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**SUBSTITUTE HOUSE BILL 2177**

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**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. Currently, there is an abundant supply of natural gas in  
8 North America and in particular in the Pacific Northwest. In 2012, the  
9 United States energy information administration estimated that there is  
10 enough natural gas technically recoverable in the country to last about  
11 ninety-two years. The large supply of natural gas has decreased the  
12 price of this energy resource. While a carbon emitting energy  
13 resource, with today's technology natural gas is the cleanest of the  
14 carbon emitting fuels as reflected in chapter 80.80 RCW relating to  
15 Washington's greenhouse gas emissions performance standard for new  
16 electrical generation.

17       Many rural and urban areas of Washington do not have the  
18 infrastructure necessary to access this low-cost energy resource. It  
19 is the intent of the legislature to provide mechanisms to ensure that

1 as many parts of the state as possible have the economic opportunity to  
2 utilize natural gas as an energy resource to power businesses and heat  
3 homes. In particular, this economic opportunity should be focused on  
4 displacing other fuel types that cause harm to state resident's health  
5 in the form of pollution.

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

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

12 (1) Consider options outside the current rules and regulations that  
13 have not allowed natural gas infrastructure to reach some citizens of  
14 Washington. In particular, the commission must consider extensions of  
15 natural gas infrastructure to rural areas with no access to natural gas  
16 facilities and urban areas referred to as donuts that never had natural  
17 gas service infrastructure built out to offer natural gas as an energy  
18 resource;

19 (2) Extend natural gas services to areas where woodstoves provide  
20 the primary source of residential heating;

21 (3) Encourage the development of industrial land that lacks natural  
22 gas distribution infrastructure; and

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

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

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

31 (a) Result in the residential conversion from wood or oil-fired  
32 boilers for space heating to natural gas, and the conversion from hog  
33 fuel and bunker fuel used in industrial processes to natural gas;

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

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

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

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

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

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

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

31 (c) The timing and methodology by which the gas company will refund  
32 any advances for construction as additional customers are served off  
33 the main extension. The customer may request an annual survey to  
34 determine if additional customers have been connected to and are using  
35 service from the extension. In no case may the amount of the refund  
36 exceed the amount originally advanced;

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

1 (e) That if, after ten years from the gas company's receipt of the  
2 advance, the advance has not been totally refunded, the advance must be  
3 considered a contribution in aid of construction and is no longer  
4 refundable.

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

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

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

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