

SENATE BILL REPORT

E2SHB 2518

As of February 24, 2020

Title: An act relating to the safe and efficient transmission and distribution of natural gas.

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).

Brief History: Passed House: 2/16/20, 87-8.

Committee Activity: Environment, Energy & Technology: 2/20/20.

Brief Summary of Bill

- Requires the Utilities and Transportation Commission (UTC) to initiate a proceeding concerning a gas company's interim recovery between rate cases of the costs associated with replacing pipeline facilities demonstrating an elevated risk of failure and measures to expedite reducing hazardous and nonhazardous leaks from a gas company's pipelines.
- Requires gas pipeline companies, beginning March 15, 2021, to submit annual reports to the UTC on gas pipeline leaks.
- Requires the UTC to provide aggregate data on the volume and causes of gas leaks on its website and report information on gas leakage to the Department of Ecology by March 31, 2021.
- Requires the Departments of Ecology and Commerce to include in their biennial greenhouse gas reports emissions associated with leaked gas reported to the UTC.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

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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: The Utilities and Transportation Commission. The UTC regulates the rates, services, and practices of privately-owned utilities and transportation companies in Washington, including natural gas and electrical companies. The UTC is also responsible for developing and enforcing safety standards for natural gas and hazardous liquid pipelines located within the state. 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.

Overall Greenhouse Gas Reduction Limits. At the state level, GHGs are regulated by the Department of Ecology (Ecology) under the state Clean Air Act. In 2008, Washington enacted legislation setting a series of limits on the emission of GHGs within the state. Ecology is responsible for monitoring and tracking the state's progress toward the emission limits.

Current law requires the state to limit GHG emissions for achieving overall reductions as follows:

- by 2020, to 1990 levels;
- by 2035, to 25 percent below 1990 levels; and
- by 2050, to 50 percent below 1990 levels, or 70 percent below the state's expected emissions for that year.

Summary of Bill: Cost Recovery to Replace Pipelines and Measures to Reduce Hazardous and Nonhazardous Leaks. The UTC is required to initiate a proceeding concerning a gas company's interim recovery between rate cases of the costs associated with: (1) replacing pipeline facilities that are demonstrated to have an elevated risk of failure, and (2) measures to expedite the reduction of hazardous leaks and to reduce as a practicable nonhazardous leaks from the gas company's gas pipelines.

As part of an interim recovery or general rate case, a gas company may submit to the UTC 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 the repairs of hazardous and nonhazardous leaks. Items must be ranked according to risk severity, complexity, and impact to the environment and public health.

As part of its filing, a gas company must include a cost-effectiveness analysis that contains considerations of risk and impacts to the environment and public health. A gas company must also propose a cap for annual expenditures recoverable through a cost recovery mechanism approved by the UTC. For the proposed cap, a gas company may consider a percent of rate base, percent of revenues, total expenditures, or other basis, and must address the expected impact to ratepayers and other factors required by the UTC.

The terms gas pipeline, hazardous leak, and nonhazardous leak are all defined.

Nothing in this section of the act may be construed to:

- preempt the process required to petition relevant state or local authorities when the gas company is seeking to expand the capacity of its transmission or distribution lines; or
- 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 1st of the year the report is submitted;
- the total number of hazardous leaks eliminated or repaired during the previous one-year period ending December 31st;
- the total number of nonhazardous leaks eliminated or repaired during the previous one-year period ending December 31st; and
- an estimate of the total number of leaks scheduled for repair in the next one-year period beginning January 1st of the year the report is submitted.

The UTC may use the annual reports to determine the approximate date and location of each leak detected during a routine course of inspection or caused by a third-party excavation or other causes not attributable to normal operation or inspection practices; whether the reported leaks are included as part of a interim recovery filing; the volume of each leak; the cause of each leak, and the estimated market value of lost gas.

The UTC must use the data reported by the gas companies to estimate the volume of leaked gas and associated GHG emissions from operational practices in the state. By March 31, 2021, and annually thereafter, the UTC must:

- provide aggregate data on volume and causes of leaks on its public website, and
- transmit information on gas leakage in the state to Ecology.

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

Greenhouse Gas Reduction Limits. In biennial progress reports on GHG emissions, Ecology and the Department of Commerce must include emissions associated with leaked gas reported to the UTC by gas companies.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 18, 2020.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: The bill is being kept to leaks in the system, which gas companies do want cost recovery for. This is a smart way to make systems safe and not leak methane. This bill provides an opportunity for companies to provide information

on gas leaks, increases public transparency, and increases the ability of companies to repair leaks associated with emissions of methane, which is a potent GHG.

OTHER: We are mindful of the desire to have a strict regimen around monitoring, detection, and repair of leaks. This is the most important thing gas companies do. We think that the data set will show that the greatest gas leaks by volume are those caused by strikes to our facilities. We will derive benefits by updates to the safety law.

Persons Testifying: PRO: Charlie Brown, Cascade Natural Gas and NW Natural; Laura Wilkeson, Puget Sound Energy; Michael Foster; Vlad Gutman-Britten, Washington State Labor Council, Climate Solutions.

OTHER: John Rothlin, Avista.

Persons Signed In To Testify But Not Testifying: No one.