

HOUSE BILL REPORT

SHB 1314

As Passed House:

March 7, 2007

Title: An act relating to regulation of gas and hazardous liquid pipelines.

Brief Description: Modifying gas and hazardous liquid pipeline provisions.

Sponsors: By House Committee on Technology, Energy & Communications (originally sponsored by Representatives Morris, Crouse, Linville and Anderson; by request of Utilities & Transportation Commission).

Brief History:

Committee Activity:

Technology, Energy & Communications: 1/31/07, 2/6/07 [DPS].

Floor Activity:

Passed House: 3/7/07, 94-1.

Brief Summary of Substitute Bill

- Consolidates state pipeline safety statutes into one chapter.
- Requires the Washington Utilities and Transportation Commission (WUTC) to develop and administer a comprehensive gas and hazardous liquid pipeline safety program compatible with minimum federal requirements.
- Allows the WUTC to match federal pipeline safety penalty limits by rule.
- Consolidates definitions applying to gas and hazardous liquid pipelines into one chapter.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Morris, Chair; McCoy, Vice Chair; Crouse, Ranking Minority Member; McCune, Assistant Ranking Minority Member; Eddy, Ericksen, Hankins, Hudgins, Hurst, Takko and VanDeWege.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Staff: Scott Richards (786-7156).

Background:

According to the Washington Utilities and Transportation Commission (WUTC), there are 28 pipelines in Washington that carry natural gas and hazardous liquids, such as gasoline and jet fuel. Seven of the pipelines are interstate. In addition, there are numerous small gas pipeline systems called "master meters," which are typically distribution systems owned by residential complexes, such as apartment buildings and commercial complexes where the gas is resold to tenants.

The WUTC currently regulates intrastate pipelines, while the federal Office of Pipeline Safety (OPS) regulates interstate pipelines. Since 2003, the WUTC has been the lead inspector of all interstate pipelines in the state, certified by OPS to make inspections based on federal regulations.

Pipeline Safety Act of 2000: Passed in response to a tragic pipeline accident in Bellingham, Washington, the Pipeline Safety Act (PSA) originally assigned the WUTC to regulate gas pipelines and the Department of Ecology to eventually regulate hazardous liquid pipelines. When the PSA was codified, the sections dealing with gas and hazardous liquids were placed in two separate RCW chapters. The definitions in the PSA, which were designed to apply to the entire PSA, were codified only in the chapter for hazardous liquid pipelines.

In 2001, the Legislature assigned the WUTC to regulate both gas and hazardous liquid pipelines. However, the definitions in the PSA were kept in the chapter for hazardous liquid pipelines, while the WUTC enforcement provisions for gas pipelines were kept in the chapter that regulates utility companies. This split authority has created numerous regulatory hurdles for the WUTC. For example, different definitions of "gas pipeline company" and "gas company" in two different RCW chapters effectively mean the WUTC must apply different levels of penalties depending on whether an intrastate pipeline operates as a public utility or a private company.

The Pipeline Safety Improvement Act of 2002: This federal act applies to interstate and some intrastate pipeline facilities which transport gas or hazardous liquids. The federal law has spawned numerous federal regulations, which the state must track in its laws if the WUTC is to maintain its federal certification to inspect interstate pipelines and to enforce state standards on intrastate pipelines.

One condition of federal certification, for example, is that state penalty provisions must be consistent with federal penalty provisions. Under current state law, the WUTC may levy a civil penalty of \$25,000 per violation up to a maximum \$500,000 for a series of violations. The current federal penalty is \$100,000 per violation up to \$1 million for a series of violations.

Another example of inconsistent state and federal rules concerns master meters. Federal regulations apply to all master meters, while state law only grants the WUTC jurisdiction over

privately owned natural gas master meters and natural gas master meters owned by cities and towns.

Summary of Substitute Bill:

Consolidates state pipeline safety statutes into one chapter.

Comprehensive Gas and Hazardous Liquid Pipeline Safety Program

The WUTC is required to develop and administer a comprehensive program of gas and hazardous liquid pipeline safety. The rules the WUTC adopts must be compatible with minimum federal requirements. The WUTC is required to coordinate information related to natural gas and hazardous liquid pipeline safety by providing technical assistance to local planning and siting authorities.

Each gas and hazardous liquid pipeline company is required to design, construct, operate, and maintain its gas pipeline so that it is safe and efficient. These companies are responsible for the conduct of its contractors regarding compliance with pipeline safety requirements.

Penalties

Penalty provisions for pipeline safety violations are changed, allowing the WUTC to match federal penalty limits by rule. All penalties recovered must be paid into the State Treasury and credited to the Pipeline Safety Account.

The Pipeline Safety Account may no longer treat federal funds received before June 30, 2001, as receipt of unanticipated funds and expended, without appropriation, for the designated purposes.

WUTC Jurisdiction Extended

The WUTC jurisdiction is extended to all publicly-owned "master meters" and to all "gas" pipelines, consistent with federal definitions. Among other things, this latter change will allow the WUTC to regulate propane master meter systems without requiring rate regulation of such systems.

Definitions

The definitions applying to gas and hazardous liquid pipelines are consolidated into one chapter. Terms are redefined and new terms are created as consistent with federal law. Obsolete references and definitions are removed.

Pipeline Mapping

For hazardous liquid pipeline companies, and gas pipeline companies with interstate pipelines, or gas pipelines operating over 250 pounds per square inch gauge, installation depth information is no longer required in maps submitted to the WUTC to meet the needs of first responders.

State Pipeline Safety Program

Updates the WUTC's responsibilities as it relates to the state's pipeline safety program. The WUTC is required to maintain federal certification for the state's pipeline safety program.

The WUTC, at a minimum, shall do the following:

- inspect hazardous liquid pipelines and gas pipelines periodically as specified in the inspection program;
- collect fees;
- order and oversee the testing of hazardous liquid pipelines and gas pipelines as authorized by federal law and regulation; and
- file reports with the United States Secretary of Transportation as required to maintain certification.

WUTC Inspection of Records, Maps or Written Procedures

The WUTC may inspect any record, map, or written procedure required by federal law to be kept by a pipeline company concerning releases, and the design, construction, testing, or operation and maintenance of pipelines. Nothing in this section affects the WUTC's access to records under any other provision of law.

WUTC Regulation of Municipal Utility Pipelines

The WUTC regulatory jurisdiction is clarified to include the safety of all hazardous liquid and gas pipelines constructed, owned, or operated by any city or town.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) This bill does three things. First, this bill consolidates pipeline safety statutes into one chapter. Now pipeline safety is spread across two chapters, making it confusing to all those involved in using these for compliance and safety enforcement. Second, it puts Washington into compliance with federal certification requirements. It would ensure that the state maintains federal certification. Three, it closes a gap in enforcement related to master meter systems. No one is assigned to monitor master meter systems right now. Many stakeholders came together to review changes to the pipeline safety program statute and it is right on target. There are three small clarifying amendments that the Utilities and Transportation Commission (UTC) would like to offer. Efforts by the UTC to revise these statutes brought in the appropriate people and concerns. It could serve as a model for other activities.

(Opposed) None.

Persons Testifying:

David Danner and Alan Rathbun, Washington Utilities and Transportation Commission; Leo Bowman, Benton County Pipeline Safety Commission; Carl Weimer, Pipeline Safety Trust; and Dan Kirschner, Northwest Gas Association.

Persons Signed In To Testify But Not Testifying: None.