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Final Fiscal Note

Drafting Number: LLS 24-0327 Date: July 22, 2024
Prime Sponsors: Rep. Story; Brown Bill Status: Deemed Lost
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Bill Topic: PIPELINE SAFETY

Summary of Fiscal Impact: [X] State Revenue [] State Transfer [] Local Government
[X] State Expenditure [X] TABOR Refund [] Statutory Public Entity

The bill would have created new requirements for natural gas pipeline safety and public information. It would have increased state revenue and expenditures beginning in FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill would have required an appropriation of \$412,430 to the Department of Regulatory Agencies.

Fiscal Note Status: The final fiscal note reflects the introduced bill, as amended by the House Energy and Environment Committee. The bill was deemed lost in the House Appropriations Committee on May 9, 2024; therefore, the impacts identified in this analysis do not take effect.

Table 1
State Fiscal Impacts Under HB 24-1357

Table with 4 columns: Category, Sub-category, Budget Year FY 2024-25, and Out Year FY 2025-26. Rows include Revenue (Cash Funds, Total Revenue), Expenditures (Cash Funds, Federal Funds, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (TABOR Refund).

Summary of Legislation

The bill updates natural gas pipeline safety information collection and sharing and updates how penalties are assessed for violations.

Leak detection and decommissioning. Current law requires the use of advanced leak detection technology for natural gas pipelines. The bill requires the PUC to adopt rules requiring owners or operators of transmission lines, gathering lines, or distribution systems to submit an advanced leak detection report, which specifies how advanced leak detection is implemented, including the manner, frequency, and detection level required for transmission lines, distribution systems, gathering lines, and road or railroad crossings. If a leak is detected, the bill specifies how quickly the owner or operator of the leaking infrastructure must repair it based on the severity of the leak.

The PUC must also adopt rules regarding how owners or operators either remove or decommission unused pipelines, including the factors that determine the course of action and notice requirements.

Website. By January 31, 2026, the PUC must develop a website with information on pipeline safety data, including reportable safety events, gas leak information, compliance actions, inspection records, and instructions on how to access the PUC's mapping data.

Civil penalties. Violations of the lead detection or decommissioning requirements are subject to a civil penalty, and the bill increases the maximum penalty per violation from \$200,000 to \$500,000. It establishes minimum per-day penalties that depend on the severity of the violation, but leaves the existing maximum penalty for a series of related violations at \$2 million. The PUC must adjust these limits every two years for inflation, beginning in 2026.

Under current law, the PUC may reduce the amount of a penalty assessed based on the severity of the violation, underlying conditions that contributed to the violation, and whether a violator agrees to address pipeline safety approved by the PUC. The bill allows the PUC to increase penalties upon review and broadens the determining factors to include impact on the environment, whether the violation was self-reported, negligence or falsification, or whether the violator benefited economically from the violation. The bill limits any penalty reduction to 15 percent and delays any reduction until has completed any remediation and is in compliance with documentation requirements as the PUC determines.

State Revenue

Fixed Utility Fund. The bill increases state cash fund revenue to the Fixed Utility Fund (FUF) by about \$310,000 in FY 2024-25 and \$430,000 in FY 2025-26 and ongoing. This amount assumes certain functions required by the bill will be paid with federal Pipeline and Hazardous Materials Safety Administration grants and that regulatory activities that are stricter than federal requirements will not be eligible for federal funding. Administrative costs incurred by the PUC are paid from the FUF, which receives an annual assessment on the state's regulated utilities.

Whenever additional expenses are incurred against the fund, the assessment must be raised to increase revenue to cover these expenses. This revenue is subject to TABOR.

Penalties. The bill may increase revenue from civil penalties assessed against owners or operators of natural gas infrastructure. This penalty revenue, which is subject to TABOR, accrues to the General Fund. As it depends on the nature and duration of future violations, it has not been estimated.

State Expenditures

The bill increases state expenditures by about \$460,000 in FY 2024-25 and \$810,000 in subsequent years, paid from the Fixed Utility Fund. Expenditures are shown in Table 2 and described below.

Table 2
Expenditures Under HB 24-1357

	FY 2024-25	FY 2025-26
Public Utilities Commission		
Personal Services	\$223,703	\$488,251
Operating Expenses	\$2,560	\$7,168
Capital Outlay Costs	\$13,340	\$26,680
Legal Services	\$172,827	\$172,827
Centrally Appropriated Costs ¹	\$44,945	\$112,898
FTE – Personal Services	2.0 FTE	5.6 FTE
FTE – Legal Services	0.8 FTE	0.8 FTE
Total Cost	\$457,375	\$807,824
Total FTE	2.8 FTE	6.4 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Staff. The bill increases workload in the PUC to ensure that pipeline operators comply with the reporting and safety requirements and to develop the required website. For all staff, standard operating and capital outlay costs are included.

- **Inspections, record reviews, and audits.** The added regulatory functions of the bill, including the expansion of what constitutes a reportable safety event, requires 2.5 FTE beginning in FY 2025-26. This includes reviewing records for leak surveys for additional miles of pipeline and reviewing compliance with leak detection and abandonment plans. Finally, the additional reportable safety events increase workload to process notification of such events and follow up as necessary. Most of this impact assumes a September 1, 2025 start date, after the PUC adopts the required rules.
- **Website.** Developing and maintaining the website, updating it with new reportable safety events, and responding to consumer inquiries requires 1.5 FTE beginning in FY 2025-26.

- **Hearings.** The updates to how penalties are assessed are expected to increase the number of hearings and related litigation. This requires 2.0 FTE per year beginning in FY 2025-26.

Legal services. The PUC requires 1,350 hours of legal services annually to adopt rules and to represent the PUC in hearings. Legal services are provided by the Department of Law at a rate of \$128.02 per hour.

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 shown in Table 2.

Other Budget Impacts

TABOR refunds. The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the March 2024 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. Increased cash fund revenue will reduce the amount of General Fund available to spend or save. Increased General Fund revenue from civil penalties will increase the TABOR refund obligation, but result in no net change to the amount of General Fund available to spend or save.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2024-25, the bill requires an appropriation of \$412,430, which includes \$289,254 from the Fixed Utility Fund and \$123,176 from federal funds to the Public Utilities Commission in the Department of Regulatory Agencies, and 2.0 FTE. Of this, \$172,827 is reappropriated to the Department of Law, with an additional 0.8 FTE.

State and Local Government Contacts

Information Technology

Law

Regulatory Agencies

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).