
Environment & Energy Committee

HB 2518

Brief Description: Concerning the safe and efficient transmission and distribution of natural gas.

Sponsors: Representatives Shewmake, Ybarra, Boehnke, Tarleton, Mead, Fitzgibbon, Lekanoff, Ramel, Callan, Peterson, Slatter, Davis, Doglio, Pollet and Cody.

Brief Summary of Bill

- Requires the Utilities and Transportation Commission (UTC) to initiate a proceeding to increase certainty concerning the recovery of costs associated with measures undertaken by natural gas companies to reduce hazardous leaks and nonhazardous fugitive emissions from gas pipelines.
- Requires, beginning July 1, 2020, and on an annual basis thereafter, each gas pipeline company to submit to the UTC a report on the environmental and economic performance of its gas pipeline system.
- Requires the UTC to publish a report that aggregates data by gas company concerning gas leaks by August 1, 2020, and on an annual basis thereafter.
- Requires the UTC to publish a report that provides information on gas leakage in the state and transmit it to the Department of Ecology (Ecology) by August 1, 2021, and annually thereafter.
- Requires the biennial greenhouse gas report developed by Ecology to include emissions associated with leaked gas reported by natural gas companies to the UTC.

Hearing Date: 1/21/20

Staff: Nikkole Hughes (786-7156).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background:

Utilities and Transportation Commission.

The Utilities and Transportation Commission (UTC) regulates the rates, services, and practices of investor-owned utilities and transportation companies, including electrical companies, natural gas companies, and telecommunications companies. The UTC is required to ensure that rates charged by these companies are fair, just, reasonable, and sufficient.

In establishing rates, the UTC has the power to, upon complaint or upon its own motion, determine the fair value of the property of a public service company that is used and useful for service in the state by or during the rate effective period. The valuation may include consideration of any property of the company acquired or constructed by or during the rate effective period, including the reasonable costs of construction work in progress, to the extent the UTC finds that such an inclusion is in the public interest and will yield fair, just, reasonable, and sufficient rates.

The UTC may provide changes to rates for up to 48 months after the rate effective date using any standard, formula, method, or theory of valuation reasonably calculated to arrive at fair, just, reasonable, and sufficient rates. The UTC must establish an appropriate process to identify, review, and approve public service company property that becomes used and useful for service in the state after the rate effective date.

The UTC is also responsible for developing and enforcing safety standards for natural gas and hazardous liquid pipelines located within the state. The UTC inspects the portions of interstate natural gas and hazardous liquid pipelines located within the state, while the federal Pipeline and Hazardous Materials Safety Administration is responsible for interstate pipeline safety standards and enforcement actions.

Natural Gas Conservation Standard.

Each gas company must identify and acquire all conservation measures that are available and cost-effective. Each company must establish an acquisition target every two years and must demonstrate that the target will result in the acquisition of all resources identified as available and cost-effective. The cost-effectiveness analysis must include the societal costs of greenhouse gas (GHG) emissions, which is calculated using the cost per metric ton of carbon dioxide emissions, using the 2.5 percent discount rate, listed in Table 2, Technical Support Document: Technical Update of the Social Cost of Carbon for Regulatory Impact Analysis under Executive Order 12866, published by the Interagency Working Group on Social Cost of Greenhouse Gases of the United States Government, August 2016. The conservation targets must be based on a conservation potential assessment prepared by an independent third party and approved by the UTC. Conservation targets must be approved by order of the UTC. The initial conservation target must take effect by 2022.

Greenhouse Gas Emissions Reductions Targets.

The state must limit emissions of GHGs to achieve the following emission reductions:

- by 2020, reduce overall emissions of greenhouse gases in the state to 1990 levels;
- by 2035, reduce overall emissions of greenhouse gases in the state to 25 percent below 1990 levels; and

- by 2050, the state will do its part to reach global climate stabilization levels by reducing overall emissions to 50 percent below 1990 levels, or 70 percent below the state's expected emissions that year.

The Department of Ecology must develop and submit a biennial report to the Governor and the Legislature on the total emissions of GHGs for the preceding two years and totals in each major source sector.

Summary of Bill:

Cost Recovery for Measures to Reduce Hazardous Leaks and Nonhazardous Fugitive Emissions.

The Utilities and Transportation Commission (UTC) must initiate a proceeding to increase certainty concerning the recovery of costs associated with measures, undertaken by a natural gas company and approved by the UTC, to reduce hazardous leaks and nonhazardous fugitive emissions from the natural gas company's gas pipelines.

A natural gas company may submit to the UTC, as part of a general rate case or other proceeding, a list of projects and changes to operational procedures including, but not limited to, venting, blowdowns, and others, to reduce hazardous leaks and nonhazardous fugitive releases, ranked according to risk, severity, and complexity.

As part of its filing, the gas company must include a cost-effectiveness analysis and propose a cap for annual expenditures recoverable through a cost recovery mechanism, to be approved by the UTC. The cost-effectiveness analysis must include the following:

- the value of leaked gas from hazardous leaks and nonhazardous fugitive emissions;
- the societal cost of greenhouse gas (GHG) emissions associated with that gas;
- the value of the reduction in risk resulting from gas leaks; and
- the cost of the measures undertaken to reduce hazardous leaks and nonhazardous fugitive emissions from the gas company's gas pipelines.

A gas company may consider a percent of rate base, percent of revenues, total expenditures, or other basis for its proposed cap. As part of the proposal, the gas company must address the expected impact to ratepayers and other factors that may be required by the UTC by rule.

Gas Pipeline Performance Reports.

Beginning July 1, 2020, and on an annual basis thereafter, each gas pipeline company must submit to the UTC a report on the environmental and economic performance of its gas pipeline system, including all known leaks from its transmission and distribution gas pipeline system, and all components, including pumps, valves, pipes, and pneumatic devices. Natural gas leaks include all confirmed discoveries of both intentional and unintentional leak events, as well as leaks resulting from equipment maintenance, malfunctions, or operational practices.

By August 1, 2020, and on an annual basis thereafter, the UTC must publish a report that aggregates data by gas company concerning gas leaks and that contains, at a minimum:

- the total volume of leaked gas, measured in carbon dioxide equivalents and thousands of cubic feet, categorized by cause, class, and component type;
- the total market value of leaked gas, categorized by cause, class, and component type;

- the volume and value of leaks that have not been remediated, and the volume and value of leaks that the gas pipeline companies do not intend to remediate; and
- based on provided plans, the projected timeline of reductions in leakage in volume, measured in carbon dioxide equivalents and thousands of cubic feet.

By August 1, 2021, and annually thereafter, the UTC must publish a report and transmit it to the Department of Ecology (Ecology) that provides information on gas leakage in the state. The report must also include an estimate of gas leakage during calendar year 1990, which the UTC must develop using available methods or in coordination with gas pipeline companies. The annual report must provide a review of opportunities for and obstacles to reducing gas leakage statewide, including workforce availability, infrastructure investments, permitting, technical and legal obstacles, and other relevant information as determined by the UTC.

Information reported by gas pipeline companies to the commission is exempt from public inspection and copying under the Public Records Act if it contains proprietary data, trade secrets, or if disclosure of such information would affect public safety.

Greenhouse Gas Emissions Reductions Targets.

The biennial GHG report developed by Ecology must include emissions associated with leaked gas reported by natural gas companies to the UTC.

Appropriation: None.

Fiscal Note: Requested on January 14, 2020.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.