

**FISCAL AND ECONOMIC IMPACT STATEMENT
FOR ADMINISTRATIVE RULES**

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Rule Title: Fees (LAC 43:XIX. 701, 703, and 707)

Date Rules Take Effect: November 20, 2016

**SUMMARY
(Use Complete Sentences)**

In accordance with Section 953 of Title 49 of the Louisiana Revised Statutes, there is hereby submitted a fiscal and economic impact statement on the rule proposed for adoption, repeal or amendment. THE FOLLOWING STATEMENTS SUMMARIZE ATTACHED WORKSHEETS, 1 THROUGH IV AND WILL BE PUBLISHED IN THE LOUISIANA REGISTER WITH THE PROPOSED AGENCY RULE.

**I. ESTIMATED IMPLEMENTATION COSTS (SAVINGS) TO STATE OR LOCAL
GOVERNMENTAL UNITS (Summary)**

There are no estimated implementation costs or savings to the state or local governmental units as a result of the proposed rule changes. The proposal provides for additions and changes in the definitions, the fee schedule and the severability and effective date of the Office of Conservation General Operations Statewide Order No. 29-R. The severability and effective date of the proposed rule is November 20, 2016. Consistent with Act 435 of 2016 and Act 277 of 2016, the proposed rule will change or increase certain annual Pipeline fees and add a two cents per barrel fee (Commercial Waste Fee) on exploration and production waste delivered from the original generator of waste.

**II. ESTIMATED EFFECT ON REVENUE COLLECTIONS OF STATE OR LOCAL GOVERNMENTAL
UNITS (Summary)**

The proposed rule changes will likely result in an increase of approximately \$520,000 of anticipated Statutory Dedication – Oil and Gas Regulatory Fund revenue collections. Consistent with Act 435 of 2016, the proposed rule will change or increase the Pipeline fee caps on the annual pipeline facility safety and odorization inspections, the annual fee on gas gathering or transmission system, and the annual transportation of hazardous liquids fee by 69.4% over FY16 Pipeline fees collections (as of June 30, 2016). Consistent with Act 435 of 2016 and Act 277 of 2016, the proposed rule will change or increase certain annual Pipeline fees and the per barrel fee on exploration and production waste: annual pipeline facility safety and odorization inspection fee from \$22.40 per mile to one dollar per service line (R.S. 30:560) or four hundred dollars per pipeline facility, whichever is greater, annual fee on gas gathering or transmission system from \$22.40 per mile or minimum of \$400 per facility to \$44.80 per mile or minimum of \$800 per facility (R.S. 30:560), and annual transportation of hazardous liquids fee from \$22.40 per mile or minimum of \$400 per facility to \$44.80 per mile or minimum of \$800 per facility (R.S. 30:706). *Annual Ceta*

Additionally, the proposed rule will add a two cents per barrel fee (Commercial Waste Fee) on exploration and production waste delivered from the original generator of waste to Office of Conservation permitted off-site commercial facilities, and Transfer Stations permitted by the Office of Conservation for waste transfer to out-of-state treatment or disposal facilities. The Commercial Waste fee will replace projected revenue (\$119,150) that was to be generated by the following rescinded fees: Application for Commercial Facility Reuse Material, the Application for Commercial Facility Transfer Station, Authorization for After-Hours disposal of E&P Waste, Commercial Facility Annual Closure Plan and Cost Estimate Review, and Annual Transfer Station Regulatory Fee. The increased revenue will be deposited into the Oil and Gas Regulatory Fund.

No effect on revenue collections of local governmental units is anticipated.

**III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR
NON GOVERNMENTAL GROUPS (Summary)**

The primary groups affected by these rules are pipeline operators, and facilities. Changes or increases to certain annual Pipeline fees: annual pipeline facility safety and odorization inspection fee from \$22.40 per

mile to one dollar per service line or four hundred dollars per pipeline facility, whichever is greater, annual fee on gas gathering or transmission system from \$22.40 per mile or minimum of \$400 per facility to \$44.80 per mile or minimum of \$800 per facility, and annual transportation of hazardous liquids fee from \$22.40 per mile or minimum of \$400 per facility to \$44.80 per mile or minimum of \$800 per facility could potentially increase industry expenses by approximately \$520,000 annually. (CE)

IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

Implementation of the proposed rule changes are not expected to impact competition and employment in the public and private sector.



Signature of Agency Head or Designee

Ellen Barry, Staff Director

Legislative Fiscal Officer or Designee

Gary P. Ross, Assistant Commissioner of Conservation
Typed Name and Title of Agency Head or Designee

August 8, 2016

Date of Signature

8/10/16

Date of Signature

FISCAL AND ECONOMIC IMPACT STATEMENT FOR ADMINISTRATIVE RULES

The following information is required in order to assist the Legislative Fiscal Office in its review of the fiscal and economic impact statement and to assist the appropriate legislative oversight subcommittee in its deliberations on the proposed rule.

A. Provide a brief summary of the content of the rule (if proposed for adoption, or repeal) or a brief summary of the change in the rule (if proposed for amendment). Attach a copy of the notice of intent and a copy of the rule proposed for initial adoption or repeal (or, in the case of a rule change, copies of both the current and proposed rules with amended portions indicated).

Proposed Statewide Order No. 29-R-16/17 establishes the Louisiana Office of Conservation Fee Schedule for the collection of application, production, and regulatory fees by the Office of Conservation and will replace the existing Statewide Order No. 29-R-15/16. R.S. 30:21 et seq., R.S. 30:560, and R.S. 30:706 provide that the Commissioner of Conservation shall periodically and/or annually review the fees collected, and the Office of Conservation has established a practice of annually evaluating all applicable fees. This revision will authorize the collection of this application fee consistent with the Agency's other fee collections.

Additionally, the passage of Act 435 of 2016, Regular Legislative Session, authorizes the Office of Conservation to determine by rule annually, in accordance with the Administrative Procedure Act, the pipeline fees. The annual pipeline facility safety and odorization inspection fee will change from \$22.40 per mile to one dollar per service line (R.S. 30:560) or four hundred dollars per pipeline facility, whichever is greater, annual fee on gas gathering or transmission system will increase from \$22.40 per mile or minimum of \$400 per facility to \$44.80 per mile or minimum of \$800 per facility (R.S. 30:560), and annual transportation of hazardous liquids fee will increase from \$22.40 per mile or minimum of \$400 per facility to \$44.80 per mile or minimum of \$800 per facility (R.S. 30:706). The proposed FY16/17 fee will remain at the maximum fee authorized by statute

The above referenced fees are deposited into the Oil and Gas Regulatory Fund, a statutorily dedicated fund, and comprise a significant percentage of the Office of Conservation's annual budget, and used to fund necessary annual operating expenses for the Office of Conservation for FY16/17.

B. Summarize the circumstances which require this action. If the action is required by federal regulations, attach a copy of the applicable regulation.

R.S. 30:21 et seq., R.S. 30:560, and R.S. 30:706 provide that the Commissioner of Conservation shall periodically and/or annually review the fees collected, and the Office of Conservation has established a practice of annually evaluating all applicable fees.

C. Compliance with Act 11 of the 1986 First Extraordinary Session

(1) Will the proposed rule change result in any increase in the expenditure of funds? If so, specify amount and source of funding.

No.

(2) If the answer to (1) above is yes, has the Legislature specifically appropriated the funds necessary for the associated expenditure increase? This is not an expenditure increase; therefore, this is not applicable.

(a) ____ Yes. If yes, attach documentation

(b) ____ No. If no, provide justification as to why this rule change should be published at this time.

FISCAL AND ECONOMIC IMPACT STATEMENT
WORKSHEET

I. A. COSTS OR SAVINGS TO STATE AGENCIES RESULTING FROM THE ACTION PROPOSED

1. What is the anticipated increase (decrease) in costs to implement the proposed action?
Not Applicable

COSTS	FY16-17	FY17-18	FY18-19
Personal Services	-----	-----	-----
Operating Expenses	-----	-----	-----
Professional Services	-----	-----	-----
Other Charges	-----	-----	-----
Equipment	-----	-----	-----
Major Repair & Constr.	-----	-----	-----
TOTAL			
POSITIONS			

2. Provide a narrative explanation of the costs or savings shown in "A.1.", including the increase or reduction in workload or additional paperwork (number of new forms, additional documentation, etc.) anticipated as a result of the implementation of the proposed action. Describe all data, assumptions, and methods used in calculating these costs.

3. Sources of funding for implementing the proposed rule or rule change.

SOURCE	FY16-17	FY17-18	FY18-19
State General Fund	-----	-----	-----
Agency Self-Generated	-----	-----	-----
Dedicated	-----	-----	-----
Federal Funds	-----	-----	-----
Other: Oil & Gas Regulatory Fund	-----	-----	-----
TOTAL			

4. Does your agency currently have sufficient funds to implement the proposed action? If not, how and when do you anticipate obtaining such funds?
Yes. The adoption of Statewide Order No. 29-R-16/17 will generate sufficient funds to allow the Office of Conservation to perform mandated responsibilities.

B. COST OR SAVINGS TO LOCAL GOVERNMENTAL UNITS RESULTING FROM THE ACTION PROPOSED.

1. Provide an estimate of the anticipated impact of the proposed action on local governmental units, including adjustments in workload and paperwork requirements. Describe all data, assumptions and methods used in calculating this impact.
There will be no anticipated impact on local governmental units resulting from this action.
2. Indicate the sources of funding of the local governmental unit which will be affected by these costs or savings.
Not Applicable.

FISCAL AND ECONOMIC IMPACT STATEMENT
WORKSHEET

II. EFFECT ON REVENUE COLLECTIONS OF STATE AND LOCAL GOVERNMENT UNITS

A. What increase (decrease) in revenues can be anticipated from the proposed action?

There is a potential increase of \$520,000 anticipated Statutory Dedication – Oil and Gas Regulatory Fund revenue collections of state governmental units as a result of the proposed rule changes. Consistent with Act 435 of the 2016 Regular Session, the Proposed Rule will change or increase the following annual Pipeline fees: annual pipeline facility safety and odorization inspections from \$22.40 per mile to one dollar per service line (R.S. 30:560) or four hundred dollars per pipeline facility, whichever is greater, annual fee on gas gathering or transmission system from \$22.40 per mile or minimum of \$400 per facility to \$44.80 per mile or minimum of \$800 per facility (R.S. 30:560), and annual transportation of hazardous liquids fee from \$22.40 per mile or minimum of \$400 per facility to \$44.80 per mile or minimum of \$800 per facility (R.S. 30:706). The caps on Pipeline fee will increase 43.9% over FY16 Pipeline fees collections (as of June 30, 2016). No effect on revenue collections of local governmental units is anticipated.

<u>REVENUE INCREASE/DECREASE</u>	<u>FY16-17</u>	<u>FY17-18</u>	<u>FY18-19</u>
State General Fund	-----	-----	-----
Agency Self-Generated	-----	-----	-----
Dedicated Funds*	\$520,000	\$520,000	\$520,000
Federal Funds	-----	-----	-----
Local Funds	-----	-----	-----
<u>TOTAL</u>			

B. Provide a narrative explanation of each increase or decrease in revenues shown in "A". Describe all data, assumptions, and methods used in calculating these increases or decreases.

There is a potential increase of \$520,000 anticipated Statutory Dedication – Oil and Gas Regulatory Fund revenue collections of state governmental units as a result of the proposed rule changes. Consistent with Act 435 of the 2016 Regular Session, the Proposed Rule will change or increase the following annual Pipeline fees: annual pipeline facility safety and odorization inspection fee from \$22.40 per mile to one dollar per service line (R.S. 30:560) or four hundred dollars per pipeline facility, whichever is greater, annual fee on gas gathering or transmission system from \$22.40 per mile or minimum of \$400 per facility to \$44.80 per mile or minimum of \$800 per facility (R.S. 30:560), and annual transportation of hazardous liquids fee from \$22.40 per mile or minimum of \$400 per facility to \$44.80 per mile or minimum of \$800 per facility (R.S. 30:706).

Annual regulatory fees increases are as follows: (1) Operators of Type A facility from \$15,742 to \$16,780; (2) Operators of Type B facility from \$7,873 to \$8,390; (3) Operators of record of permitted non-commercial Class II injection/disposal wells from \$1,571 to \$1,678; (4) Operators of record of permitted Class III storage wells from \$1,571 to \$1,678; and (5) Operators of permitted Class I well from \$29,850 to \$29,411. The per well annual production fees for operators of capable oil wells and capable gas wells are increased as follows: Tier 1 from \$26 to \$27; Tier 2 from \$151 to \$155; Tier 3 from \$432 to \$445; Tier 4 from \$718 to \$739; Tier 5 from \$1,131 to \$1,165; Tier 6 from \$1,575 to \$1,622; and Tier 7 from \$1,965 to \$2,025. Regulatory and Production individual fee increases are the result of a reduction in well inventory to be accessed.

III. COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NON GOVERNMENTAL GROUPS

A. What persons or non governmental groups would be directly affected by the proposed action? For each, provide an estimate and a narrative description of any effect on costs, including workload adjustments and additional paperwork (number of new forms, additional documentation, etc.), they may have to incur as a result of the proposed action.

The primary groups affected by these rules are pipeline operators, and pipeline facilities operators.

B. Also provide an estimate and a narrative description of any impact on receipts and/or income resulting from this rule or rule change to these groups.

N/A

FISCAL AND ECONOMIC IMPACT STATEMENT WORKSHEET

IV. EFFECTS ON COMPETITION AND EMPLOYMENT

Identify and provide estimates of the impact of the proposed action on competition and employment in the public sectors. Include a summary of any data, assumptions and methods used in making these estimates.

Implementation of the proposed rule changes are not expected to impact competition and employment in the public and private sector.