

# FINAL BILL REPORT

## E2SHB 2518

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Synopsis as Enacted

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

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Shewmake, Ybarra, Boehnke, Tarleton, Mead, Fitzgibbon, Lekanoff, Ramel, Callan, Peterson, Slatter, Davis, Doglio, Pollet and Cody).

**House Committee on Environment & Energy**  
**House Committee on Appropriations**  
**Senate Committee on Environment, Energy & Technology**

### **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

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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.

Greenhouse Gas Emissions Reductions Targets.

The state must limit GHG emissions to achieve the following reductions:

- by 2020, reduce overall GHG emissions in the state to 1990 levels;
- by 2035, reduce overall GHG emissions 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 biennially report to the Governor and the Legislature on the total GHG emissions for the preceding two years and totals in each major source sector.

**Summary:**

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

The Utilities and Transportation Commission (UTC) must initiate a proceeding to provide conditions concerning a gas company's recovery between rate cases of: the costs associated with replacing pipeline facilities that are demonstrated to have an elevated risk of failure; and the costs associated with measures to expedite the reduction of hazardous leaks and measures to reduce, as practicable, nonhazardous leaks from the gas company's gas pipelines.

A gas company seeking an interim recovery between rate cases may submit to the UTC, as part of a general rate case or a UTC-approved interim rate treatment mechanism regarding the replacement of certain pipeline facilities, a description of equipment and new facilities that aid in the reduction of methane emissions and a list of projects and changes to operational procedures to expedite the replacement of pipeline facilities that present an elevated risk of failure and expedite the repairs of hazardous and nonhazardous leaks. 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 considerations of risk and impacts to the environment and public health. 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.

Nothing in this authorization may be construed to preempt the process by which a gas company is required to petition relevant state or local authorities when seeking to expand the capacity of the company's gas transmission or distribution lines. Nothing in this

authorization may be construed to impose requirements or restrictions on, or otherwise regulate, interstate pipelines.

Gas Pipeline Performance Reports.

Beginning March 15, 2021, and on an annual basis thereafter, each gas pipeline company must submit a report to the UTC that includes:

- the total number of known leaks in pipelines owned by the gas pipeline company as of January 1 of the year the report is submitted;
- the total number of hazardous leaks eliminated or repaired during the previous one-year period ending December 31;
- the total number of nonhazardous leaks eliminated or repaired during the previous one-year period ending December 31; and
- the total number of leaks scheduled for repair in the next one-year period beginning January 1 of the year the report is submitted.

The data provided in the report does not obligate the gas pipeline company to repair all leaks scheduled for repair, nor does it prevent the gas pipeline company from prioritizing its repair schedule based on new information and newly identified leaks.

The UTC must use the data reported by gas pipeline companies, as well as other data reported by gas pipeline companies to the UTC and to the Department of Ecology (Ecology), to estimate the volume of leaked gas and associated greenhouse gas emissions from operational practices in the state.

By March 31, 2021, and on an annual basis thereafter, the UTC must provide on its public website aggregate data, as submitted by gas pipeline companies, concerning the volume and causes of gas leaks.

By March 31, 2021, and on an annual basis thereafter, the UTC must transmit to the Ecology information on gas leakage in the state, as submitted by gas pipeline companies.

Those portions of reports submitted by gas pipeline companies to the UTC that contain proprietary data, trade secrets, or if disclosure would adversely affect public safety, are exempt from public inspection and copying under the Public Records Act.

Greenhouse Gas Emissions Reductions Targets.

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

**Votes on Final Passage:**

House	87	8
Senate	41	7

**Effective:** June 11, 2020