

SHB 2177 - H AMD 712

By Representative Morris

ADOPTED 02/14/2014

1 Strike everything after the enacting clause and insert the  
2 following:

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

13 Many rural and urban areas of Washington do not have the  
14 infrastructure necessary to access this low-cost energy resource. It  
15 is the intent of the legislature to provide mechanisms to ensure that  
16 as many parts of the state as possible have the economic opportunity to  
17 utilize natural gas as an energy resource to power businesses and heat  
18 homes. In particular, this economic opportunity should be focused on  
19 displacing other fuel types that cause harm to state resident's health  
20 in the form of pollution.

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

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

27 (a) Develop and implement alternatives to general rate case  
28 proceedings that will cause the extension or expansion of natural gas  
29 infrastructure to occur in order to serve some citizens of Washington.

1 In particular, the commission must pursue alternatives that facilitate  
2 the extension or expansion of natural gas infrastructure to rural areas  
3 or urban areas referred to as donut holes that have insufficient or no  
4 access to natural gas as an energy resource;

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

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

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

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

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

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

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

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

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

31 (2) The progress towards meeting the milestones in subsection (1)  
32 of this section must be measured by the commission and reported  
33 electronically to the committees of the senate and house of  
34 representatives with jurisdiction over energy policy by the commission  
35 every four years by December 1st until 2025 using econometric modeling  
36 software produced by regional economic models incorporated. If

1 reasonable progress is not being made towards these goals every four  
2 years, the legislature shall make adjustments to reach the policy  
3 milestones or adjust the milestone goals themselves.

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

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

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

11 (b) An economic feasibility analysis for those extensions that  
12 exceed the maximum footage and equipment allowance prepared by the gas  
13 company and provided to an applicant. The economic feasibility  
14 analysis must consider the incremental revenues and costs associated  
15 with the main extension. In those instances where the requested main  
16 extension does not meet the economic feasibility criteria established  
17 by the gas company, the gas company may require the customer to provide  
18 funds to the gas company, which will make the main extension  
19 economically feasible. The methodology employed by the gas company in  
20 determining economic feasibility must be applied uniformly and  
21 consistently to each applicant requiring a main extension;

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

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

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

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

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

36 (b) "Main extension" means the lines and equipment necessary to

1 extend the existing gas distribution system to provide service to  
2 additional customers."

3 Correct the title.

EFFECT: Provides a definition for donut hole. Modifies a goal of the process that allows customers and utilities to bring forth innovative proposals for the financing and building of natural gas infrastructure. Specifies that it is a goal to develop and implement alternatives to general rate case proceedings that will cause the extension or expansion of natural gas infrastructure to occur in order to serve some citizens of Washington. Directs the utilities and transportation commission to pursue alternatives that facilitate the extensions or expansion of natural gas infrastructure to rural areas or urban areas referred to as donut holes that have insufficient or no access to natural gas as an energy resource. Specifies that a natural gas main extension tariff must contain a provision that allows a customer to be eligible to receive refunds on an advance for construction throughout the service life of the main extension. Modifies the intent section.

--- END ---