

SENATE BILL REPORT

SB 5826

As of January 24, 2024

Title: An act relating to requiring customer charges to be listed on utility billing statements if the charges are a result of implementing the Washington climate commitment act.

Brief Description: Requiring customer charges to be listed on utility billing statements if the charges are a result of implementing the Washington climate commitment act.

Sponsors: Senators MacEwen, Boehnke, Gildon, Holy, McCune, Short, Wagoner and Wilson, L..

Brief History:

Committee Activity: Environment, Energy & Technology: 1/24/24.

Brief Summary of Bill

- Directs the Utilities and Transportation Commission to require an electric or gas utility to include a rate increase or charge as a line item on a customer billing statement when an approved tariff schedule contains rates or charges to recover the costs of implementing the Climate Commitment Act.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

Staff: Kimberly Cushing (786-7421)

Background: Climate Commitment Act. In 2021 the Legislature directed the Department of Ecology (Ecology) to implement a cap and invest program, also known as the Climate Commitment Act (CCA), to reduce greenhouse gas (GHG) emissions consistent with the statewide statutory emissions limits.

Starting on January 1, 2023, the CCA will cover industrial facilities, certain fuel suppliers, in-state electricity generators, electricity importers, and natural gas distributors with annual

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GHG emissions above 25,000 metric tons of carbon dioxide equivalent (CO₂e). 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. Some industries as well as natural gas and electric utilities will be issued free allowances; other allowances will be auctioned.

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. One compliance instrument is equal to one metric ton of CO₂e.

Utilities and Transportation Commission Order. In June 2023 Puget Sound Energy (PSE) filed with the Washington Utilities and Transportation Commission (UTC) revisions to its natural gas tariff that would allow PSE to recover allowance costs and pass back to customers auction proceeds mandated under the CCA. The UTC received written comments and heard comments in a July open meeting.

In the order issued August 3, 2023, the UTC approved PSE's proposed tariff revisions subject to several conditions, including that PSE should not include a proposed carbon reduction charge as a line item on customer bills, but should include charges or credits that inure to the benefit of customers, or "carbon reduction credit," as line items on customer bills. The UTC noted that including all program charges on customer bills would quickly result in lengthy and confusing bills and that including credits on customers bills will signal an economic incentive for customers to reduce their own carbon emissions.

The UTC concluded that "the approval of the tariff revisions is not precedential" and that "as CCA markets and implementation continue to develop, the tariff will correspondingly require further development. The tariff revisions at issue are short in duration and are intended only to begin the program for natural gas customers."

Summary of Bill: When requested by an electric or gas company, the UTC may approve a tariff schedule that contains rates or charges to recover the costs of implementing the requirements of the CCA. If such a tariff schedule is approved, the UTC must require the utility to include the corresponding rate increase or charge as a line item on the customer billing statements.

Appropriation: None.

Fiscal Note: Available.

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: PRO: The purpose of the CCA was to highlight the

cost of emissions and create a price incentive for consumers to change their behavior. It is difficult for consumers to adjust their behavior if they don't know what is driving the price increases. This bill increases transparency, so consumers understand where additional charges are coming from on their utility bills related to the CCA. Going forward, we don't know the market, but we know the amount from the past and can use that. The UTC has full oversight of PSE books and transactions so they will determine if the line items are accurate.

CON: This bill singles out a single state environmental regulation for treatment that doesn't apply to other programs' specific costs. If the UTC were to include every program cost as separate line items, customers' bills would become much more complex and difficult to interpret.

OTHER: The UTC, Northwest Energy Coalition, and Climate Solutions all confirmed that the CCA caused a rate increase. Although the UTC argued that adding a line item would be confusing for consumers, they also mandated that another line item should be added showing the rebate. More transparency is key to environmental and energy policy and current law demands that consumers deserve to be informed. Transparency of the charges will allow for consumers to adjust their actions accordingly.

Persons Testifying: PRO: Senator Drew MacEwen, Prime Sponsor; Bryan Ricker, Schweitzer Engineering Laboratories, Inc.: SEL; Natasha Jackson, Northwest Gas Association; Peter Godlewski, Association of Washington Business; Matt Miller, Puget Sound Energy; eric pratt.

CON: Lauren McCloy, NW Energy Coalition.

OTHER: Todd Myers, Washington Policy Center.

Persons Signed In To Testify But Not Testifying: No one.