

Legislative Analysis



NATURAL GAS SAFETY VIOLATIONS

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Senate Bill 366 as passed by the Senate
Sponsor: Sen. Sean McCann
House Committee: Energy, Communications, and Technology
Senate Committee: Energy and Environment
Complete to 2-28-24

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

Senate Bill 366 would amend 1969 PA 165, which authorizes the Michigan Public Service Commission (MPSC) to establish and enforce gas safety standards. The bill would increase the maximum fine that may be imposed for a violation of those standards and change the fine from a civil penalty to an administrative fine. The bill also would require the maximum fine amount to be adjusted annually for inflation.

The act applies to natural gas, flammable gas, and gas that is toxic or corrosive. It authorizes the MPSC to develop and issue rules related to safety standards for *pipeline facilities* and the *transportation of gas*.¹ With some exceptions, the act requires a person who transports gas or owns or operates a pipeline facility to comply with those safety standards, file and comply with a plan of inspection and maintenance, make reports and provide information, allow access to records, and allow entry and inspection as described in the act.

Pipeline facilities includes new and existing pipeline rights-of-way, and any equipment, facility, or building used in the transportation of gas or the treatment of gas during the course of transportation.

Transportation of gas means the gathering, transmission, or distribution of gas by pipeline or the storage of gas. It does not include the gathering of gas in rural locations that lie outside the limits of an incorporated or unincorporated city, town, village, or other designated residential or commercial area such as a subdivision, business or shopping center, community development, or similar populated area that the MPSC defines as a nonrural area. Transportation of gas includes gathering lines located in or occupying the property of schools, hospitals, churches, parks, or similar public places.

Currently, a person who violates the act or a rule issued under it is subject to a fine, determined by the MPSC, of up to \$10,000 for each violation for each day the violation persists and a maximum civil penalty of up to \$500,000 for a related series of violations. This penalty can be recovered in a civil action in the Ingham County circuit court or be deducted from any money the state owes the person.

¹ See <https://ars.apps.lara.state.mi.us/AdminCode/DownloadAdminCodeFile?FileName=R%20460.20101%20to%20R%20460.20606.pdf&ReturnHTML=True>

and <https://ars.apps.lara.state.mi.us/AdminCode/DownloadAdminCodeFile?FileName=R%20460.2301%20to%20R%20460.2384.pdf&ReturnHTML=True>

See also <https://www.michigan.gov/mpsc/regulatory/natural-gas/michigan-gas-safety-standards>

Under the bill, a person that violates the act or a rule issued under it would be subject to an administrative fine, determined by the MPSC, of up to *\$200,000* for each violation for each day the violation persists and a maximum administrative fine of up to *\$2.5 million* for a related series of violations. This (administrative) fine could be recovered in a civil action in the Ingham County circuit court or be deducted from any money the state owes the person.

The bill would also require the MPSC to issue orders adjusting the maximum fine amounts for inflation using the Consumer Price Index for the Detroit area from the federal Bureau of Labor Statistics. The first adjustment could be made at any time after August 31, 2024, and before October 1, 2025. The subsequent adjustments would have to be made by October 1 each year beginning with October 1, 2025.

MCL 483.161

FISCAL IMPACT:

Senate Bill 366 would have an indeterminate fiscal impact on the state. The fiscal impact would depend on the number of administrative fines issued and subsequently, the amount of fine revenue collected. Currently, fine revenue is deposited into the state’s general fund, so the state could realize an increase in general fund revenue. Also, under the bill, fines would be adjusted annually for inflation, so fine revenue deposited to the general fund could increase on an annual basis.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.