

**Senate Bill No. 1700**

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Passed the Senate August 21, 2008

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*Secretary of the Senate*

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Passed the Assembly August 13, 2008

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*Chief Clerk of the Assembly*

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This bill was received by the Governor this \_\_\_\_\_ day  
of \_\_\_\_\_, 2008, at \_\_\_\_\_ o'clock \_\_\_\_M.

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*Private Secretary of the Governor*

## CHAPTER \_\_\_\_\_

An act to add Section 2775.8 to the Public Utilities Code, relating to gas corporations.

## LEGISLATIVE COUNSEL'S DIGEST

SB 1700, Steinberg. Gas corporations: underground natural gas storage facilities.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including gas corporations. Under the Public Utilities Act, a gas corporation is generally defined to mean every corporation or person owning, controlling, operating, or managing any gas plant for compensation within this state. A gas plant includes all real estate, fixtures, and personal property, owned, controlled, operated, or managed in connection with or to facilitate, among other things, the underground storage of natural gas.

This bill, except as specified, would make a gas corporation that, on or after January 1, 2009, commences operation of an underground natural gas storage facility, as defined, that is located in an urban area, as defined, under residential properties strictly liable for any damages resulting from the operation of the storage facility. The bill would require such a gas corporation to have liability insurance, surety bonds, and performance bonds sufficient to reflect its liability. The commission would be required to determine the minimum levels of liability insurance, surety bonds, and performance bonds required for each subject facility, taking specified factors into account. The bill would also require the commission to incorporate its determination into findings relating to eminent domain proceedings or an application for a certificate of public convenience and necessity.

*The people of the State of California do enact as follows:*

SECTION 1. Section 2775.8 is added to the Public Utilities Code, to read:

2775.8. (a) As used in this section:

(1) “Commences operation” means beginning the commercial injection of natural gas, but excludes an application for the expansion of an existing facility.

(2) “Facility” includes, but is not limited to, the wellhead site, including injection and withdrawal wells, a compressor station, and pipeline connections between the wells and compressor station and between the compressor station and existing utility natural gas pipelines.

(3) “Urban area” has the same meaning as “urbanized area” as defined in Section 21071 of the Public Resources Code.

(b) A gas corporation that, on or after January 1, 2009, commences operation of an underground natural gas storage facility that is located in an urban area under residential properties is liable for any damages to persons or property resulting from the operation of the storage facility. A gas corporation subject to this subdivision shall have liability insurance, surety bonds, and performance bonds sufficient to reflect its liability, as determined pursuant to subdivision (d).

(c) The standard of liability pursuant to subdivision (b) is strict liability. Subdivision (b) does not apply if residential dwellings are constructed on property located over an underground natural gas storage facility after that facility has commenced operation as a storage facility.

(d) The commission shall determine the minimum levels of liability insurance, surety bonds, and performance bonds required for each underground natural gas storage facility subject to subdivision (b). This determination shall take into consideration factors including construction, operation, and postclosure activities, reservoir geology, surrounding land uses, abandoned wells, and any other relevant factors, taking into account site-specific considerations. After receiving evidence on these factors, the commission shall incorporate the determination into its findings pursuant to Section 625 or 1002.

Approved \_\_\_\_\_, 2008

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*Governor*