CERTIFICATION OF ENROLLMENT

ENGROSSED HOUSE BILL 1126

66th Legislature
2019 Regular Session

Passed by the House March 11, 2019
Yeas 96 Nays 0

Speaker of the House of Representatives

Passed by the Senate April 15, 2019
Yeas 46 Nays 2

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED HOUSE BILL 1126** as passed by House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

FILED

Secretary of State
State of Washington

ENGROSSED HOUSE BILL 1126

Passed Legislature - 2019 Regular Session

State of Washington 66th Legislature 2019 Regular Session

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

Prefiled 01/11/19. Read first time 01/14/19. Referred to Committee on Environment & Energy.

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

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

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

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

technologies for low-income and other underrepresented customer populations.

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

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

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

(c) Identify potential programs that are cost-effective and tariffs to fairly compensate customers for the actual monetizable 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, such as programs benefiting low-income customers;

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

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

meet a particular resource need. The distribution system investment planning process should utilize a transparent approach that involves opportunities for stakeholder input and feedback. The electric utility must identify in the 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;

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

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

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

(3) To ensure that procurement decisions are based on current cost and performance data for distributed energy resources, a 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. Electric utilities should consider using competitive procurements tailored to meet a specific need, which may increase the utility's ability to identify the lowest cost and most efficient means of meeting distribution system needs. If the projected cost of a procurement is more than the calculated system net benefit of the identified distributed energy resources, the governing body, in the case of a consumer-owned utility, or the

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

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

--- END ---