

SHB 2995 - H AMD TO H AMD (H-5172.1/18) 1425  
By Representative Morris

1 On page 42, after line 22 of the amendment, insert the following:

2 "NEW SECTION. **Sec. 22.** A new section is added to chapter 19.280  
3 RCW to read as follows:

4 (1) The legislature finds that distributed energy resources will  
5 help electric utilities achieve the fossil fuel reduction targets  
6 established under section 3 of this act. The legislature finds that  
7 the proliferation of distributed energy resources across the  
8 distribution system is rapidly transforming the relationships between  
9 electric utilities and their retail electric customers. The  
10 legislature finds that distributed energy resources planning  
11 processes will vary from one utility to another based on the unique  
12 characteristics of each system. However, distributed energy resources  
13 planning processes may allow electric utilities to better anticipate  
14 both the positive and negative impacts of this transformation by:  
15 Illuminating the interdependencies among customer-sited energy and  
16 capacity resources; identifying and quantifying customer values that  
17 are not represented in volumetric electricity rates; reducing,  
18 deferring, or eliminating unnecessary and costly transmission and  
19 distribution capital expenditures; maximizing system benefits for all  
20 retail electric customers; and identifying opportunities for  
21 improving access to transformative technologies for low-income and  
22 other underrepresented customer populations.

23 (2) Therefore, it is the policy of the state of Washington that  
24 any distributed energy resources planning process engaged in by an  
25 electric utility in the state should accomplish the following:

26 (a) Identify the data gaps that impede a robust planning process  
27 as well as any upgrades, such as but not limited to advanced metering  
28 and grid monitoring equipment, enhanced planning simulation tools,  
29 and potential cooperative efforts with other utilities in developing  
30 tools needed to obtain data that would allow the electric utility to  
31 quantify the locational and temporal value of resources on the  
32 distribution system;

1 (b) Propose monitoring, control, and metering upgrades that are  
2 supported by a business case identifying how those upgrades will be  
3 leveraged to provide net benefits for customers;

4 (c) Identify potential programs and tariffs to fairly compensate  
5 customers for the value of their distributed energy resources, which  
6 may both produce and consume electricity and capacity from the  
7 distribution system individually or in groups, and ensure their  
8 optimal usage, including programs targeted at low-income customers;

9 (d) Forecast, using probabilistic models if available, the growth  
10 of distributed energy resources on the utility's distribution system;

11 (e) Provide, at a minimum, a ten-year plan for distribution  
12 system investments and an analysis of nonwires alternatives for major  
13 transmission and distribution investments. This plan should include a  
14 process whereby near-term assumptions, as well as any pilots or  
15 procurements initiated in accordance with subsection (3) of this  
16 section, regularly inform and adjust the long-term projections of the  
17 plan. The goal of the plan should be to provide the most affordable  
18 investments for all customers and avoid reactive expenditures to  
19 accommodate unanticipated growth in distributed energy resources. An  
20 analysis that fairly considers wire-based and nonwires alternatives  
21 on equal terms is foundational to achieving this goal. The electric  
22 utility should be financially indifferent to the technology that is  
23 used to meet a particular resource need. The distribution system  
24 investment planning process should utilize a transparent approach  
25 that involves opportunities for stakeholder input and feedback;

26 (f) Include the distributed energy resources identified in the  
27 plan in the electric utility's integrated resource plan developed  
28 under this chapter. Distribution system plans should be used as  
29 inputs to the integrated resource planning process. Distributed  
30 energy resources may be used to meet system needs when they are not  
31 needed to meet a local distribution need. Including select  
32 distributed energy resources in the integrated resource planning  
33 process allows those resources to displace or delay system resources  
34 in the integrated resource plan;

35 (g) Include a high level discussion of how the electric utility  
36 is adapting cybersecurity and data privacy practices to the changing  
37 distribution system and the internet of things, including an  
38 assessment of the costs associated with ensuring customer privacy;  
39 and

1 (h) Include a discussion of lessons learned from the planning  
2 cycle and identify process and data improvements planned for the next  
3 cycle.

4 (3) To ensure that procurement decisions are based on current  
5 cost and performance data for distributed energy resources, a utility  
6 should procure the distributed energy resource needs identified in  
7 any distributed energy resources plan through a process that is  
8 price-based and technology neutral. Electric utilities should  
9 consider using competitive procurements tailored to meet a specific  
10 need, which may increase the utility's ability to identify the lowest  
11 cost and most efficient means of meeting distribution system needs.  
12 If the projected cost of a procurement is more than the calculated  
13 system net benefit of the identified distributed energy resources,  
14 the governing body, in the case of a consumer-owned utility, or the  
15 commission, in the case of an investor-owned utility, may approve a  
16 pilot process by which the electric utility will gain a better  
17 understanding of the costs and benefits of a distributed energy  
18 resource or resources.

19 (4) By January 1, 2023, the legislature must conduct an initial  
20 review of the state's policy pertaining to distributed energy  
21 resources planning under this chapter. By January 1, 2026, and every  
22 four years thereafter, the legislature must conduct a full review of  
23 the policy and determine how many electric utilities in the state  
24 have engaged in or are engaging in a distributed energy resources  
25 planning process, whether the process has met the eight goals  
26 specified under subsection (2) of this section, and whether these  
27 goals need to be expanded or amended.

28 NEW SECTION. **Sec. 23.** The legislature finds that the electrical  
29 and natural gas utility industry is facing a transformational change  
30 brought on by new technology, rapidly changing costs, and emerging  
31 opportunities for customers. The legislature finds that similar  
32 changes in technology and customer preferences have swiftly altered  
33 other industries and intends for Washington's electrical and natural  
34 gas utility regulatory environment to continue to protect consumers  
35 while enabling regulated utilities to systematically respond to new  
36 technologies and opportunities. The legislature intends to ensure  
37 that consumers receive cost-effective and reliable services that are  
38 environmentally responsible services, and to assist electrical  
39 companies in meeting the fossil fuel reduction targets established

1 under section 3 of this act, by authorizing the Washington utilities  
2 and transportation commission to employ alternative forms of  
3 regulation to traditional rate-based, rate of return regulation for  
4 electrical and gas companies. The legislature finds that a similar  
5 update to the utilities and transportation commission's statutory  
6 grant of authority for telecommunications customers a decade ago  
7 serves as a reasonable model. The legislature intends that the  
8 utilities and transportation commission will utilize alternative  
9 forms of regulation to further the state's public policy goals by  
10 ensuring that electrical and gas companies are incentivized to invest  
11 to meet state policy objectives.

12 The legislature intends that an alternative form of regulation  
13 should: Enable utility services designed to support optimal and  
14 efficient use of the electrical or natural gas system and utility  
15 operations; align utility regulatory incentives with the public  
16 interest; maintain and enhance overall electrical or natural gas  
17 system reliability, resilience, and security; allow electrical or  
18 natural gas companies to support and participate in market  
19 transformation for enabling technologies, without harming  
20 competition; maximize the value of new business opportunities to  
21 utility customers, especially low-income customers; protect utility  
22 customers from short and long-term risk; ensure an appropriate level  
23 of consumer protection; and support the achievement of state  
24 emissions reduction goals and utilities' fossil fuel reduction  
25 targets while avoiding adverse environmental impacts.

26 **Sec. 24.** RCW 80.28.005 and 1994 c 268 s 1 are each amended to  
27 read as follows:

28 (~~Unless the context clearly requires otherwise,~~) The  
29 definitions in this section apply throughout this chapter unless the  
30 context clearly requires otherwise.

31 (1) "Bondable conservation investment" means all expenditures  
32 made by electrical, gas, or water companies with respect to energy or  
33 water conservation measures and services intended to improve the  
34 efficiency of electricity, gas, or water end use, including related  
35 carrying costs if:

36 (a) The conservation measures and services do not produce assets  
37 that would be bondable utility property under the general utility  
38 mortgage of the electrical, gas, or water company;

1 (b) The commission has determined that the expenditures were  
2 incurred in conformance with the terms and conditions of a  
3 conservation service tariff in effect with the commission at the time  
4 the costs were incurred, and at the time of such determination the  
5 commission finds that the company has proven that the costs were  
6 prudent, that the terms and conditions of the financing are  
7 reasonable, and that financing under this chapter is more favorable  
8 to the customer than other reasonably available alternatives;

9 (c) The commission has approved inclusion of the expenditures in  
10 rate base and has not ordered that they be currently expensed; and

11 (d) The commission has not required that the measures demonstrate  
12 that energy savings have persisted at a certain level for a certain  
13 period before approving the cost of these investments as bondable  
14 conservation investment.

15 (2) "Conservation bonds" means bonds, notes, certificates of  
16 beneficial interests in trusts, or other evidences of indebtedness or  
17 ownership that:

18 (a) The commission determines at or before the time of issuance  
19 are issued to finance or refinance bondable conservation investment  
20 by an electrical, gas or water company; and

21 (b) Rely partly or wholly for repayment on conservation  
22 investment assets and revenues arising with respect thereto.

23 (3) "Conservation investment assets" means the statutory right of  
24 an electrical, gas, or water company:

25 (a) To have included in rate base all of its bondable  
26 conservation investment and related carrying costs; and

27 (b) To receive through rates revenues sufficient to recover the  
28 bondable conservation investment and the costs of equity and debt  
29 capital associated with it, including, without limitation, the  
30 payment of principal, premium, if any, and interest on conservation  
31 bonds.

32 (4) "Finance subsidiary" means any corporation, company,  
33 association, joint stock association, or trust that is beneficially  
34 owned, directly or indirectly, by an electrical, gas, or water  
35 company, or in the case of a trust issuing conservation bonds  
36 consisting of beneficial interests, for which an electrical, gas, or  
37 water company or a subsidiary thereof is the grantor, or an  
38 unaffiliated entity formed for the purpose of financing or  
39 refinancing approved conservation investment, and that acquires

1 conservation investment assets directly or indirectly from such  
2 company in a transaction approved by the commission.

3 (5) "Greenhouse gas" and "greenhouse gases" has the same meaning  
4 as defined in RCW 70.235.010.

5 (6) "Greenhouse gas planning adder" means a calculation of the  
6 economic impacts associated with an incremental increase in  
7 greenhouse gas emissions in a calendar year and must be an amount  
8 equal to the greater of: (a) The minimum annual greenhouse gas  
9 planning adder for such a calendar year; or (b) the applicable carbon  
10 or greenhouse gas tax rate, if any, as expressed in dollars per  
11 metric ton of carbon dioxide or greenhouse gas for such a calendar  
12 year.

13 (7) "Intermediate-term resource options" means a new or renewed  
14 contract for electricity or natural gas with a term of more than  
15 three but less than five years for the provision of electricity or  
16 natural gas to retail end-use customers in this state.

17 (8) "Long-term resource options" means:

18 (a) Either a new ownership interest in an electric or gas plant  
19 or an upgrade to an existing electric plant; or

20 (b) A new or renewed contract for electricity or natural gas with  
21 a term of five or more years for the provision of electricity or  
22 natural gas to retail end-use customers in this state.

23 (9) "Minimum annual greenhouse gas planning adder" means, for  
24 calendar year 2018, forty dollars per metric ton of greenhouse gas,  
25 which amount must be increased each January 1st by one and one-fourth  
26 percent, rounded to the nearest dollar.

27 (10) "Qualified biomass energy" has the same meaning as defined  
28 in RCW 19.285.030.

29 (11) "Upgrade" means any modification made for the primary  
30 purpose of increasing the electric generation capacity of an electric  
31 generation facility. "Upgrade" does not include routine or necessary  
32 maintenance, installation of emission control equipment,  
33 installation, replacement, or modification of equipment that improves  
34 the heat rate of the facility, or installation, replacement, or  
35 modification of equipment for the primary purpose of maintaining  
36 reliable generation output capability that does not increase the heat  
37 input or fuel usage.

38 **Sec. 25.** RCW 80.28.010 and 2011 c 214 s 11 are each amended to  
39 read as follows:

1 (1) All charges made, demanded or received by any gas company,  
2 electrical company, wastewater company, or water company for gas,  
3 electricity or water, or for any service rendered or to be rendered  
4 in connection therewith, (~~shall~~) must be just, fair, reasonable and  
5 sufficient. Reasonable charges necessary to cover the cost of  
6 administering the collection of voluntary donations for the purposes  
7 of supporting the development and implementation of evergreen  
8 community management plans and ordinances under RCW 80.28.300 must be  
9 deemed as prudent and necessary for the operation of a utility.

10 (2) Every gas company, electrical company, wastewater company,  
11 and water company (~~shall~~) must furnish and supply such service,  
12 instrumentalities and facilities as (~~shall be~~) are safe, adequate  
13 and efficient, and in all respects just and reasonable.

14 (3) All rules and regulations issued by any gas company,  
15 electrical company, wastewater company, or water company, affecting  
16 or pertaining to the sale or distribution of its product or service,  
17 must be just and reasonable.

18 (4) Utility service for residential space heating (~~shall~~) may  
19 not be terminated between November 15<sup>th</sup> through March 15<sup>th</sup> if the  
20 customer:

21 (a) Notifies the utility of the inability to pay the bill,  
22 including a security deposit. This notice should be provided within  
23 five business days of receiving a payment overdue notice unless there  
24 are extenuating circumstances. If the customer fails to notify the  
25 utility within five business days and service is terminated, the  
26 customer can, by paying reconnection charges, if any, and fulfilling  
27 the requirements of this section, receive the protections of this  
28 chapter;

29 (b) Provides self-certification of household income for the prior  
30 twelve months to a grantee of the department of commerce, which  
31 administers federally funded energy assistance programs. The grantee  
32 (~~shall~~) must determine that the household income does not exceed  
33 the maximum allowed for eligibility under the state's plan for low-  
34 income energy assistance under 42 U.S.C. 8624 and (~~shall~~) must  
35 provide a dollar figure that is seven percent of household income.  
36 The grantee may verify information provided in the self-  
37 certification;

38 (c) Has applied for home heating assistance from applicable  
39 government and private sector organizations and certifies that any

1 assistance received will be applied to the current bill and future  
2 utility bills;

3 (d) Has applied for low-income weatherization assistance to the  
4 utility or other appropriate agency if such assistance is available  
5 for the dwelling;

6 (e) Agrees to a payment plan and agrees to maintain the payment  
7 plan. The plan will be designed both to pay the past due bill by the  
8 following October 15th and to pay for continued utility service. If  
9 the past due bill is not paid by the following October 15<sup>th</sup>, the  
10 customer is not eligible for protections under this chapter until the  
11 past due bill is paid. The plan may not require monthly payments in  
12 excess of seven percent of the customer's monthly income plus one-  
13 twelfth of any arrearage accrued from the date application is made  
14 and thereafter during November 15<sup>th</sup> through March 15<sup>th</sup>. A customer  
15 may agree to pay a higher percentage during this period, but  
16 (~~shall~~) may not be in default unless payment during this period is  
17 less than seven percent of monthly income plus one-twelfth of any  
18 arrearage accrued from the date application is made and thereafter.  
19 If assistance payments are received by the customer subsequent to  
20 implementation of the plan, the customer (~~shall~~) must contact the  
21 utility to reformulate the plan; and

22 (f) Agrees to pay the moneys owed even if he or she moves.

23 (5) The utility (~~shall~~) must:

24 (a) Include in any notice that an account is delinquent and that  
25 service may be subject to termination, a description of the  
26 customer's duties in this section;

27 (b) Assist the customer in fulfilling the requirements under this  
28 section;

29 (c) Be authorized to transfer an account to a new residence when  
30 a customer who has established a plan under this section moves from  
31 one residence to another within the same utility service area;

32 (d) Be permitted to disconnect service if the customer fails to  
33 honor the payment program. Utilities may continue to disconnect  
34 service for those practices authorized by law other than for  
35 nonpayment as provided for in this subsection. Customers who qualify  
36 for payment plans under this section who default on their payment  
37 plans and are disconnected can be reconnected and maintain the  
38 protections afforded under this chapter by paying reconnection  
39 charges, if any, and by paying all amounts that would have been due



1 and owing under the terms of the applicable payment plan, absent  
2 default, on the date on which service is reconnected; and

3 (e) Advise the customer in writing at the time it disconnects  
4 service that it will restore service if the customer contacts the  
5 utility and fulfills the other requirements of this section.

6 (6) A payment plan implemented under this section is consistent  
7 with RCW 80.28.080.

8 (7) Every gas company and electrical company (~~shall~~) must offer  
9 residential customers the option of a budget billing or equal payment  
10 plan. The budget billing or equal payment plan (~~shall~~) must be  
11 offered low-income customers eligible under the state's plan for low-  
12 income energy assistance prepared in accordance with 42 U.S.C.  
13 8624(C)(1) without limiting availability to certain months of the  
14 year, without regard to the length of time the customer has occupied  
15 the premises, and without regard to whether the customer is the  
16 tenant or owner of the premises occupied.

17 (8) Every gas company, electrical company, wastewater company,  
18 and water company (~~shall~~) must construct and maintain such  
19 facilities in connection with the manufacture and distribution of its  
20 product, or provision of its services, as will be efficient and safe  
21 to its employees and the public.

22 (9) An agreement between the customer and the utility, whether  
23 oral or written, does not waive the protections afforded under this  
24 chapter.

25 (10) In establishing rates or charges for water service, water  
26 companies as defined in RCW 80.04.010 may consider the achievement of  
27 water conservation goals and the discouragement of wasteful water use  
28 practices.

29 (11)(a) Electrical companies, gas companies, and the commission  
30 shall use the greenhouse gas planning adder when evaluating and  
31 selecting conservation policies, programs, and targets.

32 (b)(i) Electrical companies must use the greenhouse gas planning  
33 adder in developing and evaluating integrated resource plans pursuant  
34 to chapter 19.280 RCW; and

35 (ii) Gas companies must use the greenhouse gas planning adder in  
36 developing integrated resource plans that describe a mix of natural  
37 gas, biogas, or synthetic gas and conservation designated to meet  
38 current and future needs at the lowest reasonable costs to the gas  
39 company and its customers.

1 (c) Electrical companies and gas companies must use the  
2 greenhouse gas planning adder in evaluating and selecting  
3 intermediate-term and long-term resource options.

4 (d) The commission must use the greenhouse gas planning adder in  
5 evaluating integrated resource plans and intermediate-term and long-  
6 term resource options selected by electrical companies and gas  
7 companies under this subsection.

8 (e) For the purposes of this subsection: (i) Gas consisting  
9 largely of methane and other hydrocarbons derived from the  
10 decomposition of organic material in landfills, wastewater treatment  
11 facilities, and anaerobic digesters must be considered a nonemitting  
12 resource; and (ii) qualified biomass energy must be considered a  
13 nonemitting resource.

14 (f) A multistate electric company with retail customers and  
15 generation located outside the state of Washington must use the  
16 greenhouse gas planning adder pursuant to this subsection beginning  
17 January 1, 2020.

18 NEW SECTION. Sec. 26. A new section is added to chapter 80.28  
19 RCW to read as follows:

20 (1) The legislature declares that changes in technology and the  
21 structure of the energy industry may produce conditions under which  
22 traditional rate of return, rate-based regulation of electrical and  
23 gas companies may not in all cases provide the most efficient and  
24 effective means of achieving the legislature's intent and the public  
25 policy goals of this state as declared in chapters 19.280 and 19.285  
26 RCW and this title. The commission should be authorized to employ an  
27 alternative form of regulation if that alternative is better suited  
28 to achieving those policy goals.

29 (2)(a) Subject to the conditions set forth in this chapter, the  
30 commission may regulate an electrical or gas company by authorizing  
31 an alternative form of regulation. The commission may determine the  
32 manner and extent of any alternative form of regulation as may be  
33 appropriate in the public interest, including, but not limited to,  
34 authorizing an alternative form of regulation for all or individual  
35 utility services.

36 (b) The commission must consider, to the extent applicable, the  
37 extent to which an alternative form of regulation is expected to:

38 (i) Align utility regulatory incentives with the public interest;

1 (ii) Maintain and enhance the ability of the electrical or gas  
2 company to furnish safe, adequate, and efficient service to its  
3 customers;

4 (iii) Support prudent and efficient use of the electrical or  
5 natural gas system and utility operations;

6 (iv) Maintain and enhance overall electrical or natural gas  
7 system reliability, security, and resilience;

8 (v) Allow an electrical or gas company to support and participate  
9 in market transformation for enabling technologies without harming  
10 competition;

11 (vi) Allow an electrical or gas company to be financially  
12 indifferent as to: (A) The ownership of the property necessary to  
13 furnish service to its customers, except where appropriate for  
14 facilities furnished to establish a person as a customer of the  
15 electrical or gas company; or (B) the quantity of electricity or gas  
16 sold to its customers;

17 (vii) Reasonably protect customers, including low-income  
18 customers, from associated short and long-term risks;

19 (viii) Ensure an appropriate level of consumer protection;

20 (ix) Support the achievement of state emissions reduction goals;

21 (x) Consider adverse environmental impacts;

22 (xi) Provide the electrical or gas company with the opportunity  
23 to earn a reasonable rate of return on investment; and

24 (xii) Provide for broad customer engagement to promote  
25 participation by a diversity of customers, particularly underserved  
26 communities or segments thereof, in the associated programs to help  
27 achieve the criteria identified in this subsection (2)(b).

28 (3) An electrical or gas company may petition the commission to  
29 establish an alternative form of regulation. The electrical or gas  
30 company must submit with the petition a plan for an alternative form  
31 of regulation, which may include provisions establishing a reasonable  
32 range for rate of return on investment. The plan must contain a  
33 proposal for transition to the alternative form of regulation and the  
34 proposed duration of the plan. The development of a plan, which must  
35 include customer and stakeholder input, must contain a proposal for  
36 appropriate performance metrics and enforcement or remedial  
37 provisions in the event the company fails to meet such metrics. The  
38 commission also may initiate consideration of alternative forms of  
39 regulation for a company or companies on its own motion. The  
40 commission, after notice and hearing, must issue an order accepting,

1 modifying, or rejecting the plan within eleven months after the  
2 petition or motion is filed, unless extended by the commission for  
3 good cause. Nothing in this section may be interpreted as requiring  
4 an electrical or gas company to submit a petition for a plan for an  
5 alternative form of regulation as part of or concurrent with a  
6 general rate case or other proceeding for recovery of costs of such a  
7 company.

8 (4) Not later than sixty days from the entry of the commission's  
9 order, the electrical or gas company affected by the order must file  
10 with the commission: (a) An election to proceed with the alternative  
11 form of regulation as authorized by the commission; or (b) an  
12 election not to proceed with the alternative form of regulation as  
13 authorized by the commission.

14 (5) The commission may waive such a regulatory requirement under  
15 this title for an electrical or gas company subject to an alternative  
16 form of regulation as may be appropriate to facilitate the  
17 implementation of this section. However, as part of a proceeding to  
18 consider alternative forms of regulation, the commission may not  
19 waive any grant of legal rights to any person contained in this  
20 chapter and chapter 80.04 RCW. The commission may waive different  
21 regulatory requirements for different electrical or gas companies or  
22 services if the different treatment is in the public interest.

23 (6) Upon petition by the electrical or gas company, or on motion  
24 by the commission when evaluating the achievement of metrics  
25 developed in subsection (3) of this section, and after notice and  
26 hearing, the commission may rescind or modify an alternative form of  
27 regulation in the manner requested by the electrical or gas company.

28 (7) The commission or any person may file a complaint under RCW  
29 80.04.110 alleging that an electrical or gas company under an  
30 alternative form of regulation has not complied with the terms and  
31 conditions set forth in the alternative form of regulation. The  
32 complainant bears the burden of proving the allegations in the  
33 complaint.

34 (8) During a state of emergency declared under RCW 43.06.010(12),  
35 the governor may waive or suspend the operation or enforcement of  
36 this section or any portion of this section or under any  
37 administrative rule, and issue any orders to facilitate the operation  
38 of state or local government or to promote and secure the safety and  
39 protection of the civilian population.

1 (9) The provisions of this section apply only to alternative  
2 forms of regulation submitted to the commission pursuant to this  
3 section. Nothing contained in this section may be construed to alter,  
4 amend, repeal, modify, interpret, or be in conflict with this  
5 chapter. Nothing in this section may be construed to expand or alter  
6 the commission's jurisdiction to regulate in the public interest and  
7 ensure just, fair, reasonable, and sufficient rates for electrical  
8 and gas companies.

9 NEW SECTION. **Sec. 27.** The legislature finds that:

10 (1) Programs for electrification of transportation have the  
11 potential to allow electric utilities to optimize the use of electric  
12 distribution infrastructure, improve the management of electric  
13 loads, and better manage the integration of variable renewable energy  
14 resources. The legislature finds that, depending upon each utility's  
15 unique circumstances, electrification of transportation programs may  
16 provide cost-effective energy efficiency or defer capital investment  
17 needed to accommodate unmanaged variable electricity supply and  
18 demand. Electrification of transportation may result in cost savings  
19 and system benefits for all ratepayers. The legislature also finds  
20 that electrification of transportation may assist electric utilities  
21 in meeting the fossil fuel reduction targets established under  
22 section 3 of this act.

23 (2) State policy can achieve the greatest return on investment in  
24 reducing greenhouse gas emissions and improving air quality by  
25 expediting the transition to alternative fuel vehicles, including  
26 electric vehicles. Potential benefits associated with electrification  
27 of transportation include the monetization of environmental  
28 attributes associated with carbon reduction in the transportation  
29 sector.

30 NEW SECTION. **Sec. 28.** A new section is added to chapter 35.92  
31 RCW to read as follows:

32 (1) The governing authority of an electric utility formed under  
33 this chapter may adopt a transportation electrification plan that, at  
34 a minimum, establishes a finding that: (a) If the electric utility is  
35 acquiring new resources as indicated in its most recent plan  
36 developed pursuant to chapter 19.280 RCW, utility outreach and  
37 investment in the electrification of transportation infrastructure is  
38 cost-effective, as determined using a methodology that assesses both

1 the expected system benefits and expected costs to ratepayers served  
2 by the utility on the distribution system; or (b) if the electric  
3 utility is not acquiring new resources as indicated in its most  
4 recent plan developed pursuant to chapter 19.280 RCW, utility  
5 outreach and investment in the electrification of transportation  
6 infrastructure is cost-effective, as determined using a methodology  
7 that assesses both the expected system benefits and expected costs to  
8 ratepayers served by the utility on the distribution system and long-  
9 term contracted wholesale electricity supply that will result in a  
10 greater ratepayer benefit than the individual benefit from the  
11 program cost.

12 (2) In adopting a transportation electrification plan under  
13 subsection (1) of this section, the governing authority may consider  
14 some or all of the following: (a) The applicability of multiple  
15 options for electrification of transportation across all customer  
16 classes; (b) the impact of electrification on the utility's  
17 distribution load, and whether demand response or other load  
18 management opportunities, including direct load control and dynamic  
19 pricing, are operationally appropriate; (c) system reliability and  
20 distribution system efficiencies; (d) interoperability concerns,  
21 including the interoperability of hardware and software systems in  
22 electrification of transportation proposals; and (e) overall customer  
23 experience.

24 (3) The governing authority of an electric utility formed under  
25 this chapter may, upon making a cost-effectiveness determination in  
26 accordance with subsection (1) of this section, offer programs in the  
27 electrification of transportation for its customers, including  
28 advertising programs to promote the utility's or third-party  
29 services, incentives, or rebates.

30 (4) For the purposes of this section, "system benefit" means a  
31 situation where financial, reliability, and quality benefits of the  
32 electrification of transportation are conferred equally among all  
33 ratepayers on the distribution system or among the utility's resource  
34 generation portfolio.

35 (5) For the purposes of this section, "distribution system" means  
36 all of the distribution lines, substations, switches, and other  
37 distribution hardware contiguously connected at voltages below ninety  
38 kilovolts that are owned and operated by a single utility.

1        NEW SECTION.    **Sec. 29.**    A new section is added to chapter 54.16

2    RCW to read as follows:

3        (1) The commission of a public utility district may adopt a  
4    transportation electrification plan that, at a minimum, establishes a  
5    finding that: (a) If the district is acquiring new resources as  
6    indicated in its most recent plan developed pursuant to chapter  
7    19.280 RCW, district outreach and investment in the electrification  
8    of transportation infrastructure is cost-effective, as determined  
9    using a methodology that assesses both the expected system benefits  
10   and expected costs to ratepayers served by the district on the  
11   distribution system; or (b) if the district is not acquiring new  
12   resources as indicated in its most recent plan developed pursuant to  
13   chapter 19.280 RCW, district outreach and investment in the  
14   electrification of transportation infrastructure is cost-effective,  
15   as determined using a methodology that assesses both the expected  
16   system benefits and expected costs to ratepayers served by the  
17   utility on the distribution system and long-term contracted wholesale  
18   electricity supply that will result in a greater ratepayer benefit  
19   than the individual benefit from the program cost.

20        (2) In adopting a transportation electrification plan under  
21   subsection (1) of this section, the commission may consider some or  
22   all of the following: (a) The applicability of multiple options for  
23   electrification of transportation across all customer classes; (b)  
24   the impact of electrification on the district's distribution load,  
25   and whether demand response or other load management opportunities,  
26   including direct load control and dynamic pricing, are operationally  
27   appropriate; (c) system reliability and distribution system  
28   efficiencies; (d) interoperability concerns, including the  
29   interoperability of hardware and software systems in electrification  
30   of transportation proposals; and (e) overall customer experience.

31        (3) The commission of a public utility district may, upon making  
32   a cost-effectiveness determination in accordance with subsection (1)  
33   of this section, offer programs in the electrification of  
34   transportation for its customers, including advertising programs to  
35   promote the district's or third-party services, incentives, or  
36   rebates.

37        (4) For the purposes of this section, "system benefit" means a  
38   situation where financial, reliability, and quality benefits of the  
39   electrification of transportation are conferred equally among all

1 ratepayers on the distribution system or among the utility's resource  
2 generation portfolio.

3 (5) For the purposes of this section, "distribution system" means  
4 all of the distribution lines, substations, switches, and other  
5 distribution hardware contiguously connected at voltages below ninety  
6 kilovolts that are owned and operated by a single utility.

7 **Sec. 30.** RCW 80.60.010 and 2007 c 323 s 1 are each amended to  
8 read as follows:

9 The definitions in this section apply throughout this chapter  
10 unless the context clearly indicates otherwise.

11 (1) "Commission" means the utilities and transportation  
12 commission.

13 (2) "Customer-generator" means a user of a small net metering  
14 system.

15 (3) "Electrical company" means a company owned by investors that  
16 meets the definition of RCW 80.04.010.

17 (4) "Electric cooperative" means a cooperative or association  
18 organized under chapter 23.86 or 24.06 RCW.

19 (5) "Electric utility" means any electrical company, public  
20 utility district, irrigation district, port district, electric  
21 cooperative, or municipal electric utility that is engaged in the  
22 business of distributing electricity to retail electric customers in  
23 the state.

24 (6) "Irrigation district" means an irrigation district under  
25 chapter 87.03 RCW.

26 (7) "Meter aggregation" means the administrative combination of  
27 readings from and billing for all meters, regardless of the rate  
28 class, on premises owned or leased by a customer-generator located  
29 within the service territory of a single electric utility.

30 (8) "Municipal electric utility" means a city or town that owns  
31 or operates an electric utility authorized by chapter 35.92 RCW.

32 (9) "Net metering" means measuring the difference between the  
33 electricity supplied by an electric utility and the electricity  
34 generated by a customer-generator over the applicable billing period.

35 (10) "Small net metering system" means a fuel cell, a facility  
36 that produces electricity and used and useful thermal energy from a  
37 common fuel source, or a facility for the production of electrical  
38 energy that generates renewable energy, and that:



1 (a) Has an electrical generating capacity of not more than one  
2 hundred ninety-nine kilowatts;

3 (b) Is located on the customer-generator's premises;

4 (c) Operates in parallel with the electric utility's transmission  
5 and distribution facilities; and

6 (d) Is intended primarily to offset part or all of the customer-  
7 generator's requirements for electricity.

8 (11) "Premises" means any residential property, commercial real  
9 estate, or lands, owned or leased by a customer-generator within the  
10 service area of a single electric utility.

11 (12) "Port district" means a port district within which an  
12 industrial development district has been established as authorized by  
13 Title 53 RCW.

14 (13) "Public utility district" means a district authorized by  
15 chapter 54.04 RCW.

16 (14) "Renewable energy" means energy generated by a facility that  
17 uses water, wind, solar energy, or biogas from animal waste as a  
18 fuel.

19 (15) "Large net metering system" means a fuel cell, a facility  
20 that produces electricity and used and useful thermal energy from a  
21 common fuel source, or a facility for the production of electrical  
22 energy that generates renewable energy, and that:

23 (a) Has an electrical generating capacity greater than one  
24 hundred ninety-nine kilowatts;

25 (b) Is located on the customer-generator's premises;

26 (c) Operates in parallel with the electric utility's transmission  
27 and distribution facilities; and

28 (d) Is intended primarily to offset part or all of the customer-  
29 generator's requirements for electricity.

30 **Sec. 31.** RCW 80.60.020 and 2007 c 323 s 2 are each amended to  
31 read as follows:

32 (1) An electric utility:

33 (a) ~~((Shall))~~ Except as otherwise provided in subsection (2)(a)  
34 of this section, must offer to make net metering available to  
35 eligible customers-generators with small net metering systems on a  
36 first-come, first-served basis until the cumulative generating  
37 capacity of small net metering systems equals ((0.25)) four percent  
38 of the utility's peak demand during 1996. ((On January 1, 2014, the  
39 cumulative generating capacity available to net metering systems will

1 ~~equal 0.5 percent of the utility's peak demand during 1996.~~) Not  
2 less than one-half of the utility's 1996 peak demand available for  
3 small net metering systems (~~shall~~) must be reserved for the  
4 cumulative generating capacity attributable to small net metering  
5 systems that generate renewable energy for residential rate payers;

6 (b) (~~Shall~~) Must allow small net metering systems to be  
7 interconnected using a standard kilowatt-hour meter capable of  
8 registering the flow of electricity in two directions, unless the  
9 commission, in the case of an electrical company, or the appropriate  
10 governing body, in the case of other electric utilities, determines,  
11 after appropriate notice and opportunity for comment:

12 (i) That the use of additional metering equipment to monitor the  
13 flow of electricity in each direction is necessary and appropriate  
14 for the interconnection of small net metering systems, after taking  
15 into account the benefits and costs of purchasing and installing  
16 additional metering equipment; and

17 (ii) How the cost of purchasing and installing an additional  
18 meter is to be allocated between the customer-generator and the  
19 utility;

20 (c) (~~Shall~~) Must charge the customer-generator a minimum  
21 monthly fee that is the same as other customers of the electric  
22 utility in the same rate class, but (~~shall~~) may not charge the  
23 customer-generator any additional standby, capacity, interconnection,  
24 or other fee or charge unless the commission, in the case of an  
25 electrical company, or the appropriate governing body, in the case of  
26 other electric utilities, determines, after appropriate notice and  
27 opportunity for comment that:

28 (i) The electric utility will incur direct costs associated with  
29 interconnecting or administering small net metering systems that  
30 exceed any offsetting benefits associated with these systems; and

31 (ii) Public policy is best served by imposing these costs on the  
32 customer-generator rather than allocating these costs among the  
33 utility's entire customer base.

34 (2)(a) An electric utility may offer an alternative to net  
35 metering, for all or certain increments of the utility's distribution  
36 system, to customer-generators with small net metering systems after  
37 the electric utility reaches a cumulative generating capacity of  
38 small net metering systems equal to two percent of the utility's peak  
39 demand during 1996 or beginning January 1, 2022, whichever occurs  
40 first.

1 (b) In order to offer an alternative to net metering, the  
2 electric utility must first engage in a distributed energy resources  
3 planning process, for all or certain increments of the utility's  
4 distribution system, that accomplishes the objectives for distributed  
5 energy resources planning processes established under section 22 of  
6 this act.

7 (c) An electric utility must continue to offer net metering, in  
8 accordance with the requirements of this chapter, to a customer-  
9 generator with a small net metering system that is interconnected as  
10 of the effective date of this section. The electric utility may offer  
11 an alternative to net metering under (a) of this subsection if the  
12 property on which an existing net metering system is located is sold  
13 or if the financial responsibility for the electric meter is  
14 transferred to a new customer.

15 (3) An electric utility may offer to make net metering available  
16 to eligible customer-generators with large net metering systems. If  
17 the electric utility chooses to offer to make net metering available  
18 to eligible customer-generators with large net metering systems, the  
19 electric utility:

20 (a) Must allow large net metering systems to be interconnected  
21 using a standard kilowatt-hour meter capable of registering the flow  
22 of electricity in two directions, unless the commission, in the case  
23 of an electrical company, or the appropriate governing body, in the  
24 case of other electric utilities, determines, after appropriate  
25 notice and opportunity for comment:

26 (i) That the use of additional metering equipment to monitor the  
27 flow of electricity in each direction is necessary and appropriate  
28 for the interconnection of large net metering systems, after taking  
29 into account the benefits and costs of purchasing and installing  
30 additional metering equipment; and

31 (ii) How the cost of purchasing and installing an additional  
32 meter is to be allocated between the customer-generator and the  
33 utility; and

34 (b) Must charge the customer-generator a minimum monthly fee that  
35 is the same as other customers of the electric utility in the same  
36 rate class, but may not charge the customer-generator any additional  
37 standby, capacity, interconnection, or other fee or charge unless the  
38 commission, in the case of an electrical company, or the appropriate  
39 governing body, in the case of other electric utilities, determines,  
40 after appropriate notice and opportunity for comment that:

1 (i) The electric utility will incur direct costs associated with  
2 interconnecting or administering large net metering systems that  
3 exceed any offsetting benefits associated with these systems; and

4 (ii) Public policy is best served by imposing these costs on the  
5 customer-generator rather than allocating these costs among the  
6 utility's entire customer base.

7 (4) An electric utility may offer an alternative to net metering  
8 to customer-generators with large net metering systems beginning  
9 January 1, 2019, in accordance with the same distributed energy  
10 resources planning requirements specified under subsection (2) of  
11 this section.

12 (5) If a production meter and software is required by the  
13 electric utility to provide meter aggregation under RCW 80.60.030(4),  
14 the customer-generator is responsible for the purchase of the  
15 production meter and software.

16 **Sec. 32.** RCW 80.60.030 and 2007 c 323 s 3 are each amended to  
17 read as follows:

18 Consistent with the other provisions of this chapter, the net  
19 energy measurement must be calculated in the following manner:

20 (1) The electric utility (~~shall~~) must measure the net  
21 electricity produced or consumed during the billing period, in  
22 accordance with normal metering practices.

23 (2) If the electricity supplied by the electric utility exceeds  
24 the electricity generated by the customer-generator and fed back to  
25 the electric utility during the billing period, the customer-  
26 generator (~~shall~~) must be billed for the net electricity supplied  
27 by the electric utility, in accordance with normal metering  
28 practices.

29 (3) If electricity generated by the customer-generator exceeds  
30 the electricity supplied by the electric utility, the customer-  
31 generator:

32 (a) (~~shall~~) Must be billed for the appropriate customer charges  
33 for that billing period, in accordance with RCW 80.60.020; and

34 (b) (~~shall~~) Must be credited for the excess kilowatt-hours  
35 generated during the billing period, with this kilowatt-hour credit  
36 appearing on the bill for the following billing period.

37 (4) If a customer-generator requests, an electric utility  
38 (~~shall~~) must provide meter aggregation.

1 (a) For customer-generators participating in meter aggregation,  
2 kilowatt-hours credits earned by a small net metering system during  
3 the billing period first (~~shall~~) must be used to offset electricity  
4 supplied by the electric utility.

5 (b) Not more than a total of one hundred kilowatts (~~shall~~) may  
6 be aggregated among all customer-generators participating in a  
7 generating facility under this subsection.

8 (c) Excess kilowatt-hours credits earned by the small net  
9 metering system, during the same billing period, (~~shall~~) must be  
10 credited equally by the electric utility to remaining meters located  
11 on all premises of a customer-generator at the designated rate of  
12 each meter.

13 (d) Meters so aggregated (~~shall~~) may not change rate classes  
14 due to meter aggregation under this section.

15 (5) On March 31st or April 30th of each calendar year, any  
16 remaining unused kilowatt-hour credit accumulated during the previous  
17 (~~year shall~~) twelve-month period must be granted to the electric  
18 utility, without any compensation to the customer-generator. An  
19 electric utility may use any net metering credits granted under this  
20 subsection to assist qualified low-income residential customers of  
21 the electric utility in paying their electricity bill, if doing so is  
22 found to be cost-effective and feasible.

23 NEW SECTION. Sec. 33. (1) Section 25 of this act takes effect  
24 on the effective date of any act by the legislature that imposes a  
25 tax, fee, or other monetary price on the carbon content of fossil  
26 fuels and electricity sold or used within the state.

27 (2) The utilities and transportation commission must provide  
28 notice of the effective date of section 25 of this act to affected  
29 parties, the chief clerk of the house of representatives, the  
30 secretary of the senate, the office of the code reviser, and others  
31 as deemed appropriate by the commission."

32 Renumber the remaining sections consecutively and correct any  
33 internal references accordingly.

34 On page 42, line 29 of the amendment, after "of this act" strike  
35 "this act"

EFFECT: Establishes a state policy pertaining to distributed  
energy resources planning. Establishes a greenhouse gas planning

adder for certain activities of the Utilities and Transportation Commission (UTC), electrical companies, and gas companies. Authorizes the UTC to regulate electrical and gas companies under an alternative form of regulation. Authorizes the governing board of a municipal electric utility or public utility district to adopt a transportation electrification plan. Increases the maximum electrical generating capacity of systems for which electric utilities are required to make net metering available to 199 kilowatts. Authorizes, but does not require, electric utilities to offer net metering to customer-generators with systems larger than 199 kilowatts. Increases the minimum net metering threshold for small net metering systems to four percent of the utility's peak demand during 1996. Provides a mechanism by which an electric utility may offer an alternative to net metering.

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