

ESHB 1589 - S COMM AMD

By Committee on Environment, Energy & Technology

NOT ADOPTED 03/01/2024

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, require these companies to find innovative
9 and creative solutions to equitably serve their customers, provide
10 clean energy, reduce emissions, and keep rates fair, just,
11 reasonable, and sufficient.

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

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

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

31 (5) It is the intent of the legislature to require large
32 combination utilities to decarbonize their systems by: (a)
33 Prioritizing efficient and cost-effective measures to transition
34 customers off of the direct use of fossil fuels at the lowest
35 reasonable cost to customers; (b) investing in the energy supply,
36 storage, delivery, and demand-side resources that will be needed to
37 serve any increase in electrical demand affordably and reliably; (c)
38 maintaining safety and reliability as the gas system undergoes
39 transformational changes; (d) integrating zero-carbon and carbon-
40 neutral fuels to serve high heat and industrial loads where

1 electrification may not be technically feasible; (e) managing peak
2 demand of the electric system; and (f) ensuring an equitable
3 distribution of benefits to, and reduction of burdens for, vulnerable
4 populations, highly impacted communities, and overburdened
5 communities that have historically been underserved by utility energy
6 efficiency programs, and may be disproportionately impacted by rising
7 fuel and equipment costs or experience high energy burden.

8 (6) It is the intent of the legislature to support this
9 transition by adopting requirements for large combination utilities
10 to conduct integrated system planning to develop specific actions
11 supporting gas system decarbonization and electrification, and
12 reduction in the gas rate base.

13 (7) It is the intent of the legislature to encourage a robust
14 competitive wholesale market for generation, storage, and demand-side
15 resources to serve the state's electrical companies, other electric
16 utilities, and end-users that secure their own power supply.

17 NEW SECTION. **Sec. 2.** The definitions in this section apply
18 throughout this chapter unless the context clearly requires
19 otherwise.

20 (1) "Carbon dioxide equivalent" has the same meaning as provided
21 in RCW 70A.65.010.

22 (2) "Combined heat and power" has the same meaning as provided in
23 RCW 19.280.020.

24 (3) "Commission" means the utilities and transportation
25 commission.

26 (4) "Conservation and efficiency resources" means any reduction
27 in electric or natural gas consumption that results from increases in
28 the efficiency of energy use, production, transmission,
29 transportation, or distribution.

30 (5) "Cost effective" means that a project or resource is, or is
31 forecast to:

32 (a) Be reliable and available within the time it is needed; and

33 (b) Reduce greenhouse gas emissions and meet or reduce the energy
34 demand or supply an equivalent level of energy service to the
35 intended customers at an estimated long-term incremental system cost
36 no greater than that of the least-cost similarly reliable and
37 available alternative project or resource, or any combination
38 thereof, including the cost of compliance with chapter 70A.65 RCW,

1 based on the forward allowance ceiling price of allowances approved
2 by the department of ecology under RCW 70A.65.160.

3 (6) "Costs of greenhouse gas emissions" means the costs of
4 greenhouse gas emissions established in RCW 80.28.395 and 80.28.405.

5 (7) "Delivery system" includes any power line, pipe, equipment,
6 apparatus, mechanism, machinery, instrument, or ancillary facility
7 used by a large combination utility to deliver electricity or gas for
8 ultimate consumption by a customer of the large combination utility.

9 (8) "Demand flexibility" means the capacity of demand-side loads
10 to change their consumption patterns hourly or on another timescale.

11 (9) "Electrical company" has the same meaning as provided in RCW
12 80.04.010.

13 (10)(a) "Electrification" means the installation of energy
14 efficient electric end-use equipment.

15 (b) Electrification programs may include weatherization and
16 conservation and efficiency measures.

17 (11) "Electrification readiness" means upgrades or changes
18 required before the installation of energy efficient electric end-use
19 equipment to prevent heat loss from homes including, but not limited
20 to: Structural repairs, such as roof repairs, preweatherization,
21 weatherization, and electrical panel and wiring upgrades.

22 (12) "Emissions baseline" means the actual cumulative greenhouse
23 gas emissions of a large combination utility, calculated pursuant to
24 chapter 70A.65 RCW, for the five-year period beginning January 1,
25 2015, and ending December 31, 2019.

26 (13) "Emissions reduction period" means one of five periods of
27 five calendar years each, with the five periods beginning on January
28 1st of calendar years 2030, 2035, 2040, 2045, and 2050, respectively.

29 (14) "Emissions reduction target" means a targeted reduction of
30 projected cumulative greenhouse gas emissions of a large combination
31 utility approved by the commission for an emissions reduction period
32 that is at least as stringent as the limits established in RCW
33 70A.45.020.

34 (15) "Gas company" has the same meaning as provided in RCW
35 80.04.010.

36 (16) "Geographically targeted electrification" means the
37 geographically targeted transition of a portion of gas customers of
38 the large combination utility with an intent to electrify loads of
39 such customers and, in conjunction, to reduce capital and operational

1 costs of gas operations of the large combination utility serving such
2 customers.

3 (17) "Greenhouse gas" has the same meaning as provided in RCW
4 70A.45.010.

5 (18) "Highly impacted community" has the same meaning as provided
6 in RCW 19.405.020.

7 (19) "Integrated system plan" means a plan that the commission
8 may approve, reject, or approve with conditions pursuant to section 3
9 of this act.

10 (20) "Large combination utility" means a public service company
11 that is both an electrical company and a gas company that serves more
12 than 800,000 retail electric customers and 500,000 retail gas
13 customers in the state of Washington as of June 30, 2024.

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

16 (22) "Lowest reasonable cost" means the lowest cost mix of
17 demand-side and supply side resources and decarbonization measures
18 determined through a detailed and consistent analysis of a wide range
19 of commercially available resources and measures. At a minimum, this
20 analysis must consider long-term costs and benefits, market-
21 volatility risks, resource uncertainties, resource dispatchability,
22 resource effect on system operation, the risks imposed on the large
23 combination utility and its ratepayers, public policies regarding
24 resource preference adopted by Washington state or the federal
25 government, the cost of risks associated with environmental effects
26 including potential spills and emissions of carbon dioxide, and the
27 need for security of supply.

28 (23) "Multiyear rate plan" means a multiyear rate plan of a large
29 combination utility filed with the commission pursuant to RCW
30 80.28.425.

31 (24) "Natural gas" has the same meaning as provided in RCW
32 19.405.020.

33 (25) "Nonemitting electric generation" has the same meaning as
34 provided in RCW 19.405.020.

35 (26) "Nonpipeline alternative" means activities or investments
36 that delay, reduce, or avoid the need to build, upgrade, or repair
37 gas plant, such as pipelines and service lines.

38 (27) "Overburdened community" has the same meaning as provided in
39 RCW 70A.65.010.

1 (28) "Overgeneration event" has the same meaning as provided in
2 RCW 19.280.020.

3 (29) "Renewable resource" has the same meaning as provided in RCW
4 19.405.020.

5 (30) "Supply side resource" means, as applicable: (a) Any
6 resource that can provide capacity, electricity, or ancillary
7 services to the large combination utility's electric delivery system;
8 or (b) any resource that can provide conventional or nonconventional
9 gas supplies to the large combination utility's gas delivery system.

10 (31) "System cost" means actual direct costs or an estimate of
11 all direct costs of a project or resource over its effective life
12 including, if applicable: The costs of transmission and distribution
13 to the customers; waste disposal costs; permitting, siting,
14 mitigation, and end-of-cycle decommissioning and remediation costs;
15 fuel costs, including projected increases; resource integration and
16 balancing costs; and such quantifiable environmental costs and
17 benefits and other energy and nonenergy benefits as are directly
18 attributable to the project or resource, including flexibility,
19 resilience, reliability, greenhouse gas emissions reductions, and air
20 quality.

21 (32) "Vulnerable populations" has the same meaning as provided in
22 RCW 19.405.020.

23 NEW SECTION. **Sec. 3.** (1) The legislature finds that large
24 combination utilities are subject to a range of reporting and
25 planning requirements as part of the clean energy transition. The
26 legislature further finds that current natural gas integrated
27 resource plans under development might not yield optimal results for
28 timely and cost-effective decarbonization. To reduce regulatory
29 barriers, achieve equitable and transparent outcomes, and integrate
30 planning requirements, the commission may consolidate a large
31 combination utility's planning requirements for both gas and electric
32 operations, including consolidation into a single integrated system
33 plan that is approved by the commission.

34 (2)(a) By July 1, 2025, the commission shall complete a rule-
35 making proceeding to implement consolidated planning requirements for
36 gas and electric services for large combination utilities that may
37 include, but are not limited to, plans required under: (i) Chapter
38 19.280 RCW; (ii) chapter 19.285 RCW; (iii) chapter 19.405 RCW; (iv)
39 chapter 70A.65 RCW; (v) RCW 80.28.380; (vi) RCW 80.28.365; (vii) RCW

1 80.28.425; (viii) existing pipeline safety and replacement plans; and
2 (ix) planning requirements ordered by the commission, such as
3 electrification and decarbonization plans. The commission may
4 consider exemptions from any rules necessary to facilitate integrated
5 system planning for large combination utilities. The commission may
6 extend the rule-making proceeding for 90 days for good cause shown.
7 The large combination utilities' filing deadline required in
8 subsection (4) of this section will be extended commensurate to the
9 rule-making extension period set by the commission. Subsequent
10 planning requirements for future integrated system plans must be
11 fulfilled on a timeline set by the commission. Large combination
12 utilities that file integrated system plans are no longer required to
13 file plans consolidated into the integrated system plan. The
14 statutorily required contents of any plan consolidated into an
15 integrated system plan must be met by the integrated system plan.

16 (b) In its order adopting rules or issuing a policy statement
17 approving the consolidation of planning requirements, the commission
18 shall include a compliance checklist and any additional guidance that
19 is necessary to assist the large combination utility in meeting the
20 minimum requirements of all relevant statutes and rules.

21 (3) Upon request by a large combination utility, the commission
22 may issue an order extending the filing and reporting requirements of
23 a large combination utility under chapters 19.405 and 19.280 RCW, and
24 requiring the large combination utility to file an integrated system
25 plan pursuant to subsection (4) of this section if the commission
26 finds that the large combination utility has made public a work plan
27 that demonstrates reasonable progress toward meeting the standards
28 under RCW 19.405.040(1) and 19.405.050(1) and achieving equity goals.
29 The commission's approval of an extension of filing and reporting
30 requirements does not relieve the large combination utility from the
31 obligation to demonstrate progress towards meeting the standards
32 under RCW 19.405.040(1) and 19.405.050(1) and the interim targets
33 approved in its most recent clean energy implementation plan.
34 Commission approval of an extension under this section fulfills the
35 large combination utilities statutory filing deadlines under RCW
36 19.405.060(1).

37 (4) By January 1, 2027, and on a timeline set by the commission
38 thereafter, large combination utilities shall file an integrated
39 system plan demonstrating how the large combination utilities' plans

1 are consistent with the requirements of this chapter and any rules
2 and guidance adopted by the commission, and which:

3 (a) Achieve the obligations of all plans consolidated into the
4 integrated system plan;

5 (b) Provide a range of forecasts, for at least the next 20 years,
6 of projected customer demand that takes into account econometric data
7 and addresses changes in the number, type, and efficiency of customer
8 usage;

9 (c) Include scenarios that achieve emissions reductions for both
10 gas and electric operations equal to at least their proportional
11 share of emissions reductions required under RCW 70A.45.020;

12 (d) Include scenarios with emissions reduction targets for both
13 gas and electric operations for each emissions reduction period that
14 account for the interactions between gas and electric systems;

15 (e) Achieve two percent of electric load annually with
16 conservation and energy efficiency resources, unless the commission
17 finds that a higher target is cost effective. However, the commission
18 may accept a lower level of achievement if it determines that the
19 requirement in this subsection (4)(e) is neither technically nor
20 commercially feasible during the applicable emissions reduction
21 period;

22 (f) Assess commercially available conservation and efficiency
23 resources, including demand response and load management, to achieve
24 the conservation and energy efficiency requirements in (e) of this
25 subsection, and as informed by the assessment for conservation
26 potential under RCW 19.285.040 for the planning horizon consistent
27 with (b) of this subsection. Such an assessment may include, as
28 appropriate, opportunities for development of combined heat and power
29 as an energy and capacity resource, demand response and load
30 management programs, and currently employed and new policies and
31 programs needed to obtain the conservation and efficiency resources.
32 The value of recoverable waste heat resulting from combined heat and
33 power must be reflected in analyses of cost effectiveness under this
34 subsection;

35 (g) Achieve annual demand response and demand flexibility equal
36 to or greater than 10 percent of winter and summer peak electric
37 demand, unless the commission finds that a higher target is cost
38 effective. However, the commission may accept a lower level of
39 achievement if it determines that the requirement in this subsection

1 (4)(g) is neither technically nor commercially feasible during the
2 applicable emissions reduction period;

3 (h) Achieve all cost-effective electrification of end uses
4 currently served by natural gas identified through an assessment of
5 alternatives to known and planned gas infrastructure projects,
6 including nonpipeline alternatives, rebates and incentives, and
7 geographically targeted electrification;

8 (i) Include low-income electrification programs that must:

9 (i) Include rebates and incentives to low-income customers and
10 customers experiencing high energy burden for the deployment of high-
11 efficiency electric-only heat pumps in homes and buildings currently
12 heating with wood, oil, propane, electric resistance, or gas;

13 (ii) Provide demonstrated material benefits to low-income
14 participants including, but not limited to, decreased energy burden,
15 the addition of air conditioning, and backup heat sources or energy
16 storage systems, if necessary to protect health and safety in areas
17 with frequent outages, or improved indoor air quality;

18 (iii) Enroll customers in energy assistance programs or provide
19 bill assistance;

20 (iv) Provide dedicated funding for electrification readiness;

21 (v) Include low-income customer protections to mitigate energy
22 burden, if electrification measures will increase a low-income
23 participant's energy burden; and

24 (vi) Coordinate with community-based organizations in the gas or
25 electrical company's service territory including, but not limited to,
26 grantees of the department of commerce, community action agencies,
27 and community-based nonprofit organizations, to remove barriers and
28 effectively serve low-income customers;

29 (j) Accept as proof of eligibility for energy assistance
30 enrollment in any means-tested public benefit, or low-income energy
31 assistance program, for which eligibility does not exceed the low-
32 income definition set by the commission pursuant to RCW 19.405.020;

33 (k) Assess the potential for geographically targeted
34 electrification including, but not limited to, in overburdened
35 communities, on gas plant that is fully depreciated or gas plant that
36 is included in a proposal for geographically targeted electrification
37 that requires accelerating depreciation pursuant to section 7(1) of
38 this act for the gas plant subject to such electrification proposal;

1 (l) Assess commercially available supply side resources,
2 including a comparison of the benefits and risks of purchasing
3 electricity or gas or building new resources;

4 (m) Assess nonpipeline alternatives, including geographically
5 targeted electrification and demand response, as an alternative to
6 replacing aging gas infrastructure or expanded gas capacity.
7 Assessments must involve, at a minimum:

8 (i) Identifying all known and planned gas infrastructure
9 projects, including those without a fully defined scope or cost
10 estimate, for at least the 10 years following the filing;

11 (ii) Estimating programmatic expenses of maintaining that portion
12 of the gas system for at least the 10 years following the filing; and

13 (iii) Ranking all gas pipeline segments for their suitability for
14 nonpipeline alternatives;

15 (n) Assess distributed energy resources that meets the
16 requirements of RCW 19.280.100;

17 (o) Provide an assessment and 20-year forecast of the
18 availability of and requirements for regional supply side resource
19 and delivery system capacity to provide and deliver electricity and
20 gas to the large combination utility's customers and to meet, as
21 applicable, the requirements of chapter 19.405 RCW and the state's
22 greenhouse gas emissions reduction limits in RCW 70A.45.020. The
23 delivery system assessment must identify the large combination
24 utility's expected needs to acquire new long-term firm rights,
25 develop new, or expand or upgrade existing, delivery system
26 facilities consistent with the requirements of this section and
27 reliability standards and take into account opportunities to make
28 more effective use of existing delivery facility capacity through
29 improved delivery system operating practices, conservation and
30 efficiency resources, distributed energy resources, demand response,
31 grid modernization, nonwires solutions, and other programs if
32 applicable;

33 (p) Assess methods, commercially available technologies, or
34 facilities for integrating renewable resources and nonemitting
35 electric generation including, but not limited to, battery storage
36 and pumped storage, and addressing overgeneration events, if
37 applicable to the large combination utility's resource portfolio;

38 (q) Provide a comparative evaluation of supply side resources,
39 delivery system resources, and conservation and efficiency resources
40 using lowest reasonable cost as a criterion;

1 (r) Include a determination of resource adequacy metrics for the
2 integrated system plan consistent with the forecasts;

3 (s) Forecast distributed energy resources that may be installed
4 by the large combination utility's customers and an assessment of
5 their effect on the large combination utility's load and operations;

6 (t) Identify an appropriate resource adequacy requirement and
7 measurement metric consistent with prudent utility practice in
8 implementing RCW 19.405.030 through 19.405.050;

9 (u) Integrate demand forecasts, resource evaluations, and
10 resource adequacy requirements into a long-range assessment
11 describing the mix of supply side resources and conservation and
12 efficiency resources that will meet current and projected needs,
13 including mitigating overgeneration events and implementing RCW
14 19.405.030 through 19.405.050, at the lowest reasonable cost and risk
15 to the large combination utility and its customers, while maintaining
16 and protecting the safety, reliable operation, and balancing of the
17 energy system of the large combination utility;

18 (v) Include an assessment, informed by the cumulative impact
19 analysis conducted under RCW 19.405.140, of: Energy and nonenergy
20 benefits and the avoidance and reductions of burdens to vulnerable
21 populations and highly impacted communities; long-term and short-term
22 public health and environmental benefits, costs, and risks; and
23 energy security and risk;

24 (w) Include a 10-year clean energy action plan for implementing
25 RCW 19.405.030 through 19.405.050 at the lowest reasonable cost, and
26 at an acceptable resource adequacy standard;

27 (x) Include an analysis of how the integrated system plan
28 accounts for:

29 (i) Model load forecast scenarios that consider the anticipated
30 levels of zero emissions vehicle use in a large combination utility's
31 service area, including anticipated levels of zero emissions vehicle
32 use in the large combination utility's service area provided in RCW
33 47.01.520, if feasible;

34 (ii) Analysis, research, findings, recommendations, actions, and
35 any other relevant information found in the electrification of
36 transportation plans submitted under RCW 80.28.365; and

37 (iii) Assumed use case forecasts and the associated energy
38 impacts, which may use the forecasts generated by the mapping and
39 forecasting tool created in RCW 47.01.520;

40 (y) Establish that the large combination utility has:

1 (i) Consigned to auction for the benefit of ratepayers the
2 minimum required number of allowances allocated to the large
3 combination utility for the applicable compliance period pursuant to
4 RCW 70A.65.130, consistent with the climate commitment act, chapter
5 70A.65 RCW, and rules adopted pursuant to the climate commitment act;
6 and

7 (ii) Prioritized, to the maximum extent permissible under the
8 climate commitment act, chapter 70A.65 RCW, revenues derived from the
9 auction of allowances allocated to the utility for the applicable
10 compliance period pursuant to RCW 70A.65.130, first to programs that
11 eliminate the cost burden for low-income ratepayers, such as bill
12 assistance, nonvolumetric credits on ratepayer utility bills, or
13 electrification programs, and second to electrification programs
14 benefiting residential and small commercial customers;

15 (z) Propose an action plan outlining the specific actions to be
16 taken by the large combination utility in implementing the integrated
17 system plan following submission; and

18 (aa) Report on the large combination utility's progress towards
19 implementing the recommendations contained in its previously filed
20 integrated system plan.

21 (5) In evaluating the lowest reasonable cost of decarbonization
22 measures included in an integrated system plan, large combination
23 utilities must apply a risk reduction premium that must account for
24 the applicable allowance ceiling price approved by the department of
25 ecology pursuant to the climate commitment act, chapter 70A.65 RCW.
26 For the purpose of this chapter, the risk reduction premium is
27 necessary to ensure that a large combination utility is making
28 appropriate long-term investments to mitigate against the allowance
29 and fuel price risks to customers of the large combination utility.

30 (6) The clean energy action plan must:

31 (a) Identify and be informed by the large combination utility's
32 10-year cost-effective conservation potential assessment as
33 determined under RCW 19.285.040, if applicable;

34 (b) Establish a resource adequacy requirement;

35 (c) Identify the potential cost-effective demand response and
36 load management programs that may be acquired;

37 (d) Identify renewable resources, nonemitting electric
38 generation, and distributed energy resources that may be acquired and
39 evaluate how each identified resource may be expected to contribute

1 to meeting the large combination utility's resource adequacy
2 requirement;

3 (e) Identify any need to develop new, or expand or upgrade
4 existing, bulk transmission and distribution facilities and document
5 existing and planned efforts by the large combination utility to make
6 more effective use of existing transmission capacity and secure
7 additional transmission capacity consistent with the requirements of
8 subsection (4) (o) of this section; and

9 (f) Identify the nature and possible extent to which the large
10 combination utility may need to rely on alternative compliance
11 options under RCW 19.405.040(1)(b), if appropriate.

12 (7) A large combination utility shall consider the social cost of
13 greenhouse gas emissions, as determined by the commission pursuant to
14 RCW 80.28.405, when developing integrated system plans and clean
15 energy action plans. A large combination utility must incorporate the
16 social cost of greenhouse gas emissions as a cost adder when:

17 (a) Evaluating and selecting conservation policies, programs, and
18 targets;

19 (b) Developing integrated system plans and clean energy action
20 plans; and

21 (c) Evaluating and selecting intermediate term and long-term
22 resource options.

23 (8) Plans developed under this section must be updated on a
24 regular basis, on intervals approved by the commission.

25 (9)(a) To maximize transparency, the commission may require a
26 large combination utility to make the utility's data input files
27 available in a native format. Each large combination utility shall
28 publish its final plan either as part of an annual report or as a
29 separate document available to the public. The report may be in an
30 electronic form.

31 (b) Nothing in this subsection limits the protection of records
32 containing commercial information under RCW 80.04.095.

33 (10) The commission shall establish by rule a cost test for
34 emissions reduction measures achieved by large combination utilities
35 to comply with state clean energy and climate policies. The cost test
36 must be used by large combination utilities under this chapter for
37 the purpose of determining the lowest reasonable cost of
38 decarbonization and electrification measures in integrated system
39 plans, at the portfolio level, and for any other purpose determined
40 by the commission by rule.

1 (11) The commission must approve, reject, or approve with
2 conditions an integrated system plan within 12 months of the filing
3 of such an integrated system plan. The commission may for good cause
4 shown extend the time by 90 days for a decision on an integrated
5 system plan filed on or before January 1, 2027, as such date is
6 extended pursuant to subsection (2) (a) of this section.

7 (12) In determining whether to approve the integrated system
8 plan, reject the integrated system plan, or approve the integrated
9 system plan with conditions, the commission must evaluate whether the
10 plan is in the public interest, and includes the following:

11 (a) The equitable distribution and prioritization of energy
12 benefits and reduction of burdens to vulnerable populations, highly
13 impacted communities, and overburdened communities;

14 (b) Long-term and short-term public health, economic, and
15 environmental benefits and the reduction of costs and risks;

16 (c) Health and safety concerns;

17 (d) Economic development;

18 (e) Equity;

19 (f) Energy security and resiliency;

20 (g) Whether the integrated system plan:

21 (i) Would achieve a proportional share of reductions in
22 greenhouse gas emissions for each emissions reduction period on the
23 gas and electric systems;

24 (ii) Would achieve the energy efficiency and demand response
25 targets in subsection (4) (e) and (g) of this section;

26 (iii) Would achieve cost-effective electrification of end uses as
27 required by subsection (4) (h) of this section;

28 (iv) Results in a reasonable cost to customers, and projects the
29 rate impacts of specific actions, programs, and investments on
30 customers;

31 (v) Would maintain system reliability and reduces long-term costs
32 and risks to customers;

33 (vi) Would lead to new construction career opportunities and
34 prioritizes a transition of natural gas and electricity utility
35 workers to perform work on construction and maintenance of new and
36 existing renewable energy infrastructure; and

37 (vii) Describes specific actions that the large combination
38 utility plans to take to achieve the requirements of the integrated
39 system plan.

1 NEW SECTION. **Sec. 4.** Large combination utilities shall work in
2 good faith with other utilities, independent power producers, power
3 marketers, end-use customers, and interested parties in the region to
4 develop market structures and mechanisms that require the sale of
5 wholesale electricity from generating resources in a manner that
6 allows the greenhouse gas attributes of those resources to be
7 accounted for when they are sold into organized markets.

8 NEW SECTION. **Sec. 5.** (1) Concurrent with an application for an
9 integrated system plan pursuant to section 3 of this act, a large
10 combination utility may propose to construct a new renewable or
11 nonemitting electric generation or transmission facility, make a
12 significant investment in an existing renewable or nonemitting
13 electric generation or transmission facility, purchase an existing
14 renewable or nonemitting electric generation or transmission
15 facility, or enter into a power purchase agreement for the purchase
16 of renewable or nonemitting electric energy or capacity for a period
17 of five years or longer. The large combination utility may submit an
18 application to the commission seeking a certificate of necessity for
19 that construction, investment, or purchase, including entering into a
20 power purchase agreement, if that construction, investment, or
21 purchase costs \$100,000,000 or more, requires the utility to begin
22 incurring significant portions of those costs more than five years
23 before the facility is estimated to be in service, and all or a
24 portion of the costs would be allocable to retail customers in this
25 state. A significant investment may include a group of investments
26 undertaken jointly and located on the same site for a singular
27 purpose, such as increasing the capacity of an existing renewable or
28 nonemitting electric generation or transmission plant. Applications
29 must be submitted in conjunction with a large combination utility's
30 integrated system plan. However, a large combination utility may
31 submit an application outside of the integrated system plan process
32 for a time-sensitive project.

33 (2) A large combination utility submitting an application under
34 this section may request one or more of the following:

35 (a) A certificate of necessity that the electric energy or
36 capacity to be supplied or transmitted as a result of the proposed
37 construction, investment, or purchase, including entering into a
38 power purchase agreement, is needed;

1 (b) A certificate of necessity that the size, fuel type, and
2 other design characteristics of the existing or proposed electric
3 generation or transmission facility or the terms of the power
4 purchase agreement represent the most appropriate and reasonable
5 means of meeting that power need;

6 (c) A certificate of necessity that the estimated purchase or
7 capital costs of and the financing plan for the existing or proposed
8 electric generation or transmission facility including, but not
9 limited to, the costs of siting and licensing a new facility and the
10 estimated cost of power from the new or proposed electric generation
11 facility, or the cost of transmission on the new or proposed electric
12 transmission facility, are reasonable; or

13 (d) A request to: (i) Recognize, accrue, and defer the allowance
14 for funds used during construction; and (ii) recover financing
15 interest costs in base rates on construction work in progress for
16 capital improvements approved under this section prior to the assets
17 being considered used and useful.

18 (3) The commission may approve, reject, or approve with
19 conditions an application under this section if it is in the public
20 interest.

21 (4) In a certificate of necessity under this section, the
22 commission may specify the estimated costs included for the
23 construction of or significant investment in the electric generation
24 or transmission facility, the estimated price included for the
25 purchase of the existing electric generation or transmission
26 facility, or the estimated price included for the purchase of power
27 pursuant to the terms of the power purchase agreement.

28 (5) The large combination utility shall file reports to the
29 commission regarding the status of any project for which a
30 certificate of necessity has been granted under this section,
31 including an update concerning the cost and schedule of that project
32 at intervals determined by the commission.

33 (6) If the commission denies any of the relief requested by a
34 large combination utility, the large combination utility may withdraw
35 its application or proceed with the proposed construction, purchase,
36 investment, or power purchase agreement without a certificate and the
37 assurance granted under this section under its ordinary course of
38 business.

39 (7) If the assumptions underlying an approved certificate of
40 necessity materially change, a large combination utility shall

1 request, or the commission or potential intervenor on its own motion
2 may initiate, a proceeding to review whether it is reasonable to
3 complete an unfinished project for which a certificate of necessity
4 has been granted. The commission shall list the assumptions
5 underlying an approved certificate in the order approving the
6 certificate. If the commission finds that the completion of the
7 project is no longer reasonable, the commission may modify or cancel
8 approval of the certificate of necessity. The commission may allow
9 recovery of reasonable costs already incurred or committed to by
10 contract. Once the commission finds that completion of the project is
11 no longer reasonable, the commission may limit future cost recovery
12 to those costs that could not be reasonably avoided. Nothing in this
13 subsection may be construed as amending, modifying, or repealing any
14 existing authority of the commission to ascertain and determine the
15 fair value for rate-making purposes of the property of any large
16 combination utility.

17 (8) A proposed or existing supplier of electric generation
18 capacity that seeks to provide electric generation energy or capacity
19 resources to the large combination utility may submit a written
20 proposal directly to the commission as an alternative to the
21 construction, investment, or purchase, including entering into a
22 power purchase agreement, for which the certificate of necessity is
23 sought under this section. The entity submitting an alternative
24 proposal under this subsection has standing to intervene and the
25 commission may allow reasonable discovery in the contested case
26 proceeding conducted under this subsection. In evaluating an
27 alternative proposal, the commission may consider the cost of the
28 alternative proposal and the submitting entity's qualifications,
29 technical competence, capability, reliability, creditworthiness, and
30 past performance. In reviewing an application, the commission may
31 consider any alternative proposals submitted under this subsection.
32 This subsection does not limit the ability of any other person to
33 submit to the commission an alternative proposal to the construction,
34 investment, or purchase, including entering into a power purchase
35 agreement, for which a certificate of necessity is sought under this
36 subsection and to petition for and be granted leave to intervene in
37 the contested case proceeding conducted under this subsection under
38 the rules of practice and procedure of the commission. This
39 subsection does not authorize the commission to order or otherwise

1 require a large combination utility to adopt any alternative proposal
2 submitted under this subsection.

3 NEW SECTION. **Sec. 6.** (1) Large combination utilities must
4 include the following in calculating the emissions baseline and
5 projected cumulative emissions for an emissions reduction period,
6 consistent with reporting of greenhouse gas emissions pursuant to the
7 Washington clean air act, chapter 70A.15 RCW:

8 (a) Methane leaked from the transportation and delivery of gas
9 from the gas distribution and service pipelines from the city gate to
10 customer end use;

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

14 (c) Emissions of methane resulting from leakage from delivery of
15 gas to other gas companies.

16 (2) In calculating an emissions reduction target, a large
17 combination utility must show its emissions baseline and projected
18 cumulative greenhouse gas emissions for the applicable emissions
19 reduction period separately and must show that the total emissions
20 reductions are projected to make progress toward the achievement of
21 the emissions reduction targets identified in the applicable
22 integrated system plan. The final calculation must be presented on a
23 carbon dioxide equivalent basis.

24 (3) All emissions are metric tons of carbon dioxide equivalent as
25 reported to the federal environmental protection agency pursuant to
26 40 C.F.R. 98, either subpart W (methane) or subpart NN (carbon
27 dioxide), or successor reporting requirements.

28 NEW SECTION. **Sec. 7.** (1) In any multiyear rate plan filed by a
29 large combination utility pursuant to RCW 80.28.425 and in accordance
30 with this chapter, the large combination utility must include an
31 updated depreciation study that reduces the gas rate base consistent
32 with an approved integrated system plan, and the commission may adopt
33 depreciation schedules that accelerate cost recovery and reduce the
34 rate base for any gas plant. The commission shall approve a
35 depreciation schedule that depreciates all gas plants in service as
36 of July 1, 2024, by a date no later than January 1, 2050, in any
37 multiyear rate plan, but the commission may adjust depreciation
38 schedules for gas plants as necessary when considering future

1 multiyear rate plans to address affordability provided all plants in
2 service as of July 1, 2024, are fully depreciated by 2050.

3 (2) In any multiyear rate plan proposed by a large combination
4 utility, the company may propose a merger of regulated gas and
5 electric operations into a single rate base. The commission may
6 approve the merger of electric and gas rate bases if the commission
7 finds that the proposal will result in a net benefit to customers of
8 the large combination utility and includes reasonable rate
9 protections for low-income natural gas and electric customers. In
10 approving a merger of a gas and electric rate base, the commission
11 must avoid commercial and residential rate classes subsidizing
12 industrial rate classes.

13 (3) For a large combination utility that has merged gas and
14 electricity rate bases, the large combination utility must monetize
15 benefits received from any applicable federal and state tax and other
16 incentives for the benefit of customers. These benefits must be
17 separately accounted for and amortized on a schedule designed to
18 mitigate the rate impacts to customers after the rate bases are
19 combined. These credits may not be used for any other purpose, unless
20 directed by the commission.

21 (4) For the first multiyear rate plan proposed by a large
22 combination utility following commission approval or approval with
23 conditions of the initial integrated system plan identified in
24 section 3 of this act, the commission may for good cause shown extend
25 the deadline for a decision set forth under RCW 80.04.130 by up to 60
26 days.

27 NEW SECTION. **Sec. 8.** (1) Beginning January 1, 2025, no large
28 combination utility may offer any form of rebate, incentive, or other
29 inducement to residential gas customers to purchase any natural gas
30 appliance or equipment. Until January 1, 2031, rebates and incentives
31 for commercial and industrial gas customers are not included in this
32 requirement. Rebates and incentives for electric heat pumps that
33 include natural gas backups may be offered until January 1, 2031.

34 (2) By November 1, 2025, a large combination utility must
35 initiate and maintain an effort to educate its ratepayers about the
36 benefits of electrification and the availability of rebates,
37 incentives, or other inducements to purchase energy efficient
38 electric appliances and equipment including, but not limited to, the

1 maintenance of an educational website and the inclusion of
2 educational materials in monthly billing statements.

3 (3) Beginning January 1, 2031, a large combination utility may
4 not include electric air source heat pumps with gas backups as part
5 of its electrification programs.

6 **Sec. 9.** RCW 19.280.030 and 2023 c 229 s 2 are each amended to
7 read as follows:

8 Each electric utility must develop a plan consistent with this
9 section.

10 (1) Utilities with more than 25,000 customers that are not full
11 requirements customers must develop or update an integrated resource
12 plan by September 1, 2008. At a minimum, progress reports reflecting
13 changing conditions and the progress of the integrated resource plan
14 must be produced every two years thereafter. An updated integrated
15 resource plan must be developed at least every four years subsequent
16 to the 2008 integrated resource plan. The integrated resource plan,
17 at a minimum, must include:

18 (a) A range of forecasts, for at least the next 10 years or
19 longer, of projected customer demand which takes into account
20 econometric data and customer usage;

21 (b) An assessment of commercially available conservation and
22 efficiency resources, as informed, as applicable, by the assessment
23 for conservation potential under RCW 19.285.040 for the planning
24 horizon consistent with (a) of this subsection. Such assessment may
25 include, as appropriate, opportunities for development of combined
26 heat and power as an energy and capacity resource, demand response
27 and load management programs, and currently employed and new policies
28 and programs needed to obtain the conservation and efficiency
29 resources;

30 (c) An assessment of commercially available, utility scale
31 renewable and nonrenewable generating technologies including a
32 comparison of the benefits and risks of purchasing power or building
33 new resources;

34 (d) A comparative evaluation of renewable and nonrenewable
35 generating resources, including transmission and distribution
36 delivery costs, and conservation and efficiency resources using
37 "lowest reasonable cost" as a criterion;

38 (e) An assessment of methods, commercially available
39 technologies, or facilities for integrating renewable resources,

1 including but not limited to battery storage and pumped storage, and
2 addressing overgeneration events, if applicable to the utility's
3 resource portfolio;

4 (f) An assessment and 20-year forecast of the availability of and
5 requirements for regional generation and transmission capacity to
6 provide and deliver electricity to the utility's customers and to
7 meet the requirements of chapter 288, Laws of 2019 and the state's
8 greenhouse gas emissions reduction limits in RCW 70A.45.020. The
9 transmission assessment must identify the utility's expected needs to
10 acquire new long-term firm rights, develop new, or expand or upgrade
11 existing, bulk transmission facilities consistent with the
12 requirements of this section and reliability standards;

13 (i) If an electric utility operates transmission assets rated at
14 115,000 volts or greater, the transmission assessment must take into
15 account opportunities to make more effective use of existing
16 transmission capacity through improved transmission system operating
17 practices, energy efficiency, demand response, grid modernization,
18 nonwires solutions, and other programs if applicable;

19 (ii) An electric utility that relies entirely or primarily on a
20 contract for transmission service to provide necessary transmission
21 services may comply with the transmission requirements of this
22 subsection by requesting that the counterparty to the transmission
23 service contract include the provisions of chapter 288, Laws of 2019
24 and chapter 70A.45 RCW as public policy mandates in the transmission
25 service provider's process for assessing transmission need, and
26 planning and acquiring necessary transmission capacity;

27 (iii) An electric utility may comply with the requirements of
28 this subsection (1)(f) by relying on and incorporating the results of
29 a separate transmission assessment process, conducted individually or
30 jointly with other utilities and transmission system users, if that
31 assessment process meets the requirements of this subsection;

32 (g) A determination of resource adequacy metrics for the resource
33 plan consistent with the forecasts;

34 (h) A forecast of distributed energy resources that may be
35 installed by the utility's customers and an assessment of their
36 effect on the utility's load and operations;

37 (i) An identification of an appropriate resource adequacy
38 requirement and measurement metric consistent with prudent utility
39 practice in implementing RCW 19.405.030 through 19.405.050;

1 (j) The integration of the demand forecasts, resource
2 evaluations, and resource adequacy requirement into a long-range
3 assessment describing the mix of supply side generating resources and
4 conservation and efficiency resources that will meet current and
5 projected needs, including mitigating overgeneration events and
6 implementing RCW 19.405.030 through 19.405.050, at the lowest
7 reasonable cost and risk to the utility and its customers, while
8 maintaining and protecting the safety, reliable operation, and
9 balancing of its electric system;

10 (k) An assessment, informed by the cumulative impact analysis
11 conducted under RCW 19.405.140, of: Energy and nonenergy benefits and
12 the avoidance and reductions of burdens to vulnerable populations and
13 highly impacted communities; long-term and short-term public health
14 and environmental benefits, costs, and risks; and energy security and
15 risk;

16 (l) A 10-year clean energy action plan for implementing RCW
17 19.405.030 through 19.405.050 at the lowest reasonable cost, and at
18 an acceptable resource adequacy standard, that identifies the
19 specific actions to be taken by the utility consistent with the
20 long-range integrated resource plan; and

21 (m) An analysis of how the plan accounts for:

22 (i) Modeled load forecast scenarios that consider the anticipated
23 levels of zero emissions vehicle use in a utility's service area,
24 including anticipated levels of zero emissions vehicle use in the
25 utility's service area provided in RCW 47.01.520, if feasible;

26 (ii) Analysis, research, findings, recommendations, actions, and
27 any other relevant information found in the electrification of
28 transportation plans submitted under RCW 35.92.450, 54.16.430, and
29 80.28.365; and

30 (iii) Assumed use case forecasts and the associated energy
31 impacts. Electric utilities may, but are not required to, use the
32 forecasts generated by the mapping and forecasting tool created in
33 RCW 47.01.520. This subsection (1)(m)(iii) applies only to plans due
34 to be filed after September 1, 2023.

35 (2) The clean energy action plan must:

36 (a) Identify and be informed by the utility's 10-year cost-
37 effective conservation potential assessment as determined under RCW
38 19.285.040, if applicable;

39 (b) Establish a resource adequacy requirement;

1 (c) Identify the potential cost-effective demand response and
2 load management programs that may be acquired;

3 (d) Identify renewable resources, nonemitting electric
4 generation, and distributed energy resources that may be acquired and
5 evaluate how each identified resource may be expected to contribute
6 to meeting the utility's resource adequacy requirement;

7 (e) Identify any need to develop new, or expand or upgrade
8 existing, bulk transmission and distribution facilities and document
9 existing and planned efforts by the utility to make more effective
10 use of existing transmission capacity and secure additional
11 transmission capacity consistent with the requirements of subsection
12 (1)(f) of this section; and

13 (f) Identify the nature and possible extent to which the utility
14 may need to rely on alternative compliance options under RCW
15 19.405.040(1)(b), if appropriate.

16 (3)(a) An electric or large combination utility shall consider
17 the social cost of greenhouse gas emissions, as determined by the
18 commission for investor-owned utilities pursuant to RCW 80.28.405 and
19 the department for consumer-owned utilities, when developing
20 integrated resource plans and clean energy action plans. An electric
21 utility must incorporate the social cost of greenhouse gas emissions
22 as a cost adder when:

23 (i) Evaluating and selecting conservation policies, programs, and
24 targets;

25 (ii) Developing integrated resource plans and clean energy action
26 plans; and

27 (iii) Evaluating and selecting intermediate term and long-term
28 resource options.

29 (b) For the purposes of this subsection (3): (i) Gas consisting
30 largely of methane and other hydrocarbons derived from the
31 decomposition of organic material in landfills, wastewater treatment
32 facilities, and anaerobic digesters must be considered a nonemitting
33 resource; and (ii) qualified biomass energy must be considered a
34 nonemitting resource.

35 (4) To facilitate broad, equitable, and efficient implementation
36 of chapter 288, Laws of 2019, a consumer-owned energy utility may
37 enter into an agreement with a joint operating agency organized under
38 chapter 43.52 RCW or other nonprofit organization to develop and
39 implement a joint clean energy action plan in collaboration with
40 other utilities.

1 (5) All other utilities may elect to develop a full integrated
2 resource plan as set forth in subsection (1) of this section or, at a
3 minimum, shall develop a resource plan that:

4 (a) Estimates loads for the next five and 10 years;

5 (b) Enumerates the resources that will be maintained and/or
6 acquired to serve those loads;

7 (c) Explains why the resources in (b) of this subsection were
8 chosen and, if the resources chosen are not: (i) Renewable resources;
9 (ii) methods, commercially available technologies, or facilities for
10 integrating renewable resources, including addressing any
11 overgeneration event; or (iii) conservation and efficiency resources,
12 why such a decision was made;

13 (d) By December 31, 2020, and in every resource plan thereafter,
14 identifies how the utility plans over a 10-year period to implement
15 RCW 19.405.040 and 19.405.050; and

16 (e) Accounts for:

17 (i) Modeled load forecast scenarios that consider the anticipated
18 levels of zero emissions vehicle use in a utility's service area,
19 including anticipated levels of zero emissions vehicle use in the
20 utility's service area provided in RCW 47.01.520, if feasible;

21 (ii) Analysis, research, findings, recommendations, actions, and
22 any other relevant information found in the electrification of
23 transportation plans submitted under RCW 35.92.450, 54.16.430, and
24 80.28.365; and

25 (iii) Assumed use case forecasts and the associated energy
26 impacts. Electric utilities may, but are not required to, use the
27 forecasts generated by the mapping and forecasting tool created in
28 RCW 47.01.520. This subsection (5)(e)(iii) applies only to plans due
29 to be filed after September 1, 2023.

30 (6) Assessments for demand-side resources included in an
31 integrated resource plan may include combined heat and power systems
32 as one of the measures in a conservation supply curve. The value of
33 recoverable waste heat resulting from combined heat and power must be
34 reflected in analyses of cost-effectiveness under this subsection.

35 (7) An electric utility that is required to develop a resource
36 plan under this section must complete its initial plan by September
37 1, 2008.

38 (8) Plans developed under this section must be updated on a
39 regular basis, on intervals approved by the commission or the
40 department, or at a minimum on intervals of two years.

1 (9)(a) Plans shall not be a basis to bring legal action against
2 electric utilities. However, nothing in this subsection (9)(a) may be
3 construed as limiting the commission or any party from bringing any
4 action pursuant to Title 80 RCW, this chapter, or chapter 19.405 RCW
5 against any large combination utility related to an integrated system
6 plan submitted pursuant to section 3 of this act.

7 (b) The commission may approve, reject, or approve with
8 conditions, any integrated system plans submitted by a large
9 combination utility as defined in section 2 of this act.

10 (10)(a) To maximize transparency, the commission, for investor-
11 owned utilities, or the governing body, for consumer-owned utilities,
12 may require an electric utility to make the utility's data input
13 files available in a native format. Each electric utility shall
14 publish its final plan either as part of an annual report or as a
15 separate document available to the public. The report may be in an
16 electronic form.

17 (b) Nothing in this subsection limits the protection of records
18 containing commercial information under RCW 80.04.095.

19 **Sec. 10.** RCW 80.28.110 and 2021 c 65 s 97 are each amended to
20 read as follows:

21 Every gas company, electrical company, wastewater company, or
22 water company, engaged in the sale and distribution of gas,
23 electricity, or water or the provision of wastewater company
24 services, shall, upon reasonable notice, furnish to all persons and
25 corporations who may apply therefor and be reasonably entitled
26 thereto, suitable facilities for furnishing and furnish all available
27 gas, electricity, wastewater company services, and water as demanded,
28 except that a water company may not furnish water contrary to the
29 provisions of water system plans approved under chapter 43.20 or
30 70A.100 RCW and wastewater companies may not provide services
31 contrary to the approved general sewer plan. A large combination
32 utility may provide a customer with any approved nonemitting energy
33 including, but not limited to, renewable natural gas, green hydrogen,
34 thermal energy networks, or other sources as described in an approved
35 filing.

36 NEW SECTION. **Sec. 11.** (1) When an integrated system plan of a
37 large combination utility proposes geographically targeted
38 electrification of all or a portion of a service area in which the

1 large combination utility provides gas service to such a service area
2 and one or more consumer-owned utilities provide electric service to
3 such a service area, the integrated system plan of the large
4 combination utility must include a process for outreach by the large
5 combination utility to all consumer-owned utilities providing
6 electric service to such a service area. As part of that outreach,
7 the large combination utility shall provide gas delivery data of
8 sufficient granularity for the consumer-owned electric company to
9 assess the sufficiency of the capacity of the electric distribution
10 system to accommodate the additional load from electrification at the
11 circuit level. This data must be provided at least one plan cycle
12 prior to electrification actions by the large combination utility to
13 allow affected consumer-owned electric companies sufficient time to
14 upgrade electrical distribution equipment and materials as needed to
15 preserve system reliability.

16 (2) Consumer-owned utilities are encouraged to:

17 (a) Work with large combination utilities providing gas service
18 within their service areas to identify opportunities for
19 electrification and mitigating grid impacts by the large combination
20 utility;

21 (b) Account for the costs of greenhouse gas emissions, set total
22 energy savings and greenhouse gas emissions reduction goals, and
23 develop and implement electrification programs in collaboration with
24 large combination utilities providing gas service in service areas of
25 consumer-owned utilities; and

26 (c) Include an electrification plan or transportation
27 electrification program as part of collaboration with large
28 combination utilities.

29 (3) Nothing in this section may be construed as expanding or
30 contracting the authority of any electric utility with regard to the
31 designation of the boundaries of adjoining service areas that each
32 electric utility must observe.

33 NEW SECTION. **Sec. 12.** (1) For any project in an integrated
34 system plan of a large combination utility that is part of a
35 competitive solicitation and with a cost of more than \$10,000,000,
36 the large combination utility must certify to the commission that any
37 work associated with such a project will be constructed by a prime
38 contractor and its subcontractors in a way that includes community
39 workforce agreements or project labor agreements and the payment of

1 area standard prevailing wages and apprenticeship utilization
2 requirements, provided the following apply:

3 (a) The large combination utility and the prime contractor and
4 all of its subcontractors, regardless of tier, have the absolute
5 right to select any qualified and responsible bidder for the award of
6 contracts on a specified project without reference to the existence
7 or nonexistence of any agreements between such a bidder and any party
8 to such a project labor agreement, and only when such a bidder is
9 willing, ready, and able to become a party to, signs a letter of
10 assent, and complies with such an agreement or agreements, should it
11 be designated the successful bidder; and

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

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

19 NEW SECTION. **Sec. 13.** The commission may adopt rules to ensure
20 the proper implementation and enforcement of this act.

21 **Sec. 14.** RCW 80.24.010 and 2022 c 159 s 1 are each amended to
22 read as follows:

23 Every public service company subject to regulation by the
24 commission shall, on or before the date specified by the commission
25 for filing annual reports under RCW 80.04.080, file with the
26 commission a statement on oath showing its gross operating revenue
27 from intrastate operations for the preceding calendar year or portion
28 thereof and pay to the commission a fee equal to one-tenth of one
29 percent of the first (~~(fifty thousand dollars)~~) \$50,000 of gross
30 operating revenue, plus four-tenths of one percent of any gross
31 operating revenue in excess of (~~(fifty thousand dollars)~~) \$50,000,
32 except that a large combination utility as defined in section 2 of
33 this act shall pay a fee equal to 0.001 percent of the first \$50,000
34 of gross operating revenue, plus 0.005 percent of any gross operating
35 revenue in excess of \$50,000: PROVIDED, That the commission may, by
36 rule, set minimum fees that do not exceed the cost of collecting the
37 fees. The commission may by rule waive any or all of the minimum fee
38 established pursuant to this section.

1 The percentage rates of gross operating revenue to be paid in any
2 year may be decreased by the commission for any class of companies
3 subject to the payment of such fees, by general order entered before
4 March 1st of such year, and for such purpose such companies shall be
5 classified as follows:

6 Electrical, gas, water, telecommunications, and irrigation
7 companies shall constitute class one. Every other company subject to
8 regulation by the commission, for which regulatory fees are not
9 otherwise fixed by law shall pay fees as herein provided and shall
10 constitute additional classes according to kinds of businesses
11 engaged in.

12 Any payment of the fee imposed by this section made after its due
13 date shall include a late fee of two percent of the amount due.
14 Delinquent fees shall accrue interest at the rate of one percent per
15 month.

16 NEW SECTION. **Sec. 15.** This chapter may be known and cited as
17 the Washington decarbonization act for large combination utilities.

18 NEW SECTION. **Sec. 16.** Sections 2 through 8, 11 through 13 and
19 15 of this act constitute a new chapter in Title 80 RCW.

20 NEW SECTION. **Sec. 17.** If any provision of this act or its
21 application to any person or circumstance is held invalid, the
22 remainder of the act is invalid.

23 NEW SECTION. **Sec. 18.** This act is necessary for the immediate
24 preservation of the public peace, health, or safety, or support of
25 the state government and its existing public institutions, and takes
26 effect immediately."

ESHB 1589 - S COMM AMD

By Committee on Environment, Energy & Technology

NOT ADOPTED 03/01/2024

27 On page 1, line 2 of the title, after "future;" strike the
28 remainder of the title and insert "amending RCW 19.280.030,
29 80.28.110, and 80.24.010; adding a new chapter to Title 80 RCW;
30 creating a new section; and declaring an emergency."

EFFECT: (1) Removes the prohibition on specific large gas companies in Washington from furnishing or supplying gas service to any commercial or residential location that did not receive or file an application for gas service as of June 30, 2023.

(2) Amends the obligation to serve statute by providing that a large combination utility may provide a customer with any approved nonemitting energy, which includes renewable natural gas, green hydrogen, thermal energy networks, or other sources as described in an approved filing.

(3) Restructures the process for the utilities and transportation commission (UTC) to consolidate a large combination utility's planning requirements for both gas and electric operations into a single integrated system plan (ISP), by July 1, 2025, rather than September 1, 2023, and allows the UTC to extend the proceeding 90 days for good cause shown.

(a) Requires a large combination utility to file an ISP by January 1, 2027, and be updated on a regular basis, but authorizes the UTC to set a timeline for future ISPs.

(b) Requires the ISP to satisfy a number of requirements, including, among others: Components of integrated resource plans and clean energy action plans; low-income electrification programs, which includes demonstrated material benefits to low-income participants; an action plan for specific actions needed to implement an ISP; and a report on the progress of an ISP.

(4) Directs a large combination utility to consider the social cost of greenhouse gas emissions when developing ISPs and clean energy action plans.

(5) Directs a large combination utility to apply a risk reduction premium in evaluating the lowest reasonable cost of decarbonization measures in an ISP that must account for the applicable allowance ceiling price approved by the department of ecology under the climate commitment act, to ensure that the utility is making appropriate long-term investments to mitigate against allowance and fuel price risks to customers and the utility.

(6) Removes the cost-effective cost recovery mechanism, including the requirement that a majority of total capacity and energy needed to meet the requirements of the clean energy transformation act (CETA) must be supplied from resources owned and operated by the combination utility.

(7) Directs that no large combination utility may offer any form of rebate, incentive, or other inducement to residential gas customers to purchase any natural gas appliance or equipment beginning January 1, 2025. Specifies that this requirement does not apply to electric heat pumps with natural gas backups or commercial or industrial customers until January 1, 2031.

(8) Directs that, by November 1, 2025, a large combination utility must educate its ratepayers about the benefits of electrification and availability of rebates, incentives, or other inducements to purchase energy efficient electric appliances and equipment.

(9) Directs a large combination utility to work in good faith with other specified stakeholders to develop market structures and mechanisms that account for the greenhouse gas attributes of wholesale electricity generation when it is sold into organized markets.

(10) Authorizes a large combination utility to seek a certificate of necessity along with an ISP in order to construct a new renewable or nonemitting electric generation or transmission facility, make a

significant investment in an existing facility, or enter into a power purchase agreement for renewable or nonemitting electric energy or capacity.

(a) Allows a certificate to be submitted outside the ISP process for a time-sensitive project.

(b) Directs that if the assumptions underlying an approved certificate of necessity materially change, a large combination utility must request, or the UTC or potential intervenor on its own motion may initiate, a proceeding to review whether it is reasonable to complete an unfinished project with a certificate of necessity.

(c) Directs that nothing under the certificate of necessity provisions changes the existing authority of the UTC to ascertain and determine the fair value of property for rate-making purposes.

(11) Removes the provision requiring incremental depreciation for each year of a multiyear rate plan equal to one percent of the gas revenue requirement for the preceding year, and instead directs the UTC to approve a depreciation schedule, with adjustments for affordability, that depreciates all gas plants in service as of July 1, 2024, by a date no later than January 1, 2050.

(12) Directs that when an ISP proposes geographically targeted electrification of all or a portion of a large combination utility's service area and one or more consumer-owned utilities (COUs) provide electric service to the same service area, the ISP must include a process for outreach to all of these COUs.

(13) Authorizes the UTC to assess a fee on combination utilities of 0.5 percent of intrastate gross operating revenues.

(14) Directs that current law may not be construed as limiting the UTC or any party from bringing any action pursuant to the law governing public utilities or CETA against a large combination utility related to a submitted ISP.

(15) Replaces the term "combination utility" with "large combination utility" to mean a public service company that is both an electrical company and a large gas company serving a specified number of customers in Washington as of June 30, 2024.

(16) Replaces the severability clause with a provision that directs if any provisions of the act are held invalid, the remainder of the act is invalid.

(17) Makes technical corrections.

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