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**SUBSTITUTE HOUSE BILL 2586**

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**State of Washington 66th Legislature 2020 Regular Session**

**By** House Environment & Energy (originally sponsored by Representatives Ramel, Fitzgibbon, Shewmake, Doglio, Stonier, Mead, Duerr, Lekanoff, Hudgins, and Macri)

AN ACT Relating to the electrification of homes and buildings; 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 the electrification of homes and buildings have the potential to allow electric utilities to optimize the use of electric grid infrastructure, improve the management of electric loads, better manage the integration of variable renewable energy resources, reduce greenhouse gas emissions from the buildings sector, and improve indoor air quality.

(2) Legislative clarity is important for utilities to offer programs and services, including incentives, in the electrification of homes and buildings for their customers. It is the intent of the legislature to achieve parity among all electric utilities so that each utility, depending on its unique circumstances, can determine its appropriate role in advancing home and building electrification for its customers.

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

(1) The governing authority of an electric utility formed under this chapter may adopt a beneficial electrification plan that establishes a finding that utility outreach and investment in the electrification of homes and buildings will provide net benefits to its customers. Prior to adopting a beneficial electrification plan, the governing authority must request the input of any natural gas company serving customers in the electric utility's service area on the development of the plan.

(2) A beneficial electrification plan adopted under subsection (1) of this section must identify options and program schedules for the electrification of various energy end-uses or other energy sources.

(3) In adopting a beneficial electrification plan under subsection (1) of this section, the governing authority of an electric utility formed under this chapter must determine that the sum of the benefits of an electrification option equals or exceeds the sum of its costs. As part of this determination, the governing authority may differentiate the level of benefits and costs accrued to highly impacted communities and vulnerable populations in the electric utility's service area, as those terms are defined in RCW 19.405.020.

(a) The benefits of beneficial electrification considered by a governing authority may include, but are not limited to:

(i) Utility revenue from increased retail load from beneficial electrification;

(ii) Distribution system efficiencies resulting from demand response or other load management opportunities, including direct control and dynamic pricing, associated with the increased retail load;

(iii) System reliability improvements;

(iv) The opportunity for indoor and outdoor air quality benefits to existing utility customers and customers from projects constructed after the effective date of this section; and

(v) The opportunity for greenhouse gas emissions reductions from existing utility customers and customers from projects constructed after the effective date of this section, consistent with the emission reduction targets recommended by the department of ecology under RCW 70.235.020.

(b) The costs of beneficial electrification considered by a governing authority must include, but are not limited to:

(i) The electricity, which must be demonstrated to have a lower greenhouse gas emissions profile than direct-use and highly-efficient natural gas, used to serve the increased retail load from beneficial electrification;

(ii) Any conservation measures used to offset load impacts of beneficial electrification;

(iii) Any upgrades to the utility's distribution system or load management practices and equipment made necessary by the increased retail load; and

(iv) The cost of the incentive, advertising, or other inducements used to encourage customers to electrify an energy end-use currently served by a different fuel source.

(4) An electric utility formed under this chapter may, upon making a determination in accordance with subsection (1) of this section, offer incentives and other programs to accelerate the beneficial electrification of homes and buildings for its customers, including the promotion of electrically powered equipment, advertising beneficial electrification programs and projects, educational programs, and customer incentives or rebates. An electric utility offering such incentives and other programs must, when practical, prioritize service to highly impacted communities in the electric utility's service area, as that term is defined in RCW 19.405.020.

(5) For the purposes of this section, "beneficial electrification" means electrification of an energy end-use in a way that provides a net benefit to the utility or utility customers consistent with subsection (3) of this section.

(6) Nothing in this section limits the existing authority of an electric utility formed under this chapter to offer incentives and other programs to accelerate the electrification of homes and buildings for its customers if such electrification is in the direct economic interest of the electric utility or its customers.

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

(1) The commission of a public utility district may adopt a beneficial electrification plan that establishes a finding that outreach and investment in the electrification of homes and buildings will provide net benefits to its customers. Prior to adopting a beneficial electrification plan, the commission of a public utility district must request the input of any natural gas company serving customers in the public utility district's service area on the development of the plan.

(2) A beneficial electrification plan adopted under subsection (1) of this section must identify options and program schedules for the electrification of various energy end-uses or other energy sources.

(3) In adopting a beneficial electrification plan under subsection (1) of this section, the commission of a public utility district must determine that the sum of the benefits of an electrification option equals or exceeds the sum of its costs. As part of this determination, the commission may differentiate the level of benefits and costs accrued to highly impacted communities and vulnerable populations in the public utility district's service area, as those terms are defined in RCW 19.405.020.

(a) The benefits of beneficial electrification considered by a commission may include, but are not limited to:

(i) Utility revenue from increased retail load from beneficial electrification;

(ii) Distribution system efficiencies resulting from demand response or other load management opportunities, including direct control and dynamic pricing, associated with the increased retail load;

(iii) System reliability improvements;

(iv) The opportunity for indoor and outdoor air quality benefits to existing utility customers and customers from projects constructed after the effective date of this section; and

(v) The opportunity for greenhouse gas emissions reductions from existing utility customers and customers from projects constructed after the effective date of this section, consistent with the emission reduction targets recommended by the department of ecology under RCW 70.235.020.

(b) The costs of beneficial electrification considered by a commission must include, but are not limited to:

(i) The electricity, which must be demonstrated to have a lower greenhouse gas emissions profile than direct-use and highly efficient natural gas, used to serve the increased retail load from beneficial electrification;

(ii) Any conservation measures used to offset load impacts of beneficial electrification;

(iii) Any upgrades to the utility's distribution system or load management practices and equipment made necessary by the increased retail load; and

(iv) The cost of the incentive, advertising, or other inducements used to encourage customers to electrify an energy end-use currently served by a different fuel source.

(4) A public utility district may, upon making a determination in accordance with subsection (1) of this section, offer incentives and other programs to accelerate the beneficial electrification of homes and buildings for its customers, including the promotion of electrically powered equipment, advertising beneficial electrification programs and projects, educational programs, and customer incentives or rebates. A public utility district offering such incentives and other programs must, when practical, prioritize service to highly impacted communities in the public utility district's service area, as that term is defined in RCW 19.405.020.

(5) For the purposes of this section, "beneficial electrification" means electrification of an energy end-use in a way that provides a net benefit to the utility or utility customers consistent with subsection (3) of this section.

(6) Nothing in this section limits the existing authority of the commission of a public utility district to offer incentives and other programs to accelerate the electrification of homes and buildings for its customers if such electrification is in the direct economic interest of the public utility district or its customers.

NEW SECTION. **Sec.**  If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

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