

# HOUSE BILL REPORT

## EHB 1126

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**As Passed House:**  
March 11, 2019

**Title:** An act relating to enabling electric utilities to prepare for the distributed energy future.

**Brief Description:** Enabling electric utilities to prepare for the distributed energy future.

**Sponsors:** Representatives Morris, Ryu, Wylie, Kloba and Young.

**Brief History:**

**Committee Activity:**

Environment & Energy: 1/21/19, 1/31/19 [DP].

**Floor Activity:**

Passed House: 3/11/19, 96-0.

**Brief Summary of Engrossed Bill**

- Establishes a declaration of state policy that any distributed energy resources planning process engaged in by an electric utility should accomplish certain goals.
- Requires the Legislature to conduct an initial review of the state's policy pertaining to distributed energy resources by January 1, 2023, and a full review by January 1, 2026, and every four years thereafter.

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### HOUSE COMMITTEE ON ENVIRONMENT & ENERGY

**Majority Report:** Do pass. Signed by 8 members: Representatives Fitzgibbon, Chair; Lekanoff, Vice Chair; DeBolt, Doglio, Fey, Mead, Peterson and Shewmake.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Shea, Ranking Minority Member; Dye, Assistant Ranking Minority Member.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Boehnke.

**Staff:** Nikkole Hughes (786-7156).

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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:**

### Electric Utility Resource Planning.

An investor-owned or consumer-owned electric utility with more than 25,000 customers in the state must develop an Integrated Resource Plan (IRP). All other utilities in the state must file either an IRP or a less detailed resource plan.

The minimum required components of an IRP include:

- a range of forecasts of projected customer demand for at least the next 10 years;
- a comparative evaluation of renewable and nonrenewable generating resources, including transmission and distribution delivery costs, and conservation and efficiency resources using "lowest reasonable cost" as a criterion; and
- the integration of the demand forecasts and resource evaluation into a long-range assessment describing the mix of supply-side generating resources and conservation and efficiency resources that will meet current and projected needs, including mitigating overgeneration events, at the lowest reasonable cost and risk to the utility and its ratepayers.

An electric utility must update its IRP at least every four years or its resource plan at least every two years.

### Distributed Energy Resources Planning.

The 2017-2019 Operating Budget directed the Utilities and Transportation Commission (UTC) to, by December 31, 2017, report findings and recommendations to the energy committees of the Legislature on best practices and policies for electric utilities to develop distributed energy resources plans. The UTC was required to include in its report a review of policies and practices for distributed energy resources planning in other states, an inventory of current utility distribution planning practices and capabilities in Washington, and recommendations for using distributed energy resources planning to inform utility IRPs.

In its 2017 report to the Legislature, the UTC recommended that any distributed energy resources planning policies adopted by the Legislature be broad and flexible, and suggested 10 best practices for distributed energy resources planning.

## **Summary of Engrossed Bill:**

The Legislature declares it to be the policy of Washington that any distributed energy resources planning process engaged in by an electric utility in the state should accomplish certain goals, including:

- identifying the data gaps that impede a robust planning process as well as any upgrades needed to obtain data that would allow the electric utility to quantify the locational and temporal value of resources on the distribution system;
- identifying potential programs that are cost-effective and tariffs to fairly compensate customers for the value of their distributed energy resources, including benefits and any related implementation and integration costs of distributed energy resources, and enable their optimal usage while also ensuring reliability of electricity service; and
- providing, at a minimum, a 10-year plan for distribution system investments and an analysis of nonwires alternatives for major transmission and distribution investments.

The electric utility must also identify in a distribution system investment plan the sources of information it relied upon, including peer-reviewed science. Any cost-benefit analysis conducted as part of the plan must also include at least one pessimistic scenario constructed from reasonable assumptions and modeling choices that would produce comparatively high probable costs and comparatively low probable benefits, and at least one optimistic scenario constructed from reasonable assumptions and modeling choices that would produce comparatively low probable costs and comparatively high probable benefits.

To ensure that procurement decisions are based on current cost and performance data for distributed energy resources, an electric utility may procure cost-effective distributed energy resource needs as identified in any distributed energy resources plan through a process that is price-based and technology neutral.

By January 1, 2023, the Legislature must conduct an initial review of the state's policy pertaining to distributed energy resources planning. By January 1, 2026, and every four years thereafter, the Legislature must conduct a full review of the policy and determine how many electric utilities in the state have engaged or are engaging in a distributed energy resources planning process, whether the process has met the goals specified by the state's policy, and whether these goals need to be expanded or amended.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) This bill embodies the recommendations of a 2017 Utilities and Transportation Commission report that had broad participation and support by stakeholders. Distributed energy resources (DER) planning allows utilities to avoid expensive capital investments needed to accommodate increased penetration of DERs. The goals outlined in this bill will provide a basis for an apples-to-apples comparison among utilities that are conducting DER planning. This bill provides a solution that is optional and incremental as utilities move on to the next phase of resource planning.

(Opposed) None.

(Other) Avista Utilities was one of the first utilities to engage in robust distribution system planning. The utility engages in DER planning for improvements to the electric system and to meet customer choice as it moves away from the traditional utility business model.

**Persons Testifying:** (In support) Representative Morris, prime sponsor; Kathleen Collins, Pacific Power; Marian Dacca, Tacoma Public Utilities; Laura Wilkeson, Puget Sound Energy; Mendy Droke, Seattle City Light; and Allison Arnold, Solar Installers of Washington.

(Other) John Rothlin, Avista Utilities.

**Persons Signed In To Testify But Not Testifying:** None.