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**HOUSE BILL 2897**

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**State of Washington 65th Legislature 2018 Regular Session**

**By** Representatives Morris and Tarleton

AN ACT Relating to electric utility plans for distributed energy resources and transportation electrification; adding a new section to chapter 35.92 RCW; adding a new section to chapter 54.16 RCW; and creating a new section.

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

NEW SECTION. **Sec.**  The legislature finds that:

(1) Programs for electrification of transportation have the potential to allow electric utilities to optimize the use of electric distribution grid infrastructure, improve the management of electric loads, and better manage the integration of variable renewable energy resources. The legislature finds that, depending upon each utility's unique circumstances, electrification of transportation programs may provide cost-effective energy efficiency or defer capital investment needed to accommodate unmanaged variable electricity supply and demand. Electrification of transportation may result in cost savings and system benefits for all ratepayers.

(2) State policy can achieve the greatest return on investment in reducing greenhouse gas emissions and improving air quality by expediting the transition to alternative fuel vehicles, including electric vehicles. Potential benefits associated with electrification of transportation include the monetization of environmental attributes associated with carbon reduction in the transportation sector.

(3) Under RCW 80.28.360, the utilities and transportation commission is authorized to allow an incentive rate of return on investment for electric vehicle supply equipment that is deployed by electrical companies for the system benefit of ratepayers. Similar legislative clarity is important for consumer-owned utilities to offer incentive programs and services in the electrification of transportation for its customers. It is the intent of the legislature to achieve parity among all electric utilities, so each utility, depending on its unique circumstances, can determine its appropriate role in the development of electrification of transportation infrastructure.

NEW SECTION. **Sec.**  A new section is added to chapter 35.92 RCW to read as follows:

(1)(a) The governing authority of an electric utility formed under this chapter may adopt a transportation electrification plan that, at a minimum, establishes a finding that utility outreach and investment in the electrification of transportation infrastructure is: (i) Cost-effective, as determined using a methodology that assesses both the expected system benefits and expected costs to ratepayers served by the utility on the intra-distribution system; and (ii) within the limits established by the Constitution of the state of Washington.

(b) In order to develop a transportation electrification plan, the governing authority must first engage in a distributed energy resources planning process that accomplishes the following:

(i) Identifies the data gaps that impede a robust planning process as well as any upgrades, such as but not limited to advanced metering and grid monitoring equipment, needed to obtain data that would allow the electric utility to quantify the locational and temporal value of resources on the distribution system;

(ii) Proposes monitoring and metering upgrades that are supported by a business case identifying how those upgrades will be leveraged to provide net benefits for customers;

(iii) Identifies potential programs and tariffs to fairly compensate customers for the value of their distributed energy resources, which may both produce and consume electricity and capacity from the distribution system individually or in groups, and ensure their optimal usage, including programs targeted at low-income customers;

(iv) Forecasts, using probabilistic models, the growth of distributed energy resources on the utility's distribution system;

(v) Provides, at a minimum, a ten-year plan for distribution system investments and an analysis of nonwires alternatives for major investments. This plan should include a process whereby near-term assumptions regularly inform and adjust the long-term projections of the plan. The goal of the plan should be to provide the most affordable investments for all customers and avoid reactive expenditures to accommodate unanticipated growth in distributed energy resources. An analysis that fairly considers wire-based and nonwires alternatives on equal terms is foundational to achieving this goal. The electric utility should be indifferent to the technology that is used to meet a particular resource need. The distribution system investment planning process should utilize a transparent approach that involves opportunities for stakeholder input and feedback;

(vi) Competitively procures the distributed energy resources needs identified in the plan through detailed requests for proposals that identify the specific needs at each identified location. Competitive procurements that are tailored to solve specific needs, rather than to procure a specific resource, increase an electric utility's ability to identify the lowest cost, most efficient means of meeting distribution system needs. If the projected cost of a procurement is more than the calculated system net benefit, the electric utility should then establish a pilot process that mimics the efficiencies of a competitive procurement;

(vii) Includes the distributed energy resources identified in the plan in the electric utility's integrated resource plan developed under this chapter. Distribution system plans should be used as inputs to the integrated resource planning process. Distributed energy resources may be used to meet system needs when they are not needed to meet a local distribution need. Including select distributed energy resources in the integrated resource planning process allows those resources to displace or delay system resources in the integrated resource plan;

(viii) Includes a high level discussion of how the electric utility is adapting cybersecurity and data privacy practices to the changing distribution system and the internet of things, including an assessment of the costs associated with ensuring customer privacy;

(ix) Includes a discussion of lessons learned from the planning cycle and identify process and data improvements planned for the next cycle.

(2) In adopting a transportation electrification plan under subsection (1)(a) of this section, the governing authority may consider some or all of the following: (a) The applicability of multiple options for electrification of transportation across all customer classes; (b) the impact of electrification on the utility's distribution load, and whether demand response or other load management opportunities, including direct load control and dynamic pricing, are operationally appropriate; (c) system reliability and distribution system efficiencies; (d) interoperability concerns, including the interoperability of hardware and software systems in electrification of transportation proposals; and (e) overall customer experience.

(3) The governing authority of an electric utility formed under this chapter may, upon making a cost-effectiveness determination in accordance with subsection (1)(a) of this section, offer programs in the electrification of transportation for its customers, including advertising programs to promote the utility's or third-party services, incentives, or rebates.

(4) For the purposes of this section, "system benefit" means a situation where system-wide financial, reliability, and quality benefits of the electrification of transportation are conferred equally among all ratepayers on the intra-distribution system.

NEW SECTION. **Sec.**  A new section is added to chapter 54.16 RCW to read as follows:

(1)(a) The commission of a public utility district may adopt a transportation electrification plan that, at a minimum, establishes a finding that district outreach and investment in the electrification of transportation infrastructure is: (i) Cost-effective, as determined using a methodology that assesses both the expected system benefits and expected costs to ratepayers served by the district on the intra-distribution system; and (ii) within the limits established by the Constitution of the state of Washington.

(b) In order to develop a transportation electrification plan, the commission of a public utility district must first engage in a distributed energy resources planning process that accomplishes the following:

(i) Identifies the data gaps that impede a robust planning process as well as any upgrades, such as but not limited to advanced metering and grid monitoring equipment, needed to obtain data that would allow the district to quantify the locational and temporal value of resources on the distribution system;

(ii) Proposes monitoring and metering upgrades that are supported by a business case identifying how those upgrades will be leveraged to provide net benefits for customers;

(iii) Identifies potential programs and tariffs to fairly compensate customers for the value of their distributed energy resources, which may both produce and consume electricity and capacity from the distribution system individually or in groups, and ensure their optimal usage, including programs targeted at low-income customers;

(iv) Forecasts, using probabilistic models, the growth of distributed energy resources on the district's distribution system;

(v) Provides, at a minimum, a ten-year plan for distribution system investments and an analysis of nonwires alternatives for major investments. This plan should include a process whereby near-term assumptions regularly inform and adjust the long-term projections of the plan. The goal of the plan should be to provide the most affordable investments for all customers and avoid reactive expenditures to accommodate unanticipated growth in distributed energy resources. An analysis that fairly considers wire-based and nonwires alternatives on equal terms is foundational to achieving this goal. The district should be indifferent to the technology that is used to meet a particular resource need. The distribution system investment planning process should utilize a transparent approach that involves opportunities for stakeholder input and feedback;

(vi) Competitively procures the distributed energy resources needs identified in the plan through detailed requests for proposals that identify the specific needs at each identified location. Competitive procurements that are tailored to solve specific needs, rather than to procure a specific resource, increase a public utility district's ability to identify the lowest cost, most efficient means of meeting distribution system needs. If the projected cost of a procurement is more than the calculated system net benefit, the district should then establish a pilot process that mimics the efficiencies of a competitive procurement;

(vii) Includes the distributed energy resources identified in the plan in the public utility district's integrated resource plan developed under this chapter. Distribution system plans should be used as inputs to the integrated resource planning process. Distributed energy resources may be used to meet system needs when they are not needed to meet a local distribution need. Including select distributed energy resources in the integrated resource planning process allows those resources to displace or delay system resources in the integrated resource plan;

(viii) Includes a high level discussion of how the public utility district is adapting cybersecurity and data privacy practices to the changing distribution system and the internet of things, including an assessment of the costs associated with ensuring customer privacy;

(ix) Includes a discussion of lessons learned from the planning cycle and identify process and data improvements planned for the next cycle.

(2) In adopting a transportation electrification plan under subsection (1)(a) of this section, the commission may consider some or all of the following: (a) The applicability of multiple options for electrification of transportation across all customer classes; (b) the impact of electrification on the district's distribution load, and whether demand response or other load management opportunities, including direct load control and dynamic pricing, are operationally appropriate; (c) system reliability and distribution system efficiencies; (d) interoperability concerns, including the interoperability of hardware and software systems in electrification of transportation proposals; and (e) overall customer experience.

(3) The commission of a public utility district may, upon making a cost-effectiveness determination in accordance with subsection (1)(a) of this section, offer programs in the electrification of transportation for its customers, including advertising programs to promote the district's or third-party services, incentives, or rebates.

(4) For the purposes of this section, "system benefit" means a situation where system-wide financial, reliability, and quality benefits of the electrification of transportation are conferred equally among all ratepayers on the intra-distribution system.

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