

SHB 1589 - H AMD 340

By Representative Doglio

ADOPTED 03/06/2023

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** (1) The legislature finds that the
4 state's gas and electrical companies face transformational change
5 brought on by new technology, emerging opportunities for customers,
6 and state clean energy laws. Chapter 19.405 RCW, the Washington clean
7 energy transformation act, and chapter 70A.65 RCW, the Washington
8 climate commitment act, mean these companies must find innovative and
9 creative solutions to equitably serve their customers, provide clean
10 energy, reduce emissions, and keep rates fair, just, reasonable, and
11 sufficient.

12 (2) Gas companies with over 500,000 customers that are also
13 electrical companies, or combination utilities, play an important
14 role in providing affordable and reliable heating and other energy
15 services, and in leading the implementation of state climate
16 policies. As the state transitions to cleaner sources of energy,
17 combination utilities are an important partner in helping their
18 customers make smart energy choices, and actively supporting the
19 replacement of fossil fuel-based space and water heating equipment
20 and other fossil fuel-based equipment with high-efficiency
21 nonemitting equipment. Programs to accelerate the adoption of
22 efficient, nonemitting appliances have the potential to allow
23 combination utilities to optimize the use of energy infrastructure,
24 improve the management of energy loads, better manage the integration
25 of variable renewable energy resources, reduce greenhouse gas
26 emissions from the buildings sector, mitigate the environmental
27 impacts of utility operations and power purchases, and improve health
28 outcomes for occupants. Legislative clarity is important for
29 utilities to offer programs and services, including incentives, in
30 the decarbonization of homes and buildings for their customers.

31 (3) In order to meet the statewide greenhouse gas limits in the
32 energy sectors of the economy, more resources must be directed toward

1 achieving decarbonization of residential and commercial heating loads
2 and other loads that are served with fossil fuels, while continuing
3 to protect customers, especially low-income customers and vulnerable
4 communities. The legislature finds that regulatory innovation may be
5 needed to remove barriers that combination utilities may face to meet
6 the state's public policy objectives and expectations. The enactment
7 of chapter 188, Laws of 2021 (Engrossed Substitute Senate Bill No.
8 5295) began that regulatory transition from traditional cost-of-
9 service regulation, with investor-owned gas and electrical companies
10 using forward-looking multiyear rate plans and taking steps toward
11 performance-based regulation. These steps are intended to provide
12 certainty and stability to both customers and to investor-owned gas
13 and electrical companies, aligning public policy objectives with
14 investments, safety, and reliability.

15 (4) The legislature finds that as Washington transitions to 100
16 percent clean electricity and as the state implements the Washington
17 climate commitment act, switching from fossil fuel-based heating
18 equipment and other fossil fuel-based appliances to high-efficiency
19 nonemitting equipment will reduce climate impacts and fuel price
20 risks for customers in the long term. This new paradigm requires a
21 thoughtful transition to decarbonize the energy system to ensure that
22 customers are protected, are not subject to sudden price shocks, and
23 continue to receive needed energy services. This transition will
24 require careful and integrated planning across utilities and with
25 customers as well as new regulatory tools.

26 (5) It is the intent of the legislature to require combination
27 utilities to decarbonize their systems by: (a) Prioritizing efficient
28 and cost-effective measures to transition customers off of the direct
29 use of fossil fuels at the lowest reasonable cost to customers; (b)
30 investing in the energy supply, storage, delivery, and demand-side
31 resources that will be needed to serve any increase in electrical
32 demand affordably and reliably; (c) maintaining safety and
33 reliability as the gas system undergoes transformational changes; (d)
34 integrating zero-carbon and carbon-neutral fuels to serve high heat
35 and industrial loads where electrification may not be technically
36 feasible; (e) managing peak demand of the electric system; and (f)
37 ensuring an equitable distribution of benefits to, and reduction of
38 burdens for, overburdened communities that have historically been
39 underserved by utility energy efficiency programs, and may be

1 disproportionately impacted by rising fuel and equipment costs or
2 experience high energy burden.

3 (6) It is the intent of the legislature to support this
4 transition by adopting requirements for combination utilities to
5 conduct integrated system planning to develop specific actions
6 supporting gas system decarbonization and electrification.

7 **Sec. 2.** RCW 80.28.010 and 2011 c 214 s 11 are each amended to
8 read as follows:

9 (1) All charges made, demanded, or received by any gas company,
10 electrical company, wastewater company, or water company for gas,
11 electricity or water, or for any service rendered or to be rendered
12 in connection therewith, shall be just, fair, reasonable and
13 sufficient. Reasonable charges necessary to cover the cost of
14 administering the collection of voluntary donations for the purposes
15 of supporting the development and implementation of evergreen
16 community management plans and ordinances under RCW 80.28.300 must be
17 deemed as prudent and necessary for the operation of a utility.

18 (2) (a) Every gas company, electrical company, wastewater company,
19 and water company shall furnish and supply such service,
20 instrumentalities and facilities as shall be safe, adequate and
21 efficient, and in all respects just and reasonable.

22 (b) No large gas company that serves more than 500,000 retail
23 natural gas customers in the state of Washington on June 30, 2023,
24 may furnish or supply gas service, instrumentalities, and facilities
25 to any commercial or residential location that did not receive gas
26 service or did not file applications for gas service as of June 30,
27 2023.

28 (c) The prohibition in (b) of this subsection does not apply to
29 facilities engaged in one or more manufacturing processes described
30 by North American industry classification system codes beginning with
31 31, 32, or 33.

32 (d) The prohibition in (b) of this subsection does not apply to
33 the following facilities until January 1, 2040:

34 (i) Facilities with building occupancies classified as
35 institutional I-2 (medical care facilities) or I-3 (correctional
36 facilities) pursuant to the international building code, that are
37 required by federal or state regulation to have redundant emergency
38 backup power generation systems; and

1 (ii) Facilities owned or operated by the United States department
2 of defense that utilize reciprocating internal combustion engine
3 generators that support energy resilience, energy security, and
4 energy efficiency initiatives.

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

9 (4) Utility service for residential space heating shall not be
10 terminated between November 15th through March 15th if the customer:

11 (a) Notifies the utility of the inability to pay the bill,
12 including a security deposit. This notice should be provided within
13 five business days of receiving a payment overdue notice unless there
14 are extenuating circumstances. If the customer fails to notify the
15 utility within five business days and service is terminated, the
16 customer can, by paying reconnection charges, if any, and fulfilling
17 the requirements of this section, receive the protections of this
18 chapter;

19 (b) Provides self-certification of household income for the prior
20 twelve months to a grantee of the department of commerce, which
21 administers federally funded energy assistance programs. The grantee
22 shall determine that the household income does not exceed the maximum
23 allowed for eligibility under the state's plan for low-income energy
24 assistance under 42 U.S.C. 8624 and shall provide a dollar figure
25 that is seven percent of household income. The grantee may verify
26 information provided in the self-certification;

27 (c) Has applied for home heating assistance from applicable
28 government and private sector organizations and certifies that any
29 assistance received will be applied to the current bill and future
30 utility bills;

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

34 (e) Agrees to a payment plan and agrees to maintain the payment
35 plan. The plan will be designed both to pay the past due bill by the
36 following October 15th and to pay for continued utility service. If
37 the past due bill is not paid by the following October 15th, the
38 customer is not eligible for protections under this chapter until the
39 past due bill is paid. The plan may not require monthly payments in
40 excess of seven percent of the customer's monthly income plus one-

1 twelfth of any arrearage accrued from the date application is made
2 and thereafter during November 15th through March 15th. A customer
3 may agree to pay a higher percentage during this period, but shall
4 not be in default unless payment during this period is less than
5 seven percent of monthly income plus one-twelfth of any arrearage
6 accrued from the date application is made and thereafter. If
7 assistance payments are received by the customer subsequent to
8 implementation of the plan, the customer shall contact the utility to
9 reformulate the plan; and

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

11 (5) The utility shall:

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

15 (b) Assist the customer in fulfilling the requirements under this
16 section;

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

20 (d) Be permitted to disconnect service if the customer fails to
21 honor the payment program. Utilities may continue to disconnect
22 service for those practices authorized by law other than for
23 nonpayment as provided for in this subsection. Customers who qualify
24 for payment plans under this section who default on their payment
25 plans and are disconnected can be reconnected and maintain the
26 protections afforded under this chapter by paying reconnection
27 charges, if any, and by paying all amounts that would have been due
28 and owing under the terms of the applicable payment plan, absent
29 default, on the date on which service is reconnected; and

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

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

35 (7) Every gas company and electrical company shall offer
36 residential customers the option of a budget billing or equal payment
37 plan. The budget billing or equal payment plan shall be offered low-
38 income customers eligible under the state's plan for low-income
39 energy assistance prepared in accordance with 42 U.S.C. 8624(C)(1)
40 without limiting availability to certain months of the year, without

1 regard to the length of time the customer has occupied the premises,
2 and without regard to whether the customer is the tenant or owner of
3 the premises occupied.

4 (8) Every gas company, electrical company, wastewater company,
5 and water company shall construct and maintain such facilities in
6 connection with the manufacture and distribution of its product, or
7 provision of its services, as will be efficient and safe to its
8 employees and the public.

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

12 (10) In establishing rates or charges for water service, water
13 companies as defined in RCW 80.04.010 may consider the achievement of
14 water conservation goals and the discouragement of wasteful water use
15 practices.

16 **Sec. 3.** RCW 80.28.110 and 2021 c 65 s 97 are each amended to
17 read as follows:

18 ((Every)) Except for a large gas company pursuant to RCW
19 80.28.010(2)(b), every gas company, electrical company, wastewater
20 company, or water company, engaged in the sale and distribution of
21 gas, electricity or water or the provision of wastewater company
22 services, shall, upon reasonable notice, furnish to all persons and
23 corporations who may apply therefor and be reasonably entitled
24 thereto, suitable facilities for furnishing and furnish all available
25 gas, electricity, wastewater company services, and water as demanded,
26 except that a water company may not furnish water contrary to the
27 provisions of water system plans approved under chapter 43.20 or
28 70A.100 RCW and wastewater companies may not provide services
29 contrary to the approved general sewer plan.

30 NEW SECTION. **Sec. 4.** The definitions in this section apply
31 throughout this chapter unless the context clearly requires
32 otherwise.

33 (1) "Alternative energy resource" means biogas, renewable natural
34 gas, renewable syngas, renewable hydrogen, carbon dioxide removal,
35 carbon-free district energy, any electrification programs approved as
36 part of an electrification plan pursuant to section 5 of this act,
37 and any carbon-neutral fuel as defined in statute.

1 (2) "Carbon dioxide equivalent" has the same meaning as defined
2 in RCW 70A.65.010.

3 (3) "Carbon-free district energy" means a network of hot water
4 pipes and cold water pipes used to provide thermal energy to multiple
5 buildings that does not result in the emissions of greenhouse gases.

6 (4) "Combination utility" means a public service company that is
7 both an electrical company and a large gas company that serves more
8 than 800,000 retail electric customers and 500,000 retail natural gas
9 customers in the state of Washington as of June 30, 2023.

10 (5) "Commission" means the utilities and transportation
11 commission.

12 (6) "Cost-effective" means that a project or resource is
13 forecast:

14 (a) To be reliable and available within the time it is needed;
15 and

16 (b) To reduce greenhouse gas emissions and meet or reduce the
17 energy demand or supply an equivalent level of energy service to the
18 intended customers at an estimated incremental system cost no greater
19 than that of the least-cost similarly reliable and available
20 alternative project or resource, or any combination thereof,
21 including the cost of compliance with chapter 70A.65 RCW, based on
22 the forward allowance ceiling price of allowances approved by the
23 department of ecology under RCW 70A.65.160.

24 (7) "Costs of greenhouse gas emissions" means the costs of
25 greenhouse gas emissions established in RCW 80.28.395.

26 (8) "Electrical company" has the same meaning as provided in RCW
27 80.04.010.

28 (9)(a) "Electrification" means the installation of electric end-
29 use equipment.

30 (b) Electrification programs may include, but are not limited to,
31 programs that facilitate the installation of electric air-source heat
32 pumps with gas backups in existing buildings. However, electric air-
33 source heat pumps with gas backups may not be part of any plan filed
34 after 2030.

35 (10) "Emissions baseline" means the actual cumulative greenhouse
36 gas emissions of a combination utility, calculated pursuant to
37 chapter 70A.65 RCW, for the five-year period beginning January 1,
38 2015, and ending December 31, 2019.

1 (11) "Emissions reduction period" means one of five periods of
2 five calendar years each, with the five periods beginning on January
3 1st of calendar years 2030, 2035, 2040, 2045, and 2050, respectively.

4 (12) "Emissions reduction target" means a targeted reduction of
5 projected cumulative greenhouse gas emissions of a combination
6 utility approved by the commission for an emissions reduction period
7 that is at least as stringent as the limits established in RCW
8 70A.45.020.

9 (13) "Gas company" has the same meaning as provided in RCW
10 80.04.010.

11 (14) "Greenhouse gas" has the same meaning as provided in RCW
12 70A.45.010.

13 (15) "Low-income" has the same meaning as provided in RCW
14 19.405.020.

15 (16) "Multiyear rate plan" means a multiyear rate plan of a gas
16 company filed with the commission pursuant to RCW 80.28.425.

17 (17) "Natural gas" has the same meaning as provided in RCW
18 19.405.020.

19 (18) "Overburdened community" has the same meaning as provided in
20 RCW 70A.65.010.

21 (19) "Renewable hydrogen" has the same meaning as provided in RCW
22 19.405.020.

23 (20) "Renewable natural gas" has the same meaning as provided in
24 RCW 19.405.020.

25 (21) "Renewable resource" has the same meaning as provided in RCW
26 19.405.020.

27 (22) "System cost" means an estimate of all direct costs of a
28 project or resource over its effective life including, if applicable:
29 The costs of transmission and distribution to the customers; waste
30 disposal costs; permitting, siting, mitigation, and end-of-cycle
31 decommissioning and remediation costs; fuel costs, including
32 projected increases; resource integration and balancing costs; and
33 such quantifiable environmental costs and benefits and other energy
34 and nonenergy benefits as are directly attributable to the project or
35 resource, including flexibility, resilience, reliability, greenhouse
36 gas emissions reductions, and air quality.

37 NEW SECTION. **Sec. 5.** (1) The legislature finds that utilities
38 are subject to a range of reporting and planning requirements as part
39 of the clean energy transition. To reduce regulatory barriers,

1 achieve equitable and transparent outcomes, and integrate planning
2 requirements, the commission may consolidate planning requirements
3 into a single integrated system plan that is approved by the
4 commission.

5 (a) By September 1, 2023, the commission shall initiate a process
6 to consolidate planning requirements and to waive any commission
7 rules necessary to facilitate an integrated system plan.

8 (b) The commission shall issue a notice and request for comment
9 and shall hold a public comment hearing.

10 (c) In its order approving the consolidation of planning
11 requirements, the commission shall include a compliance checklist and
12 shall provide any additional guidance that is necessary to ensure
13 that the integrated system plan meets the minimum requirements of all
14 relevant statutes and rules.

15 (2) Subject to approval by the commission pursuant to subsection
16 (1) of this section, by January 1, 2026, and every four years
17 thereafter, a combination utility shall file an integrated system
18 plan demonstrating how the combination utility plans to:

19 (a) Achieve its obligations under chapters 19.280, 19.405,
20 19.285, and 70A.65 RCW, RCW 80.28.380, and existing pipeline safety
21 and replacement plans;

22 (b) Achieve gas utility and electric utility emissions reductions
23 equal to their proportional share of emissions reductions required
24 under RCW 70A.45.020;

25 (c) Maximize investments of revenues generated from consigning
26 allowances pursuant to chapter 70A.65 RCW in programs that
27 incentivize a transition to electric heat pumps and other electric
28 appliances, conservation and efficiency services, and other programs
29 that aid in the transition from the direct use of fossil fuels; and

30 (d) Comply with any other obligations under applicable rules,
31 regulations, or laws.

32 (3) In addition, an integrated system plan filed pursuant to this
33 section must:

34 (a) Include an emissions reduction target;

35 (b) Present and evaluate a range of resource portfolios and
36 proposed programs to advance clean energy and gas decarbonization
37 measures for customers that align with achieving the gas utility's
38 proportional share of emissions reductions required under RCW
39 70A.45.020. At a minimum, the range of resource portfolios presented
40 and evaluated by a combination utility must include:

- 1 (i) A portfolio of resources that uses cost-effective alternative
2 energy resources to the maximum practicable extent, which may include
3 leak reductions approved by the commission, and that meets the
4 identified emissions reduction targets;
- 5 (ii) Other portfolios requested by stakeholders;
- 6 (iii) Other portfolios at the combination utility's discretion;
- 7 and
- 8 (iv) Other portfolios as directed by the commission;
- 9 (c) Include programs targeted to low-income customers, vulnerable
10 populations, and overburdened communities;
- 11 (d) Include outreach plans for engagement with all customers, but
12 prioritizing low-income customers, vulnerable populations, and
13 overburdened communities to develop programs to support those
14 customers in every phase of the programs in the combination utility's
15 integrated system plan, including through incentives offered to
16 multifamily buildings occupied in full or in part by low-income
17 households;
- 18 (e) Prioritize investments that benefit, and reduce burdens to,
19 low-income customers, vulnerable populations, and overburdened
20 communities;
- 21 (f) Prioritize investments in energy efficiency, demand response,
22 and energy conservation measures, which must achieve at least:
- 23 (i) Two percent of electric load annually with conservation and
24 energy efficiency resources, unless the commission finds that a
25 higher target is cost-effective; and
- 26 (ii) Annual demand response equal to or greater than 10 percent
27 of winter and summer peak electric demand, unless the commission
28 finds that a higher target is cost-effective;
- 29 (g) Set forth specific actions that the combination utility will
30 take to reduce greenhouse gas emissions to meet the emissions
31 reduction target;
- 32 (h) Quantify projected cumulative greenhouse gas emissions
33 reductions for each emissions reduction period resulting from each
34 portfolio presented in the integrated system plan;
- 35 (i) Propose program budgets resulting from each portfolio
36 presented in the integrated system plan;
- 37 (j) Quantify the cost of implementing each portfolio presented in
38 the integrated system plan;

1 (k) Project annual greenhouse gas emissions reductions that would
2 result if each portfolio presented in the integrated system plan were
3 extended through 2050;

4 (l) Describe the effects of the specific actions and investments
5 of each portfolio presented in the integrated system plan on the
6 safety, reliability, and resilience of the combination utility's
7 energy service;

8 (m) Identify potential changes to depreciation schedules or other
9 actions to align the combination utility's cost recovery with state
10 laws, including reducing greenhouse gas emissions, minimizing costs,
11 and minimizing risks to the combination utility and its customers;

12 (n) Explain the combination utility's analysis of the costs and
13 benefits of an array of alternatives, including the costs of
14 greenhouse gas emissions in the cost-benefit calculations;

15 (o) Describe the monitoring and verification methodology to be
16 used in reporting; and

17 (p) Include any other information required by the commission.

18 (4) The commission must approve, reject, or approve with
19 conditions the integrated system plan within 12 months of receiving
20 the final plan. Once approved, a combination utility may include an
21 integrated system plan in a proposal for a multiyear rate plan.

22 (a) In determining whether to approve the plan, the commission
23 must evaluate whether the plan is in the public interest. This
24 evaluation includes, but is not limited to, a consideration of:

25 (i) The equitable distribution of energy benefits and reduction
26 of burdens to vulnerable populations and highly impacted communities;

27 (ii) Long-term and short-term public health, economic, and
28 environmental benefits and the reduction of costs and risks; and

29 (iii) Energy security and resiliency.

30 (b) In evaluating whether a proposed integrated system plan is in
31 the public interest, the commission shall take into account the
32 following factors:

33 (i) Whether the specific actions in the integrated system plan
34 achieve reductions in greenhouse gas emissions for each emissions
35 reduction period;

36 (ii) Whether the integrated system plan demonstrates progress
37 toward meeting the emissions reduction targets;

38 (iii) Whether investments in the integrated system plan
39 prioritize serving low-income customers, vulnerable populations, and
40 overburdened communities;

1 (iv) Whether the integrated system plan and the proposed actions
2 in the plan are cost-effective and how the integrated system plan is
3 likely to result in a reasonable cost to customers, where cost-
4 effectiveness is defined in subsection (5) of this section;

5 (v) Whether the integrated system plan maintains system
6 reliability and reduces long-term costs and risks to customers; and

7 (vi) Whether the integrated system plan will lead to new
8 construction career opportunities and prioritizes a transition of
9 natural gas and electricity utility workers to perform work on
10 construction and maintenance of new and existing renewable energy
11 infrastructure.

12 (5) The commission shall establish by rule a cost-effectiveness
13 test for emissions reduction measures taken by combination utilities
14 to comply with state clean energy and climate policies.

15 (a) The cost-effectiveness test must be used for the purpose of
16 determining cost-effectiveness of decarbonization measures taken, at
17 the portfolio level, by a combination utility under this chapter, and
18 for any other purpose determined by the commission by rule.

19 (b) In evaluating the cost-effectiveness of gas decarbonization
20 measures within the integrated system plan, a combination utility
21 shall apply a risk reduction premium that shall account for: (i) The
22 most recent allowance ceiling price approved by the department of
23 ecology pursuant to the climate commitment act, chapter 70A.65 RCW;
24 or (ii) a forward price index for allowance prices approved by the
25 department of ecology. For the purpose of this chapter, the risk
26 reduction premium is necessary to ensure that a combination utility
27 is making appropriate long-term investments to mitigate against the
28 allowance and fuel price risks to customers of the combination
29 utility.

30 (c) The commission may approve, or amend and approve, an
31 integrated system plan that exceeds the cost-effectiveness test and
32 risk reduction premium requirements identified in this subsection
33 only if it finds that the plan is in the public interest, costs to
34 customers are reasonable, the plan includes mitigation of rate
35 increases for low-income customers, and the benefits of the plan,
36 including the costs of greenhouse gas emissions, exceed the costs.

37 (6) The commission shall determine the appropriate, cost-
38 effective cost recovery mechanisms for a combination utility to meet
39 its integrated system plan including, but not limited to:

1 (a) The majority of total capacity and energy necessary to meet
2 the requirements of chapter 19.405 RCW to be supplied from resources
3 owned and operated by the combination utility or an affiliate of the
4 combination utility;

5 (b) A performance incentive mechanism;

6 (c) A return on generation assets and generation under contract
7 based on the combination utility's authorized return on equity;

8 (d) A higher rate of return on certain electric assets including,
9 but not limited to, microgrids, electric vehicle charging
10 infrastructure, advanced metering infrastructure, new substations or
11 distribution lines, and transmission upgrades; and

12 (e) A return on power purchase agreements that is no less than
13 the authorized cost of debt and no greater than the authorized rate
14 of return of the combination company, multiplied by the operating
15 expense incurred by the combination utility under the power purchase
16 agreement.

17 NEW SECTION. **Sec. 6.** (1) A combination utility must include the
18 following in calculating its emissions baseline and projected
19 cumulative emissions for an emissions reduction period, consistent
20 with chapter 173-441 WAC:

21 (a) Methane leaked from the transportation and delivery of gas
22 from the gas distribution and service pipelines from the city gate to
23 customer end use;

24 (b) Greenhouse gas emissions resulting from the combustion of gas
25 by customers not otherwise subject to federal greenhouse gas
26 emissions reporting and excluding all transport customers; and

27 (c) Emissions of methane resulting from leakage from delivery of
28 gas to other gas companies.

29 (2) In calculating an emissions reduction target, a combination
30 utility must show its emissions baseline and projected cumulative
31 greenhouse gas emissions for the applicable emissions reduction
32 period separately and must show that the total emissions reductions
33 are projected to make progress toward the achievement of the
34 emissions reduction targets identified in the applicable integrated
35 system plan. The final calculation must be presented on a carbon
36 dioxide equivalent basis.

37 (3) All emissions are metric tons of carbon dioxide equivalent as
38 reported to the federal environmental protection agency pursuant to

1 40 C.F.R. 98, either subpart W (methane) or subpart NN (carbon
2 dioxide), or successor reporting requirements.

3 NEW SECTION. **Sec. 7.** (1) In any multiyear rate plan filed by a
4 combination utility pursuant to RCW 80.28.425, the commission must
5 adopt depreciation schedules for any gas plant in service as of the
6 effective date of the depreciation schedules of the multiyear rate
7 plan such that the incremental depreciation for each year of such a
8 multiyear rate plan resulting from the depreciation is equal to one
9 percent of the gas revenue requirement for the preceding year.

10 (2) After the approval of an integrated system plan, the
11 combination utility may propose a merger of the rate bases supporting
12 gas and electric operations of the combination utility into a single
13 energy rate base and the adoption of rates for electric and gas
14 service that support the recovery of such a merged energy rate base.
15 The commission may approve the merger of electric and gas rate bases
16 if the commission finds that the proposal will result in a net
17 benefit to customers of the combination utility.

18 (3) For a combination utility that has merged gas and electricity
19 rate bases, the combination utility must monetize benefits from any
20 applicable federal and state tax incentives for the benefit of
21 customers. These benefits must be separately accounted for and
22 amortized on a schedule designed to mitigate the rate impacts to
23 customers after the rate bases are combined. These credits may not be
24 used for any other purpose.

25 NEW SECTION. **Sec. 8.** (1) For any project in a decarbonization
26 or targeted electrification plan of a combination utility that is
27 part of a competitive solicitation and with a cost of more than
28 \$10,000,000, the combination utility must certify to the commission
29 that any work associated with such a project will be constructed by a
30 prime contractor and its subcontractors in a way that includes
31 community workforce agreements or project labor agreements and the
32 payment of area standard prevailing wages and apprenticeship
33 utilization requirements, provided the following apply:

34 (a) The combination utility and the prime contractor and all of
35 its subcontractors, regardless of tier, have the absolute right to
36 select any qualified and responsible bidder for the award of
37 contracts on a specified project without reference to the existence
38 or nonexistence of any agreements between such a bidder and any party

1 to such a project labor agreement, and only when such a bidder is
2 willing, ready, and able to become a party to, signs a letter of
3 assent, and complies with such an agreement or agreements, should it
4 be designated the successful bidder; and

5 (b) It is understood that this is a self-contained, stand-alone
6 agreement, and that by virtue of having become bound to such an
7 agreement or agreements, neither the prime contractor nor the
8 subcontractors are obligated to sign any other local, area, or
9 national agreement.

10 (2) Nothing in this section supersedes RCW 19.28.091 or 19.28.261
11 or chapter 49.17 RCW, without regard to project cost.

12 NEW SECTION. **Sec. 9.** Electrical companies, municipal electric
13 utilities, public utility districts, irrigation districts,
14 cooperatives, and mutual corporations providing retail electric
15 service are encouraged to:

16 (1) Work with large gas companies providing gas service within
17 their service areas to identify opportunities for electrification and
18 the provision of energy peaking service by the large gas company;

19 (2) Account for the costs of greenhouse gas emissions, set total
20 energy savings and greenhouse gas emissions reduction goals, and
21 develop and implement electrification programs in collaboration with
22 large gas companies providing gas service in service areas; and

23 (3) Include an electrification plan or transportation
24 electrification program as part of collaboration with large gas
25 companies.

26 NEW SECTION. **Sec. 10.** This chapter may be known and cited as
27 the Washington decarbonization act for large combination utilities.

28 NEW SECTION. **Sec. 11.** Sections 4 through 10 of this act
29 constitute a new chapter in Title 80 RCW.

30 NEW SECTION. **Sec. 12.** If any provision of this act or its
31 application to any person or circumstance is held invalid, the
32 remainder of the act or the application of the provision to other
33 persons or circumstances is not affected.

34 NEW SECTION. **Sec. 13.** This act is necessary for the immediate
35 preservation of the public peace, health, or safety, or support of

1 the state government and its existing public institutions, and takes
2 effect immediately."

3 Correct the title.

EFFECT: The floor striker makes the following changes to the underlying bill:

-The prohibition on the extension of natural gas service to commercial or residential locations after June 30, 2023, is modified as follows:

-The prohibition does not apply to facilities engaged in one or more manufacturing processes described by North American industry classification system codes beginning with 31, 32, or 33;

-The prohibition does not apply to the following facilities until January 1, 2040:

-Facilities with building occupancies classified as institutional I-2 (medical care facilities) or I-3 (correctional facilities) pursuant to the international building code, that are required by federal or state regulation to have redundant emergency backup power generation systems; and

-Facilities owned or operated by the United States department of defense that utilize reciprocating internal combustion engine generators that support energy resilience, energy security, and energy efficiency initiatives.

The definitions created in the act are modified in the following ways:

-Definitions for the following terms are removed:

-"Carbon dioxide removal";

-"Cost target";

-"Highly impacted community";

-"Large gas company"; and

-"Renewable syngas."

-Definitions for the following terms are added:

-"Cost-effective";

-"Emissions reduction target"; and

-"Overburdened community."

-Definitions for the following terms are amended:

-"Electrification";

-"Emissions baseline"; and

-"Emissions reduction period."

-The requirement for a large gas company to file a gas decarbonization plan is modified to an authorization for the utilities and transportation commission (UTC) to consolidate utility planning requirements into a single integrated system plan that is approved by the UTC. The process by which the integrated system plan is developed and approved is subject to the following requirements:

-The UTC must initiate a process to consolidate planning requirements by September 1, 2023;

-Subject to approval by the UTC, by January 1, 2026, and every four years thereafter, a combination utility must file an integrated system plan that demonstrates how the utility plans to accomplish certain objectives, including:

-Achieving compliance with certain legal obligations, including the clean energy transformation act and the climate commitment act;

-Achieving utility emissions reductions; and

-Maximizing investments of revenues generated from consigning allowances pursuant to the climate commitment act in programs that aid in the transition from the direct use of fossil fuels.

-An integrated system plan must satisfy certain requirements including, among others:

-Include an emissions reduction target;

-Present and evaluate a range of resource portfolios and programs to advance clean energy measures and align with achieving emissions reductions;

-Include programs targeted to low-income customers, vulnerable populations, and overburdened communities;

-Prioritize investments in energy efficiency, demand response, and energy conservation measures that comply with certain specified metrics; and

-Quantify projected greenhouse gas emissions reductions associated with each resource portfolio.

-The UTC must approve, reject, or approve with conditions the integrated system plan within 12 months of receiving the final plan;

-Once an integrated system plan has been approved by the UTC, the utility may include an integrated system plan in a proposal for a multiyear rate plan;

-In determining whether to approve the plan, the UTC must evaluate whether the plan is in the public interest, according to certain specified criteria.

-The requirement that the UTC establish a cost target for a gas decarbonization plan and an electrification plan is modified to a requirement that the UTC establish by rule a cost-effectiveness test for emissions reduction measures taken by a combination utility to comply with state clean energy and climate policies.

-The criteria by which the UTC may approve a gas decarbonization plan if it finds the plan to be in the public interest is replaced with criteria by which the UTC may approve the integrated system plan, which include, among others:

-Whether the integrated system plan will lead to new construction career opportunities and prioritizes a transition of natural gas and electricity utility workers to perform work on construction and maintenance of new and existing renewable energy infrastructure;

-Whether the integrated system plan aligns with proportional emissions reduction requirements; and

-Whether the integrated system plan achieves specified energy efficiency and demand response requirements.

-The requirement that a combination utility must obtain specified percentages of the energy needed to comply with the clean energy transformation act from purchased power and from generating capacity owned by the utility is changed to a requirement that the UTC determine the appropriate, cost-effective recovery mechanisms for a combination utility to meet its integrated system plan including, among other mechanisms:

-The majority of total capacity and energy necessary to meet the requirements of the clean energy transformation act must be supplied from resources owned and operated by the combination utility or an affiliate of the combination utility;

-A performance incentive mechanism; and

-A return on generation assets and generation under contract based on the combination utility's authorized return on equity.

-The circumstances in which the gas and electric rate bases of a combination utility may be merged is modified to an authorization to the UTC, after the approval of a gas decarbonization plan, to approve the merger of electric and gas rate bases if the UTC finds that the

proposal will result in a net benefit to customers of the large combination utility.

-The name of the act is changed from the Washington decarbonization act for large gas companies to the Washington decarbonization act for large combination utilities.

--- **END** ---