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FISCAL IMPACT REPORT

SPONSOR: Heaton DATE TYPED: 02/14/01 HB 279/aHENRC
 SHORT TITLE: Intrastate Pipeline Safety SB _____
 ANALYST: Valenzuela

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
	NFI		\$ 100.0	Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files
 Energy, Minerals and Natural Resources Department

No Response

Public Regulation Commission did not submit an analysis of this bill, despite a direct impact on its agency.

SUMMARY

Synopsis of the HENRC Amendment

The House Energy and Natural Resources Committee (HENRC) amendment to House Bill 279 clarifies that the bill will match federal law.

Synopsis of Original Bill

House Bill 279 amends substantially the New Mexico Pipeline Safety Act and the current statutes related to public lands.

First, the bill includes "hazardous liquid pipelines" in the pipeline safety regulatory scheme. Second, the bill requires compliance with federal law concerning internal and external surveillance of pipeline integrity and the installation of emergency flow restricting devices. Third, the bill requires Public Regulation Commission (PRC) rules to "substantially conform" to federal pipeline safety rules. If the federal Department of Transportation implements new interstate safety rules, the new standards applied to interstate pipelines would also apply to the New Mexico intrastate regulatory scheme.

Significant Issues

Both the federal government and States regulate pipeline safety. The federal government regulates interstate transportation by pipeline and a state may regulate intrastate transportation if certified by the federal Department of Transportation. At the present time, neither federal nor New Mexico laws specifically require internal and external surveillance of pipeline integrity and installation of emergency flow restricting devices. Numerous techniques exist with which to determine pipeline integrity, including so-called "smart pigs" which examine a pipeline from the inside, hydrostatic testing (in which the pipeline is pressurized with water), and other interior and exterior surveillance techniques. Emergency flow restricting devices cut off flow in a pipeline when a sudden pressure decrease occurs.

Several bills were introduced in the 106th Congress that required use of such techniques but none were enacted into law. If Congress eventually requires internal and external surveillance and use of emergency flow restricting devices, HB 279 would require the PRC to amend its rules accordingly. Notwithstanding the foregoing, the bill is not applicable to existing pipelines unless the Public Regulation Commission, after investigation and hearing, determines that the pipeline is hazardous to life or property.

FISCAL IMPLICATIONS

Enactment of House Bill 279 would have a fiscal impact on the PRC because it would have to revise its rules. The PRC is adequately funded to manage this task. Though, the agency may need to contract with pipeline safety experts for assistance. However, the PRC has not submitted its analysis of the bill and thus, an estimate is not available from the agency. The contracts should not exceed \$100.0 and would most likely be paid from the general fund.

If Congress acts on this issue, the PRC should pursue a federal funding match. The Transportation Division of the PRC does receive a small percentage (approximately 10 percent) of its operating budget from federal funds.

MFV/ar