

March 22, 2016

“ASSESSING” HOUSE BILL 240: KICKING THE NATURAL GAS INDUSTRY WHILE IT’S DOWN

SUBMISSIONS (/SUBMISSIONS)

[Natural Resource \(/full-blog?category=Natural+Resource\)](#), [Impact! \(/full-blog?category=Impact%21\)](#)

By: Clay Warriner

On January 13, Kentucky State Representative David Floyd filed House Bill 240, a bill that calls for the establishment of a statewide pipeline safety fund in order to, among other objectives, develop disaster response plans and train local government emergency crews to safely execute these plans.^[i]

This is the second consecutive year that the 50th District Representative from Bardstow has pushed for the passage of such a bill, with the 2015 version having failed before a House committee.^[ii] While being prepared in the event of a pipeline rupture, such as the Columbia Gulf Transmission Pipeline explosion in February of 2014,^[iii] is important to minimizing the damaging effects of a rare pipeline failure, the Bill may be unnecessary and insidious to an industry that is already feeling the effects of the recent plummet of oil and natural gas prices.^[iv]

The “Kentucky Pipeline Safety Fund” created under House Bill 240 would consist of the monies received from the imposition of a “pipeline safety assessment.”^[v] Pipeline operators would be required to pay an annual assessment equal to \$120 per mile of active pipeline carrying natural gas or “hazardous liquids” through the state.^[vi] The term “pipeline operators” would not include municipally owned utilities or Kentucky Public Service Commission (PSC) regulated utilities under the Bill.^[vii] Chosen by the Kentucky General Assembly in 1970, the PSC is the agency that “enforces federal and state pipeline safety laws and regulations for intrastate natural gas transmission pipelines and for local natural gas retail distribution systems.”^[viii]

Natural gas pipeline operators are heavily regulated by federal pipeline safety regulations.^[ix] According to the PSC, the “federal pipeline safety regulations are minimum standards to assure safety in design, construction, inspection, testing, operation and maintenance of pipelines.”^[x] The minimum safety standards require that pipeline operators carefully adhere to specific regulations controlling everything from materials used in construction to operations and maintenance of lines.^[xi] The regulations specifically require operators to patrol, inspect, and survey all active transmission pipelines on a regular basis.^[xii] While it is required for operators to perform specific internal safety measures, the incentive to do so is already there. A catastrophic pipeline malfunction could mean a substantial loss of the product being transported in the line, e.g. natural gas, as well as fines from

government agencies and damages awarded or settlements arising from civil lawsuits. A bill that implements additional assessments to pipeline operators to fund safety measures is unnecessary when eighty percent of the cost of the state pipeline safety program is reimbursed by the federal government.[xiii]



(<http://info.drillinginfo.com/half-us-natural-gas-30-counties/>)

As oil and natural gas prices continue to drop, implementing an assessment of \$120 per mile on pipeline operators could substantially affect the natural gas industry. While preparedness is important for environmental protection, the operators of pipelines are not only obligated to take explicit safety measures, but also they have an incentive to do so to protect assets in an industry that is struggling. Furthermore, federal funding to the PSC to support the state's pipeline safety program is not a fixed sum, but an eighty percent reimbursement to the expenditures of the program. With substantial federal reimbursement for implementing an unneeded expansion on the pipeline safety program, it may not be the right time to consider House Bill 240.

[i] Marcus Green, *Pipeline Safety Bill Filed Again in Kentucky Legislature*, WDRB (Jan. 19, 2016, 4:21 PM), <http://www.wdrb.com/story/31004376/pipeline-safety-bill-filed-again-in-kentucky-legislature>.

[ii] *Id.*

[iii] See Scott Disavino, *Blast Rocks Kentucky Natural Gas Pipeline Amid Storm*, Reuters (Feb. 13, 2014, 12:14 PM), <http://www.reuters.com/article/us-usa-kentucky-explosion-idUSBREA1C0JE20140213>.

[iv] See generally *Impacts of Declining Oil and Natural Gas Prices*, BSEEC, http://www.bseec.org/impacts_of_declining_oil_and_natural_gas_prices (last visited Feb. 24, 2016).

[v] H.R. 240, 16th Reg. Sess. (Ky. 2016).

[vi] *Id.*

[vii] *Id.*

[viii] *Statutes and Regulations*, Kentucky Public Service Commission, <http://psc.ky.gov/Home/PipelineSafety> (last visited Feb. 24, 2016).

[ix] See generally 49 C.E.R. § 190-199.

[x] *Statutes and Regulations*, *supra* note viii.

[xi] 49 C.E.R. § 190-199.

[xii] 49 C.E.R. § 192.705-192.706.


[xiii] *Introduction*, Kentucky Public Service Commission, (<http://psc.ky.gov/Home/PipelineSafety>) (last visited Feb. 24, 2016).

Source: <http://www.huffingtonpost.ca/2014/02/18/rocky-mountain-house...>

COMMENTS (2)

Newest First [Subscribe via e-mail](#)

[Preview](#) [POST COMMENT...](#)

 **Summary Judgment** 3 years ago · 0 Likes

I really like this. 😊

 **Concerned Catizen** 3 years ago · 0 Likes

Very informative and clear. And also meow.

[Newer Post](#)

[Proposed Dogfighting Laws in Kentucky: Expanding the Scope of the Law Creates Controversy \(/full-blog/rossbundsschuhblog\)](#)

[Older Post](#)

[Bee Aware: State Pollinator Protection Plan Seeks to Improve Declining Pollinator Population \(/full-blog/2016/3/7/garlanvanhookblog\)](#)

[SEARCHABLE ARCHIVE \(/PUBLICATION-ARCHIVE-1\)](#)

631 SOUTH LIMESTONE, LEXINGTON, KY

40508 (859) 257-4747 [BLOG.KJEANRL@GMAIL.COM](mailto:blog.kjeanrl@gmail.com) ([MAILTO:BLOG.KJEANRL@GMAIL.COM](mailto:blog.kjeanrl@gmail.com))