

STAFF MEASURE SUMMARY

House Committee On Business and Labor

**Fiscal:** No Fiscal Impact

**Revenue:** No Revenue Impact

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**Action Date:** 05/04/15

**Action:** Do Pass.

**Meeting Dates:** 04/22, 05/04

**Vote:**

Yeas: 8 - Barreto, Barton, Doherty, Esquivel, Evans, Holvey, Kennemer, Nosse

Nays: 2 - Heard, Weidner

Exc: 1 - Fagan

**Prepared By:** Jan Nordlund, Committee Administrator

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**WHAT THE MEASURE DOES:**

Increases maximum civil penalties from \$10,000 to \$200,000 per event per day and raises the maximum penalty for a series of failures from \$500,000 to \$2,000,000, for violating statutes that provide for regulation of hazardous substance by Public Utility Commission. Clarifies process for imposing civil penalty and regarding where collected moneys are to be deposited. Declares emergency, effective on passage.

**ISSUES DISCUSSED:**

- Implications of not increasing maximum fee to conform to federal regulations
- Whether existing maximum of \$10,000 is adequate or not
- Commission regulates intrastate liquid natural gas pipeline for safety and does not regulate rail or liquid fuels
- Commission has discretion in imposing fine

**EFFECT OF COMMITTEE AMENDMENT:**

No amendment.

**BACKGROUND:**

The maximum civil penalties that the Public Utility Commission (PUC) may impose under current law for violations related to hazardous substances do not align with Title 49 CFR part 190.223 "Maximum Penalties." The U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) has informed the PUC that all federal regulations need to be adopted, including maximum civil penalties, as a condition of grant funding. Currently, the amounts are \$10,000 per event per day with a maximum of \$500,000 for a related series of violations. To maintain federal grant funding without monetary penalties, the agency must increase those penalties to \$200,000 per event per day and a maximum of \$2,000,000.

Stakeholders were notified by the PUC in November 2013 of its intent to introduce legislation to raise the maximum civil penalty. In the past five years, the PUC has imposed fines on one operator. The PUC stated that its preferred course of action is to work with natural gas operators to correct violations rather than issue penalties.