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**SECOND SUBSTITUTE HOUSE BILL 1990**

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**State of Washington**

**69th Legislature**

**2025 Regular Session**

**By** House Appropriations (originally sponsored by Representatives Abbarno, Doglio, and Parshley)

READ FIRST TIME 02/28/25.

1 AN ACT Relating to authorizing utility companies to securitize  
2 certain costs related to disasters or emergencies to lower costs to  
3 customers; amending RCW 80.28.005, 80.28.303, 80.28.306, 80.28.309,  
4 and 80.08.140; adding new sections to chapter 80.28 RCW; creating new  
5 sections; and declaring an emergency.

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

7 NEW SECTION. **Sec. 1.** The purpose of this act is to allow an  
8 electrical, gas, or water company, if authorized by an order issued  
9 by the utilities and transportation commission, to use securitization  
10 financing for certain types of costs related to emergency events and  
11 approved for recovery in rates. The legislature finds that:

12 (1) Securitized debt may lower the total rates in comparison with  
13 other methods of recovery and may benefit the citizens of this state  
14 who are electrical, gas, or water company customers;

15 (2) Rate recovery bonds are not a public debt or pledge of the  
16 full faith and credit of the state but require the state to provide  
17 clear and exclusive methods to create, transfer, and encumber the  
18 rate recovery assets and prohibit future impairment; and

19 (3) This act allowing electrical, gas, or water companies to use  
20 securitization financing for emergency-related costs does not limit,  
21 impair, or affect the utilities and transportation commission's

1 plenary authority and jurisdiction over rates and services offered by  
2 electrical, gas, or water companies.

3 **Sec. 2.** RCW 80.28.005 and 1994 c 268 s 1 are each amended to  
4 read as follows:

5 Unless the context clearly requires otherwise, the definitions in  
6 this section apply throughout this chapter.

7 (1) "Assignee" means a person, and any subsequent assignee, to  
8 which an electrical, gas, or water company assigns, sells, or  
9 transfers all or part of the electrical, gas, or water company's  
10 interest in or right to rate recovery assets, except as security.

11 (2) "Bond" includes bonds, notes, certificates of beneficial  
12 interests in a trust, or other evidences of indebtedness.

13 (3) "Bondable ((conservation—investment)) rate recovery  
14 expenditures" means all costs and expenditures ((made)) incurred or  
15 to be incurred through the date of issuance of a financing order by  
16 an electrical, gas, or water ((companies)) company associated with  
17 ((respect to energy)):

18 (a) An event that is the subject of a federal or state  
19 declaration of disaster or emergency, such as severe weather,  
20 catastrophic wildfire, earthquake, pandemic, or other event that  
21 causes or threatens to cause widespread loss of life, injury to  
22 person or property, human suffering, or financial loss, including  
23 those costs and expenses owed by an electrical, gas, or water company  
24 to such company's customers or others as a result of the event, but  
25 not including fines or penalties imposed as a result of criminal or  
26 civil enforcement actions; or

27 (b) Energy or water conservation measures and services intended  
28 to improve the efficiency of electricity, gas, or water end use,  
29 including related carrying costs if:

30 ((+a)) (i) The conservation measures and services do not produce  
31 assets that would be bondable utility property under the general  
32 utility mortgage of the electrical, gas, or water company;

33 ((+b)) (ii) The commission has determined that the expenditures  
34 were incurred in conformance with the terms and conditions of a  
35 conservation service tariff in effect with the commission at the time  
36 the costs were incurred, and at the time of such determination the  
37 commission finds that the company has proven that the costs were  
38 prudent, that the terms and conditions of the financing are

1 reasonable, and that financing under this chapter is more favorable  
2 to the customer than other reasonably available alternatives;

3 ~~((e))~~ (iii) The commission has approved inclusion of the  
4 expenditures in rate base and has not ordered that they be currently  
5 expensed; and

6 ~~((d))~~ (iv) The commission has not required that the measures  
7 demonstrate that energy or water savings have persisted at a certain  
8 level for a certain period before approving the cost of these  
9 investments as bondable ~~((conservation investment))~~ rate recovery  
10 expenditures.

11 ~~((2) "Conservation bonds" means bonds, notes, certificates of~~  
12 ~~beneficial interests in trusts, or other evidences of indebtedness or~~  
13 ~~ownership that:~~

14 ~~(a) The commission determines at or before the time of issuance~~  
15 ~~are issued to finance or refinance bondable conservation investment~~  
16 ~~by an electrical, gas or water company; and~~

17 ~~(b) Rely partly or wholly for repayment on conservation~~  
18 ~~investment assets and revenues arising with respect thereto.~~

19 ~~(3) "Conservation investment assets" means the statutory right of~~  
20 ~~an electrical, gas, or water company:~~

21 ~~(a) To have included in rate base all of its bondable~~  
22 ~~conservation investment and related carrying costs; and~~

23 ~~(b) To receive through rates revenues sufficient to recover the~~  
24 ~~bondable conservation investment and the costs of equity and debt~~  
25 ~~capital associated with it, including, without limitation, the~~  
26 ~~payment of principal, premium, if any, and interest on conservation~~  
27 ~~bonds.)~~

28 (4) "Bondholder" means a holder or owner of a rate recovery bond.

29 (5) "Finance subsidiary" means any corporation, limited liability  
30 company, company, association, joint stock association, ~~((or))~~ trust,  
31 or other entity that is beneficially owned, directly or indirectly,  
32 by an electrical, gas, or water company, or in the case of a trust  
33 issuing ~~((conservation))~~ rate recovery bonds consisting of beneficial  
34 interests, for which an electrical, gas, or water company or a  
35 subsidiary thereof is the grantor, or an unaffiliated entity formed  
36 for the purpose of financing or refinancing approved ~~((conservation~~  
37 ~~investment))~~ bondable rate recovery expenditures, and that acquires  
38 ~~((conservation investment))~~ rate recovery assets directly or  
39 indirectly from such company in a transaction approved by the  
40 commission.

1 (6) "Financing costs" includes the following costs related to  
2 rate recovery bonds, whether incurred and paid upon issuance or over  
3 the life of rate recovery bonds:

4 (a) The costs of issuing, serving, managing, repaying, or  
5 refinancing rate recovery bonds, including any fees, expenses, or  
6 charges incurred and the costs of any activities performed in  
7 connection with the rate recovery bonds, including:

8 (i) Information technology programming;

9 (ii) Obtaining a financing order;

10 (iii) Serving, accounting, or auditing;

11 (iv) Services related to trustees;

12 (v) Legal services;

13 (vi) Consulting;

14 (vii) Services related to financial and structuring advisors;

15 (viii) Administration;

16 (ix) Placement and underwriting;

17 (x) Services related to independent directors and managers;

18 (xi) Services related to rating agencies;

19 (xii) Stock exchange listing and compliance;

20 (xiii) Securities registration and filing; and

21 (xiv) Services necessary to ensure a timely payment of rate  
22 recovery bonds or other amounts or charges payable in connection with  
23 rate recovery bonds;

24 (b) Principal, interest and acquisition, defeasance, and  
25 redemption premiums payable on rate recovery bonds;

26 (c) Payments required under an ancillary agreement and any  
27 amounts required to fund or replenish a reserve or account  
28 established under the terms of an indenture, ancillary agreement, or  
29 financing document related to rate recovery bonds;

30 (d) Applicable federal, state, and local taxes, franchise fees,  
31 license fees, gross receipts, or other taxes or charges, whether  
32 paid, payable, or accrued; and

33 (e) The commission's costs in performing the commission's duties  
34 related to rate recovery bonds that are recoverable by the commission  
35 under RCW 80.24.010.

36 (7) "Financing order" means an order issued by the commission  
37 that authorizes one or more of the following:

38 (a) The recovery of bondable rate recovery expenditures and  
39 financing costs;

40 (b) The creation of rate recovery assets;

1 (c) The issuance of rate recovery bonds;  
2 (d) The imposition, collection, and periodic adjustment of rate  
3 recovery charges; or  
4 (e) The sale, assignment, or transfer of rate recovery assets to  
5 an assignee.  
6 (8) "Financing party" includes:  
7 (a) Bondholders, trustees, agents, and secured parties related to  
8 rate recovery bonds;  
9 (b) A person acting for the benefit of bondholders, trustees,  
10 agents, or secured parties; and  
11 (c) A party to rate recovery bond documents or an ancillary  
12 agreement.  
13 (9) "Rate recovery asset" means the right of an electrical, gas,  
14 or water company to recover from customers bondable rate recovery  
15 expenditures and related costs and expenses approved in a financing  
16 order, including the right to:  
17 (a) Impose, charge, bill, collect, receive, hold, and apply rate  
18 recovery charges authorized under a financing order or obtain, to the  
19 extent authorized, periodic adjustments of rate recovery charges; and  
20 (b) All claims, accounts, revenues, payments, collections,  
21 moneys, or proceeds arising from the rights and interest specified in  
22 a financing order, regardless of whether the claims, accounts,  
23 revenues, payments, collections, moneys, or proceeds arising from the  
24 rights and interest specified in the financing order are commingled  
25 with other claims, accounts, revenues, payments, collections, moneys,  
26 or proceeds.  
27 (10) "Rate recovery bonds" means bonds, notes, certificates of  
28 beneficial interests in trusts, or other evidences of indebtedness or  
29 ownership that:  
30 (a) The commission determines at or before the time of issuance  
31 are issued to finance or refinance bondable rate recovery  
32 expenditures by an electrical, gas, or water company; and  
33 (b) Rely partly or wholly for repayment on rate recovery assets  
34 and revenues arising with respect thereto.  
35 (11) "Rate recovery charge" means charges to electrical, gas, or  
36 water company customers authorized by the commission to recover  
37 bondable rate recovery expenditures and financing costs and to be  
38 used to pay, repay, or refinance rate recovery bonds.  
39 (12) "Secured party" means a financing party that has been  
40 granted a security interest in rate recovery assets.

1        NEW SECTION.    **Sec. 3.**    A new section is added to chapter 80.28  
2    RCW to read as follows:

3        (1) It is the policy of the state of Washington to encourage the  
4    financing of certain costs and expenses by electrical, gas, and water  
5    companies at the lowest, reasonable, and prudent cost to customers of  
6    such companies including, but not limited to, bondable rate recovery  
7    expenditures.

8        (2) To carry out the policy described in subsection (1) of this  
9    section, the state of Washington and all agencies, instrumentalities,  
10   political subdivisions, and local governments thereof:

11        (a) Acknowledge that owners of rate recovery assets, bondholders,  
12   and financing parties require certainty with respect to the owners,  
13   bondholders, and financing parties' rights to enter into financing  
14   transactions that offer the lowest, reasonable, and prudent cost; and

15        (b) Pledge and agree with electrical, gas, and water companies;  
16   assignees; bondholders; and financing parties not to reduce, alter,  
17   or impair, in a manner that is adverse to the electrical, gas, and  
18   water companies; assignees; bondholders; or financing parties:

19        (i) Rate recovery assets;

20        (ii) Rate recovery bonds or the security for rate recovery bonds;

21    or

22        (iii) Rate recovery charges or the collection of rate recovery  
23   charges.

24        (3) The pledge and agreement described under subsection (2)(b) of  
25   this section includes the pledge and agreement not to reduce, alter,  
26   or impair rate recovery assets, rate recovery bonds or the security  
27   for rate recovery bonds, or rate recovery charges or the collection  
28   of rate recovery charges by taking any of the following actions:

29        (a) Altering the provisions of this section or RCW 80.28.005,  
30   80.28.303, 80.28.306, or 80.28.309 to the extent that those  
31   provisions authorize the commission to issue financing orders that:

32        (i) Create rate recovery assets;

33        (ii) Establish rate recovery charges that may not be avoided by  
34   electrical, gas, or water company customers, as described under  
35   section 4(4) of this act; or

36        (iii) Provide rights and remedies to electrical, gas, and water  
37   companies; assignees; bondholders; and financing parties;

38        (b) Impairing the rights or remedies of electrical, gas, and  
39   water companies; assignees; bondholders; or financing parties that  
40   are created under this section and RCW 80.28.005, 80.28.303,

1 80.28.306, and 80.28.309 or by a financing order, including reducing  
2 the amount of or impairing the collection of rate recovery charges  
3 until all principal, interest, premium, if any, and other amounts due  
4 on the rate recovery bonds and financing costs have been paid in full  
5 and except as provided under section 4 of this act; or

6 (c) Taking any action listed under section 4(5)(b) of this act.

7 (4) An electrical, gas, or water company or financing subsidiary  
8 that issues rate recovery bonds may include the pledge and provisions  
9 of this section in the bonds and related documentation.

10 NEW SECTION. **Sec. 4.** A new section is added to chapter 80.28  
11 RCW to read as follows:

12 (1)(a) An electrical, gas, or water company may petition the  
13 commission for a financing order designating all or part of rate  
14 recovery expenditures as bondable rate recovery expenditures, for the  
15 purpose of financing or refinancing the designated expenditures under  
16 RCW 80.28.306(1). A company may request this designation by the  
17 commission in separate proceedings for this purpose.

18 (b) A petition filed under (a) of this subsection must include a  
19 narrative description of purpose for which the electrical, gas, or  
20 water company seeks approval of a financing order. The narrative  
21 description must:

22 (i) Explain the event that is the subject of a federal or state  
23 declaration of disaster or emergency that gave rise to the costs and  
24 expenses that the company seeks to recover through a financing order,  
25 including those costs and expenses owed by an electrical, gas, or  
26 water company to such company's customers or other persons as a  
27 result of the event; and

28 (ii) In the case such costs and expenses accrued to the  
29 electrical, gas, or water company through a legal settlement, provide  
30 the total:

31 (A) Legal fees and costs paid by the company;

32 (B) Estimated legal fees and costs the company would have  
33 incurred had it elected not to settle the matter;

34 (C) Amount of initial claims that had been sought against the  
35 company; and

36 (D) Amount of the settlement.

37 (c) After notice and an opportunity for a hearing, the commission  
38 may approve a petition if the commission finds that:

1 (i) The bondable rate recovery expenditures included in the  
2 petition are reasonable and prudent;

3 (ii) Financing or refinancing the bondable rate recovery  
4 expenditures through the issuance of rate recovery bonds is likely to  
5 be more favorable to electrical, gas, or water company customers for  
6 the recovery of the bondable rate recovery expenditures than other  
7 methods of rate recovery; and

8 (iii) Bonds, notes, certificates of beneficial interests in a  
9 trust, and other evidences of indebtedness or ownership issued  
10 pursuant to the approval are reasonably likely to receive a  
11 determination of, at a minimum, investment grade by credit rating  
12 agencies.

13 (d) The commission shall issue an order within 180 days of a  
14 petition approving or denying the petition. If the commission  
15 approves the petition, the commission shall issue a financing order.

16 (2) (a) A financing order issued under this section shall specify  
17 the highest amount of rate recovery expenditures that qualify as  
18 bondable rate recovery expenditures.

19 (b) In specifying the amount for bondable rate recovery  
20 expenditures associated with an event described in RCW  
21 80.28.005(3) (a), net of appropriate adjustments as determined by the  
22 commission to be reasonable, the commission may include, but is not  
23 limited to including, the following rate recovery expenditures:

24 (i) Capital and operating costs incurred or to be incurred as a  
25 result of the event;

26 (ii) Costs and expenses that may be recovered at a later time  
27 from third parties or insurers and returned to electrical, gas, or  
28 water company customers through a separate rate proceeding consistent  
29 with cost causation and rate design principles and statutory or  
30 regulatory requirements; and

31 (iii) Carrying costs or charges.

32 (3) A financing order issued under this section must include the  
33 following provisions:

34 (a) Confirmation of the existence of recoverable bondable rate  
35 recovery expenditures and authorization to recover bondable rate  
36 recovery expenditures and associated financing costs, including the  
37 maximum principal amount of bondable rate recovery expenditures and  
38 financing costs that may be recovered through securitization;

39 (b) Authorization for the creation of rate recovery assets and  
40 imposition of rate recovery charges that allow for the recovery of



1 rate recovery expenditures and associated financing costs, as  
2 determined by the commission;

3 (c) A requirement that the rate recovery charges authorized by  
4 the financing order are ongoing and may not be avoided by an  
5 electrical, gas, or water company customer, as described under  
6 subsection (4) of this section, until all principal, interest,  
7 premium, if any, and other amounts due on the rate recovery bonds and  
8 financing costs have been paid in full;

9 (d) A methodology for:

10 (i) Allocating rate recovery charges between the different  
11 classes of electrical, gas, or water company customers, which may  
12 include not allocating rate recovery charges to one or more classes  
13 of such company's customers, that is consistent with cost causation  
14 and rate design principles and statutory or regulatory requirements;

15 (ii) Adjusting rate recovery charges as necessary to ensure  
16 timely payment on, and payment in full of, the rate recovery bonds  
17 and associated financing costs or in response to changes to  
18 applicable customers, service territories, or collection rates; and

19 (iii) Periodic true-up adjustments of the rate recovery charges  
20 under (d)(ii) of this subsection, as determined by the commission, to  
21 correct for any overcollection or undercollection of the rate  
22 recovery charge. The true-up adjustment shall include, but not be  
23 limited to, changing economic factors, efficiency measures, and  
24 electrification, which may impact the full and timely payment of  
25 future scheduled debt service, based on updated usage forecasts. For  
26 the purposes of this subsection, "electrification" means the  
27 installation of energy efficient electric end-use equipment that  
28 replaces end-use equipment that is fueled by gas that results in the  
29 customer no longer taking service from the gas company;

30 (e) Authorization for the electrical, gas, or water company to  
31 issue one or more series of rate recovery bonds with flexibility for  
32 such company to establish the terms and conditions of the rate  
33 recovery bonds, including repayment schedules, initial interest  
34 rates, and initial financing costs;

35 (f) Authorization to assign rate recovery assets to a financing  
36 subsidiary and grant security interests in the rate recovery assets  
37 to secured parties without limiting the rights of subsequent  
38 assignees;

39 (g) Authorization for the bond documentation and ancillary  
40 documents related to the rate recovery bonds, including servicing

1 arrangements for the rate recovery charges, without requiring the  
2 authorization to be on the final forms of the documents;

3 (h) Authorization for the electrical, gas, or water company to  
4 earn a return, at the cost of capital authorized in such company's  
5 most recent general rate case prior to the date of the financing  
6 order, on any moneys advanced by such company to fund advances,  
7 reserves, or capital accounts established under the terms of any  
8 indenture, ancillary agreement, or financing documents related to the  
9 rate recovery bonds;

10 (i) A finding that the proposed issuance of rate recovery bonds  
11 and the imposition of rate recovery charges is expected to provide  
12 the lowest possible, reasonable, and prudent cost on a net present  
13 value basis to electrical, gas, or water company customers for  
14 recovery of the bondable rate recovery expenditures as compared to  
15 other methods of financing and recovery;

16 (j) A date, not earlier than one year from the date that the  
17 financing order becomes final, on which the authority to issue rate  
18 recovery bonds granted in the financing order expires;

19 (k) A requirement that the electrical, gas, or water company  
20 notify the commission if such company recovers costs and expenses  
21 from a third party or insurer; and

22 (l) Any other conditions that the commission finds appropriate  
23 and that are consistent with this section.

24 (4) Rate recovery charges authorized by a financing order shall  
25 be collected through the charges or incorporated into rates paid by,  
26 and may not be avoided by, the electrical, gas, or water company  
27 customers located within such company's service territory, if  
28 applicable, as the territory existed on the date of the financing  
29 order or, if the financing order provides, as such service territory,  
30 if applicable, may be expanded, even if:

31 (a) Such company's customer receives electricity, natural gas, or  
32 water; electricity, natural gas, or water services; or ancillary  
33 services from a successor or assignee of such company;

34 (b) Such company's customer elects to receive electricity,  
35 natural gas, or water; electricity, natural gas, or water services;  
36 or ancillary services from another electrical, gas, or water company  
37 or service provider in the service territory; or

38 (c) After the date of issuance of the financing order, such  
39 company's customer changes customer class.

1 (5) (a) Rate recovery assets, including rate recovery charges, and  
2 the rights of electrical, gas, and water companies; assignees;  
3 bondholders; and financing parties, established by a financing order  
4 issued under this section, are irrevocable and unchangeable, except  
5 as provided in the financing order, until all principal, interest,  
6 premium, if any, and other amounts due on the rate recovery bonds and  
7 financing costs are paid in full.

8 (b) Until all principal, interest, premium, if any, and other  
9 amounts due on the rate recovery bonds and financing costs are paid  
10 in full, the commission, except as provided in the financing order,  
11 the state of Washington, and all agencies, instrumentalities,  
12 political subdivisions, and local governments thereof may not:

13 (i) Revalue the bondable rate recovery expenditures or financing  
14 costs for rate-making purposes;

15 (ii) Determine that the rates or revenues authorized under the  
16 financing order are unjust or unreasonable;

17 (iii) Reduce, alter, or impair the rate recovery assets, rate  
18 recovery charges or the collection of the rate recovery charges, or  
19 rate recovery bonds or the security for the rate recovery bonds;

20 (iv) Rescind, suspend, amend, or impair the financing order; or

21 (v) When setting other rates or charges for the electrical, gas,  
22 or water company or taking other actions pursuant to the commission's  
23 authority, consider the rate recovery bonds as debt of such company,  
24 the rate recovery assets to be revenue for such company, or the  
25 bondable rate recovery expenditures to be costs of such company.

26 (6) The commission may not require an electrical, gas, or water  
27 company to:

28 (a) Apply to the commission for a financing order designating all  
29 or part of rate recovery expenditures as bondable rate recovery  
30 expenditures; or

31 (b) Finance or refinance rate recovery expenditures that the  
32 commission has designated bondable rate recovery expenditures.

33 **Sec. 5.** RCW 80.28.303 and 1994 c 268 s 2 are each amended to  
34 read as follows:

35 (1) An electrical, gas, or water company may file a conservation  
36 service tariff with the commission. The tariff shall provide:

37 (a) The terms and conditions upon which the company will offer  
38 the conservation measures and services specified in the tariff;

1 (b) The period of time during which the conservation measures and  
2 services will be offered; and

3 (c) The maximum amount of expenditures to be made during a  
4 specified time period by the company on conservation measures and  
5 services specified in the tariff.

6 (2) The commission has the same authority with respect to a  
7 proposed conservation service tariff as it has with regard to any  
8 other schedule or classification the effect of which is to change any  
9 rate or charge, including, without limitation, the power granted by  
10 RCW 80.04.130 to conduct a hearing concerning a proposed conservation  
11 service tariff and the reasonableness and justness thereof, and  
12 pending such hearing and the decision thereon the commission may  
13 suspend the operation of the tariff for a period not exceeding ten  
14 months from the time the tariff would otherwise go into effect.

15 ~~(3) ((An electrical, gas, or water company may from time to time  
16 apply to the commission for a determination that specific  
17 expenditures may under its tariff constitute bondable conservation  
18 investment. A company may request this determination by the  
19 commission in separate proceedings for this purpose or in connection  
20 with a general rate case. The commission may designate the  
21 expenditures as bondable conservation investment as defined in RCW  
22 80.28.005(1) if it finds that such designation is in the public  
23 interest.~~

24 ~~(4) The commission shall include in rate base all bondable  
25 conservation investment. The commission shall approve rates for  
26 service by electrical, gas, and water companies at levels sufficient  
27 to recover all of the expenditures of the bondable conservation  
28 investment included in rate base and the costs of equity and debt  
29 capital associated therewith, including, without limitation, the  
30 payment of principal, premium, if any, and interest on conservation  
31 bonds.))~~ The rates so determined may be included in general rate  
32 schedules or may be expressed in one or more separate rate schedules.  
33 ~~((The commission shall not revalue bondable conservation investment  
34 for rate-making purposes, to determine that revenues required to  
35 recover bondable conservation investment and associated equity and  
36 debt capital costs are unjust, unreasonable, or in any way impair or  
37 reduce the value of conservation investment assets or that would  
38 impair the timing or the amount of revenues arising with respect to  
39 conservation investment assets that have been pledged to secure  
40 conservation bonds.~~

1       ~~(5))~~ (4) Nothing in this chapter precludes the commission from  
2 adopting or continuing other conservation policies and programs  
3 intended to provide incentives for and to encourage ~~((utility))~~  
4 electrical, gas, or water company investment in improving the  
5 efficiency of energy or water end use. However, the policies or  
6 programs shall not impair ~~((conservation investment))~~ rate recovery  
7 assets. This chapter is not intended to be an exclusive or mandatory  
8 approach to conservation programs for electrical, gas, and water  
9 companies, and no such company is obligated to file conservation  
10 service tariffs under this chapter, to apply to the commission for a  
11 determination that conservation costs constitute bondable  
12 ~~((conservation investment))~~ rate recovery expenditures within the  
13 meaning of this chapter, or to issue ~~((conservation))~~ rate recovery  
14 bonds.

15       ~~((6))~~ (5)(a) If a customer of an electrical, gas, or water  
16 company for whose benefit the company made expenditures for  
17 conservation measures or services ceases to be a customer of such  
18 company for one or more of the following reasons, the commission may  
19 require that the portion of such ~~((conservation))~~ expenditures that  
20 had been included in rate base but not theretofore recovered in the  
21 rates of such company be removed from the rate base of the company:

22       (i) The customer ceases to be a customer of the ~~((supplier of~~  
23 energy or water)) electrical, gas, or water company, and the customer  
24 repays to the company the portion of the ~~((conservation))~~  
25 expenditures made for the benefit of such customer that has not  
26 theretofore been recovered in rates of ~~((the))~~ such company; or

27       (ii) ~~((The))~~ Such company sells its property used to serve such  
28 customer and the customer ceases to be a customer of the company as a  
29 result of such action.

30       (b) An electrical, gas, or water company may include in a  
31 contract for a conservation measure or service, and the commission  
32 may by rule or order require to be included in such contracts, a  
33 provision requiring that, if the customer ceases to be a customer of  
34 that ~~((supplier of energy or water))~~ such company, the customer shall  
35 repay to the company the portion of the conservation expenditures  
36 made for the benefit of such customer that has not theretofore been  
37 recovered in rates of the company.

38       **Sec. 6.** RCW 80.28.306 and 1994 c 268 s 3 are each amended to  
39 read as follows:

1           (1) Electrical, gas, and water companies, or finance  
2 subsidiaries, ~~may ((issue conservation bonds)),~~ upon approval by the  
3 commission, finance or refinance bondable rate recovery expenditures  
4 as described in RCW 80.28.303. Bonds, notes, certificates of  
5 beneficial interests in a trust, and other evidences of indebtedness  
6 or ownership issued for this purpose are rate recovery bonds for the  
7 purposes of this section.

8           (2) ~~((Electrical))~~ (a) An electrical, gas, ((and)) or water  
9 ~~((companies, or))~~ company, finance ((subsidiaries)) subsidiary, or  
10 assignee may ((pledge conservation investment)) grant a security  
11 interest in rate recovery assets as collateral for ((conservation))  
12 rate recovery bonds ((by obtaining an order of the commission  
13 approving an issue of conservation bonds and providing for a security  
14 interest in conservation investment assets)). A security interest in  
15 ~~((conservation investment))~~ rate recovery assets is ((created and  
16 perfected only upon entry of an order by the commission approving a  
17 contract governing the granting of the security interest and the  
18 filing with the department of licensing of a UCC-1 financing  
19 statement, showing such pledgor as "debtor" and identifying such  
20 conservation investment assets and the bondable conservation  
21 investment associated therewith. The security interest is)) valid and  
22 enforceable against the debtor and ((all)) third parties, subject  
23 only to the rights of any third parties holding security interests in  
24 the ((conservation investment)) rate recovery assets attached and  
25 perfected in the manner described in this ((section,)) subsection.

26           (b) A security interest in rate recovery assets attaches if  
27 ~~((value has been))~~ ;

28           (i) The secured party, or a financing party that the secured  
29 party represents, has given ((by the purchasers of conservation  
30 bonds. An approved)) value; and

31           (ii) The debtor has signed a security agreement granting the  
32 secured party a security interest in ((conservation investment)) the  
33 rate recovery assets.

34           (c) A valid and enforceable security interest in rate recovery  
35 assets is perfected if: (i) The security interest has attached in the  
36 manner described in (b) of this subsection; and (ii) a financing  
37 statement has been filed in accordance with the requirements of  
38 chapter 62A.9A RCW that identifies the debtor as "debtor," the  
39 secured party as "secured party," and the rate recovery assets  
40 granted as security as the "collateral," and contains a description

1 in the financing statement that refers to the commission's financing  
2 order creating the rate recovery assets. The financing statement is  
3 deemed sufficient under chapter 62A.9A RCW and all other relevant law  
4 for identifying the rate recovery assets granted as security.

5 (d) A perfected security interest in rate recovery assets is a  
6 continuously perfected security interest ((in all revenues and  
7 proceeds arising with respect to the associated bondable conservation  
8 investment)), whether or not ((such)) the related revenues have  
9 accrued((. Upon such approval, the priority of such security interest  
10 shall be as set forth in)) or the ((contract governing the  
11 conservation bonds. Conservation investment)) related rate recovery  
12 charges have been charged, billed, or collected. Rate recovery assets  
13 constitute a presently existing, fully vested property right for the  
14 purposes of contracts securing ((conservation)) the rate recovery  
15 bonds whether or not the related revenues have accrued or the related  
16 rate recovery charges have been charged, billed, or collected.  
17 Multiple security interests in the same rate recovery assets shall  
18 rank according to priority in time of perfection.

19 ((3) The)) (e) Subject to the terms of the security agreement  
20 covering the rate recovery assets, the relative priority of a  
21 security interest created or perfected under this section is not  
22 ((defeated or)) adversely affected by: (i) Any later modification of  
23 the financing order or rate recovery assets; or (ii) the commingling  
24 of ((revenues arising with respect to conservation investment))  
25 proceeds of rate recovery assets with other ((funds of the debtor.  
26 The holders of conservation bonds shall have a perfected security  
27 interest in all cash and deposit accounts of the debtor in which  
28 revenues arising with respect to conservation investment assets  
29 pledged to such holders have been commingled with other funds, but  
30 such perfected security interest is limited to an amount not greater  
31 than the amount of such revenues received by the debtor within twelve  
32 months before (a) any default under the conservation bonds held by  
33 the holders or (b) the institution of insolvency proceedings by or  
34 against the debtor, less payments from such revenues to the holders  
35 during such twelve-month period. If an event of default occurs under  
36 an approved contract governing conservation bonds, the holders of  
37 conservation bonds or their authorized representatives, as secured  
38 parties, may foreclose or otherwise enforce the security interest in  
39 the conservation investment assets securing the conservation bonds,  
40 subject to the rights of any third parties holding prior security

1 ~~interests in the conservation investment assets perfected in the~~  
2 ~~manner provided in this section.)~~) moneys.

3 (3) (a) A transfer of rate recovery assets to an assignee is  
4 perfected against all third parties if a notice of the transfer, by  
5 means of a financial statement:

6 (i) Is filed in accordance with the requirements of chapter  
7 62A.9A RCW;

8 (ii) Specifies that the notice of transfer is filed to provide  
9 notice of the transfer of the rate recovery assets from the  
10 transferor to the assignee;

11 (iii) Identifies the transferor as "debtor," the assignee as  
12 "secured party," and the rate recovery asset as "collateral"; and

13 (iv) Contains a description that refers to the commission's  
14 financing order that created the rate recovery assets.

15 (b) A notice of transfer that is filed in accordance with the  
16 requirements under (a) of this subsection shall be deemed sufficient  
17 under chapter 62A.9A RCW and all other relevant laws for identifying  
18 the rate recovery assets and for providing notice that the rate  
19 recovery assets have been transferred to the assignee.

20 (c) A transfer is perfected against third parties on the date a  
21 notice of transfer is filed.

22 (d) A transfer of rate recovery assets to a financing subsidiary  
23 that is perfected under this subsection is free and clear of all  
24 claims, security interests, liens, and encumbrances of the  
25 transferring electrical, gas, or water company, except for any prior  
26 security interest perfected under subsection (2) of this section.

27 (e) The priority of a transfer that is perfected under this  
28 subsection is not adversely affected by:

29 (i) Any later modification of the financing order or rate  
30 recovery assets; or

31 (ii) The commingling of proceeds of rate recovery assets.

32 (4) (a) When proceeds of rate recovery assets are transferred to a  
33 segregated account for an assignee or secured party, any lien or  
34 security interest that may apply to those proceeds, other than a  
35 security interest perfected under subsection (2) of this section, is  
36 automatically terminated, without the need for further notice, act,  
37 or evidence.

38 (b) Proceeds from rate recovery assets shall be held in trust for  
39 an assignee or secured party until the proceeds have been transferred  
40 to the assignee or secured party.



1 (c) Any adjustment in rate recovery charges does not affect the  
2 validity, perfection, or priority of a security interest in or the  
3 transfer of rate recovery assets.

4 (5) (a) The rights and remedies of a secured party in enforcing a  
5 security interest in rate recovery assets do not include and are  
6 without recourse to any electrical, gas, or water company asset  
7 except for the rate recovery assets, even if the rate recovery assets  
8 are commingled with other assets.

9 (b) If an electrical, gas, or water company or finance subsidiary  
10 defaults on a required payment with respect to rate recovery bonds, a  
11 secured party or secured party's representatives may apply to the  
12 commission for relief. Upon application by (~~the holders of [or]~~  
13 ~~their~~)) a secured party or secured party's representatives, the  
14 commission shall order, without limiting (~~their~~) other remedies of  
15 the secured party or secured party's representatives, (~~the~~  
16 ~~commission shall order~~) the sequestration and payment to the  
17 (~~holders or their~~) secured party or secured party's representatives  
18 of (~~revenues arising with respect to~~) the (~~conservation~~  
19 ~~investment~~) proceeds of the rate recovery assets (~~pledged to such~~  
20 ~~holders~~)). (~~Any such~~)

21 (c) The interest of an assignee or financing party in rate  
22 recovery assets is not subject to setoff, counterclaim, surcharge, or  
23 defense by the electrical, gas, or water company or any other person  
24 in connection with a bankruptcy, reorganization, or insolvency  
25 proceeding. However, any surplus in excess of amounts necessary to  
26 pay principal, premium, if any, interest, and other amounts due with  
27 respect to the rate recovery bonds and associated financing costs,  
28 including enforcement costs, with respect to the security agreement  
29 shall be remitted to the debtor electrical, gas, or water company for  
30 the return of such surplus as customer refunds. A company may request  
31 authorization for the return of surplus funds by the commission in  
32 separate proceedings for this purpose. The commission shall issue an  
33 order approving or denying the petition for return of surplus funds  
34 within 90 days.

35 (d) The commission's financing order and any order issued under  
36 (b) of this subsection shall remain in full force and effect  
37 notwithstanding any bankruptcy, reorganization, or other insolvency  
38 proceedings with respect to (~~the~~) an electrical, gas, or water  
39 company debtor, or transferor with respect to rate recovery assets.  
40 (~~Any surplus in excess of amounts necessary to pay principal,~~

1 ~~premium, if any, interest, and expenses arising under the contract~~  
2 ~~governing the conservation bonds shall be remitted to the debtor~~  
3 ~~electrical, gas, or water company or the debtor finance subsidiary.~~

4 ~~(4))~~ (6) The granting, perfection, and enforcement of security  
5 interests in ~~((conservation investment))~~ rate recovery assets to  
6 secure ~~((conservation))~~ rate recovery bonds is ~~((governed by this~~  
7 ~~chapter rather than by))~~ subject to chapter 62A.9A RCW, except that  
8 when a provision in chapter 62A.9A RCW comes in conflict with a  
9 provision in this section, the provision in this section shall  
10 control.

11 ~~((5))~~ (7) A transfer of ~~((conservation investment))~~ rate  
12 recovery assets by an electrical, gas, or water company to a finance  
13 subsidiary or other assignee, which such parties have in the  
14 governing documentation expressly stated to be a sale or other  
15 absolute transfer, in a transaction approved in ~~((an))~~ a financing  
16 order ~~((issued by the commission and in connection with the issuance~~  
17 ~~by such finance subsidiary of conservation bonds))~~, shall be treated  
18 as a true sale, and not as a pledge or other financing, of such  
19 ~~((conservation investment))~~ rate recovery assets. According the  
20 holders of ~~((conservation))~~ rate recovery bonds a preferred right to  
21 revenues of the electrical, gas, or water company, or the provision  
22 by such company of other credit enhancement with respect to  
23 ~~((conservation))~~ rate recovery bonds, does not impair or negate the  
24 characterization of any such transfer as a true sale.

25 ~~((6))~~ (8) Any successor to an electrical, gas, or water company  
26 pursuant to any bankruptcy, reorganization, or other insolvency  
27 proceeding shall perform and satisfy all obligations of the company  
28 under an approved contract governing ~~((conservation))~~ rate recovery  
29 bonds, in the same manner and to the same extent as was required of  
30 such company before any such proceeding, including, without  
31 limitation, billing, collecting, and paying to the bondholders or  
32 their representatives revenues arising with respect to the  
33 ~~((conservation investment))~~ rate recovery assets pledged to secure  
34 the ~~((conservation))~~ rate recovery bonds.

35 (9) Except for enforcement permitted under the laws of another  
36 state, the laws of this state shall govern the creation, validity,  
37 enforceability, attachment, perfection, priority, and exercise of  
38 remedies with respect to the creation or transfer of a security  
39 interest in a rate recovery asset.

1       **Sec. 7.** RCW 80.28.309 and 1994 c 268 s 4 are each amended to  
2 read as follows:

3       (1) Costs incurred before (~~June 9, 1994,~~) the effective date of  
4 this section by electrical, gas, or water companies with respect to  
5 events described in RCW 80.28.005(3)(a) or energy or water  
6 conservation measures and services (~~((intended to improve the~~  
7 ~~efficiency of energy or water end use))~~) described in RCW  
8 80.28.005(3)(b) shall constitute bondable (~~(conservation investment))~~  
9 rate recovery expenditures for purposes of RCW 80.28.005, 80.28.303,  
10 80.28.306, and this section, if:

11       (a) The commission has previously issued a rate order authorizing  
12 the inclusion of such costs in rate base; and

13       (b) The commission authorizes the issuance of (~~(conservation))~~  
14 rate recovery bonds secured by (~~(conservation investment))~~ rate  
15 recovery assets associated with such costs.

16       (2) If costs incurred before (~~June 9, 1994,~~) the effective date  
17 of this section by electrical, gas, or water companies with respect  
18 to events described in RCW 80.28.005(3)(a) or energy or water  
19 conservation measures (~~((intended to improve the efficiency of energy~~  
20 ~~or water end use))~~) described in RCW 80.28.005(3)(b) have not  
21 previously been considered by the commission for inclusion in rate  
22 base, an electrical, gas, or water company may apply to the  
23 commission for approval of such costs. If the commission finds that  
24 the expenditures are ((a)) bondable (~~(conservation investment))~~ rate  
25 recovery expenditures, the commission shall by order designate such  
26 expenditures as bondable (~~(conservation investment))~~ rate recovery  
27 expenditures, which shall be subject to RCW 80.28.005, 80.28.303,  
28 80.28.306, sections 3 and 4 of this act, and this section.

29       **Sec. 8.** RCW 80.08.140 and 1961 c 14 s 80.08.140 are each amended  
30 to read as follows:

31       No provision of this chapter, RCW 80.28.005, 80.28.303,  
32 80.28.306, 80.28.309, or section 3 or 4 of this act, and no deed or  
33 act done or performed under or in connection therewith, shall be held  
34 or construed to obligate the state of Washington or any agency,  
35 instrumentality, political subdivision, or local government thereof  
36 to pay or guarantee, in any manner whatsoever, any stock or stock  
37 certificate or other evidence of interest or ownership, or bond, note  
38 or other evidence of indebtedness, authorized, issued or executed

1 under the provisions of this chapter, RCW 80.28.005, 80.28.303,  
2 80.28.306, 80.28.309, or section 3 or 4 of this act.

3 NEW SECTION. **Sec. 9.** A new section is added to chapter 80.28  
4 RCW to read as follows:

5 If any provision of sections 1, 3, 4, and 9 of this act or the  
6 amendments to RCW 80.08.140, 80.28.005, 80.28.303, 80.28.306, and  
7 80.28.309 by sections 2, 5, 6, 7, and 8 of this act is determined to  
8 be invalid, or is invalidated, superseded, replaced, repealed, or  
9 expired, such determination or occurrence does not affect the  
10 validity of any action allowed under sections 1, 3, 4, and 9 of this  
11 act or the amendments to RCW 80.08.140, 80.28.005, 80.28.303,  
12 80.28.306, and 80.28.309 by sections 2, 5, 6, 7, and 8 of this act  
13 and taken in good faith and pursuant to a financing order issued  
14 prior to such determination or occurrence.

15 NEW SECTION. **Sec. 10.** Except to the extent required by section  
16 7 of this act, this act applies prospectively only and not  
17 retroactively. Nothing in this act shall impair or affect the  
18 validity of any conservation bonds issued under RCW 80.28.303,  
19 80.28.306, and 80.28.309 as those sections existed prior to the  
20 effective date of this section. Conservation bonds issued under those  
21 sections prior to the effective date of this section shall continue  
22 to be governed by the provisions of such sections as they existed at  
23 the time such conservation bonds were issued.

24 NEW SECTION. **Sec. 11.** If specific funding for the purposes of  
25 this act, referencing this act by bill or chapter number, is not  
26 provided by June 30, 2025, in the omnibus appropriations act, this  
27 act is null and void.

28 NEW SECTION. **Sec. 12.** This act is necessary for the immediate  
29 preservation of the public peace, health, or safety, or support of  
30 the state government and its existing public institutions, and takes  
31 effect immediately.

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