

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**May 4, 2009**

**TO:** Honorable Kip Averitt, Chair, Senate Committee on Natural Resources

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: SB2401** by Davis, Wendy (Relating to detecting and repairing leakage from natural gas pipelines.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB2401, As Introduced: a negative impact of (\$725,985) through the biennium ending August 31, 2011.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	(\$418,618)
2011	(\$307,367)
2012	(\$307,367)
2013	(\$307,367)
2014	(\$307,367)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable (Cost) from <i>General Revenue Fund</i> 1	Probable (Cost) from <i>Federal Funds</i> 555	Change in Number of State Employees from FY 2009
2010	(\$418,618)	(\$279,078)	7.0
2011	(\$307,367)	(\$204,911)	7.0
2012	(\$307,367)	(\$204,911)	0.0
2013	(\$307,367)	(\$204,911)	0.0
2014	(\$307,367)	(\$204,911)	0.0

**Fiscal Analysis**

The bill would provide that an operator promptly respond to any notification it receives of a gas leak or gas odor emanating from any of its pipeline facilities or damage to the facilities caused by excavators or other outside sources. If a leak is determined to be Grade 1, as defined by the bill, the operator would be required to immediately take any of the appropriate actions prescribed by bill. Appropriate action would include: implementing an emergency plan; evacuating premises; blocking off an area; rerouting traffic; eliminating sources of ignition; venting the area by removing manhole covers, bar holing, installing vent holes, or other means; stopping the flow of gas by closing valves or other means; or notifying emergency responders.

The bill would require an operator to submit to the Railroad Commission a list of all Grade 1 leaks repaired on its pipeline facilities and identified on any of its pipeline facilities. Thee leak reports

would be submitted using the Railroad Commission's online reporting system, by July 15 and January 15 of each calendar year. The bill provides information that would be included in the report. The Railroad Commission would be required to verify, within a reasonable time after a report is submitted. The Railroad Commission would be required to report its findings in connection with the verification required by the bill to the city councilperson and county commissioner who represent the area in which the Grade 1 leak is located and the operator of the pipeline facility where the leak occurred.

## **Methodology**

The Railroad Commission reports that the bill would change how safety inspections are performed. Safety inspections currently verify the repair of a select amount of the leaks affecting a pipeline system, but will not verify every leak repair. The Railroad Commission reports that passage of the bill would require an inspector to spend more time monitoring repaired leaks and would either result in longer inspections, which will result in fewer inspections conducted, or will result in a decrease of compliance issue monitoring based on the limited time remaining after verification of all of the Grade 1 leaks. The Railroad Commission reports that it currently does not collect data on the number of gas leaks by grade. The agency also reports that in a calendar year there are an average of 16,000 leaks. Assuming that Grade 1 leaks would represent twenty-five percent of all leaks, the Railroad Commission would be responsible for receiving reporting information on an estimated 4,000 leaks, perform longer inspections on the leaks, and report findings on those leaks to the appropriate local elected officials.

It is estimated that the Railroad Commission would require 7.0 additional FTEs and related costs to perform the additional inspections required by the bill. In addition, the agency would incur costs to modify its information systems to capture and transfer the data from the electronic leak reporting system to the inspection package, provide a place to mark the verifications, and provide a reporting mechanism through letter generation to provide the results of the verifications to the required officials. This would require the creation a database that includes that appropriate government officials required by the bill for all the municipalities and counties that have natural gas service. Total costs associated with the bill are estimated at \$697,696 in fiscal year 2010 and \$512,278 in future years. This estimate assumes that 60 percent of such costs would be paid out of the General Revenue Fund and the remaining 40 percent would be paid out of Federal Funds, as shown in the table above.

## **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 455 Railroad Commission

**LBB Staff:** JOB, SD, ZS, TL