

## Economic Impact Statement

LSA Document #09-190

**IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses****(1) Estimate of Number of Small Businesses That Will Be Subject to this Rule:**

This rule affects those small businesses that currently, or may at some time in the future, construct, operate, or maintain gas pipeline facilities for natural or other gases, hazardous liquids, or carbon dioxide fluids in Indiana under the jurisdiction of the Indiana Utility Regulatory Commission ("IURC" or "Commission"). There are currently about 30 small gas pipeline operators that are authorized to provide the above referenced types of services under the jurisdiction of the IURC. Of these, five are gas pipeline utilities subject to all aspects of the rule. The remaining 25 are master meter systems, as defined by 49 CFR 191.3, which are only subject to the reporting requirement of the rule, [170 IAC 5-3-4](#). Each will be discussed separately, since there are different impacts.

[170 IAC 5-3](#), prior to this amendment, stated or restated several sections of Indiana and federal law. It also set forth safety and reporting requirements, including reporting requirements for master meters. This rule removes redundancies where Indiana or federal laws adequately explain requirements. In other areas, language is updated not to add additional requirements, but merely to clarify expectations where there has been operator confusion in the past. Some safety requirements that are being amended will become more stringent. Finally, master meter reports are becoming more stringent, requiring annual reports, to compensate for the fact that master meters are inspected not more than every two years by the Pipeline Safety Division inspectors.

The number of other small businesses that will be subject to this rule is fairly constant. It is not likely they will increase over time. In fact, some will likely be bought and absorbed into another business. At this time, the Commission reasonably estimates there will be approximately 30 small businesses that will be subject to this rule.

**(2) Estimate of Average Annual Reporting, Record Keeping, and Other Administrative Costs:**

The purpose of this rulemaking is to remove redundancies to existing law and to clarify certain areas of the rule. In addition, the rule increases safety requirements essential to protecting human life.

In the area of reporting, there will be no additional cost to operators who already have proper and thorough safety measures outlined in a procedures manual. The IURC received no response from small business operators regarding economic impact. However, for operators who do not have proper procedure manuals already in place, there will be the cost of internal staff time or consulting fees to produce a proper manual and cost to train employees on these procedures. One operator estimates these costs at \$2,500 for compliance and \$1,000 for administrative costs. If this estimate is correct, a small business that does not currently have a proper safety and procedures manual would have a yearly cost of about \$3,500. Two master meters have responded that there will be no or de minimis cost to them.

**(3) Estimate of the Total Economic Impact of this Rule on Small Businesses:**

The IURC sought comments via electronic and U.S. mail from service providers who make up small gas pipeline operators. Of those, the IURC received no response from small business operators. However, we did receive a response from an Illinois operator who performs leak surveys and repair work for Indiana operators. He estimates yearly compliance costs of \$2,500 and administrative costs of \$1,000 for a total \$3,500 per year cost to each small business. This translates to a cost of \$87,500 if all 25 operators were affected. Master meters have stated no or de minimis cost. Therefore, the IURC estimates this rule to have an impact range of \$0 to \$87,500 per year for small businesses.

**(4) Statement Justifying Any Requirement or Cost Imposed:**

Safety is of the utmost concern when regulating a natural gas pipeline. When a pipeline ruptures, it can result in fires and explosions of catastrophic cost for surrounding homes and businesses. In addition to any economic loss from a rupture, a gas leak can kill those in the area, either from breathing in fumes (natural gas is nontoxic, though it can asphyxiate you) or being caught in a fire or explosion. Under the existing rule, there was no requirement for a plan to inspect customer-owned service lines. This rule now requires that plan, which increases the inspection area. Any increase in the inspection area increases safety by increasing the area checked for gas leaks. Also under the existing rule, master meters were only audited every two years. This rule increases the amount of information reported every year. The IURC pipeline division generally does a field inspection of master meters every two years. This increase in reporting requirements is another way for the IURC pipeline division to keep abreast of situations and problems in the field. In workshops with the Indiana Office of Utility Consumer Counselor, the utility industry, and citizens groups, all agreed safety was important.

Operators are the ones best suited to go into people's homes to check for leaks and to repair and relight appliances. Often, the homeowner tries to do this work personally, too often with negative results. An extra layer of safety can be provided with the operators making a very quick and simple check. All operators are asked to do

is be sure to clock the meter and verify there are no wide open lines in the house that would allow gas to escape in volume and in a hurry. On August 13, 2009, in Merrillville, a home exploded due to an open line. This explosion would likely have been prevented had the proposed rule been in effect.

With regard to the leak survey, this consists of a survey of buried piping owned by the customer. Again, the operators do not own those lines and most were very uncomfortable accepting the liability of surveying them. Operators are already required in the federal rule to mail out at least once a notice about these lines and indicate that the underground lines are subject to leaks and should be checked periodically. However, the added level of safety of having the operator checking these lines with the proper equipment is essential to reducing the risk of property damage, injuries, and loss of life.

Finally, the rule requires operators to include additional information on maps. Map quality currently ranges from excellent to poor, with some operators having no maps at all. This requirement specifies the information to be included in maps, which operators are already required to have under the present state rule. Making these changes would incur additional costs, but would bring the operator into full compliance with state law.

**(5) Regulatory Flexibility Analysis:**

Because human lives are afforded additional protection with this rule change, there is no less intrusive or less costly alternative to the purpose of this rule. This rule will increase inspection areas and safety procedures, which could result in significant savings of both lives and economic savings when properties are not damaged by a pipeline fire or explosion. No further consolidation or simplification of the safety or reporting requirements is possible that would achieve the purpose of this rule.

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