

STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: April 20, 2011

To: The Commission
(Meeting of May 5, 2011)

From: Edward Randolph, Director
Office of Governmental Affairs (OGA) — Sacramento

Subject: SB 216 (Yee) - Public utilities: intrastate natural gas pipeline safety.
As Introduced: February 9, 2011

LEGISLATIVE SUBCOMMITTEE RECOMMENDATION: SUPPORT IF AMENDED.

SUMMARY OF BILL:

This bill requires the California Public Utilities Commission (CPUC) to open or expand the scope of an existing proceeding to evaluate current practices to determine whether compatible safety standards should be adopted with respect to pipelines carrying liquids in proximity to CPUC-regulated gas transmission lines. The evaluation must include a determination of the desirability of adopting safety standards for the separation of CPUC-regulated gas pipeline from pipelines that carry water used for fire suppression in the event of a fire involving the CPUC-regulated gas pipeline.

This bill also requires the CPUC to adopt standards that require the installation of automatic shut-off or remote controlled sectionalized block valves on CPUC-regulated gas pipeline facilities that are located in high consequence areas and on pipelines that traverse an active seismic earthquake fault.

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION:

By requiring the CPUC to consider new safety standards for the location of pipelines used for fire suppression in proximity to CPUC-regulated natural gas transmission lines, SB 216 could help mitigate damage to other pipeline facilities as a result of a gas pipeline incident, especially water pipelines that might be needed to suppress a fire that resulted from a gas explosion. These standards may also reduce damage to gas pipelines as the result of excavation. However, the CPUC believes that if it adopts compatible safety standards, the standards should be limited to: (1) the installation of

new CPUC-regulated gas pipelines, and (2) where feasible, the replacement of existing CPUC-regulated gas pipelines.

While SB 216 requires the CPUC to adopt standards for installing remote-controlled and automatic shut-off sectionalized block valves on various gas pipeline facilities, the CPUC believes that before it can adopt compatible safety standards for remote-controlled and automatic valves, it needs to conduct an evaluation to determine whether such standards would be practicable.

SUMMARY OF SUGGESTED AMENDMENTS:

Section 957(a) – Proximity of Liquid Pipelines to Gas Pipelines

The bill would require the CPUC to determine whether safety standards should be adopted with respect to pipelines carrying liquids in proximity to CPUC-regulated gas transmission lines. The evaluation shall include a determination of the desirability of adopting safety standards for the separation of CPUC-regulated gas pipeline from pipelines that carry water used for fire suppression in the event of a fire involving the CPUC-regulated gas pipeline. Throughout California, gas and liquid pipelines transverse and run parallel to each other. Due to the number of miles and complexity of the gas and liquid pipelines systems that must be considered, the CPUC does not believe it can adopt safety standards without a significant increase in resources. In addition, the CPUC does not have jurisdiction over municipal water companies and other entities that transport water through pipeline systems and would likely encounter difficulty in ascertaining the location of liquid pipeline systems throughout the state. Given the scope of the effort required in the bill the CPUC suggests that the safety standards, if adopted, apply only to the installation of new and replaced gas pipeline systems.

Section 957 (b) – Remote-Controlled and Automatic Shut-Off Valves

The bill would require the CPUC, unless it determines that it is prohibited from doing so by [federal regulation] subdivision (c) of Section 60104 of Title 49, to adopt safety standards that require the installation of remote-controlled and automatic shut-off valves on CPUC-regulated transmission pipelines located in high consequence areas and that transverse active seismic earthquake faults. The bill would also require the CPUC to establish action timelines, adopt standards for how to prioritize installation of the valves, and establish ongoing procedures for monitoring progress.

The CPUC recently adopted an Order Instituting a Rulemaking (R.11-02-019) that considers this matter. However, the CPUC strongly believes that without a comprehensive analysis, it can not reasonably determine whether it is practicable or necessary to install remote-controlled and automatic valves at the spacing intervals required by SB 216. Given the need to conduct a comprehensive analysis, the bill should be amended require the CPUC, in a proceeding, to determine the most appropriate and cost effective means of requiring and installing automatic or remote

shut-off valves on transmission pipes in high consequence areas and that cross seismic faults.

DIVISION ANALYSIS (Consumer Protection & Safety Division):

To properly evaluate whether safety standard should be adopted to address CPUC-regulated pipelines located in proximity to pipelines transporting liquids, the CPUC would need to evaluate current practices and standards, review maps of gas and liquid pipelines systems, determine the threats imposed by seismic faults, develop insight into pipelines transporting liquid and hazardous materials, and meet with officials from local communities and the State Fire Marshall.

The CPUC is limited in resources and without additional staff to conduct the evaluations; the CPUC will not be able to address other critical issues in regards to the inspections and investigations it conducts. Therefore, the CPUC estimates that it will need two additional Utilities Engineers to evaluate whether compatible safety standards should be adopted for CPUC-regulated pipelines in proximity to pipelines transporting liquids and hazardous materials, and whether compatible safety standards should be adopted for sectionalized block valves on CPUC-regulated pipelines.

PROGRAM BACKGROUND:

The CPUC had primary safety jurisdiction for gas pipeline systems in the state. It is responsible for enforcing safety regulations, auditing the pipeline operators, inspecting all work required by law or regulation and making necessary additions and changes to regulations to promote the safety of the general public and the utility employees that work on the gas pipeline systems. The CPUC works as an agent of the federal government to enforce gas safety in California.

In 1995, the CPUC adopted the sections of Title 49, Code of Federal Regulations (CFR), pertinent to gas safety in CPUC General Order (GO) 112-E. Subsequent changes to the Federal Pipeline Safety Code, Title 49 CFR, Parts 190, 191, 192, 193, and 199 are automatically updated in GO 112-E with the effective date being the date of the final order as published in the Federal Register. The bill is consistent with the rules governing the operation and maintenance of gas facilities.

LEGISLATIVE HISTORY:

None

FISCAL IMPACT:

The CPUC will require two engineer positions to implement the bill at a cost of \$222,197 annually.

STATUS:

SB 216 is pending before the Senate Appropriations Committee.

SUPPORT/OPPOSITION:

Support: American Red Cross
California Emergency Nurses Association
California Professional firefighters
California State Firefighters' Association
Consumer Attorneys
San Diego Gas & Electric (support if amended)
San Mateo County Board of Supervisors
San Mateo County Firefighters, IAFF Local 2400
Sempra Energy Utilities
Southern California Gas Company

Opposition: None on file.

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BILL LANGUAGE:

BILL NUMBER: SB 216 INTRODUCED
BILL TEXT

INTRODUCED BY Senator Yee

FEBRUARY 9, 2011

An act to add Section 770.6 to the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

SB 216, as introduced, Yee. Public utilities: intrastate natural gas pipeline safety.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including gas corporations, as defined. The Public Utilities Act authorizes the commission to ascertain and fix just and reasonable standards, classifications, regulations, practices, measurements, or services 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 United States 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 annually submits to the secretary 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 the PHMSA. Existing federal law additionally authorizes a state authority to enforce a requirement for a one-call notification program that meets the requirements established by the PHMSA.

This bill would designate the commission as the state authority responsible for development, submission, and administration of a state pipeline safety program certification for natural gas pipelines and for the implementation and enforcement of a one-call notification program for the state. The bill would require the commission to evaluate current practices and to determine whether

compatible safety standards, as defined, should be adopted for the enhancement of public safety with respect to: (1) the proximity of pipelines carrying liquid materials to commission-regulated gas pipeline facilities, as defined, and (2) the installation, maintenance, location, and type of sectionalized block valves on commission-regulated gas pipeline facilities. The bill would require the commission, unless it determines that doing so is preempted under federal law, to adopt compatible safety standards that require the installation of automatic shut-off or remote controlled sectionalized block valves on all commission-regulated gas pipeline facilities that are located in a high consequence area, as defined, or that traverse an active seismic earthquake fault. The bill would require the commission, in consultation with the PHMSA, to adopt and enforce compatible safety standards, as defined, for commission-regulated gas pipeline facilities that the commission determines should be adopted following its evaluation or as required by the bill.

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:

SECTION 1. Section 770.6 is added to the Public Utilities Code, to read:

770.6. (a) For purposes of this section, the following terms have the following meanings:

(1) "Class 1 location," "class 2 location," "class 3 location," and "class 4 location" have those meanings as defined in the regulations adopted by the United States Department of Transportation pursuant to Chapter 601 (commencing with Section 60101) of Subtitle VIII of Title 49 of the United States Code (49 C.F.R. 192.5, as adopted January 1, 2011, or a successor regulation).

(2) "Commission-regulated gas pipeline facility" means an intrastate gas pipeline facility, as defined in Section 60101 of Title 49 of the United States Code, that transports natural gas and is subject to the regulatory authority of the commission, including a pipeline that the commission, pursuant to subsection (c) of Section 717 of Title 15 of the United States Code, has certified to the Federal Energy Regulatory Commission as being subject to the regulatory jurisdiction of the commission over rates and service. "Commission-regulated gas pipeline facility" does not include those pipelines that are excluded from regulation by the Federal Energy Regulatory Commission pursuant to subsection (b) of Section 717 of Title 15 of the United States Code because they are facilities used

for the distribution of natural gas.

(3) "Compatible safety standards" means additional or more stringent safety standards for commission-regulated gas pipeline facilities that are compatible with the minimum safety standards adopted by the United States Department of Transportation pursuant to Chapter 601 (commencing with Section 60101) of Subtitle VIII of Title 49 of the United States Code, and that the commission is authorized to adopt pursuant to subsection (c) of Section 60104 of that chapter.

(4) "High consequence area" has the same meaning as defined in the regulations adopted by the United States Department of Transportation pursuant to Chapter 601 (commencing with Section 60101) of Subtitle VIII of Title 49 of the United States Code (49 C.F.R. 192.903, as adopted January 1, 2011, or a successor regulation).

(b) (1) The commission is the state authority responsible for the development, submission, and administration of a state pipeline safety program certification for natural gas pipelines pursuant to Chapter 601 (commencing with Section 60101) of Subtitle VIII of Title 49 of the United States Code.

(2) The commission is the state authority responsible for implementation and enforcement of a one-call notification program for the state, consistent with the requirements adopted by the United States Department of Transportation pursuant to Chapter 601 (commencing with Section 60101) of Subtitle VIII of Title 49 of the United States Code.

(c) The commission shall open an appropriate proceeding or joint proceedings, or expand the scope of an existing proceeding, to evaluate current practices and to determine whether compatible safety standards should be adopted for the enhancement of public safety, with respect to both of the following:

(1) The proximity of pipelines carrying liquid materials to commission-regulated gas pipeline facilities. As part of this evaluation, the commission shall evaluate current practices with respect to, and the desirability of adopting compatible safety standards for, the separation of commission-regulated gas pipeline facilities and pipelines that carry water used for fire suppression in the event of a fire involving a commission-regulated gas pipeline facility. As part of this evaluation, and in consultation with the State Fire Marshal, the commission shall also evaluate current practices and the desirability of adopting compatible safety standards with respect to the proximity of commission-regulated gas pipeline facilities and pipelines used for the transportation of hazardous liquid substances or highly volatile liquid substances that are under the safety responsibility of the State Fire Marshal pursuant to the Elder California Pipeline Safety Act of 1981 (Chapter 5.5 (commencing with Section 51010) of Division 1 of Title 5 of the Government Code) or Section 13107.5 of the Health and Safety Code.

(2) The installation, maintenance, location, and type of sectionalized block valves on commission-regulated gas pipeline facilities. In performing the evaluation, the commission shall consider differences in pipelines, including differences in size, differences in operational pressure, and differences relative to the proximity of the pipeline to heavily populated and other critical areas, proximity to seismic earthquake fault lines, appropriate spacing of transmission shut-off valves, impacts on operation of the pipelines, safety and reliability, cost, and technical feasibility.

This paragraph shall not limit the authority of the owner or operator of a commission-regulated gas pipeline facility to proceed with a pilot project or other program for the installation of automatic or remote gas shutoff valves prior to the commission completing its evaluation or adoption of compatible safety standards. The commission shall complete its evaluation by December 31, 2012.

(d) (1) Unless the commission determines that it is prohibited from doing so by subdivision (c) of Section 60104 of Title 49 of the United States Code, the commission shall adopt compatible safety standards that require the installation of automatic shut-off or remote controlled sectionalized block valves on all of the following facilities:

(A) Commission-regulated gas pipeline facilities that are located in a high consequence area.

(B) Commission-regulated gas pipeline facilities that traverse an active seismic earthquake fault.

(2) Installation of automatic shut-off or remote controlled sectionalized block valves pursuant to paragraph (1) shall meet the requirements of 49 C.F.R. 192.179, and be spaced as follows:

(A) Each point on the pipeline in a class 4 location shall be within 2.5 miles (4 kilometers) of a valve.

(B) Each point on the pipeline in a class 3 location shall be within 4 miles (6.4 kilometers) of a valve.

(C) Each point on the pipeline in a class 2 location shall be within 7.5 miles (12 kilometers) of a valve.

(D) Each point on the pipeline in a class 1 location shall be within 10 miles (16 kilometers) of a valve.

(3) The commission shall additionally establish action timelines, adopt standards for how to prioritize installation of automatic shut-off or remote controlled sectionalized block valves pursuant to paragraph (1), and establish ongoing procedures for monitoring progress in achieving the compatible safety standards.

(e) The commission shall authorize recovery in rates for all reasonably incurred costs incurred for implementation of the compatible safety standards.

(f) 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 following its evaluation conducted pursuant to subdivision (c), and those conditionally required to be adopted pursuant to subdivision (d).

SEC. 2. 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.