



**Legislative Council Staff**

*Nonpartisan Services for Colorado's Legislature*

**Final Fiscal Note**

<b>Drafting Number:</b>	LLS 21-0335	<b>Date:</b>	August 30, 2021
<b>Prime Sponsors:</b>	Sen. Story Rep. Barnett; Cutter	<b>Bill Status:</b>	Signed into Law
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**Bill Topic:** PUC GAS UTILITY SAFETY INSPECTION AUTHORITY

<b>Summary of Fiscal Impact:</b>	<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill directs the Public Utilities Commission to expand its rules related to gas pipeline safety and increases the maximum penalty for violations of pipeline safety rules. Beginning in FY 2021-22, it increases state expenditures and may increase state revenue.

**Appropriation Summary:** For FY 2021-22, the bill requires and includes an appropriation of \$423,448 to the Department of Regulatory Agencies.

**Fiscal Note Status:** The fiscal note reflects the enacted bill.

**Table 1  
State Fiscal Impacts Under SB 21-108**

		<b>Budget Year FY 2021-22</b>	<b>Out Year FY 2022-23</b>
<b>Revenue</b>		-	-
<b>Expenditures</b>	Cash Fund <sup>1</sup>	\$423,448	\$284,401
	Centrally Appropriated	\$101,194	\$74,859
	<b>Total Expenditures</b>	<b>\$524,642</b>	<b>\$359,260</b>
	<b>Total FTE</b>	<b>4.0 FTE</b>	<b>3.3 FTE</b>
<b>Transfers</b>		-	-
<b>TABOR Refund</b>		-	-

<sup>1</sup> The Pipeline Safety Program also receives reimbursement grants from the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration, which can support between 55-70 percent of these costs. These grants are eligible beginning in calendar year 2022 and may reduce the need for Cash Funds.

## **Summary of Legislation**

The bill directs the Public Utilities Commission (PUC) in the Department of Regulatory Agencies to expand its gas pipeline safety rules to address operator qualifications, annual reporting requirements, abandoned gas pipelines, mapping of all pipelines within PUC jurisdiction, increased inspections, and pipeline damage enforcement in order to clarify and expand its duties concerning gas pipeline safety.

The bill also increases the maximum penalty for violating gas pipeline safety rules from \$100,000 per violation to \$200,000, and increases the aggregate total from \$1 million to \$2 million. The bill authorizes the PUC to recover court costs as necessary to collect penalty payments, and to reduce penalties based on certain metrics and factors, except that the penalty cannot be reduced below \$5,000 per violation.

## **Background**

The PUC operates a federally certified hazardous gas intrastate pipeline safety program under the review of the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration. The PUC Gas Pipeline Safety Program implements rules adopted from federal regulations in addition to Colorado-specific rules concerning rural gas gathering pipelines. Under the program, the PUC inspects and monitors operators transporting hazardous gas by pipeline, including investor-owned natural gas utilities, municipal natural gas utilities, master-metered systems, liquefied natural gas and propane systems, gas gathering systems, and gas gathering-related transmission systems. As of March 2020, the PUC has jurisdiction over 61,000 miles of pipeline.

PUC's Gas Pipeline Safety Program receives reimbursement grants from the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration, which can support between 55 to 70 percent of the costs identified in the bill in future grant cycles, potentially reducing the need for General Fund or Fixed Utility Fund expenditures.

## **State Revenue**

To the extent that penalties assessed against violators of the gas pipeline safety rules are increased under the new penalty caps, revenue to the General Fund will increase. Due to the discretion the PUC has in assessing these penalties, the fiscal note does not estimate these revenue impacts. Penalties are subject to TABOR.

## **State Expenditures**

The bill increases state expenditures in the Department of Regulatory Agencies by \$524,642 and 4.0 FTE in FY 2021-22 and \$359,260 and 3.3 FTE in FY 2022-23 and future years. These expenditures are shown in Table 2 and discussed in detail below.

**Table 2  
Expenditures Under SB 21-108**

<b>Cost Components</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>
<b>Department of Regulatory Agencies</b>		
Personal Services	\$264,878	\$197,181
Operating Expenses	\$5,400	\$4,050
Technology Costs	\$100,000	\$30,000
Legal Services	\$53,170	\$53,170
Centrally Appropriated Costs <sup>1</sup>	\$101,194	\$74,859
FTE – Personal Services	3.7 FTE	3.0 FTE
FTE – Legal Services	0.3 FTE	0.3 FTE
<b>Total</b>	<b>\$524,642</b>	<b>\$359,260</b>
<b>Total FTE</b>	<b>4.0 FTE</b>	<b>3.3 FTE</b>

<sup>1</sup> Centrally appropriated costs are not included in the bill's appropriation.

**Department of Regulatory Agencies.** Beginning in FY 2021-22, the PUC will require one-time staffing to conduct pipeline safety rulemaking, and three ongoing staff members for implementation and enforcement of the new rules.

- **Pipeline safety rulemaking.** The PUC will commence rulemaking in FY 2021-22 concerning pipeline operator qualifications, expanded pipeline operator annual reporting, pipeline abandonment, and damage investigation. Rulemaking will require one-time staff costs of 0.4 FTE Administrative Law Judge, 0.1 FTE Hearings Officer, 0.3 FTE Professional Engineer, and 0.2 FTE Project Coordinator.
- **Data systems and processing.** Beginning in FY 2021-22, the PUC requires 1.0 FTE Environmental Specialist to create and support data systems and processes for tracking, monitoring, analyzing, conducting field verifications for the expanded regulations, and integrating this information into current gas pipeline safety program risk analyses and workflows. This cost assumes that the volume of data collected through the program will substantially increase under the new regulations in the bill.
- **Operator qualifications, abandoned pipelines, and pipeline damage enforcement.** Beginning in FY 2021-22, the PUC requires 1.0 FTE Environmental Protection Specialist for field investigations associated with expanded regulations of operator qualifications, abandoned pipelines, and pipeline damage enforcement. It is anticipated that the pipeline damage investigation and enforcement requirements under the bill will significantly increase field work from the current 20 annual inspections to at least 200 inspections per year.
- **Pipeline mapping.** Beginning in FY 2021-22, the PUC requires 1.0 FTE GIS Data Analyst to develop maps of all pipelines within the PUC's jurisdiction. In addition, technology costs include one-time expenses of \$100,000 to purchase GIS software and license acquisition, and \$30,000 ongoing expense for licensing, maintenance, and technical support.

**Centrally appropriated costs.** Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$101,194 in FY 2021-22 and \$74,859 in FY 2022-23.

## **Effective Date**

The bill was signed into law by the Governor and took effect on July 6, 2021.

## **State Appropriations**

For FY 2021-22, the bill requires an appropriation of \$423,448 to the Department of Regulatory Agencies and 3.7 FTE. Senate Bill 21-108 includes a General Fund appropriation of this amount, but the appropriation was adjusted in Senate Bill 21-272, which eliminated the General Fund appropriation and changed it to an appropriation of the same amount from the Fixed Utility Fund.

## **State and Local Government Contacts**

Information Technology  
Natural Resources

Judicial  
Regulatory Agencies

Law