TITLE 170 INDIANA UTILITY REGULATORY COMMISSION

Economic Impact Statement
LSA Document #21-213

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses

I. Estimate of Number of Small Businesses That Will Be Subject to this Rule

As required by IC 4-22-2.1-5(a)(1), the estimate of the number of small businesses, classified by industry sector, that will be subject to the proposed rule:

Fifty-one (51) small businesses are currently subject to the existing rule.

As required by IC 4-22-2.1-5(a)(2), the estimate of the average annual reporting, record keeping, and other administrative costs that small businesses will incur to comply with the proposed rule are the following:

As proposed, 170 IAC 5-3-2(l) modifies the federal standard in 49 CFR 192.553(c) to require that all Indiana operators submit their written plans governing procedures to "uprate", or increase the pressure in pipelines, to the Pipeline Safety Division (Division) of the Indiana Utility Regulatory Commission (IURC or Commission). Sending the uprate plan to the IURC staff might cost an estimated $100 in staff time for each small business.

A newly added section, 170 IAC 5-3-2.2, would require operators to calibrate instruments according to the manufacturer's specifications and maintain records of the calibration for inspection by the Division. Pipeline operators are likely already calibrating their instruments. Maintaining documentation of the calibration is estimated to cost less than $1000 per small business per annum for additional staff time.

A newly added section, 170 IAC 5-3-2.3, would require that operators maintain records for pre-tested pipe, which is pipe that has been pressure tested in a factory or warehouse instead of a pressure test after installation in the field. The cost for this requirement should be minimal. Operators already pre-test pipe. The cost to comply would be made up of the administrative costs to document the tests, estimated at $100 each year for additional staff time.

There is minimal economic impact for compliance by small businesses. The rule revision will not significantly change the manner in which small businesses currently comply with minimum pipeline safety rules overall. Gas utilities, including those considered small businesses, must already follow existing federal and state rules. The costs to larger businesses are included in the cost-benefit analysis for this rule. Gas utilities that are small businesses should see minimal changes as most of the small businesses are master meter operators, to which the pipeline safety standards have limited application. A master meter operator is typically a housing development or apartment complex with multiple buildings at a site. The master meter operator operates a short run of underground pipeline to distribute natural gas from the gas utility to its various buildings. The additional reporting requirements are detailed above.

II. Justification Statement

As required by IC 4-22-2.1-5(a)(4) and IC 4-22-2-28(i)(2), the following statement justifies any requirement or cost that is imposed on small businesses by the rule; and not expressly required by the statute authorizing the agency to adopt the rule; or any other state or federal law:

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 costs 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 displacing oxygen needed to breathe or creating a fire or explosion.

The proposed rule revision updates the current rule to establish the minimum safety standards that are not less stringent than federal law, as required by IC 8-1-22.5-4(2) and necessary to maintain federal funding. The Division is funded through a federal grant, in accordance with 49 U.S.C. 198, *et seq*. To be eligible for the grant, the IURC must adopt certain federal regulations regarding pipeline safety. These adoptions occurred in 2007, 2010, 2015, and 2017. The proposed rule revision simplifies the language from the 2015 rule adoption to provide clear guidance for regulated entities.

The predominate purpose of this proposed rule is to address the safety of natural gas pipeline systems in Indiana, which affects the public safety. Two of the significant modifications in the proposed rule, requiring relief valves on low pressure systems and a signaling device on other systems, are a direct response to the tragedy that occurred on September 13, 2018, in Merrimack Valley, Massachusetts. As has been widely reported, excessive pressure in natural gas lines owned by Columbia Gas of Massachusetts caused a series of explosions and fires to occur in as many as 40 homes, with over 80 individual fires in the towns of Lawrence, Andover, and North Andover. One person was killed and 30,000 were forced to evacuate their homes. The estimated costs of this one incident is over $1 billion dollars.

The other modifications in the proposed rule are also safety related modifications that will better ensure public safety in a variety of ways, and addresses other risks known by Commission staff.

It was not necessary for the IURC to rely upon data, studies, or analyses to determine whether there is an imposition of new requirements or costs on small businesses.

III. Regulatory Flexibility Analysis

As required by IC 4-22-2.1-5(a)(5) and IC 4-22-2-28(i)(4), this regulatory flexibility analysis considers whether there are alternative methods of achieving the purpose of the rule that are less costly or intrusive or would otherwise minimize the economic impact of the rule on small businesses. The analysis under this subdivision considers the following methods of minimizing the economic impact of the proposed rule on small businesses.

There are no alternatives to the rulemaking that would permit the Division to keep its federal funding or meet its statutory obligation under IC 8-1-22.5-4(2). In addition, other alternatives are insufficient to achieve the necessary degree of pipeline safety for the reasons listed below.

(A) The establishment of less stringent compliance or reporting requirements for small businesses.

Less stringent compliance or reporting would result in less safety for both the employees of the regulated entities and the general public. All regulated entities should follow the same safety standards regardless of the business' size.

(B) The establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses.

Less stringent schedules or deadlines for compliance or reporting would result in less safety for both the employees of the regulated entities and the general public. All regulated entities should follow the same safety standards and timelines regardless of the business' size. In addition, even if the state did not set these requirements, the entities would already have to follow the normal schedules under federal law.

(C) The consolidation or simplification of compliance or reporting requirements for small businesses.

The Division believes the compliance and reporting requirements are as simple as they can be without compromising safety. It is the same process followed by federal enforcers.

(D) The establishment of performance standards for small businesses instead of design or operational standards imposed on other regulated entities by the rule.

Performance standards would not be sufficient. Regulated entities need clear guidelines on what to survey and what to report to meet the level of safety the Commission and the Division require.

(E) The exemption of small businesses from part or all of the requirements or costs imposed by the rule.

There are no requirements or costs associated with this rule that are not already required by federal law. Exempting small businesses would result in a loss of federal funding, leading to less regulation and safety oversight.

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