HB 1199

Department of Legislative Services

Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 1199 (Delegate Carr, *et al.*)
Economic Matters

Gas Companies - Gas Line Leaks and Repairs

This bill requires the Public Service Commission (PSC) to adopt regulations establishing classes of natural gas leaks, specified requirements for gas leak remediation, associated penalties, and additional specified requirements.

Fiscal Summary

State Effect: None. PSC can implement the bill with existing budgeted resources. The bill's penalty provision and the application of existing penalty provisions to the bill are not expected to materially affect State finances.

Local Effect: Minimal or none.

Small Business Effect: None.

Analysis

Bill Summary: The bill defines four classes of natural gas leaks based on the hazardousness of the gas leak and the location of the leak. Grade one leaks are currently or imminently hazardous to a person or to a structure. Grade two leaks are likely to become hazardous to a person or structure in the future, or located within the drip line or root zone of a tree. Grade three leaks are hazardous to specified property. Grade four leaks are not hazardous to a person, structure, or property, and believed to remain not hazardous.

A gas company must promptly respond to any report of a suspected gas leak. A gas company must receive and promptly investigate a report of a suspected gas leak from specified entities in the same manner as the gas company responds to internally generated reports. A gas company is liable for damage to structures and other property from a natural gas leak in a distribution line of the gas company. The liability includes any specified prudently incurred costs relating to inspection, reporting, and damage. The bill establishes a rebuttable presumption that damage to a tree or other vegetation in close proximity to a confirmed grade 1, 2, or 3 leak is caused by the leak.

By March 1, 2013, PSC must adopt regulations to create the specified classes of natural gas leaks and to require a gas company to remediate each class of leak within a specified timeframe. The regulations must also establish a penalty for failing to comply with the repair schedule and must establish additional requirements for inspection, maintenance, and related matters that PSC considers necessary to implement the bill. Penalties assessed by PSC under the bill are in addition to any other penalties assessed by PSC. A gas company may not pass on the cost of a penalty assessed under the bill.

PSC must also require each gas company to report each year on the amount of natural gas that is unaccounted for and prohibit a gas company from passing on to customers the cost of natural gas that is unaccounted for. PSC may also issue orders specifying particular requirements for inspection, maintenance, and property damage procedures for a particular gas company in its service territory.

Current Law/Background: PSC regulates gas companies, including monitoring retail competition and customer choice, to ensure that safe, reliable, and affordable gas service is provided. Rates charged by a gas company are specified in the company's tariff and are approved through an order made by PSC. Through the ratemaking process, a gas company is allowed to charge just and reasonable rates for the regulated services it renders. If a gas company incurs a cost to upgrade natural gas infrastructure and the company seeks to recover those costs, it is done through a base rate proceeding.

COMAR 20.55.09 contains PSC regulations regarding gas safety, which require each gas company to exercise reasonable care to reduce the hazards of gas distribution and transmission. Each gas company must adopt and execute a safety program, odorize the gas, and bury pipe according to specified standards. The gas company must also respond promptly to *all* reports of gas leaks and investigate the reports in accordance with the Gas Piping and Technology Committee standards, which incorporate a similar classification system for gas leaks to that proposed by the bill.

Baltimore Gas and Electric Company's (BGE) tariff schedule requires the company to investigate suspected gas leakage or improper adjustment of gas appliances upon notice by a customer. Leakage inspections are made without charge, and where such leakage in a residential customer's piping or appliances is found to have caused gas wastage, allowance for a share of such gas wastage is made by BGE where the occurrence is without the knowledge of the customer. Similar provisions exist in the tariff language for Washington Gas Light Company and other gas companies in the State.

In addition to any other penalty authorized, PSC may impose a civil penalty of up to $25,000 against a person who violates specified provisions or an outstanding direction, order, rule, or regulation of PSC. Each day or part of a day the violation continues is a separate offense. Public service companies that violate PSC provisions that relate to safety are subject to a civil penalty not exceeding $25,000 per violation for each day that the violation persists. Civil penalties collected by PSC are paid into the general fund. An individual who knowingly aids or abets a public service company in violating PSC rules, orders, and regulations is guilty of a misdemeanor and unless a different punishment is specified, on conviction is subject to a fine of up to $1,000 for a first offense and up to $5,000 for a subsequent offense.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Public Service Commission, Office of People's Counsel, Department of Natural Resources, Maryland Department of the Environment, Judiciary (Administrative Office of the Courts), Washington Gas Light Company, Baltimore Gas and Electric Company, Gas Piping and Technology Committee, Department of Legislative Services

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Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510