
ENGROSSED SUBSTITUTE HOUSE BILL 2177

State of Washington

63rd Legislature

2014 Regular Session

By House Technology & Economic Development (originally sponsored by Representatives Morris, Morrell, Blake, and Fey)

READ FIRST TIME 02/05/14.

1 AN ACT Relating to the expansion of natural gas infrastructure in
2 rural or underserved areas; adding new sections to chapter 80.28 RCW;
3 and creating a new section.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** It is the intent of the legislature to make
6 efforts so that all parts of Washington can access economic
7 opportunity. Natural gas is an abundant and domestically produced
8 energy. The plentiful supply of natural gas has decreased the price of
9 this energy resource. Natural gas is the cleanest of the carbon
10 emitting fuels as reflected in chapter 80.80 RCW relating to
11 Washington's greenhouse gas emissions performance standard for new
12 electrical generation. Washington is well-situated to take advantage
13 of natural gas to achieve its policy objectives including economic
14 development and improving environmental conditions.

15 Many rural and urban areas of Washington do not have the
16 infrastructure necessary to access this low-cost energy resource. It
17 is the intent of the legislature to provide mechanisms to ensure that
18 as many parts of the state as possible have the economic opportunity to
19 utilize natural gas as an energy resource to power businesses and heat

1 homes. In particular, this economic opportunity should be focused on
2 displacing other fuel types that cause harm to state resident's health
3 in the form of pollution.

4 NEW SECTION. **Sec. 2.** A new section is added to chapter 80.28 RCW
5 to read as follows:

6 (1) The commission shall conduct a process that allows customers
7 and utilities to bring forth innovative proposals for the financing and
8 building of natural gas infrastructure. The goals of these innovative
9 proposals are to:

10 (a) Develop and implement alternatives to general rate case
11 proceedings that will cause the extension or expansion of natural gas
12 infrastructure to occur in order to serve some citizens of Washington.
13 In particular, the commission must pursue alternatives that facilitate
14 the extension or expansion of natural gas infrastructure to rural areas
15 or urban areas referred to as donut holes that have insufficient or no
16 access to natural gas as an energy resource;

17 (b) Extend natural gas services to areas where woodstoves provide
18 the primary source of residential heating;

19 (c) Encourage the development of industrial land that lacks natural
20 gas distribution infrastructure; and

21 (d) Allow gas companies to recover the capital costs of the
22 infrastructure over the life-cycle of that infrastructure while
23 mitigating the risk of stranded assets.

24 (2) For the purpose of this section, a "donut hole" means an area
25 within a utility's service territory that was underdeveloped when the
26 natural gas system was built out. The previously underdeveloped area
27 now includes homes, businesses, and institutional and industrial
28 facilities that could use natural gas, but does not have access to
29 natural gas services.

30 NEW SECTION. **Sec. 3.** A new section is added to chapter 80.28 RCW
31 to read as follows:

32 (1) By July 1, 2015, the commission shall adopt rules that promote
33 incremental investments in natural gas infrastructure expansions that
34 by December 1, 2025:

35 (a) Result in the residential conversion from wood or oil-fired

1 boilers for space heating to natural gas, and the conversion from hog
2 fuel and bunker fuel used in industrial processes to natural gas;

3 (b) Produce two hundred fifty million dollars in pipeline expansion
4 over a ten-year period, starting in 2015; and

5 (c) Result in fifty thousand residential natural gas conversions
6 that currently use wood or oil-fired boilers for space heating over a
7 ten-year period, starting in 2015.

8 (2) The progress towards meeting the milestones in subsection (1)
9 of this section must be measured by the commission and reported
10 electronically to the committees of the senate and house of
11 representatives with jurisdiction over energy policy by the commission
12 every four years by December 1st until 2025 using econometric modeling
13 software produced by regional economic models incorporated. If
14 reasonable progress is not being made towards these goals every four
15 years, the legislature shall make adjustments to reach the policy
16 milestones or adjust the milestone goals themselves.

17 NEW SECTION. **Sec. 4.** A new section is added to chapter 80.28 RCW
18 to read as follows:

19 (1) Each natural gas main extension tariff of a gas company must
20 include the following provisions:

21 (a) A maximum footage and equipment allowance provided by the gas
22 company at no charge to the applicant. The maximum footage and
23 equipment allowance may be differentiated by customer class;

24 (b) An economic feasibility analysis for those extensions that
25 exceed the maximum footage and equipment allowance prepared by the gas
26 company and provided to an applicant. The economic feasibility
27 analysis must consider the incremental revenues and costs associated
28 with the main extension. In those instances where the requested main
29 extension does not meet the economic feasibility criteria established
30 by the gas company, the gas company may require the customer to provide
31 funds to the gas company, which will make the main extension
32 economically feasible. The methodology employed by the gas company in
33 determining economic feasibility must be applied uniformly and
34 consistently to each applicant requiring a main extension;

35 (c) The timing and methodology by which the gas company will refund
36 any advances for construction as additional customers are served off
37 the main extension. The customer may request an annual survey to

1 determine if additional customers have been connected to and are using
2 service from the extension. In no case may the amount of the refund
3 exceed the amount originally advanced;

4 (d) That all advances for construction be noninterest bearing; and

5 (e) That a customer is eligible to receive refunds on an advance
6 for construction throughout the service life of the main extension.

7 (2) The definitions in this subsection apply throughout this
8 section unless the context clearly requires otherwise.

9 (a) "Advance for construction" means the money provided to the
10 natural gas company by the applicant under the terms of a main
11 extension agreement the value of which may be refundable.

12 (b) "Main extension" means the lines and equipment necessary to
13 extend the existing gas distribution system to provide service to
14 additional customers.

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