

# SENATE BILL REPORT

## ESHB 1589

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As of January 31, 2024

**Title:** An act relating to supporting Washington's clean energy economy and transitioning to a clean, affordable, and reliable energy future.

**Brief Description:** Supporting Washington's clean energy economy and transitioning to a clean, affordable, and reliable energy future.

**Sponsors:** House Committee on Environment & Energy (originally sponsored by Representatives Doglio, Fitzgibbon, Berry, Alvarado, Bateman, Ramel, Peterson, Lekanoff, Hackney, Macri and Kloba).

**Brief History:** Passed House: 1/22/24, 52-45.

**Committee Activity:** Environment, Energy & Technology: 3/17/23, 3/28/23 [DPA, DNP]; 1/31/24.

### Brief Summary of Bill

- Establishes a 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.
- Requires a large combination utility to file an ISP by January 1, 2027, and directs the UTC to take into account public interest factors when approving an ISP.
- Authorizes a large combination utility to seek a certificate of necessity along with an ISP in order to construct a new facility, make a significant investment, or enter into a power purchase agreement.
- Authorizes the UTC to adopt depreciation schedules and approve the merger of electric and gas rate bases of a large combination utility if specific conditions are met.
- Provides that a large combination utility's obligation to serve may be met

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

by providing a customer with nonemitting energy.

- Establishes labor requirements for any project in an ISP with a cost of more than \$10 million.
- Authorizes the UTC to assess a fee on combination utilities of 0.5 percent of intrastate gross operating revenues.

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## SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

**Staff:** Kimberly Cushing (786-7421)

**Background:** Utilities and Transportation Commission. The Utilities and Transportation Commission (UTC) is a three-member commission with broad authority to regulate the rates, services, and practices of a variety of businesses in the state, including four natural gas companies. The UTC must ensure rates charged by these companies are fair, just, reasonable, and sufficient. In 2021 the Legislature directed every gas or electric utility filing a general rate case to include a proposal for a multiyear rate plan (MYRP) beginning January 1, 2022.

The UTC is funded almost entirely through fees assessed to regulated companies each May based on their annual intrastate gross revenues. Under current law, every electric, natural gas, telecommunications, wastewater, and water company regulated by the UTC must pay a fee equal to 0.4 percent of its intrastate gross operating revenues in excess of \$50,000. The UTC may, by rule, set minimum fees that do not exceed the cost of collecting the fees. The UTC may also waive any or all minimum fees.

Integrated Resource Plans. All investor-owned and consumer-owned electric utilities in the state with more than 25,000 customers must develop integrated resource plans (IRPs). An IRP must include a number of components, such as the mix of generating resources and conservation and efficiency resources that will meet current and projected needs at the lowest reasonable cost to the utility and its ratepayers. IRPs must be updated every two years. Investor-owned utilities (IOUs) must submit their plans to the UTC.

Greenhouse Gas Emission Reduction Limits. In 2020 the Legislature updated statewide greenhouse gas (GHG) emissions reduction limits to 45 percent below 1990 levels by 2030, 70 percent below 1990 levels by 2040, and 95 percent below 1990 levels, as well as net zero emissions, by 2050.

Clean Energy Transformation Act. In 2019 the Legislature passed the Clean Energy Transformation Act (CETA), which requires Washington's electric utilities to meet 100 percent of their retail electric load using non-emitting and renewable resources by January 1, 2045. CETA requires electric utilities to eliminate coal-fired resources from their

allocation of electricity by December 31, 2025, and make all retail sales of electricity GHG neutral by January 1, 2030.

Clean Energy Action Plan. An IOU must adopt a ten-year clean energy action plan for implementing CETA at the lowest reasonable cost and at an acceptable resource adequacy standard that identifies the specific actions to be taken by the IOU consistent with its long-range IRP.

Climate Commitment Act. In 2021 the Legislature passed the Climate Commitment Act (CCA) and directed the Department of Ecology (Ecology) to implement a cap and invest program (Program) to reduce GHG emissions consistent with the statewide statutory emissions limits.

Starting January 1, 2023, covered entities must either reduce their emissions or obtain allowances to cover any remaining emissions. The total number of allowances will decrease over time to meet statutory limits. Allowances can be obtained through quarterly auctions, or bought and sold on a secondary market. Some utilities and industries will be issued no-cost allowances. The Program must track, verify, and enforce compliance through the use of compliance instruments. A compliance instrument is an allowance or offset credit issued by Ecology or a trading program that has linked with Washington's Program. One compliance instrument is equal to one metric ton of carbon dioxide equivalent.

**Summary of Bill:** The bill as referred to committee not considered.

**Summary of Bill (Proposed Striking Amendment):** Integrated System Plans—Rulemaking and Filing. To reduce regulatory barriers, achieve equitable and transparent outcomes, and integrate planning requirements, the UTC may consolidate a large combination utility's planning requirements for both gas and electric operations into a single integrated system plan (ISP) that is approved by the UTC.

A large combination utility is both an electrical company and a gas company that serves more than 800,000 retail electric customers and 500,000 retail gas customers in Washington as of June 30, 2024.

By July 1, 2025, the UTC must complete a rule-making proceeding to implement consolidated planning requirements for gas and electric services for large combination utilities, including but not limited to, plans required under the IRP process, the Energy Independence Act, CETA, CCA, gas conservation targets, electrification of transportation, MYRPs, existing pipeline safety and replacement plans, and planning requirements ordered by the UTC, such as electrification and decarbonization. The UTC may consider exemptions from any rules necessary to facilitate the ISP for large combination utilities. The UTC may extend the proceeding for 90 days for good cause shown.

Subsequent planning requirements for future ISPs will be on a timeline set by the UTC.

Large combination utilities that file ISPs do not have to file the statutorily required plans and their components consolidated into the ISP.

In the order adopting rules or issuing a policy statement approving the consolidation of planning requirements, the UTC must include a compliance checklist and any additional guidance to ensure the ISP meets the minimum requirements of all relevant statutes and rules.

Upon request of a large combination utility, the UTC may issue an order extending the filing requirements under CETA and the IRP process and require the large combination utility to file an ISP if the UTC finds the utility has a public work plan demonstrating reasonable progress toward meeting the CETA standards and achieving equity goals. The UTC's approval of an extension does not relieve the large combination utility from its obligation to demonstrate its progress toward meeting the CETA standards and interim targets in its most recent clean energy implementation plan, but it does fulfill statutory filing deadlines.

By January 1, 2027, large combination utilities must file an ISP. The UTC must set a timeline for future ISPs, and they must be updated on a regular basis. The ISP must:

- achieve the obligations of all plans filed under the ISP;
- provide a range of forecasts, for at least the next 20 years, of projected customer demand that takes into account specific data;
- achieve gas utility and electric utility emissions reductions equal to their proportional share of emissions reductions under the statewide GHG emissions reduction limits;
- include emissions reduction targets for both gas and electric operations for each emission reduction period that account for interactions between gas and electric systems;
- achieve 2 percent of electric load annually with conservation and energy efficiency resources, unless the UTC finds a higher target is cost effective, however the UTC may accept a lower level of achievement if it determines that the requirement is neither technically nor commercially feasible;
- assess commercially available conservation and efficiency resources, including demand response and load management, to achieve the 2 percent conservation and energy efficiency target for the 20 year planning horizon;
- achieve annual demand response and demand flexibility equal to or greater than 10 percent of winter and summer peak electric demand; unless the UTC finds a higher target is cost effective, however the UTC may accept a lower level of achievement if it determines that the requirement is neither technically nor commercially feasible;
- achieve all cost-effective electrification of end uses currently served by natural gas identified through an assessment of alternatives to known and planned gas infrastructure projects;
- include low-income electrification programs that:
  1. include rebates and incentives to low-income customers and customers experiencing high energy burden for the deployment of high-efficiency

- electric-only heat pumps in homes and buildings currently heating with wood, oil, propane, electric resistance, and gas heating;
  - 2. provide demonstrated material benefits to low-income participants;
  - 3. provide dedicated funding for electrification readiness;
  - 4. include low-income customer protections to mitigate energy burden, if electrification measures will increase energy burden; and
  - 5. coordinate with community-based organizations in the gas or electrical company's service territory to review barriers and effectively serve low-income customers;
- propose low-income protections to mitigate energy burden and established eligibility based on existing benefits or programs;
- assess the potential for geographically targeted electrification;
- assess commercially available supply side resources, including comparing the benefits and risks of purchasing electricity or gas or building new resources;
- assess nonpipeline alternatives, as an alternative to replacing aging gas infrastructure or expanded gas capacity, to include:
  - 1. identifying all known and planned gas infrastructure projects, for at least ten years following the filing;
  - 2. estimating programmatic expenses of maintaining that portion of the gas system for ten years; and
  - 3. ranking all gas pipeline segments for their suitability for nonpipeline alternatives;
- assess distributed energy resources that meet current statutory requirements;
- provide an assessment and 20-year forecast of the availability of and requirements for regional supply side resource and delivery system capacity to provide electricity and gas to the large combination utility's customers and to meet CETA and GHG emissions reductions requirements, including identification of expected needs to acquire new long-term firm rights, or develop new or expand or upgrade existing delivery system facilities;
- assess methods, technologies, or facilities for integrating renewable resources and nonemitting electric generation;
- provide a comparative evaluation of supply side resources, delivery system resources, and conservation and efficiency resources using lowest reasonable cost as a criterion;
- include a determination of resource adequacy metrics for the ISP consistent with the forecasts;
- forecast distributed energy resources that may be installed by the large combination utility's customers and assess their effect on load and operations;
- identify an appropriate resource adequacy requirement and measurement metric consistent with prudent utility practice in implementing CETA;
- integrate demand forecasts, resource evaluations and resource adequacy requirements into a long-range assessment describing the mix of resources that will meet current and project needs at the lowest reasonable cost and risk to the utility and its customers, while maintaining the safety, reliable operation, and balancing of the energy system of the large combination utility;

- include an assessment of energy and nonenergy benefits and the avoidance and reductions of burdens to vulnerable populations and highly impacted communities;
- long-term and short-term public health and environmental benefits, costs, and risks; and energy security and risk;
- include a ten-year clean energy action plan for implementing CETA at the lowest reasonable cost and at an acceptable resource adequacy standard, which requires identifying:
  1. cost-effective conservation potential assessment under the Energy Independence Act;
  2. any need to develop new or expand or upgrade existing, bulk transmission and distribution facilities and document existing and planned efforts to make more effective use of existing transmission capacity; and
  3. whether the large combination utility may need to rely on alternative compliance options under CETA;
- include an analysis for how the ISP accounts for: model load forecast scenarios that consider the anticipated levels of zero emissions vehicle use in a large combination utility's service area; the information found in an electrification of transportation plan; and assumed use case forecasts and the associated energy impacts;
- establish that, consistent with the CCA, a large combination utility has consigned to auction for the benefit of ratepayers the maximum permissible number of allowances and prioritize, first, revenues derived from the auction of allowances to programs that eliminate the cost burden for low-income ratepayers and, second, electrification programs benefitting residential and small commercial customers;
- provide a plan outlining specific actions to implement the ISP during the four years following submission; and
- report on the progress toward implementing the recommendations in the previously filed ISP.

When evaluating the lowest reasonable cost of decarbonization measures in an ISP, large combination utilities must apply a risk reduction premium that accounts for the applicable allowance ceiling price pursuant to the CCA. The risk reduction premium is necessary to ensure that a combination utility is making appropriate long-term investments to mitigate against the allowance and fuel price risks to its customers.

A large combination utility must consider the social cost of GHG emissions, determined by the UTC, when developing IRPs and clean energy action plans. A large combination utility must incorporate the social cost of GHG emissions as a cost adder when evaluating and selecting conservation policies, programs, and targets; developing ISPs and clean energy action plans; and evaluating and selecting intermediate-term and long-term resource options.

To maximize transparency, the UCT may require a large combination utility to make its data input files available in a native format. Each large combination utility must publish its final plan either as part of an annual report or in a separate document available to the public.

The report may be in an electronic form. Nothing in this bill limits the current statutory protection of records containing commercial information.

The UTC must establish, by rule, a cost test for emissions reduction measures achieved by large combination utilities to comply with state clean energy and climate policies. The cost test must be used for determining the lowest reasonable cost of decarbonization and electrification measures in ISPs at the portfolio level, and for any other purpose determined by UTC rules.

Integrated System Plans—Approval. The UTC must approve, reject, or approve with conditions, an ISP within 12 months of its filing. For good cause shown, the UTC may extend the time by 90 days for a decision on an ISP filed on or before January 1, 2027. When determining whether to approve, reject, or approve a plan with conditions, the UTC must evaluate whether the plan is in the public interest. In doing so, the UTC must take into account the following:

- the equitable distribution and prioritization of energy benefits and reduction of burdens to vulnerable populations, highlight-impacted communities, and overburdened communities;
- long-term and short-term public health, economic, and environmental benefits and the reduction of costs and risks;
- health and safety concerns;
- economic development;
- equity;
- energy security and resiliency; and
- whether the ISP:
  1. would achieve a proportional share of reductions in GHG emissions for each emissions reduction period on the gas and electric systems, the required energy efficiency and demand response targets, and cost-effective electrification of end uses currently served by natural gas;
  2. results in a reasonable cost to customers, and projects the rate impacts of actions or investments on customers;
  3. would maintain system reliability and reduce long-term costs and risks to customers;
  4. would lead to new construction career opportunities and prioritizes a transition of natural gas and electricity workers to perform work on construction and maintenance of new and existing renewable energy infrastructure; and
  5. describes specific actions that the large combination utility plans to take to achieve the requirements of the ISP.

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

Accounting for Green House Gas Attributes. Large combination utilities must work in good

faith with other specified stakeholders to develop market structures and mechanisms that account for the GHG attributes of wholesale electricity generation when it is sold into organized markets.

Certificate of Necessity. A large combination utility may submit an application to the UTC seeking a certificate of necessity (CON) in order to:

- construct a new electric generation or transmission facility;
- make a significant investment in an existing renewable or nonemitting electric generation or transmission facility; or
- enter into a power purchase agreement (PPA) for the purchase of electricity capacity for a period of six years or longer.

A significant investment may include a group of investments undertaken jointly and located on the same site for a singular purpose, such as increasing the capacity of an existing electric generation or transmission plan.

The construction project, investment, or purchase must:

- cost \$100 million or more;
- require the utility to begin incurring significant portions of these costs more than five years before the facility is estimated to be in service; and
- allocate all or a portion of the costs to retail customers in this state.

Applications for a CON must be submitted in conjunction with an ISP. However, a large combination utility may submit an application outside of the ISP process for a time-sensitive project.

A large combination utility submitting an application may request one or more of the following:

- a CON that the power to be supplied or transmitted as a result of the proposed construction, investment or purchase is needed;
- a CON that the size, fuel type, and other design characteristics of the existing or proposed electrical generation or transmission facility or the terms of the PPA represent the most appropriate and reasonable means of meeting that power need;
- a CON that the estimated purchase or capital costs of and the financing plan for the existing or proposed electric generation or transmission facility, including costs of siting and licensing a new facility or the costs of power from the facility, are reasonable; or
- a request to (1) recognize, accrue, and defer the allowance for funds used during construction, and (2) recover financing interest costs in base rates on construction work in progress for capital improvements approved prior to the assets being considered used and useful.

The UTC may approve, reject, or approve with conditions an application if it is in the public interest. The large combination utility has implemented a reasonable risk sharing



mechanism that equitably balances the risk of decarbonization between the utility and customers. In a CON, the UTC may specify the estimate costs for construction or investment in a facility, the estimated price for a purchase of an existing facility or power pursuant to a PPA.

If the UTC denies any relief requested by a large combination utility the utility may withdraw its application for a CON or proceed with the proposed construction, purchase, investment, or PPA under its ordinary course of business without a CON and the assurance granted under a CON.

The large combination utility must file reports to the UTC regarding the status of any project granted a CON, including updates about costs and schedule at intervals determined by the UTC.

If the assumptions underlying an approved CON 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 its is reasonable and prudent to complete an unfinished project with a CON. In the order approving the CON, the UTC must list the assumptions underlying an approved CON.

If the UTC finds that the completion of the project is no longer reasonable and prudent, it may modify or cancel approval of the CON. The UTC may also allow recovery of reasonable and prudent costs already incurred or contracted for and limit future cost recovery to those that could not be reasonably avoided.

A supplier of electric generation that seeks to provide electric generation capacity resources to a large combination utility may submit a written proposal direction to the UTC as an alternative to the construction, investment, or purchase proposed under a CON.

The entity submitting an alternative proposal to a CON has standing to intervene and request reasonable discovery in the contested case proceeding. The UTC may consider the cost of the alternative proposal and specified qualifications of the submitting entity. However, this provision does not authorize the UTC to order or otherwise require a large combination utility to adopt any alternative proposal submitted.

Depreciation Schedules and Single Energy Rate Base. In any MYRP filed by a large combination utility, the combination utility must include an updated depreciation study that reduces the gas rate base consistent with an approved ISP, and the UTC may adopt depreciation schedules that accelerate cost recovery and reduce rate base for any gas plant. In any MYRP, the UTC must approve a depreciation schedule that depreciates all gas plants in service as of July 1, 2024, no later than January 1, 2050. When considering future MYRPs, the UTC may adjust depreciation schedules for gas plants to address affordability, as long as all gas plants in service as of July 1, 2024, are fully depreciated by 2050.

In any MYRP proposed by a combination utility, the utility may propose a merger of the regulated gas and electric operation into a single rate base. The UTC may approve the merger of electric and gas rate bases, if it finds the proposal will result in a net benefit to customers of the combination utility. In approving a merger of a gas and electric rate base, the UTC must avoid commercial and residential rate classes subsidizing industrial rate classes.

For a combination utility that has merged gas and electricity rate bases, the utility must monetize benefits received from any applicable federal and state tax and other incentives for the benefit of customers. These benefits must be separately accounted for and amortized on a schedule designed only to mitigate the rate impacts to customers after the rate bases are combined.

The UTC may, for good cause shown, extend the deadline up to 60 days for the first MYRP proposed by a large combination utility following UTC approval or approval with conditions of the initial ISP.

Rebates, Incentives, and Education. Beginning January 1, 2025, 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. Until January 1, 2031, this requirement does not apply to:

- electric heat pumps that include natural gas backups; or
- commercial and industrial customers.

By November 1, 2025, a large combination utility must educate its ratepayers about the benefits of electrification and the availability of rebates, incentives, or other inducements to purchase energy efficient electric appliances and equipment. This may include an educational website or materials in monthly billing statements.

Obligation to Serve. A large combination utility's obligation to serve may be met by providing a customer with nonemitting energy including, but not limited to, renewable natural gas, green hydrogen, thermal energy networks, electricity, or other sources described in an ISP approved by the UTC.

Geographically Targeted Electrification. Geographically targeted electrification is the transition of a portion of large combination utility gas customers with an intent to electrify heating loads of these customers and, in conjunction, to reduce capital and operational costs of gas operations.

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. As part of the outreach, the large combination utility must provide gas delivery data with sufficient granularity so that the COU can assess the capacity of the

electric distribution system to accommodate the additional load from electrification at the circuit level. The large combination utility must provide the data at least one plan cycle prior to electrification actions to allow affected COUs sufficient time to upgrade electrical distribution equipment and materials needed to preserve system reliability.

COUs are encouraged to:

- work with large combination utilities providing gas service within their service areas to identify opportunities for electrification;
- account for the costs of GHG emissions, set total energy savings and GHG emissions reduction goals, and develop and implement electrification programs in collaboration with combination utilities providing service; and
- include an electrification plan or transportation electrification program as part of collaboration with combination utilities.

Project Labor Agreements. For any project in an ISP that is part of a competitive solicitation and costs more than \$10 million, the large combination utility must certify to the UTC that any work on the project will be constructed by contractors with community workforce agreements or project labor agreements, the payment of area standard prevailing wages, and apprenticeship utilization requirements, provided the following apply:

- the combination utility and contractors have the absolute right to select any qualified and responsible bidder for the award of contracts on a specified project without referring to existing agreements, and a successful bidder is designated only when a bidder is willing, ready, and able to become a party to an agreement, signs a letter of assent, and complies with such an agreement; and
- it is a self-contained, stand-alone agreement, and the contractors are not obligated to sign any other local, area, or national agreement.

The project labor agreement provisions do not supersede current electrician licensing laws or the Washington Industrial Safety and Health Act.

Calculating the Emissions Baseline. When calculating an emissions baseline and projected cumulative emissions of an emissions reduction period, a large combination utility must include emissions from methane leaked from the transportation and delivery of gas from the distribution and service pipelines to the customer and from the delivery of gas to other gas companies, and GHG emissions from combustion of gas by natural gas customers not subject to federal GHG emissions reporting and excluding transport customers.

When calculating an emissions reduction target, a combination utility must show its emissions baseline and projected cumulative GHG emissions for each emissions reduction period and that the total emissions reduction are projected to make progress toward the identified emissions reduction targets identified in the applicable ISP.

Fees. A combination utility must pay a fee equal to 0.1 percent of the first \$50,000 of gross operating revenue, plus 0.5 percent of any gross operating revenue in excess of \$50,000.

Rate of Return on Capital Costs. For the duration of a PPA or storage service agreement to meet CETA standards, or selected in a solicitation of bids for providing or delivering electric capacity, energy, storage services, or conservation, the UTC may authorize an electrical company to earn a return on the agreement for any given period in an amount determined by a specific equation, which replaces the equation currently provided in law.

Nonseverability Clause. If any provisions of the act are held invalid, the remainder of the act is invalid.

**Appropriation:** None.

**Fiscal Note:** Requested on January 26, 2024.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Staff Summary of Public Testimony on Proposed Striking Amendment (Regular Session 2023):** *The committee recommended a different version of the bill than what was heard.* PRO: The bill is only intended for Puget Sound Energy customers. We must ensure rate payers are put first and that the UTC will continue to have oversight. The striker framework balances decarbonization efforts and meaningful reductions. We are confident the UTC can ensure there will be an effective process for a combination utility to meet state requirements for carbon reductions and that we ensure fair, just, reasonable, and equitable means of recovery. Under the bill, the UTC has the tools and to manage cost recovery, set the company's rate of equity, and ensure the company does not exceed an authorized rate of return. Bill corresponds well with the federal government's infrastructure investment act. The utility can manage the costs associated with this bill. We appreciate the bill commits labor provisions to law. The utility's electrification plan includes heating systems that can be installed by our members. This is an integrated approach for CETA and the CCA. Incentives are critical to manage a transition. We are supportive of a consolidation of planning processes and are just as concerned about cost as everyone.

CON: This ban would happen in 105 days. We have concerns with costs and the rest of the bill. We need a gas flame for cooking otherwise we cannot provide our product for customers. Our menu depends on gas. We use natural gas in stores as a backup and would like an exception for this. The bill has an unintended consequence that would prevent alternative fuel providers from utilizing the gas pipeline. We are asking for an exemption for any project that can decarbonize the pipeline. This is a continuation of voters rejecting the carbon tax in 2019. Section 2(b) has a significant impact. Warehouses are difficult to move from natural gas to electric heat and the costs are passed back to tenants. There are supply chain realities, for example transformers appear to be unavailable. In Section 5(4) there is ambiguity about who the bill applies to. Take a more cost-sensitive approach and

convert to a peak heating resource. We oppose any attempt to limit natural gas. There is uncertainty regarding cost shifts and the bill does not go far enough to protect ratepayers from costs. The bill goes beyond the state energy code. Gas backup is often necessary when the power goes out. Competition leads to lower costs for customers. We are baffled that the Legislature is giving the company a monopoly over 50 percent of the market. Independent power producers compete against each other to get lowest cost to consumers. Get housing infrastructure in place before moving to carbon neutral. There are a lack of meaningful cost protections for customers. Pre-approval is to the detriment of customers. It costs more to electrify a new home. The project labor agreements are burdensome for minority and women-owned construction companies.

OTHER: We are concerned this bill increases shareholder profits. We have equity concerns and want to remove the 50 percent utility ownership mandate and put ownership in hands of the UTC. There is a cost to electrification. Add language to balance the interest of company with customers. Remove the rate of return language and prioritize auction revenues. Most new homes and buildings are being built all electric and looking for heat pumps. As customers leave gas, give the utility tools and plans for managing the transition. We are working on additional amendments. We support this bill with customer protections. The bill has a strong focus on building electrification. We are concerned about the intent language, it has become anti-natural gas, and is more about fuel switching than decarbonization. The use of RNG is an effective way to decarbonize.

**Persons Testifying (Environment, Energy & Technology):** PRO: Representative Beth Doglio, Prime Sponsor; Anna Lising, Governor's Office; Dave Danner, Utilities & Transportation Commission; John Traynor, Washington State Labor Council, AFL-CIO; Sam Hem, Northwest Regional Council of Sheet Metal, Air, Rail, and Transportation Workers Local 66; Matthew Hepner, IBEW/CEWW; Isaac Kastama, Clean & Prosperous Washington; Ken Johnson, Puget Sound Energy.

CON: Ryan Kenny, Clean Energy; Oliver Bangera, Bangera Restaurant Group; Ryo Izawa, Samurai Noodle Inc; Samantha Louderback, Washington Hospitality Association; Katie Beeson, Washington Food Industry Association (WFIA); Tim Eyman, Concerned citizen; Jeff Pack, Me; Greg Hanon, NAIOP; Edwin Andrews; Carolyn Logue, NW Hearth, Patio & Barbecue Assn and WA Air Conditioning Contractors; Daimon Doyle, Doyle Construction; Andrea Hochleutner, Central WA Homebuilders Association; Scott Hazelgrove, Master Builders of King and Snohomish Counties; Josie Cummings, Building Industry Association of Washington; Spencer Gray, Northwest & Intermountain Power Producers Coalition; John Rothlin, Avista; Peter Godlewski, Association of Washington Business; Sommer Moser, Alliance of Western Energy Consumers; Michele Willms, Associated General Contractors (AGC); Jeff Gombosky, Renewable Northwest.

OTHER: Nicolas Garcia, WPUDA; Yochi Zakai, The Energy Project; John Seng, Spark Northwest; Linda Garcia, Washington State Community Action Partnership; Charlie Brown, NW Natural & Cascade Natural Gas; Lauren McCloy, NW Energy Coalition; Kelly

Hall, Climate Solutions; Kiki Velez, Natural Resources Defense Council (NRDC).

**Persons Signed In To Testify But Not Testifying (Environment, Energy & Technology):** No one.

**Staff Summary of Public Testimony On Proposed Striking Amendment (Regular Session 2024):** PRO: This is important enabling policy for the state's largest utility to decarbonize in a responsible manner with robust planning, rigorous oversight, and providing material benefits to customers, especially low-income customers. Nothing in the bill requires customers to switch away from gas. We can all agree that our energy landscape is changing. Washington is committed to 100 percent clean electricity. We have established science-based GHG emission reduction goals. Aligning and consolidating planning requirements will allow the UTC to retain its authority and flexibility and enable a more comprehensive review of the decisions the utility is making to decarbonize. There is no limitation on the growth of Puget Sound Energy's (PSE's) gas system under the bill. The bill modernizes the planning processes. The bill would ensure that PSE can provide reliable energy services. Section 10 adds nonemitting technologies to the obligation to serve statute and lets the UTC evaluate and approve new technology to meet customer needs. The bill doesn't remove any obligation to serve but expands options for what the utility is obligated to serve.

The bill creates near- and long-term jobs by requiring critical investments in utility-subsidized heating and cooling systems for low- and medium-income households. PSE is the first major utility in the nation to step up with realistic plan to transition to a 100 percent clean energy future. By prioritizing project labor and community workforce agreements, PSE is advancing climate action in accordance with state law, and doing it in a way to advance diverse and equitable workforce, bringing family wage jobs across trades and across the state. Our workforce can help make this a reality. We currently have a job shortage, not workforce shortage. These are jobs we need now.

Washington has set ambitious and binding climate targets. This bill is about implementation. Washington will not succeed in meeting deep decarbonization requirements without the full engagement of PSE. To meet climate targets, Washington needs efficient all-electric heat pump appliances, which is the single most cost-effective path to decarbonize our buildings. All-electric buildings exist in all climates. After a certain percentage of gas customers leave, maintenance and safety costs increase for the remaining customers. A well-planned transition by geographic areas is more cost effective for both customers and the utility. The experience that PSE and the UTC gain under this bill will benefit everyone. We are seeing a voluntary transition away from fossil fuels. It is important that utilities have tools to plan for this transition and to manage costs. The bill requires the utility to assist customers rather than leaving them with upfront costs. This bill helps accelerate the transition to affordable, renewable electricity. One of the strongest mechanisms for this is competitive energy procurement from independent power producers. We appreciate the removal of the harmful market-share carve out.

This is a critical piece of legislation to ensure Washington can meet its climate goals. The bill also improves outdoor air quality. Decarbonizing is the right thing to do. To meet collective climate goals we cannot continue to design and install new fossil-fuel-dependent buildings. Financial incentives for fuel switching are often lacking. This bill will help rectify that. Residential customers are both waiting for and need incentives to transition off fossil fuels.

CON: Section 10 of the bill will allow PSE to get out of its obligation to serve natural gas, and is effectively a natural gas ban. The purpose of the obligation to serve is to protect consumers from powerful monopolies. While the restriction on new residential hookups is removed, the obligation to serve language is more concerning, because existing users can be forced to replace systems with other options. The obligation to serve conversation needs to happen in a separate bill. This is a regressive tax on consumers. There are no real cost containment provisions and no offramps based on rate impacts to consumers. Section 5 is tantamount to pre-approval of projects. These provisions will have direct and immediate costs to customers. Under the current system, PSE is struggling to run in a way that is dependable for customers.

The removal of the obligation to serve undermines the ability to put in adequate supplemental heat sources. Higher efficiency gas appliances have less emissions than electrical appliances. We would like a fuel choice when looking at what a house needs. We would like increased certainty about large industrial consumers continuing to use natural gas because there are a number of industries that don't have an alternative fuel source. We recognize the need for decarbonization but also want to keep the cost of groceries as low as possible. We are concerned about the cost of converting to fully electric. Backup systems like natural gas are necessary to keep stores online during extreme weather events. If this bill passes, one utility will be able to cut off gas to current customers. Cutting off natural gas, will disproportionately hurt restaurants that cannot switch off natural gas. The bill will kill cultural cuisines if natural gas is shutoff. The bill comes at a cost to low-income communities. We need a balanced energy system to include all energy.

OTHER: We support equitable decarbonization, but have some concerns with low-income electrification programming and affordability, including: unreasonable financial incentives to the utility in sections 15 and 16 and not having an action plan for geographically targeted electrification instead of just an assessment. The approach in this bill may work for one utility but if it were applied as state-wide policy it would create operations problems for another company and impose costs on customers. Without access to natural gas in winter-peaking months, the demand may have to be met with other carbon-intensive resources that would increase GHG emissions. We appreciate the removal of the 50 percent market-share. We support robust wholesale competition, and would like to see additional language to support competitive procurement. A level playing field is key.

**Persons Testifying (Environment, Energy & Technology):** PRO: Representative Beth

Doglio, Prime Sponsor; Anna Lising, Governor's office; Jason Lewis, Utilities and Transportation Commission; Matt Miller, Puget Sound Energy; Isaac Kastama, Clean & Prosperous Washington; Donna Albert; Mark Riker, Washington State Building and Construction Trades Council; John Traynor, Washington State Labor Council, AFL-CIO; Matthew Hepner, IBEW/CEWW; Sam Hem, NWRC SMART Local 66; Neil Hartman, Washington State Association Of UA Plumbers & Pipefitters; Laurel Schandelmier; Kathleen Saul; Ruth Sawyer; Dylan Plummer, Sierra Club; Kelly Hall, Climate Solutions; Lauren McCloy, NW Energy Coalition; Kate Brouns, Renewable Northwest; Kate White Tudor, National Resources Defense Council.

CON: Brent Ludeman, Building Industry Association of Washington; Scott Hazlegrove, Master Builders Association of King & Snohomish Counties; Brandon Houskeeper, Alliance of Western Energy Consumers; Carolyn Logue, NW Hearth, Patio & Barbecue Association; Katie Beeson, Washington Food Industry Association; Samantha Louderback, Washington Hospitality Association; Ryo Izawa, Samurai Noodle; Matthew \Gilbert; David Sedelmeier; Patrick Husting; Peter Godlewski , Association of Washington Business.

OTHER: Linda Garcia, Washington State Community Action Partnership; John Rothlin, Avista; Vicki Christophersen, Northwest and Intermountain Power Producers Coalition.

**Persons Signed In To Testify But Not Testifying (Environment, Energy & Technology):** PRO: Donald Auguston, Retired; Richard Kolber; Peter Fels, none; Gothard Grey; Lori Benton; Carrie Shook, citizen; Val Alexander; Dave Miller; Richard Marshall; Frances Foley; John Harrington; Cathryn Chudy; Jim Byrne, None; Ben Bierman; Mona McNeil; Susan Saul; Steven Campana; Diana Gordon; Marie Durbin; Evalyn Baker; Arthur Ungar; Kristin PRICE; Alan Mitchell; Gary Seeman; Diane Adkin; Nancy Helget; BEVERLY BASSETT, none; Patricia Freiberg, self; ELizabeth Harris; Mark Blessle; Sandra Griebe; Joann Derie, Self; Mike Ellison; Sarah Martin; Joe Chasse; Mark Leed.