

# HOUSE BILL REPORT

## HB 2586

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**As Reported by House Committee On:**  
Environment & Energy

**Title:** An act relating to the electrification of homes and buildings.

**Brief Description:** Concerning the electrification of homes and buildings.

**Sponsors:** Representatives Ramel, Fitzgibbon, Shewmake, Doglio, Stonier, Mead, Duerr, Lekanoff, Hudgins and Macri.

**Brief History:**

**Committee Activity:**

Environment & Energy: 1/27/20, 2/4/20 [DPS].

**Brief Summary of Substitute Bill**

- Authorizes the governing body of a municipal electric utility or a public utility district to adopt a beneficial electrification plan and offer incentives and other programs to accelerate the beneficial electrification of homes and buildings for the utility's customers.

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### HOUSE COMMITTEE ON ENVIRONMENT & ENERGY

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Fitzgibbon, Chair; Lekanoff, Vice Chair; Doglio, Fey, Mead, Robinson and Shewmake.

**Minority Report:** Do not pass. Signed by 4 members: Representatives DeBolt, Ranking Minority Member; Dye, Assistant Ranking Minority Member; Boehnke and Goehner.

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

**Background:**

Municipal Electric Utilities and Public Utility Districts.

Municipalities are authorized to operate as utilities and set the rates and charges for the provision of water, sewer, electric power, heating fuel, solid waste removal, and

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transportation facility services. Public utility districts (PUDs) are a type of special-purpose district authorized for the purpose of generating and distributing electricity, providing water and sewer services, and providing telecommunications services. A PUD may operate on a countywide basis or may encompass a small jurisdiction. A PUD is governed by a board of either three or five elected commissioners.

Municipal electric utilities are authorized to provide electric service both within and outside of their jurisdictional boundaries. Some municipal electric utilities provide electricity to adjoining areas, both to incorporated cities and to unincorporated areas under county authority.

A PUD may build and operate generation, distribution, and transmission facilities, both within and outside the county boundary, to furnish electricity to the county's inhabitants or other persons, provided that such activity is reasonably related to the PUD's core purpose of serving its own customers. If a PUD wants to build utility plant inside a city or town, the city's governing body must consent to the service and approve the plan for construction.

#### Electrification.

Substitute House Bill 1512 (Chapter 109, Laws of 2019) authorizes the governing body of a municipal electric utility or a PUD to adopt an electrification of transportation plan that, at a minimum, establishes a finding that utility outreach and investment in the electrification of transportation infrastructure does not increase net costs to ratepayers in excess of 0.25 percent.

Upon making a net cost determination, a municipal electric utility or a PUD may offer incentive programs in transportation electrification for its customers, including the promotion of electric vehicle adoption and advertising programs that promote the utility's services, incentives, or rebates.

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#### **Summary of Substitute Bill:**

The governing body of a municipal electric utility or public utility district (PUD) may adopt a beneficial electrification plan that establishes a finding that utility outreach and investment in the electrification of homes and buildings will provide net benefits to its customers. Prior to adopting a beneficial electrification plan, the governing body must request the input of any natural gas company serving customers in the utility's service area on the development of the plan.

A beneficial electrification plan must identify options and program schedules for the electrification of various energy end uses or other energy sources.

In adopting a beneficial electrification plan, the governing body must determine that the sum of the benefits of an electrification option equals or exceeds the sum of its costs. As part of this determination, the governing body may differentiate the level of benefits and costs accrued to highly impacted communities and vulnerable populations in the utility's service area, as those terms are defined in the Washington Clean Energy Transformation Act.

The benefits for beneficial electrification considered by a governing body may include, but are not limited to:

- utility revenue from increased retail load from beneficial electrification;
- distribution system efficiencies resulting from demand response or other load management opportunities;
- system reliability improvements;
- the opportunity for indoor and outdoor air quality benefits; and
- the opportunity for greenhouse gas emissions reductions.

The costs of beneficial electrification considered by a governing body must include, but are not limited to:

- the electricity, which must be demonstrated to have a lower greenhouse gas emissions profile than direct-use and highly efficient natural gas, used to serve the increased retail load from beneficial electrification;
- any conservation measures used to offset load impacts of beneficial electrification;
- any upgrades to the utility's distribution system or load management practices and equipment made necessary by the increased retail load; and
- the cost of the incentive, advertising, or other inducements used to encourage customers to electrify an energy end use currently served by a different fuel source.

A municipal electric utility or PUD may, upon making a net-benefit determination, offer incentives and other programs to accelerate the beneficial electrification of homes and buildings for its customers, including the promotion of electrically powered equipment, advertising, educational programs, and customer incentives or rebates. A utility offering such incentives and other programs must, when practical, prioritize service to highly impacted communities in the electric utility's service area.

"Beneficial electrification" means electrification of an energy end use in a way that provides a net benefit to the utility or utility customers.

Nothing in the authority to engage in beneficial electrification limits the existing authority of a municipal electric utility or PUD to offer incentives and other programs to accelerate the electrification of homes and buildings for its customers if such electrification is in the direct economic interest of the electric utility or its customers.

#### **Substitute Bill Compared to Original Bill:**

The substitute bill:

- authorizes the governing body of a municipal electric utility or public utility district (PUD) to adopt a beneficial electrification plan that establishes a finding that utility outreach and investment in the electrification of homes and buildings will provide net benefits to its customers;
- requires the governing body of a municipal electric utility or PUD to request the input of any natural gas company serving customers in the utility's service area on the development of a beneficial electrification plan prior to its adoption;
- requires a beneficial electrification plan to identify options and program schedules for the electrification of various energy end uses or other energy sources;

- requires the governing body to determine that the sum of the benefits of an electrification option equals or exceeds the sum of its costs;
  - requires the electricity identified in a beneficial electrification cost-benefit analysis as serving the increased retail load to be demonstrated to have a lower greenhouse gas emissions profile than direct-use and highly efficient natural gas; and
  - amends the definition of "beneficial electrification."
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**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Staff Summary of Public Testimony:**

(In support) The electric grid of the state is going to become cleaner and cleaner every year since the enactment of the Washington Clean Energy Transformation Act. Private utilities can currently offer incentives to their customers for new, efficient electric heat pumps, regardless of the fuel source of their current heating system. This bill allows all retail electric customers to receive help for electrification. This bill only creates options, not mandates. It provides additional consumer choices and allows the state's utilities to plan for building electrification in a way that makes sense for the grid. The electrification of the buildings sector is crucial for meeting the state's greenhouse gas reduction targets. Municipal utilities and public utility districts need to be empowered to participate in the state's energy transformation.

(Opposed) This bill does not contain an adequate cost-benefit analysis for justifying electrification incentives and programs. This bill does not include the process that would be required to ensure that building electrification is indeed beneficial. Customers of dual-fuel utilities choose to use natural gas for home heating. Natural gas utilities are already in the process of offering voluntary renewable natural gas tariffs for their customers, at the direction of the Legislature. The definition of "beneficial electrification" included in the bill does not take into consideration least-cost alternatives. There is some concern about the long-term impact of electric resource adequacy in the regional market. Direct-use natural gas consumption in the state comprises about the equivalent of eight hydroelectric plants. Washington is a winter-peaking state, which is incompatible with most variable renewable resources. There would be a significant impact on the electric sector if electrification happens too quickly and all at once. The public interest standard is not appropriate for utility activities. Public utility districts and municipal utilities are constitutionally prohibited from gifts of public funds or lending of credit. The Constitution explicitly prohibits fuel switching in the context of otherwise permitted conservation activities. This bill may have unintended consequences by altering the operational dynamic between public and private utilities.

**Persons Testifying:** (In support) Representative Ramel, prime sponsor; Kelly Hall, Climate Solutions; Kirsten Smith, American Institute of Architects; Jesse Piedfort, Sierra Club,

Washington State Chapter; and Glen Blackmon, Washington Department of Commerce – State Energy Office.

(Opposed) Mel Sorensen, Pacific Propane Gas Association; Brandon Houskeeper, Puget Sound Energy; Charlie Brown, Northwest Natural Gas and Cascade Natural Gas; Nicolas Garcia, Washington Public Utility District Association; John Rothlin, Avista; and Peter Godlewski, Association of Washington Business.

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