

# SENATE AMENDMENTS

## 2<sup>nd</sup> Printing

By: Keffer

H.B. No. 2982

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the power of the Railroad Commission of Texas to adopt  
3 and enforce safety standards applicable to the transportation by  
4 pipeline of hazardous liquids, carbon dioxide, and natural gas in  
5 rural locations.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

7 SECTION 1. The heading to Section 117.011, Natural  
8 Resources Code, is amended to read as follows:

9 Sec. 117.011. JURISDICTION UNDER DELEGATED FEDERAL  
10 AUTHORITY.

11 SECTION 2. Sections 117.012(a), (b), and (h), Natural  
12 Resources Code, are amended to read as follows:

13 (a) The commission shall adopt rules that include safety  
14 standards [~~for and practices~~] applicable to the intrastate  
15 transportation of hazardous liquids or carbon dioxide by pipeline  
16 and intrastate hazardous liquid or carbon dioxide pipeline  
17 facilities, including safety standards related to the prevention of  
18 damage to such a facility resulting from the movement of earth by a  
19 person in the vicinity of the facility, other than movement by  
20 tillage that does not exceed a depth of 16 inches. The commission  
21 may adopt rules under this subsection that apply to the intrastate  
22 transportation of hazardous liquids and carbon dioxide by gathering  
23 pipelines in rural locations and intrastate hazardous liquid and  
24 carbon dioxide gathering pipeline facilities in rural locations

1 based only on the risks the transportation and the facilities  
2 present to the public safety.

3 (b) Rules that adopt safety standards do not apply to  
4 ~~[movement of hazardous liquids or carbon dioxide through gathering~~  
5 ~~lines in rural locations or]~~ production, refining, or manufacturing  
6 facilities or storage or in-plant piping systems associated with  
7 any of those facilities.

8 (h) The commission shall require operators of hazardous  
9 liquid and carbon dioxide pipeline facilities or the ~~[their]~~  
10 designated representatives of such operators to communicate and  
11 conduct liaison activities with fire, police, and other appropriate  
12 public emergency response officials. The liaison activities must  
13 be conducted by meetings in person except as provided by this  
14 section. An operator or the operator's representative may conduct  
15 required community liaison activities as provided by Subsection (i)  
16 only if the operator or the operator's representative has made an  
17 effort, by one of the following methods, to conduct a community  
18 liaison meeting in person with the officials:

19 (1) mailing a written request for a meeting in person  
20 to the appropriate officials by certified mail, return receipt  
21 requested;

22 (2) sending a request for a meeting in person to the  
23 appropriate officials by facsimile transmission; or

24 (3) making one or more telephone calls or e-mail  
25 message transmissions to the appropriate officials to request a  
26 meeting in person.

27 SECTION 3. The heading to Section 121.201, Utilities Code,

1 is amended to read as follows:

2           Sec. 121.201. SAFETY RULES;[+] RAILROAD COMMISSION POWER  
3 UNDER DELEGATED FEDERAL AUTHORITY.

4           SECTION 4. Section 121.201, Utilities Code, is amended by  
5 adding Subsection (f) to read as follows:

6           (f) To the extent consistent with federal law, the railroad  
7 commission by rule may establish safety standards and practices for  
8 gathering facilities and transportation activities in Class 1  
9 locations, as defined by 49 C.F.R. Section 192.5, based on the risks  
10 the facilities and activities present to the public safety.

11           SECTION 5. Not later than December 1, 2013, the Railroad  
12 Commission of Texas shall adopt rules to implement the changes in  
13 law made by this Act to Chapter 117, Natural Resources Code, and  
14 Chapter 121, Utilities Code.

15           SECTION 6. Before September 1, 2015, the Railroad  
16 Commission of Texas may implement the changes in law made by this  
17 Act to Chapter 117, Natural Resources Code, or Chapter 121,  
18 Utilities Code, or rules adopted under those chapters, as amended  
19 by this Act, only to require operators to make reports to the  
20 commission, including telephonic reports, the commission  
21 determines are necessary to investigate accidents, leaks,  
22 incidents, or complaints.

23           SECTION 7. This Act takes effect September 1, 2013.

# ADOPTED

MAY 20 2013

*Atty Gen*  
Secretary of the Senate

By: Robert Owen

H.B. No. 2982

Substitute the following for H.B. No. 2982:

By: Robert Owen

C.S. .B. No. \_\_\_\_\_

## A BILL TO BE ENTITLED

1 AN ACT

2 relating to the power of the Railroad Commission of Texas to adopt  
3 and enforce safety standards applicable to the transportation by  
4 pipeline of hazardous liquids, carbon dioxide, and natural gas in  
5 rural locations.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

7 SECTION 1. The heading to Section 117.011, Natural  
8 Resources Code, is amended to read as follows:

9 Sec. 117.011. JURISDICTION UNDER DELEGATED FEDERAL  
10 AUTHORITY.

11 SECTION 2. Sections 117.012(a), (b), and (h), Natural  
12 Resources Code, are amended to read as follows:

13 (a) The commission shall adopt rules that include safety  
14 standards [~~for and practices~~] applicable to the intrastate  
15 transportation of hazardous liquids or carbon dioxide by pipeline  
16 and intrastate hazardous liquid or carbon dioxide pipeline  
17 facilities, including safety standards related to the prevention of  
18 damage to such a facility resulting from the movement of earth by a  
19 person in the vicinity of the facility, other than movement by  
20 tillage that does not exceed a depth of 16 inches. Rules adopted  
21 under this subsection that apply to the intrastate transportation  
22 of hazardous liquids and carbon dioxide by gathering pipelines in  
23 rural locations and intrastate hazardous liquid and carbon dioxide  
24 gathering pipeline facilities in rural locations must be based only

1 on the risks the transportation and the facilities present to the  
2 public safety, except that the commission shall revise the rules as  
3 necessary to comply with Subsection (c) and to maintain the maximum  
4 degree of federal delegation permissible under 49 U.S.C. Section  
5 60101 et seq., or a succeeding law, if the federal government adopts  
6 rules that include safety standards applicable to the  
7 transportation and facilities.

8 (b) Rules that adopt safety standards do not apply to  
9 ~~[movement of hazardous liquids or carbon dioxide through gathering~~  
10 ~~lines in rural locations or]~~ production, refining, or manufacturing  
11 facilities or storage or in-plant piping systems associated with  
12 any of those facilities.

13 (h) The commission shall require operators of hazardous  
14 liquid and carbon dioxide pipeline facilities or the ~~[their]~~  
15 designated representatives of such operators to communicate and  
16 conduct liaison activities with fire, police, and other appropriate  
17 public emergency response officials. The liaison activities must  
18 be conducted by meetings in person except as provided by this  
19 section. An operator or the operator's representative may conduct  
20 required community liaison activities as provided by Subsection (i)  
21 only if the operator or the operator's representative has made an  
22 effort, by one of the following methods, to conduct a community  
23 liaison meeting in person with the officials:

24 (1) mailing a written request for a meeting in person  
25 to the appropriate officials by certified mail, return receipt  
26 requested;

27 (2) sending a request for a meeting in person to the

1 appropriate officials by facsimile transmission; or

2 (3) making one or more telephone calls or e-mail  
3 message transmissions to the appropriate officials to request a  
4 meeting in person.

5 SECTION 3. The heading to Section 121.201, Utilities Code,  
6 is amended to read as follows:

7 Sec. 121.201. SAFETY RULES;[+] RAILROAD COMMISSION POWER  
8 UNDER DELEGATED FEDERAL AUTHORITY.

9 SECTION 4. Section 121.201(a), Utilities Code, is amended  
10 to read as follows:

11 (a) The railroad commission may:

12 (1) by rule prescribe or adopt safety standards for  
13 the transportation of gas and for gas pipeline facilities,  
14 including safety standards related to the prevention of damage to  
15 such a facility resulting from the movement of earth by a person in  
16 the vicinity of the facility, other than movement by tillage that  
17 does not exceed a depth of 16 inches;

18 (2) by rule require an operator that does not file  
19 operator organization information under Section 91.142, Natural  
20 Resources Code, to provide the information to the commission in the  
21 form of an application;

22 (3) by rule require record maintenance and reports;

23 (4) inspect records and facilities to determine  
24 compliance with safety standards prescribed or adopted under  
25 Subdivision (1);

26 (5) make certifications and reports from time to time;

27 (6) seek designation by the United States secretary of

1 transportation as an agent to conduct safety inspections of  
2 interstate gas pipeline facilities located in this state; ~~and~~

3 (7) by rule take any other requisite action in  
4 accordance with 49 U.S.C. Section 60101 et seq., or a succeeding  
5 law; and

6 (8) by rule establish safety standards and practices  
7 for gathering facilities and transportation activities in Class 1  
8 locations, as defined by 49 C.F.R. Section 192.5:

9 (A) based only on the risks the facilities and  
10 activities present to the public safety, to the extent consistent  
11 with federal law; or

12 (B) as necessary to maintain the maximum degree  
13 of federal delegation permissible under 49 U.S.C. Section 60101 et  
14 seq., or a succeeding law, if the federal government adopts safety  
15 standards and practices for gathering facilities and  
16 transportation activities in Class 1 locations, as defined by 49  
17 C.F.R. Section 192.5.

18 SECTION 5. Before September 1, 2015, the Railroad  
19 Commission of Texas may implement the changes in law made by this  
20 Act to Chapter 117, Natural Resources Code, or Chapter 121,  
21 Utilities Code, or rules adopted under those chapters, as amended  
22 by this Act, only:

23 (1) to provide a process for the commission to  
24 investigate an accident, incident, complaint, or threat to public  
25 safety related to operational safety and to require an operator to  
26 submit a plan to remediate an accident, incident, complaint, or  
27 threat;

1           (2) to require reports necessary to allow the  
2 commission to investigate an accident, incident, complaint, or  
3 threat to public safety related to operational safety; or

4           (3) to require operators to provide information to the  
5 commission that the commission determines is necessary to determine  
6 the risks presented to the public safety by:

7           (A) the intrastate transportation of hazardous  
8 liquids and carbon dioxide by gathering pipeline facilities in  
9 rural locations and intrastate hazardous liquid and carbon dioxide  
10 gathering pipeline facilities in rural locations; and

11           (B) gas gathering facilities and transportation  
12 activities in Class 1 locations, as defined by 49 C.F.R. Section  
13 192.5.

14           SECTION 6. This Act takes effect September 1, 2013.



ADOPTED

MAY 20 2013

Wendy N Davis

FLOOR AMENDMENT NO. 1

BY: \_\_\_\_\_

*Atay Spaw*  
Secretary of the Senate

1 Amend C.S.H.B. No. 2982 by adding the following  
2 appropriately numbered SECTION and renumbering subsequent  
3 SECTIONS accordingly:

4 SECTION \_\_\_\_\_. Subchapter B, Chapter 91, Natural Resources  
5 Code, is amended by adding Section 91.021 to read as follows:

6 Sec. 91.021. NOTICE OF PERMIT TO DRILL WELL IN  
7 TRANSPORTATION EASEMENT. (a) In this section, "department"  
8 means the Texas Department of Transportation.

9 (b) The commission shall adopt rules to require that an  
10 application for a permit to drill an oil or gas well include an  
11 affirmation as to whether or not the well is located within an  
12 easement held by the department or within 50 yards of an  
13 easement held by the department.

14 (c) Not later than the 14th day after the date the  
15 commission receives an application for a permit to drill an oil  
16 or gas well that contains an affirmation that the well is  
17 located within an easement held by the department or within 50  
18 yards of an easement held by the department, the commission  
19 shall transmit the application to the department.

20 (d) This section does not grant to the department any  
21 authority regarding the approval of an application for a permit  
22 to drill an oil or gas well.

23 SECTION 2. Section 91.021, Natural Resources Code, as  
24 added by this Act, applies only to a permit application filed  
25 with the Railroad Commission of Texas on or after the effective  
26 date of this Act. A permit application filed with the  
27 commission before the effective date of this Act is governed by  
28 the law in effect when the application was filed, and the former  
29 law is continued in effect for that purpose.

# ADOPTED

MAY 20 2013

FLOOR AMENDMENT NO. 2

*Atay Drew*  
Secretary of the Senate

BY: *Robert Owen*

1 Amend C.S.H.B. No. 2982 (senate committee report) in SECTION  
2 5 of the bill by striking Subdivisions (1) and (2) of the section  
3 (page 2, lines 62-69) and substituting the following:

4 (1) to provide a process for the commission to  
5 investigate an accident, an incident, a threat to public safety, or  
6 a complaint related to operational safety and to require an  
7 operator to submit a plan to remediate an accident, incident,  
8 threat, or complaint;

9 (2) to require reports necessary to allow the  
10 commission to investigate an accident, an incident, a threat to  
11 public safety, or a complaint related to operational safety; or

**LEGISLATIVE BUDGET BOARD  
Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**May 21, 2013**

**TO:** Honorable Joe Straus, Speaker of the House, House of Representatives

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2982** by Keffer (Relating to the power of the Railroad Commission of Texas to adopt and enforce safety standards applicable to the transportation by pipeline of hazardous liquids, carbon dioxide, and natural gas in rural locations.), **As Passed 2nd House**

<b>No significant fiscal implication to the State is anticipated.</b>
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The bill would provide rules adopted by the Railroad Commission that apply to the intrastate transportation of hazardous liquids and carbon dioxide by gathering pipelines in rural locations and intrastate hazardous liquid and carbon dioxide gathering pipeline facilities in rural locations be based on risks the transportation and the facilities present to the public safety. The bill would also authorize the Railroad Commission to establish safety standards for gathering facilities and transportation activities in certain locations to the extent the rules would be consistent with federal law and as necessary to maintain the maximum degree of federal program delegation.

The bill would require the Railroad Commission to adopt rules to require that an application for a permit to drill an oil or gas well include an affirmation as to whether or not the well is located inside of or within 50 yards of an easement held by Texas Department of Transportation (TxDOT). The Railroad Commission would be required to notify TxDOT within 14 days of receipt of an application for a permit to drill located inside of or within 50 yards of an easement held by TxDOT. The bill explicitly states that no authority would be provided to TxDOT with regard to the approval of an application for a permit to drill an oil or gas well.

Passage of the bill is not expected to result in a significant fiscal impact to the Railroad Commission or to TxDOT.

**Local Government Impact**

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

**Source Agencies:** 455 Railroad Commission, 601 Department of Transportation

**LBB Staff:** UP, SZ, TL

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

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**May 15, 2013**

**TO:** Honorable Troy Fraser, Chair, Senate Committee on Natural Resources

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2982** by Keffer (Relating to the power of the Railroad Commission of Texas to adopt and enforce safety standards applicable to the transportation by pipeline of hazardous liquids, carbon dioxide, and natural gas in rural locations.), **Committee Report 2nd House, Substituted**

<b>No significant fiscal implication to the State is anticipated.</b>
---

The bill would provide rules adopted by the Railroad Commission that apply to the intrastate transportation of hazardous liquids and carbon dioxide by gathering pipelines in rural locations and intrastate hazardous liquid and carbon dioxide gathering pipeline facilities in rural locations be based on risks the transportation and the facilities present to the public safety. The bill would also authorize the Railroad Commission to establish safety standards for gathering facilities and transportation activities in certain locations to the extent the rules would be consistent with federal law and as necessary to maintain the maximum degree of federal program delegation.

Passage of the bill is not expected to result in a significant fiscal impact to the Railroad Commission.

**Local Government Impact**

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

**Source Agencies:** 455 Railroad Commission

**LBB Staff:** UP, SZ, TL

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

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**May 13, 2013**

**TO:** Honorable Troy Fraser, Chair, Senate Committee on Natural Resources

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2982** by Keffer (Relating to the power of the Railroad Commission of Texas to adopt and enforce safety standards applicable to the transportation by pipeline of hazardous liquids, carbon dioxide, and natural gas in rural locations.), **As Engrossed**

<p><b>No significant fiscal implication to the State is anticipated.</b></p>
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The bill would provide the Railroad Commission the authority adopt rules that apply to the intrastate transportation of hazardous liquids and carbon dioxide by gathering pipelines in rural locations and intrastate hazardous liquid and carbon dioxide gathering pipeline facilities in rural locations, based on risks to public safety. The bill would provide that, to the extent it would be consistent with federal law, the Railroad Commission would be authorized to establish safety standards for gathering facilities and transportation activities in certain locations.

Passage of the bill is not expected to result in a significant fiscal impact to the Railroad Commission.

**Local Government Impact**

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

**Source Agencies:** 455 Railroad Commission

**LBB Staff:** UP, SZ, TL

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

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**  
**Revision 1**

**May 2, 2013**

**TO:** Honorable Jim Keffer, Chair, House Committee on Energy Resources

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2982** by Keffer (Relating to the power of the Railroad Commission of Texas to adopt and enforce safety standards applicable to the transportation by pipeline of hazardous liquids, carbon dioxide, and natural gas in rural locations.), **Committee Report 1st House, Substituted**

<b>No significant fiscal implication to the State is anticipated.</b>
---

The bill would provide the Railroad Commission the authority adopt rules that apply to the intrastate transportation of hazardous liquids and carbon dioxide by gathering pipelines in rural locations and intrastate hazardous liquid and carbon dioxide gathering pipeline facilities in rural locations, based on risks to public safety. The bill would provide that, to the extent it would be consistent with federal law, the Railroad Commission would be authorized to establish safety standards for gathering facilities and transportation activities in certain locations.

Passage of the bill is not expected to result in a significant fiscal impact to the Railroad Commission.

**Local Government Impact**

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

**Source Agencies:** 455 Railroad Commission

**LBB Staff:** UP, SZ, TL

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

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**April 25, 2013**

**TO:** Honorable Jim Keffer, Chair, House Committee on Energy Resources

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2982** by Keffer (Relating to the power of the Railroad Commission of Texas to adopt and enforce safety standards applicable to the transportation by pipeline of hazardous liquids, carbon dioxide, and natural gas in rural locations.), **Committee Report 1st House, Substituted**

<p><b>No significant fiscal implication to the State is anticipated.</b></p>
--

The bill would provide the Railroad Commission the authority adopt rules that apply to the intrastate transportation of hazardous liquids and carbon dioxide by gathering pipelines in rural locations and intrastate hazardous liquid and carbon dioxide gathering pipeline facilities in rural locations, based on risks to public safety. The bill would provide that, to the extent it would be consistent with federal law, the Railroad Commission would be authorized to establish safety standards for gathering facilities and transportation activities in certain locations.

Passage of the bill is not expected to result in a significant fiscal impact to the Railroad Commission.

**Local Government Impact**

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

**Source Agencies:** 455 Railroad Commission

**LBB Staff:** UP, SZ, TL

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

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**  
**Revision 1**

**May 1, 2013**

**TO:** Honorable Jim Keffer, Chair, House Committee on Energy Resources

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2982** by Keffer (Relating to the power of the Railroad Commission of Texas to adopt and enforce safety standards and practices applicable to the transportation by pipeline of certain substances and to certain pipeline facilities.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2982, As Introduced: a negative impact of (\$2,298,498) through the biennium ending August 31, 2015.

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
2014	(\$1,694,109)
2015	(\$604,389)
2016	(\$604,389)
2017	(\$604,389)
2018	(\$604,389)

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

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i>	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i>
	1	1
2014	(\$2,927,109)	\$1,233,000
2015	(\$1,837,389)	\$1,233,000
2016	(\$1,837,389)	\$1,233,000
2017	(\$1,837,389)	\$1,233,000
2018	(\$1,837,389)	\$1,233,000



Fiscal Year	Change in Number of State Employees from FY 2013
2014	25.0
2015	25.0
2016	25.0
2017	25.0
2018	25.0

### Fiscal Analysis

The bill would amend Natural Resources Code, Chapter 117, and Utilities Code, Chapter 121, to provide authority to the Railroad Commission to regulate the safety of Class 1 or rural gathering lines, which under current federal safety regulations, is not regulated. The Railroad Commission would be required to determine, through rulemaking, which facilities should be regulated. Factors to be considered would include: the date of installation of the pipeline or facility; the environment surrounding the pipeline or facility; the age of the pipe or facility; the pipe material, grade, and specified minimum yield strength; operating characteristics of the pipeline or facility; the composition of the fluid being transported; and the distance between the pipeline or a facility and other specified locations.

### Methodology

According to the Railroad Commission, there are currently approximately 154,225 miles of unregulated gathering lines, as compared to 167,987 miles of regulated pipeline. The Railroad Commission projects that approximately 77,000 miles, or about 50 percent of the unregulated total, would become regulated upon enactment of the bill. The actual number could be higher or lower, and it would be based on the factors considered by the Railroad Commission, as provided by the bill, to determine by rule which pipeline segments would fall under the agency's safety regulation authority. This estimate assumes that number would remain constant over the next five years.

The Railroad Commission reports that one inspector can handle inspections and monitoring for approximately 3,500 miles of pipeline per year. Therefore, implementation of the bill would require 22.0 additional pipeline safety inspectors. An additional 3.0 administrative assistants would be needed to support the additional inspectors. Ongoing costs associated with the 25.0 additional FTEs are estimated at \$1,837,389 per fiscal year. Initial start up costs would include vehicles, computers, cell phones, cameras, and other related equipment. In addition, programming changes would be needed to incorporate the additional pipelines into the agency's Pipeline Evaluation System (PES). Total start up costs are estimated at \$860,200 in fiscal year 2014 only and are included in the table above.

The Railroad Commission's Pipeline Safety program is funded through a mix of General Revenue and Federal Funds. However, the agency reports that because the additional pipelines proposed by the bill for regulation are not required to be regulated under federal law, the additional costs associated with these pipelines would not be eligible for Federal Funds. This estimate therefore assumes all costs associated with the bill would come from General Revenue.

Because the Railroad Commission has authority to increase the pipeline safety fee rate to cover costs associated with the program, this estimate assumes that the rate would be increased to a level to generate revenue sufficient to cover the costs of the new program. However, because the

Pipeline Safety Fee has a statutory cap of \$1 per line, the Commission would be limited in its ability to cover the additional costs. The existing rate assessed by the Railroad Commission is \$0.75, and according to the Comptroller's Biennial Revenue Estimate for 2014-15, this fee rate is expected to generate \$3.7 million per fiscal year during 2014-15. This estimate assumes that upon passage of the bill the Railroad Commission would increase the pipeline safety fee to the statutory maximum of \$1 per line, which is estimated to generate \$1.2 million per year in additional revenue. Therefore, only a portion of the additional costs associated with the bill would be covered by new revenues. It should also be noted that any other appropriations increases out of the Pipeline Safety Fee revenue stream contemplated by the 83rd Legislature would be competing for the \$1.2 million in potential additional revenue a fee increase could generate under current law.

### **Technology**

To ensure that all Class 1 and rural gathering systems identified as jurisdictional to the pipeline safety program would be included in the agency's PES, additional programming would be required. The Railroad Commission estimates 2,328 hours of contractor time to implement changes resulting from the bill's passage at a cost of \$229,520 in fiscal year 2014. These amounts are included 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:** UP, SZ, ZS, TL

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

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**April 2, 2013**

**TO:** Honorable Jim Keffer, Chair, House Committee on Energy Resources

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2982** by Keffer (Relating to the power of the Railroad Commission of Texas to adopt and enforce safety standards and practices applicable to the transportation by pipeline of certain substances and to certain pipeline facilities.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2982, As Introduced: a negative impact of (\$2,298,498) through the biennium ending August 31, 2015.

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
2014	(\$1,694,109)
2015	(\$604,389)
2016	(\$604,389)
2017	(\$604,389)
2018	(\$604,389)

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

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i>	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i>
	1	1
2014	(\$2,927,109)	\$1,233,000
2015	(\$1,837,389)	\$1,233,000
2016	(\$1,837,389)	\$1,233,000
2017	(\$1,837,389)	\$1,233,000
2018	(\$1,837,389)	\$1,233,000

Fiscal Year	Change in Number of State Employees from FY 2013
2014	25.0
2015	25.0
2016	25.0
2017	25.0
2018	25.0

### Fiscal Analysis

The bill would amend Natural Resources Code, Chapter 117, and Utilities Code, Chapter 121, to provide authority to the Railroad Commission to regulate the safety of Class 1 or rural gathering lines, which under current federal safety regulations, is not regulated. The Railroad Commission would be required to determine, through rulemaking, which facilities should be regulated. Factors to be considered would include: the date of installation of the pipeline or facility; the environment surrounding the pipeline or facility; the age of the pipe or facility; the pipe material, grade, and specified minimum yield strength; operating characteristics of the pipeline or facility; the composition of the fluid being transported; and the distance between the pipeline or a facility and other specified locations.

### Methodology

According to the Railroad Commission, there are currently approximately 154,225 miles of unregulated gathering lines, as compared to 167,987 miles of regulated pipeline. The Railroad Commission projects that approximately 77,000 miles, or about 50 percent of the unregulated total, would become regulated upon enactment of the bill. The actual number could be higher or lower, and it would be based on the factors considered by the Railroad Commission, as provided by the bill, to determine by rule which pipeline segments would fall under the agency's safety regulation authority. This estimate assumes that number would remain constant over the next five years.

The Railroad Commission reports that one inspector can handle inspections and monitoring for approximately 3,500 miles of pipeline per year. Therefore, implementation of the bill would require 22.0 additional pipeline safety inspectors. An additional 3.0 administrative assistants would be needed to support the additional inspectors. Ongoing costs associated with the 25.0 additional FTEs are estimated at \$1,837,389 per fiscal year. Initial start up costs would include vehicles, computers, cell phones, cameras, and other related equipment. In addition, programming changes would be needed to incorporate the additional pipelines into the agency's Pipeline Evaluation System (PES). Total start up costs are estimated at \$860,200 in fiscal year 2014 only and are included in the table above.

The Railroad Commission's Pipeline Safety program is funded through a mix of General Revenue and Federal Funds. However, the agency reports that because the additional pipelines proposed by the bill for regulation are not required to be regulated under federal law, the additional costs associated with these pipelines would not be eligible for Federal Funds. This estimate therefore assumes all costs associated with the bill would come from General Revenue.

Because the Railroad Commission has authority to increase the pipeline safety fee rate to cover costs associated with the program, this estimate assumes that the rate would be increased to a level to generate revenue sufficient to cover the costs of the new program. However, because the

Pipeline Safety Fee has a statutory cap of \$1 per line, the Commission would be limited in its ability to cover the additional costs. The existing rate assessed by the Railroad Commission is \$0.75, and according to the Comptroller's Biennial Revenue Estimate for 2014-15, this fee rate is expected to generate \$3.7 million per fiscal year during 2014-15. This estimate assumes that upon passage of the bill the Railroad Commission would increase the pipeline safety fee to the statutory maximum of \$1 per line, which is estimated to generate \$1.2 million per year in additional revenue. Therefore, only a portion of the additional costs associated with the bill would be covered by new revenues. It should also be noted that any other appropriations increases out of the Pipeline Safety Fee revenue stream contemplated by the 83rd Legislature would be competing for the \$1.2 million in potential additional revenue a fee increase could generate under current law.

### **Technology**

To ensure that all Class 1 and rural gathering systems identified as jurisdictional to the pipeline safety program would be included in the agency's PES, additional programming would be required. The Railroad Commission estimates 2,328 hours of contractor time to implement changes resulting from the bill's passage at a cost of \$229,520 in fiscal year 2014. These amounts are included 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:** UP, SZ, ZS, TL