
ENGROSSED HOUSE BILL 1126

State of Washington

66th Legislature

2019 Regular Session

By Representatives Morris, Ryu, Wylie, Kloba, and Young

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1 AN ACT Relating to enabling electric utilities to prepare for the
2 distributed energy future; and adding a new section to chapter 19.280
3 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 19.280
6 RCW to read as follows:

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

1 technologies for low-income and other underrepresented customer
2 populations.

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

6 (a) Identify the data gaps that impede a robust planning process
7 as well as any upgrades, such as but not limited to advanced metering
8 and grid monitoring equipment, enhanced planning simulation tools,
9 and potential cooperative efforts with other utilities in developing
10 tools needed to obtain data that would allow the electric utility to
11 quantify the locational and temporal value of resources on the
12 distribution system;

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

16 (c) Identify potential programs that are cost-effective and
17 tariffs to fairly compensate customers for the actual monetizable
18 value of their distributed energy resources, including benefits and
19 any related implementation and integration costs of distributed
20 energy resources, and enable their optimal usage while also ensuring
21 reliability of electricity service, such as programs benefiting low-
22 income customers;

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

25 (e) Provide, at a minimum, a ten-year plan for distribution
26 system investments and an analysis of nonwires alternatives for major
27 transmission and distribution investments as deemed necessary by the
28 governing body, in the case of a consumer-owned utility, or the
29 commission, in the case of an investor-owned utility. This plan
30 should include a process whereby near-term assumptions, any pilots or
31 procurements initiated in accordance with subsection (3) of this
32 section or data gathered via current market research into a similar
33 type of utility or other cost/benefit studies, regularly inform and
34 adjust the long-term projections of the plan. The goal of the plan
35 should be to provide the most affordable investments for all
36 customers and avoid reactive expenditures to accommodate
37 unanticipated growth in distributed energy resources. An analysis
38 that fairly considers wire-based and nonwires alternatives on equal
39 terms is foundational to achieving this goal. The electric utility
40 should be financially indifferent to the technology that is used to

1 meet a particular resource need. The distribution system investment
2 planning process should utilize a transparent approach that involves
3 opportunities for stakeholder input and feedback. The electric
4 utility must identify in the plan the sources of information it
5 relied upon, including peer-reviewed science. Any cost-benefit
6 analysis conducted as part of the plan must also include at least one
7 pessimistic scenario constructed from reasonable assumptions and
8 modeling choices that would produce comparatively high probable costs
9 and comparatively low probable benefits, and at least one optimistic
10 scenario constructed from reasonable assumptions and modeling choices
11 that would produce comparatively low probable costs and comparatively
12 high probable benefits;

13 (f) Include the distributed energy resources identified in the
14 plan in the electric utility's integrated resource plan developed
15 under this chapter. Distribution system plans should be used as
16 inputs to the integrated resource planning process. Distributed
17 energy resources may be used to meet system needs when they are not
18 needed to meet a local distribution need. Including select
19 distributed energy resources in the integrated resource planning
20 process allows those resources to displace or delay system resources
21 in the integrated resource plan;

22 (g) Include a high level discussion of how the electric utility
23 is adapting cybersecurity and data privacy practices to the changing
24 distribution system and the internet of things, including an
25 assessment of the costs associated with ensuring customer privacy;
26 and

27 (h) Include a discussion of lessons learned from the planning
28 cycle and identify process and data improvements planned for the next
29 cycle.

30 (3) To ensure that procurement decisions are based on current
31 cost and performance data for distributed energy resources, a utility
32 may procure cost-effective distributed energy resource needs as
33 identified in any distributed energy resources plan through a process
34 that is price-based and technology neutral. Electric utilities should
35 consider using competitive procurements tailored to meet a specific
36 need, which may increase the utility's ability to identify the lowest
37 cost and most efficient means of meeting distribution system needs.
38 If the projected cost of a procurement is more than the calculated
39 system net benefit of the identified distributed energy resources,
40 the governing body, in the case of a consumer-owned utility, or the

1 commission, in the case of an investor-owned utility, may approve a
2 pilot process by which the electric utility will gain a better
3 understanding of the costs and benefits of a distributed energy
4 resource or resources.

5 (4) By January 1, 2023, the legislature shall conduct an initial
6 review of the state's policy pertaining to distributed energy
7 resources planning under this chapter. By January 1, 2026, and every
8 four years thereafter, the legislature shall conduct a full review of
9 the policy and determine how many electric utilities in the state
10 have engaged in or are engaging in a distributed energy resources
11 planning process, whether the process has met the eight goals
12 specified under subsection (2) of this section, and whether these
13 goals need to be expanded or amended.

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