implementation plan shall provide for testing or replacing all intrastate transmission lines as soon as practicable. The comprehensive pressure testing implementation plan shall set forth criteria on which pipeline segments were identified for replacement instead of pressure testing.

(b) The comprehensive pressure testing implementation plan shall include a timeline for completion that is as soon as practicable, and includes interim safety enhancement measures,

including increased patrols and leak surveys, pressure reductions, prioritization of pressure testing for critical pipelines that must run at or near maximum allowable operating pressure values that result in hoop stress levels at or above 30 percent of specified minimum yield stress, and any other measure that the commission determines will enhance public safety during the implementation period. Engineering-based assumptions may be used to determine maximum allowable operating pressure in the absence of complete records, but only as an interim measure until such time as all the lines have been tested or replaced, in order to allow the gas system to continue to operate.

(c) At the completion of the implementation period, all California natural gas intrastate transmission line segments shall meet all of the following:

- (1) Have been pressure tested.
- (2) Have traceable, verifiable, and complete records readily available.
- (3) Where warranted, be capable of accommodating in-line inspection devices.

SEC. 4. Section 958.5 is added to the Public Utilities Code, to read:

958.5. (a) Twice a year, or as determined by the commission, each gas corporation shall file with the commission's consumer protection safety division a gas transmission and storage safety report. The consumer protection safety division shall review the reports to monitor each gas corporation's storage and pipeline-related activities to assess whether the projects that have been identified as high risk are being carried out, and to track whether the gas corporation is spending its allocated funds on these storage and pipeline-related safety, reliability, and integrity activities for which they have received approval from the commission.

(b) The gas transmission and storage safety report shall include a thorough description and explanation of the strategic planning and decisionmaking approach used to determine and rank the gas storage projects, intrastate transmission line safety, integrity, and reliability, operation and maintenance activities, and inspections of its intrastate transmission lines. If there has been no change in the gas corporation's approach for determining and ranking which projects and activities are prioritized since the previous gas

transmission and storage safety report, the subsequent report may reference the immediately preceding report.

(c) If the commission's consumer protection safety division determines that there is a deficiency in a gas corporation's prioritization or administration of the storage or pipeline capital projects or operation and maintenance activities, the division shall bring the problems to the commission's immediate attention.

SEC. 5. Section 959 is added to the Public Utilities Code, to read:

959. (a) A gas corporation shall not recover any fine or penalty in any rate approved by the commission.

(b) Each gas corporation shall demonstrate to the satisfaction of the commission, in its general rate case proceeding, that the requested revenue requirements will be sufficient to enable the gas corporation to fund those projects and activities necessary to maintain safe and reliable service and to meet federal and state safety requirements applicable to its gas plant, in a cost-effective manner.

SEC. 6. Section 969 is added to the Public Utilities Code, to read:

969. In any ratemaking proceeding in which the commission authorizes a gas corporation to recover expenses for the gas corporation's transmission pipeline integrity management program established pursuant to Subpart O (commencing with Section 192.901) of Part 192 of Title 49 of the United States Code or related capital expenditures for the maintenance and repair of transmission pipelines, the commission shall require the gas corporation to establish and maintain a balancing account for the recovery of those expenses. Any unspent moneys in the balancing account in the form of an accumulated account balance at the end of each rate case cycle, plus interest, shall be returned to ratepayers through a true-up filing. Nothing in this section is intended to interfere with the commission's discretion to establish a two-way balancing account.

SEC. 7. Section 6 of this bill shall not become operative if this bill and Senate Bill 879 are both enacted and become effective on or before January 1, 2012, and Senate Bill 879 adds Section 969 to the Public Utilities Code.

SEC. 8. 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 _____, 2011

Governor