

Department of Legislative Services
 Maryland General Assembly
 2013 Session

FISCAL AND POLICY NOTE

Senate Bill 605 (Senator Zirkin)
 Finance

Public Safety - Gas Pipelines - Emergency Response Planning

This bill requires the Public Service Commission (PSC) to require a gas transmission company to prepare and submit a valve location plan for each gas pipeline the company owns or operates, subject to specified requirements for the content of the plans and PSC actions on the plans. The Maryland Emergency Management Agency (MEMA) must establish emergency response standards for gas transmission companies in consultation with PSC, the State Fire Marshal, and other members of the first responder community. MEMA must require a gas transmission company to develop and submit to both MEMA and PSC an emergency response plan that meets minimum federal standards. MEMA must review the plan and must require the company to amend or update the plan as necessary to protect public safety. A gas transmission company must meet annually with applicable local fire departments to discuss and review emergency response plans.

Fiscal Summary

State Effect: General fund expenditures for MEMA increase by \$63,100 in FY 2014 to hire staff to establish emergency response standards and review plans. Future year expenditures reflect annualization and the elimination of one-time costs. PSC can implement the bill with existing budgeted resources. Revenues are not affected.

(in dollars)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	63,100	81,300	85,100	89,100	93,200
Net Effect	(\$63,100)	(\$81,300)	(\$85,100)	(\$89,100)	(\$93,200)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Minimal.

Small Business Effect: Minimal.

Analysis

Bill Summary: For purposes of the bill, “gas” means natural gas, flammable gas, or toxic or corrosive gas, and a “gas pipeline” means an *intrastate* transmission line or any portion of an interstate transmission line located within the State that (1) transports gas from a gathering line or storage facility to a distribution center, storage facility, or large-volume customer that is not downstream from a distribution center; (2) operates at a specified hoop stress; or (3) transports gas within a storage field. A “gas transmission company” means a person who owns or operates a gas pipeline regulated under the bill, and does not include a person that is primarily in the business of local gas distribution.

Current Law: The Federal Natural Gas Pipeline Safety Act of 1968 requires the Secretary of the U.S. Department of Transportation to establish minimum federal safety standards for the transportation of gas and for pipeline facilities.

The Secretary’s authority to prescribe and enforce gas pipeline safety standards does not apply to *intrastate* pipeline transportation if a state agency regulates the safety standards and practices applicable to *intrastate* pipeline transportation and submits certification to the Secretary each year meeting specified criteria. PSC has adopted the applicable federal safety standards established under the Act and has established the required inspection, documentation, and enforcement program outlined in the Act.

The Act requires the establishment of minimum federal safety standards and provides that any state agency may adopt additional or more stringent regulations that are not incompatible with the minimum federal standards. Those standards may affect the design, installation, inspection, testing, construction, extension, operation, replacement, and maintenance of pipeline facilities. Standards affecting the design, installation, construction, initial inspection, and initial testing do not apply to preexisting pipeline facilities.

PSC, under certification from the U.S. Department of Transportation’s Pipeline and Hazardous Materials Safety Administration (PHMSA), assumes safety responsibility with respect to *intrastate* gas facilities, and has statutory authority to establish and enforce safety standards for *intrastate* gas facilities. PSC regulations regarding gas safety 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. For additional information related to the federal and state regulation of pipeline safety, see the **Appendix – Pipeline Regulation and Safety**.

Background: MEMA is responsible for the overall statewide direction, development, implementation, and coordination of a number of emergency response activities. MEMA works in concert with local jurisdictions, State departments and agencies, federal departments and agencies, and private and volunteer organizations.

The bill affects natural gas transmission pipelines – high-pressure pipes designed to move large volumes of natural gas across long distances. Natural gas transmission pipelines are a separate system from hazardous liquids pipelines. In general, natural gas is brought into the State through the interstate transmission system and then allocated as needed through the *intrastate* natural gas distribution systems of the State’s gas companies for customer use. These interstate natural gas transmission pipelines are under the regulatory authority of PHMSA. However, three gas companies operate *intrastate* gas transmission systems that transport natural gas from the interstate transmission system to their franchised distribution systems: Baltimore Gas and Electric Company, Washington Gas Light Company, and Columbia Gas of Maryland.

PSC currently manages two pipeline safety programs, one for natural gas and the other for hazardous liquids pipelines. The natural gas pipeline safety program includes the inspection of 77 jurisdictional natural gas and propane pipeline operators. The hazardous liquids pipeline safety program includes the inspection of one jurisdictional hazardous liquids pipeline operator.

State Expenditures: MEMA general fund expenditures increase by \$63,125 in fiscal 2014, which accounts for the bill’s October 1, 2013 effective date. This estimate reflects the cost of hiring one individual to establish emergency response standards and review gas transmission company emergency response plans. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1
Salary and Fringe Benefits	\$58,079
Other Operating Expenses	5,046
Total FY 2014 State Expenditures	\$63,125

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses and the elimination of one-time costs.

Additional Information

Prior Introductions: None.

Cross File: HB 1224 (Delegate Stein, *et al.*) - Economic Matters.

Information Source(s): Maryland Emergency Management Agency, Public Service Commission, U.S. Department of Transportation, Harford County, Baltimore City, Department of Legislative Services

Fiscal Note History: First Reader - March 6, 2013
mc/lgc

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Appendix – Pipeline Regulation and Safety

The regulation of pipeline safety occurs at both the federal and state levels. The State's Public Service Commission (PSC) regulates *intrastate* pipeline safety. PSC may enter and inspect, at reasonable times and in a reasonable manner, the pipeline facilities and the pipeline procedures of those involved with them and books, records, papers, and other documents relevant to determining compliance with regulations. Whenever PSC finds a particular facility to be hazardous to life or property, it is empowered to require the person operating such facility to take the steps necessary to remove such hazards.

The Pipeline and Hazardous Materials Safety Administration (PHMSA) within the U.S. Department of Transportation is the primary federal agency responsible for ensuring that pipelines are safe, reliable, and environmentally sound. PHMSA oversees the development and implementation of regulations concerning pipeline construction, maintenance and operation, and shares these responsibilities with state regulators. PHMSA comprises two safety divisions, the Office of Pipeline Safety (OPS), and the Office of Hazardous Materials Safety. In overseeing approximately 2.3 million miles of natural gas and hazardous liquid pipelines, OPS:

- administers a national pipeline inspection and enforcement program;
- administers pipeline safety regulatory programs and establishes the regulatory agenda;
- oversees pipeline operator implementation of risk management and risk-based programs;
- develops regulatory policy options and initiatives, and researches, analyzes, and documents social, economic, technological, environmental, safety, and security impacts upon existing and proposed regulatory, legislative, or program activities involving pipeline safety;
- develops and maintains partnerships with other federal, state, and local agencies as well as other stakeholders to address threats to pipeline integrity, service, and reliability and to share responsibility for the safety of communities;
- provides technical and resource assistance for state pipeline safety programs to ensure oversight of *intrastate* pipeline systems at the local level; and
- supports the development and conduct of pipeline safety training programs for federal and state regulatory and compliance staff and the pipeline industry.

According to PHMSA, pipelines are by far the safest method for transporting energy products. However, when pipeline incidents occur, they can present significant risks to the public and the environment. There were 30 “significant incidents” in Maryland from 2002 through 2011, totaling \$12 million in property damage and causing one fatality and 16 injuries.