

2SSB 6203 - S AMD 967
By Senator Carlyle

1 Strike everything after the enacting clause and insert the
2 following:

3 "PART ONE

4 NEW SECTION. **Sec. 101.** A new section is added to chapter 19.280
5 RCW to read as follows:

6 (1) The legislature finds that the proliferation of distributed
7 energy resources across the distribution system is rapidly
8 transforming the relationships between electric utilities and their
9 retail electric customers. The legislature finds that distributed
10 energy resources planning processes will vary from one utility to
11 another based on the unique characteristics of each system. However,
12 distributed energy resources planning processes may allow electric
13 utilities to better anticipate both the positive and negative impacts
14 of this transformation by: Illuminating the interdependencies among
15 customer-sited energy and capacity resources; identifying and
16 quantifying customer values that are not represented in volumetric
17 electricity rates; reducing, deferring, or eliminating unnecessary
18 and costly transmission and distribution capital expenditures;
19 maximizing system benefits for all retail electric customers; and
20 identifying opportunities for improving access to transformative
21 technologies for low-income and other underrepresented customer
22 populations.

23 (2) Therefore, it is the policy of the state of Washington that
24 any distributed energy resources planning process engaged in by an
25 electric utility in the state should accomplish the following:

26 (a) Identify the data gaps that impede a robust planning process
27 as well as any upgrades, such as but not limited to advanced metering
28 and grid monitoring equipment, enhanced planning simulation tools,
29 and potential cooperative efforts with other utilities in developing
30 tools needed to obtain data that would allow the electric utility to

1 quantify the locational and temporal value of resources on the
2 distribution system;

3 (b) Propose monitoring, control, and metering upgrades that are
4 supported by a business case identifying how those upgrades will be
5 leveraged to provide net benefits for customers;

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

11 (d) Forecast, using probabilistic models if available, the growth
12 of distributed energy resources on the utility's distribution system;

13 (e) Provide, at a minimum, a ten-year plan for distribution
14 system investments and an analysis of nonwires alternatives for major
15 transmission and distribution investments. This plan should include a
16 process whereby near-term assumptions, as well as any pilots or
17 procurements initiated in accordance with subsection (3) of this
18 section, regularly inform and adjust the long-term projections of the
19 plan. The goal of the plan should be to provide the most affordable
20 investments for all customers and avoid reactive expenditures to
21 accommodate unanticipated growth in distributed energy resources. An
22 analysis that fairly considers wire-based and nonwires alternatives
23 on equal terms is foundational to achieving this goal. The electric
24 utility should be financially indifferent to the technology that is
25 used to meet a particular resource need. The distribution system
26 investment planning process should utilize a transparent approach
27 that involves opportunities for stakeholder input and feedback;

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

37 (g) Include a high level discussion of how the electric utility
38 is adapting cybersecurity and data privacy practices to the changing
39 distribution system and the internet of things, including an

1 assessment of the costs associated with ensuring customer privacy;
2 and

3 (h) Include a discussion of lessons learned from the planning
4 cycle and identify process and data improvements planned for the next
5 cycle.

6 (3) To ensure that procurement decisions are based on current
7 cost and performance data for distributed energy resources, a utility
8 should procure the distributed energy resource needs identified in
9 any distributed energy resources plan through a process that is
10 price-based and technology neutral. Electric utilities should
11 consider using competitive procurements tailored to meet a specific
12 need, which may increase the utility's ability to identify the lowest
13 cost and most efficient means of meeting distribution system needs.
14 If the projected cost of a procurement is more than the calculated
15 system net benefit of the identified distributed energy resources,
16 the governing body, in the case of a consumer-owned utility, or the
17 commission, in the case of an investor-owned utility, may approve a
18 pilot process by which the electric utility will gain a better
19 understanding of the costs and benefits of a distributed energy
20 resource or resources.

21 (4) By January 1, 2023, the legislature shall conduct an initial
22 review of the state's policy pertaining to distributed energy
23 resources planning under this chapter. By January 1, 2026, and every
24 four years thereafter, the legislature shall conduct a full review of
25 the policy and determine how many electric utilities in the state
26 have engaged in or are engaging in a distributed energy resources
27 planning process, whether the process has met the eight goals
28 specified under subsection (2) of this section, and whether these
29 goals need to be expanded or amended.

30 **PART TWO**

31 NEW SECTION. **Sec. 201.** The legislature finds that:

32 (1) Programs for electrification of transportation have the
33 potential to allow electric utilities to optimize the use of electric
34 distribution infrastructure, improve the management of electric
35 loads, and better manage the integration of variable renewable energy
36 resources. The legislature finds that, depending upon each utility's
37 unique circumstances, electrification of transportation programs may
38 provide cost-effective energy efficiency or defer capital investment

1 needed to accommodate unmanaged variable electricity supply and
2 demand. Electrification of transportation may result in cost savings
3 and system benefits for all ratepayers.

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

11 NEW SECTION. **Sec. 202.** A new section is added to chapter 35.92
12 RCW to read as follows:

13 (1) The governing authority of an electric utility formed under
14 this chapter may adopt a transportation electrification plan that, at
15 a minimum, establishes a finding that: (a) If the electric utility is
16 acquiring new resources as indicated in its most recent plan
17 developed pursuant to chapter 19.280 RCW, utility outreach and
18 investment in the electrification of transportation infrastructure is
19 cost-effective, using an industry recognized cost test that may
20 include rate payer impact measure and cost benefit to ratepayer
21 impact; or (b) if the electric utility is not acquiring new resources
22 as indicated in its most recent plan developed pursuant to chapter
23 19.280 RCW, utility outreach and investment in the electrification of
24 transportation infrastructure is cost-effective and will result in a
25 greater ratepayer benefit than the sum of the individual benefit from
26 the program cost.

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

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

7 (4) For the purposes of this section, "system benefit" means a
8 situation where financial, reliability, and quality benefits of the
9 electrification of transportation are conferred on the distribution
10 system or among the utility's resource generation portfolio.

11 (5) For the purposes of this section, "distribution system" means
12 all of the distribution lines, substations, switches, and other
13 distribution hardware contiguously connected at voltages below ninety
14 kilovolts that are owned and operated by a single utility.

15 NEW SECTION. **Sec. 203.** A new section is added to chapter 54.16
16 RCW to read as follows:

17 (1) The commission of a public utility district may adopt a
18 transportation electrification plan that, at a minimum, establishes a
19 finding that: (a) If the district is acquiring new resources as
20 indicated in its most recent plan developed pursuant to chapter
21 19.280 RCW, district outreach and investment in the electrification
22 of transportation infrastructure is cost-effective, using an industry
23 recognized cost test that may include ratepayer impact measure and
24 cost benefit to ratepayer impact; or (b) if the district is not
25 acquiring new resources as indicated in its most recent plan
26 developed pursuant to chapter 19.280 RCW, district outreach and
27 investment in the electrification of transportation infrastructure is
28 cost-effective and will result in a greater ratepayer benefit than
29 the sum of the individual benefit from the program cost.

30 (2) In adopting a transportation electrification plan under
31 subsection (1) of this section, the commission may consider some or
32 all of the following: (a) The applicability of multiple options for
33 electrification of transportation across all customer classes; (b)
34 the impact of electrification on the district's distribution load,
35 and whether demand response or other load management opportunities,
36 including direct load control and dynamic pricing, are operationally
37 appropriate; (c) system reliability and distribution system
38 efficiencies; (d) interoperability concerns, including the

1 interoperability of hardware and software systems in electrification
2 of transportation proposals; and (e) overall customer experience.

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

9 (4) For the purposes of this section, "system benefit" means a
10 situation where financial, reliability, and quality benefits of the
11 electrification of transportation are conferred on the distribution
12 system or among the utility's resource generation portfolio.

13 (5) For the purposes of this section, "distribution system" means
14 all of the distribution lines, substations, switches, and other
15 distribution hardware contiguously connected at voltages below ninety
16 kilovolts that are owned and operated by a single utility.

17 **PART THREE**

18 NEW SECTION. **Sec. 301.** The legislature finds that the
19 electrical and natural gas utility industry is facing a
20 transformational change brought on by new technology, rapidly
21 changing costs, and emerging opportunities for customers. The
22 legislature finds that similar changes in technology and customer
23 preferences have swiftly altered other industries and intends for
24 Washington's electrical and natural gas utility regulatory
25 environment to continue to protect consumers while enabling regulated
26 utilities to systematically respond to new technologies and
27 opportunities. The legislature intends to ensure that consumers
28 receive cost-effective and reliable services that are environmentally
29 responsible services by authorizing the Washington utilities and
30 transportation commission to employ alternative forms of regulation
31 to traditional rate-based, rate of return regulation for electrical
32 and gas companies. The legislature finds that a similar update to the
33 utilities and transportation commission's statutory grant of
34 authority for telecommunications customers a decade ago serves as a
35 reasonable model. The legislature intends that the utilities and
36 transportation commission will utilize alternative forms of
37 regulation to further the state's public policy goals by ensuring

1 that electrical and gas companies are incentivized to invest to meet
2 state policy objectives.

3 The legislature intends that an alternative form of regulation
4 should: Enable utility services designed to support optimal and
5 efficient use of the electrical or natural gas system and utility
6 operations; align utility regulatory incentives with the public
7 interest; maintain and enhance overall electrical or natural gas
8 system reliability, resilience, and security; allow electrical or
9 natural gas companies to support and participate in market
10 transformation for enabling technologies, without harming
11 competition; maximize the value of new business opportunities to
12 utility customers, especially low-income customers; protect utility
13 customers from short and long-term risk; ensure an appropriate level
14 of consumer protection; and support the achievement of state
15 emissions reduction goals while avoiding adverse environmental
16 impacts.

17 **Sec. 302.** RCW 80.28.005 and 1994 c 268 s 1 are each amended to
18 read as follows:

19 (~~Unless the context clearly requires otherwise,~~) The
20 definitions in this section apply throughout this chapter unless the
21 context clearly requires otherwise.

22 (1) "Bondable conservation investment" means all expenditures
23 made by electrical, gas, or water companies with respect to energy or
24 water conservation measures and services intended to improve the
25 efficiency of electricity, gas, or water end use, including related
26 carrying costs if:

27 (a) The conservation measures and services do not produce assets
28 that would be bondable utility property under the general utility
29 mortgage of the electrical, gas, or water company;

30 (b) The commission has determined that the expenditures were
31 incurred in conformance with the terms and conditions of a
32 conservation service tariff in effect with the commission at the time
33 the costs were incurred, and at the time of such determination the
34 commission finds that the company has proven that the costs were
35 prudent, that the terms and conditions of the financing are
36 reasonable, and that financing under this chapter is more favorable
37 to the customer than other reasonably available alternatives;

38 (c) The commission has approved inclusion of the expenditures in
39 rate base and has not ordered that they be currently expensed; and

1 (d) The commission has not required that the measures demonstrate
2 that energy savings have persisted at a certain level for a certain
3 period before approving the cost of these investments as bondable
4 conservation investment.

5 (2) "Conservation bonds" means bonds, notes, certificates of
6 beneficial interests in trusts, or other evidences of indebtedness or
7 ownership that:

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

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

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

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

17 (b) To receive through rates revenues sufficient to recover the
18 bondable conservation investment and the costs of equity and debt
19 capital associated with it, including, without limitation, the
20 payment of principal, premium, if any, and interest on conservation
21 bonds.

22 (4) "Finance subsidiary" means any corporation, company,
23 association, joint stock association, or trust that is beneficially
24 owned, directly or indirectly, by an electrical, gas, or water
25 company, or in the case of a trust issuing conservation bonds
26 consisting of beneficial interests, for which an electrical, gas, or
27 water company or a subsidiary thereof is the grantor, or an
28 unaffiliated entity formed for the purpose of financing or
29 refinancing approved conservation investment, and that acquires
30 conservation investment assets directly or indirectly from such
31 company in a transaction approved by the commission.

32 (5) "Greenhouse gas" and "greenhouse gases" has the same meaning
33 as defined in RCW 70.235.010.

34 (6) "Greenhouse gas planning adder" means a calculation of the
35 economic impacts associated with an incremental increase in
36 greenhouse gas emissions in a calendar year and must be an amount
37 equal to the greater of: (a) The minimum annual greenhouse gas
38 planning adder for such a calendar year; or (b) the applicable carbon
39 or greenhouse gas tax rate, if any, as expressed in dollars per

1 metric ton of carbon dioxide or greenhouse gas for such a calendar
2 year.

3 (7) "Intermediate-term resource options" means a new or renewed
4 contract for electricity or natural gas with a term of more than
5 three but less than five years for the provision of electricity or
6 natural gas to retail end-use customers in this state.

7 (8) "Long-term resource options" means:

8 (a) Either a new ownership interest in an electric or gas plant
9 or an upgrade to an existing electric plant; or

10 (b) A new or renewed contract for electricity or natural gas with
11 a term of five or more years for the provision of electricity or
12 natural gas to retail end-use customers in this state.

13 (9) "Minimum annual greenhouse gas planning adder" means, for
14 calendar year 2018, forty dollars per metric ton of greenhouse gas,
15 which amount must be increased each January 1st by one and one-fourth
16 percent, rounded to the nearest dollar.

17 (10) "Qualified biomass energy" has the same meaning as defined
18 in RCW 19.285.030.

19 (11) "Upgrade" means any modification made for the primary
20 purpose of increasing the electric generation capacity of an electric
21 generation facility. "Upgrade" does not include routine or necessary
22 maintenance, installation of emission control equipment,
23 installation, replacement, or modification of equipment that improves
24 the heat rate of the facility, or installation, replacement, or
25 modification of equipment for the primary purpose of maintaining
26 reliable generation output capability that does not increase the heat
27 input or fuel usage.

28 **Sec. 303.** RCW 80.28.010 and 2011 c 214 s 11 are each amended to
29 read as follows:

30 (1) All charges made, demanded or received by any gas company,
31 electrical company, wastewater company, or water company for gas,
32 electricity or water, or for any service rendered or to be rendered
33 in connection therewith, shall be just, fair, reasonable and
34 sufficient. Reasonable charges necessary to cover the cost of
35 administering the collection of voluntary donations for the purposes
36 of supporting the development and implementation of evergreen
37 community management plans and ordinances under RCW 80.28.300 must be
38 deemed as prudent and necessary for the operation of a utility.

1 (2) Every gas company, electrical company, wastewater company,
2 and water company shall furnish and supply such service,
3 instrumentalities and facilities as shall be safe, adequate and
4 efficient, and in all respects just and reasonable.

5 (3) All rules and regulations issued by any gas company,
6 electrical company, wastewater company, or water company, affecting
7 or pertaining to the sale or distribution of its product or service,
8 must be just and reasonable.

9 (4) Utility service for residential space heating shall not be
10 terminated between November 15th through March 15th if the customer:

11 (a) Notifies the utility of the inability to pay the bill,
12 including a security deposit. This notice should be provided within
13 five business days of receiving a payment overdue notice unless there
14 are extenuating circumstances. If the customer fails to notify the
15 utility within five business days and service is terminated, the
16 customer can, by paying reconnection charges, if any, and fulfilling
17 the requirements of this section, receive the protections of this
18 chapter;

19 (b) Provides self-certification of household income for the prior
20 twelve months to a grantee of the department of commerce, which
21 administers federally funded energy assistance programs. The grantee
22 shall determine that the household income does not exceed the maximum
23 allowed for eligibility under the state's plan for low-income energy
24 assistance under 42 U.S.C. 8624 and shall provide a dollar figure
25 that is seven percent of household income. The grantee may verify
26 information provided in the self-certification;

27 (c) Has applied for home heating assistance from applicable
28 government and private sector organizations and certifies that any
29 assistance received will be applied to the current bill and future
30 utility bills;

31 (d) Has applied for low-income weatherization assistance to the
32 utility or other appropriate agency if such assistance is available
33 for the dwelling;

34 (e) Agrees to a payment plan and agrees to maintain the payment
35 plan. The plan will be designed both to pay the past due bill by the
36 following October 15th and to pay for continued utility service. If
37 the past due bill is not paid by the following October 15th, the
38 customer is not eligible for protections under this chapter until the
39 past due bill is paid. The plan may not require monthly payments in
40 excess of seven percent of the customer's monthly income plus one-

1 twelfth of any arrearage accrued from the date application is made
2 and thereafter during November 15th through March 15th. A customer
3 may agree to pay a higher percentage during this period, but shall
4 not be in default unless payment during this period is less than
5 seven percent of monthly income plus one-twelfth of any arrearage
6 accrued from the date application is made and thereafter. If
7 assistance payments are received by the customer subsequent to
8 implementation of the plan, the customer shall contact the utility to
9 reformulate the plan; and

10 (f) Agrees to pay the moneys owed even if he or she moves.

11 (5) The utility shall:

12 (a) Include in any notice that an account is delinquent and that
13 service may be subject to termination, a description of the
14 customer's duties in this section;

15 (b) Assist the customer in fulfilling the requirements under this
16 section;

17 (c) Be authorized to transfer an account to a new residence when
18 a customer who has established a plan under this section moves from
19 one residence to another within the same utility service area;

20 (d) Be permitted to disconnect service if the customer fails to
21 honor the payment program. Utilities may continue to disconnect
22 service for those practices authorized by law other than for
23 nonpayment as provided for in this subsection. Customers who qualify
24 for payment plans under this section who default on their payment
25 plans and are disconnected can be reconnected and maintain the
26 protections afforded under this chapter by paying reconnection
27 charges, if any, and by paying all amounts that would have been due
28 and owing under the terms of the applicable payment plan, absent
29 default, on the date on which service is reconnected; and

30 (e) Advise the customer in writing at the time it disconnects
31 service that it will restore service if the customer contacts the
32 utility and fulfills the other requirements of this section.

33 (6) A payment plan implemented under this section is consistent
34 with RCW 80.28.080.

35 (7) Every gas company and electrical company shall offer
36 residential customers the option of a budget billing or equal payment
37 plan. The budget billing or equal payment plan shall be offered low-
38 income customers eligible under the state's plan for low-income
39 energy assistance prepared in accordance with 42 U.S.C. 8624(C)(1)
40 without limiting availability to certain months of the year, without

1 regard to the length of time the customer has occupied the premises,
2 and without regard to whether the customer is the tenant or owner of
3 the premises occupied.

4 (8) Every gas company, electrical company, wastewater company,
5 and water company shall construct and maintain such facilities in
6 connection with the manufacture and distribution of its product, or
7 provision of its services, as will be efficient and safe to its
8 employees and the public.

9 (9) An agreement between the customer and the utility, whether
10 oral or written, does not waive the protections afforded under this
11 chapter.

12 (10) In establishing rates or charges for water service, water
13 companies as defined in RCW 80.04.010 may consider the achievement of
14 water conservation goals and the discouragement of wasteful water use
15 practices.

16 (11)(a) Electrical companies, gas companies, and the commission
17 shall use the greenhouse gas planning adder when evaluating and
18 selecting conservation policies, programs, and targets.

19 (b)(i) Electrical companies shall use the greenhouse gas planning
20 adder in developing and evaluating integrated resource plans pursuant
21 to chapter 19.280 RCW; and

22 (ii) Gas companies shall use the greenhouse gas planning adder in
23 developing integrated resource plans that describe a mix of natural
24 gas, biogas, or synthetic gas and conservation designated to meet
25 current and future needs at the lowest reasonable costs to the gas
26 company and its customers.

27 (c) Electrical companies and gas companies shall use the
28 greenhouse gas planning adder in evaluating and selecting
29 intermediate-term and long-term resource options.

30 (d) The commission shall use the greenhouse gas planning adder in
31 evaluating integrated resource plans and intermediate-term and long-
32 term resource options selected by electrical companies and gas
33 companies under this subsection.

34 (e) For the purposes of this subsection: (i) Gas consisting
35 largely of methane and other hydrocarbons derived from the
36 decomposition of organic material in landfills, wastewater treatment
37 facilities, and anaerobic digesters must be considered a nonemitting
38 resource; and (ii) qualified biomass energy must be considered a
39 nonemitting resource.

1 (f) A multistate electric company with retail customers and
2 generation located outside the state of Washington shall use the
3 greenhouse gas planning adder pursuant to this subsection beginning
4 January 1, 2020.

5 (g) When applying the greenhouse gas planning adder pursuant to
6 this subsection, electrical companies, gas companies, and the
7 commission must also evaluate and quantify to the extent practicable
8 potential ratepayer impacts of including the greenhouse gas planning
9 adder in:

10 (i) Conservation policies, programs, and targets;

11 (ii) Integrated resource plans; and

12 (iii) Intermediate-term and long-term resource options.

13 NEW SECTION. Sec. 304. A new section is added to chapter 80.28
14 RCW to read as follows:

15 (1) The legislature declares that changes in technology and the
16 structure of the energy industry may produce conditions under which
17 traditional rate of return, rate-based regulation of electrical and
18 gas companies may not in all cases provide the most efficient and
19 effective means of achieving the legislature's intent and the public
20 policy goals of this state as declared in chapters 19.280 and 19.285
21 RCW and this title. The commission should be authorized to employ an
22 alternative form of regulation if that alternative is better suited
23 to achieving those policy goals.

24 (2)(a) Subject to the conditions set forth in this chapter, the
25 commission may regulate an electrical or gas company by authorizing
26 an alternative form of regulation. The commission may determine the
27 manner and extent of any alternative form of regulation as may be
28 appropriate in the public interest, including, but not limited to,
29 authorizing an alternative form of regulation for all or individual
30 utility services.

31 (b) The commission shall consider, to the extent applicable, the
32 extent to which an alternative form of regulation is expected to:

33 (i) Align utility regulatory incentives with the public interest;

34 (ii) Maintain and enhance the ability of the electrical or gas
35 company to furnish safe, adequate, and efficient service to its
36 customers;

37 (iii) Support prudent and efficient use of the electrical or
38 natural gas system and utility operations;

1 (iv) Maintain and enhance overall electrical or natural gas
2 system reliability, security, and resilience;

3 (v) Allow an electrical or gas company to support and participate
4 in market transformation for enabling technologies without harming
5 competition;

6 (vi) Allow an electrical or gas company to be financially
7 indifferent as to: (A) The ownership of the property necessary to
8 furnish service to its customers, except where appropriate for
9 facilities furnished to establish a person as a customer of the
10 electrical or gas company; or (B) the quantity of electricity or gas
11 sold to its customers;

12 (vii) Reasonably protect customers, including low-income
13 customers, from associated short and long-term risks;

14 (viii) Ensure an appropriate level of consumer protection;

15 (ix) Support the achievement of state emissions reduction goals;

16 (x) Consider adverse environmental impacts;

17 (xi) Provide the electrical or gas company with the opportunity
18 to earn a reasonable rate of return on investment; and

19 (xii) Provide for broad customer engagement to promote
20 participation by a diversity of customers, particularly underserved
21 communities or segments thereof, in the associated programs to help
22 achieve the criteria identified in this subsection (2)(b).

23 (3) An electrical or gas company may petition the commission to
24 establish an alternative form of regulation. The electrical or gas
25 company shall submit with the petition a plan for an alternative form
26 of regulation, which may include provisions establishing a reasonable
27 range for rate of return on investment. The plan must contain a
28 proposal for transition to the alternative form of regulation and the
29 proposed duration of the plan. The development of a plan, which must
30 include customer and stakeholder input, shall contain a proposal for
31 appropriate performance metrics and enforcement or remedial
32 provisions in the event the company fails to meet such metrics. The
33 commission also may initiate consideration of alternative forms of
34 regulation for a company or companies on its own motion. The
35 commission, after notice and hearing, shall issue an order accepting,
36 modifying, or rejecting the plan within eleven months after the
37 petition or motion is filed, unless extended by the commission for
38 good cause. Nothing in this section may be interpreted as requiring
39 an electrical or gas company to submit a petition for a plan for an
40 alternative form of regulation as part of or concurrent with a

1 general rate case or other proceeding for recovery of costs of such a
2 company.

3 (4) Not later than sixty days from the entry of the commission's
4 order, the electrical or gas company affected by the order shall file
5 with the commission: (a) An election to proceed with the alternative
6 form of regulation as authorized by the commission; or (b) an
7 election not to proceed with the alternative form of regulation as
8 authorized by the commission.

9 (5) The commission may waive such a regulatory requirement under
10 this title for an electrical or gas company subject to an alternative
11 form of regulation as may be appropriate to facilitate the
12 implementation of this section. However, as part of a proceeding to
13 consider alternative forms of regulation, the commission may not
14 waive any grant of legal rights to any person contained in this
15 chapter and chapter 80.04 RCW. The commission may waive different
16 regulatory requirements for different electrical or gas companies or
17 services if the different treatment is in the public interest.

18 (6) Upon petition by the electrical or gas company, or on motion
19 by the commission when evaluating the achievement of metrics
20 developed in subsection (3) of this section, and after notice and
21 hearing, the commission may rescind or modify an alternative form of
22 regulation in the manner requested by the electrical or gas company.

23 (7) The commission or any person may file a complaint under RCW
24 80.04.110 alleging that an electrical or gas company under an
25 alternative form of regulation has not complied with the terms and
26 conditions set forth in the alternative form of regulation. The
27 complainant bears the burden of proving the allegations in the
28 complaint.

29 (8) During a state of emergency declared under RCW 43.06.010(12),
30 the governor may waive or suspend the operation or enforcement of
31 this section or any portion of this section or under any
32 administrative rule, and issue any orders to facilitate the operation
33 of state or local government or to promote and secure the safety and
34 protection of the civilian population.

35 (9) The provisions of this section apply only to alternative
36 forms of regulation submitted to the commission pursuant to this
37 section. Nothing contained in this section may be construed to alter,
38 amend, repeal, modify, interpret, or be in conflict with this
39 chapter. Nothing in this section may be construed to expand or alter
40 the commission's jurisdiction to regulate in the public interest and

1 ensure just, fair, reasonable, and sufficient rates for electrical
2 and gas companies.

3 **PART FOUR**

4 **Sec. 401.** RCW 80.60.020 and 2007 c 323 s 2 are each amended to
5 read as follows:

6 (1) An electric utility:

7 (a) Shall offer to make net metering available to eligible
8 customers-generators on a first-come, first-served basis until the
9 cumulative generating capacity of net metering systems equals 0.25
10 percent of the utility's peak demand during 1996. On January 1, 2014,
11 the cumulative generating capacity available to net metering systems
12 will equal (~~0.5~~) four percent of the utility's peak demand during
13 1996. Not less than one-half of the utility's 1996 peak demand
14 available for net metering systems shall be reserved for the
15 cumulative generating capacity attributable to net metering systems
16 that generate renewable energy;

17 (b) Shall allow net metering systems to be interconnected using a
18 standard kilowatt-hour meter capable of registering the flow of
19 electricity in two directions, unless the commission, in the case of
20 an electrical company, or the appropriate governing body, in the case
21 of other electric utilities, determines, after appropriate notice and
22 opportunity for comment:

23 (i) That the use of additional metering equipment to monitor the
24 flow of electricity in each direction is necessary and appropriate
25 for the interconnection of net metering systems, after taking into
26 account the benefits and costs of purchasing and installing
27 additional metering equipment; and

28 (ii) How the cost of purchasing and installing an additional
29 meter is to be allocated between the customer-generator and the
30 utility;

31 (c) Shall charge the customer-generator a minimum monthly fee
32 that is the same as other customers of the electric utility in the
33 same rate class, but shall not charge the customer-generator any
34 additional standby, capacity, interconnection, or other fee or charge
35 unless the commission, in the case of an electrical company, or the
36 appropriate governing body, in the case of other electric utilities,
37 determines, after appropriate notice and opportunity for comment
38 that:

1 (i) The electric utility will incur direct costs associated with
2 interconnecting or administering net metering systems that exceed any
3 offsetting benefits associated with these systems; and

4 (ii) Public policy is best served by imposing these costs on the
5 customer-generator rather than allocating these costs among the
6 utility's entire customer base.

7 (2) If a production meter and software is required by the
8 electric utility to provide meter aggregation under RCW 80.60.030(4),
9 the customer-generator is responsible for the purchase of the
10 production meter and software.

11 **Sec. 402.** RCW 80.60.030 and 2007 c 323 s 3 are each amended to
12 read as follows:

13 Consistent with the other provisions of this chapter, the net
14 energy measurement must be calculated in the following manner:

15 (1) The electric utility shall measure the net electricity
16 produced or consumed during the billing period, in accordance with
17 normal metering practices.

18 (2) If the electricity supplied by the electric utility exceeds
19 the electricity generated by the customer-generator and fed back to
20 the electric utility during the billing period, the customer-
21 generator shall be billed for the net electricity supplied by the
22 electric utility, in accordance with normal metering practices.

23 (3) If electricity generated by the customer-generator exceeds
24 the electricity supplied by the electric utility, the customer-
25 generator:

26 (a) Shall be billed for the appropriate customer charges for that
27 billing period, in accordance with RCW 80.60.020; and

28 (b) Shall be credited for the excess kilowatt-hours generated
29 during the billing period, with this kilowatt-hour credit appearing
30 on the bill for the following billing period.

31 (4) If a customer-generator requests, an electric utility shall
32 provide meter aggregation.

33 (a) For customer-generators participating in meter aggregation,
34 kilowatt-hours credits earned by a net metering system during the
35 billing period first shall be used to offset electricity supplied by
36 the electric utility.

37 (b) Not more than a total of one hundred kilowatts shall be
38 aggregated among all customer-generators participating in a
39 generating facility under this subsection.

1 (c) Excess kilowatt-hours credits earned by the net metering
2 system, during the same billing period, shall be credited equally by
3 the electric utility to remaining meters located on all premises of a
4 customer-generator at the designated rate of each meter.

5 (d) Meters so aggregated shall not change rate classes due to
6 meter aggregation under this section.

7 (5) On (~~April 30th~~) March 31st of each calendar year, any
8 remaining unused kilowatt-hour credit accumulated during the previous
9 year shall be granted to the electric utility to be used to assist
10 qualified low-income residential customers of the electric utility in
11 paying their electricity bills, without any compensation to the
12 customer-generator.

13 **Sec. 403.** RCW 82.16.090 and 1988 c 228 s 1 are each amended to
14 read as follows:

15 Any customer billing issued by a light or power business or gas
16 distribution business that serves a total of more than twenty
17 thousand customers and operates within the state shall include the
18 following information:

19 (1) The rates and amounts of taxes paid directly by the customer
20 upon products or services rendered by the light and power business or
21 gas distribution business; (~~and~~)

22 (2) The rate, origin and approximate amount of each tax levied
23 upon the revenue of the light and power business or gas distribution
24 business and added as a component of the amount charged to the
25 customer. Taxes based upon revenue of the light and power business or
26 gas distribution business to be listed on the customer billing need
27 not include taxes levied by the federal government or taxes levied
28 under chapters 54.28, 80.24, or 82.04 RCW; and

29 (3) The total amount of kilowatt-hours of electricity consumed
30 for the most recent twelve-month period.

31 NEW SECTION. **Sec. 404.** A new section is added to chapter 19.27
32 RCW to read as follows:

33 The state building code council, in consultation with the
34 department of commerce and local governments, shall conduct a study
35 of the state building code and adopt changes necessary to encourage
36 greater use of renewable energy systems as defined in RCW 82.16.110.

1 NEW SECTION. **Sec. 405.** (1) The department of commerce shall
2 convene a work group to identify issues and laws associated with the
3 future of net metering. The work group shall include representatives
4 from consumer-owned utilities, investor-owned utilities, the
5 utilities and transportation commission, the solar industry, and any
6 other relevant participants. The department of commerce shall report
7 the work group's recommendations to the appropriate committees of the
8 legislature by December 1, 2019. The work group recommendations must
9 identify the specific circumstances in which changes in compensation
10 for net metering systems would be warranted and what the policy
11 should be for customer-generators in the same rate class. As part of
12 the recommendations, the work group must consider the reduction in
13 utility income associated with different levels of net metering and
14 must consider if there are any cost shifts to ratepayers associated
15 with net metering. The work group shall also provide an inventory of
16 other state's net metering laws.

17 (2) This section expires June 30, 2020."

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By Senator Carlyle

18 On page 1, beginning on line 1 of the title, after "Relating to;"
19 strike the remainder of the title and insert "reducing carbon
20 pollution; amending RCW 80.28.005, 80.28.010, 80.60.020, 80.60.030,
21 and 82.16.090; adding a new section to chapter 19.280 RCW; adding a
22 new section to chapter 35.92 RCW; adding a new section to chapter
23 54.16 RCW; adding a new section to chapter 80.28 RCW; adding a new
24 section to chapter 19.27 RCW; creating new sections; and providing an
25 expiration date."

EFFECT: Establishes a declaration of state policy that any distributed energy resources planning process engaged in by an electric utility should accomplish certain goals.

Requires the Legislature to conduct an initial review of the state's policy pertaining to distributed energy resources by January 1, 2023, and a full review by January 1, 2026, and every four years thereafter.

Authorizes the governing bodies of a municipal utility or a public utility district commission to adopt a transportation electrification plan that, at a minimum, is cost-effective, using an industry-recognized cost test.

Requires the Utilities and Transportation Commission (UTC) and electrical and gas companies to consider a greenhouse gas (GHG) planning adder when evaluating and establishing conservation policies, programs, and targets.

Requires the UTC to use the GHG planning adder in evaluating integrated resource plans and intermediate-term and long-term resource options selected by electrical and gas companies.

Authorizes the UTC to consider alternative forms of regulation (AFORs) when energy utilities seek to recover costs incurred on behalf of customers.

Increases the 0.5 percent minimum threshold to 4 percent for the cumulative generating capacity that a utility must make available for net metering systems.

Requires, as of March 31st, any remaining unused kilowatt-hour (kWh) credit generated for the calendar year to be used to assist low-income residential utility customers.

Requires electric or gas utilities to include on customer bills the total amount of kWh of electricity consumed for the most recent 12-month period.

Requires Commerce to convene a work group to identify issues and laws associated with the future of net metering and specific circumstances in which changes in compensation for net metering systems would be warranted and what the policy should be for each customer-generator class, and to report by December 1, 2019.

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