



STATE OF WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION
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(360) 664-1160 • www.utc.wa.gov
November 25, 2014

NOTICE OF OPPORTUNITY TO FILE WRITTEN COMMENTS
(By 5:00 p.m., Monday, December 15, 2014)

RE: Investigation of natural gas distribution infrastructure expansion;
Docket UG-143616

TO ALL INTERESTED PERSONS:

On Monday, November 3, 2014, the Washington Utilities and Transportation Commission (Commission) held a recessed open meeting and workshop to discuss the need for natural gas distribution infrastructure expansion, and investigate the options available to implement such expansion. The Commission held the workshop at the request of Representative Jeff Morris, to consider the concepts and issues outlined in [ESHB 2177](#), which passed the state House of Representatives, but not the state Senate during the 2014 Legislative Session.

During the workshop, participants, including local natural gas distribution companies, identified that natural gas production in the United States has increased significantly and that the cost of natural gas has decreased. These factors create an opportunity to address environmental concerns associated with emissions from oil furnaces and wood burning stoves, and promote economic development, by expanding natural gas service to areas not currently served by natural gas.

Participants identified a number of strategies to address these concerns, including reviewing and revising natural gas line extension tariffs, and developing incentives for expanding natural gas distribution service. Participants also identified the costs of local permits and fees for street infrastructure as disincentives for customers investing in a natural gas connection to their residence or business.

The Commission seeks written comments from interested persons on a number of topics identified below to better inform its work in this docket. Please identify in the response whether the Commission may pursue the method or strategy identified below through its current authority, whether the Commission should pursue the strategy through individual tariff proposals, rulemaking or policy statements, or whether the strategy would require a legislative solution.

1. *Line Extension Tariffs.* Local distribution companies could file revised line extension tariffs to make line extensions more economically viable for new customers to obtain service. Revisions to line extension tariffs could consider different standards for certain underserved areas.
2. *Policy Statement.* The Commission could issue a policy statement clarifying its policy regarding application of prudence and “used and useful” standards for the recovery of costs for gas infrastructure in selected areas. The policy statement could address or include:
 - a. A description of underserved areas in which considerations in the policy statement would apply, perhaps including:
 - i. Whether the area is a non-attainment area;
 - ii. Whether any electric energy conserved will assist the state in meeting its target under EPA rules implementing section 111(d); and
 - iii. The demand for gas service, or the number of potential new customers (residential, commercial, and industrial).
 - b. A suggested process by which a local distribution company may identify the geographic boundaries of underserved areas.
 - c. A description of the criteria by which the Commission would review the prudence of capital additions in underserved areas and whether they are “used and useful.” The Commission issued a policy statement on renewable energy resources in Docket No. UE-100849 (issued January 3, 2011), addressing the application of the “used and useful” standard.
3. *Discounted Rates for Low Income Consumers.* RCW 80.28.068 authorizes the Commission to set discounted rates for low-income consumers of electric and natural gas companies. The companies and the Commission could review current low-income tariffs for the local distribution companies and, if appropriate, authorize further discounts for low income consumers. These rates then could serve as part of a strategy for recruiting customers to switch to gas from oil furnaces or woodstoves.

4. *Advertising Rule Changes.* Current rules prohibit cost recovery of promotional advertising by local distribution companies (WAC 480-90-223). The Commission could consider revising this rule to permit cost recovery of such advertising when it is directed toward encouraging connection to gas in under and unserved areas.
5. *On-Bill Financing.* RCW 80.28.065 authorizes local distribution companies to offer on-bill financing for energy conservation measures. The Commission seeks comments on whether local distribution companies are interested in pursuing on-bill financing as an option for customers to finance line extensions over a longer period of time than current tariffs allow.
6. *Infrastructure Fund.* To the extent that installation of new infrastructure would result in incremental tax revenues (such as public utility taxes), the incremental revenues could be used to secure bond financing for some of the infrastructure.
7. *Pilot Rules.* To the extent it may be necessary to develop different policies for different geographic locations, or to experiment with one or more methods or strategies discussed in this notice, it may be useful to adopt “pilot rules” under the Administrative Procedure Act, which authorizes such rules. RCW 34.05.310(2)(b); 34.05.313.
8. *Local Construction Costs and Impact Fees.* The Commission seeks data or specific examples from local distribution companies concerning the specific costs companies or their customers have experienced when constructing or expanding gas distribution infrastructure including impact fees and the costs of other local requirements.
9. *Concurrent Construction Projects.* The Commission seeks comments on how it might assess the economic feasibility of expanding natural gas service concurrently with other utility infrastructure or construction projects
10. *Other Strategies and Methods.* Interested parties should submit comments to the Commission concerning any other strategies or methods that would be useful to consider in taking action or developing rules to expand natural gas infrastructure to unserved and underserved areas in Washington.

WRITTEN COMMENTS AND RESPONSES

The Commission requests written comments and information in response to this notice. Written comments must be filed with the Commission no later than **5:00 p.m., Monday, December 15, 2014**. The Commission requests that the responses be provided in

electronic format to enhance public access, reduce the need for paper copies, and facilitate quotations from the submissions. You may submit comments via the Commission's Web portal at www.utc.wa.gov/e-filing or by electronic mail to the Commission's Records Center at records@utc.wa.gov. You must include:

- The docket number of this proceeding (UG-143616).
- The commenting party's name.
- The title and date of the comment or comments.

An alternative method for submitting comments is by mailing or delivering an electronic copy to the Commission's Records Center on a 3 ½ inch, IBM-formatted, high-density disk, in .pdf Adobe Acrobat format or in Word 2010 or later, a flash drive, or CD. Include all of the information requested above. The Commission will post on its web site all comments that are provided in electronic format. The web site is located at www.utc.wa.gov.

If you are unable to file your comments electronically or to submit them on a disk, the Commission will accept a paper document. If you have questions regarding this Notice, you may contact Lauren McCloy, by email at lmccloy@utc.wa.gov or by calling (360) 664-1209.

STEVEN V. KING
Executive Director and Secretary