

HOUSE BILL REPORT

ESHB 1233

As Passed House:
February 8, 2018

Title: An act relating to enabling electric utilities to prepare for the distributed energy future.

Brief Description: Enabling electric utilities to prepare for the distributed energy future.

Sponsors: House Committee on Technology & Economic Development (originally sponsored by Representatives Morris, Tarleton and Hudgins).

Brief History:

Committee Activity:

Technology & Economic Development: 1/19/17, 1/23/18, 1/25/18 [DPS].

Floor Activity:

Passed House: 2/8/18, 96-2.

Brief Summary of Engrossed Substitute Bill

- 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.

HOUSE COMMITTEE ON TECHNOLOGY & ECONOMIC DEVELOPMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Morris, Chair; Kloba, Vice Chair; Tarleton, Vice Chair; Smith, Ranking Minority Member; DeBolt, Assistant Ranking Minority Member; Doglio, Fey, Harmsworth, Hudgins, Nealey, Santos, Slatter, Wylie and Young.

Minority Report: Do not pass. Signed by 2 members: Representatives Manweller and Steele.

Minority Report: Without recommendation. Signed by 1 member: Representative McDonald.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Staff: Nikkole Hughes (786-7156).

Background:

Electric Utility Resource Planning.

An investor-owned or consumer-owned electric utility with more than 25,000 customers in the state must develop an Integrated Resource Plan (IRP). All other utilities in the state must file either an IRP or a less detailed resource plan.

The minimum required components of an IRP include:

- a range of forecasts of projected customer demand for at least the next 10 years;
- a comparative evaluation of renewable and nonrenewable generating resources, including transmission and distribution delivery costs, and conservation and efficiency resources using "lowest reasonable cost" as a criterion; and
- the integration of the demand forecasts and resource evaluation into a long-range assessment describing the mix of supply-side generating resources and conservation and efficiency resources that will meet current and projected needs, including mitigating overgeneration events, at the lowest reasonable cost and risk to the utility and its ratepayers.

An electric utility must update its IRP at least every four years or its resource plan at least every two years.

Distributed Energy Resources Planning.

The 2017-2018 Operating Budget directed the Utilities and Transportation Commission (UTC) to, by December 31, 2017, report findings and recommendations to the energy committees of the Legislature on best practices and policies for electric utilities to develop distributed energy resources plans. The UTC was required to include in its report a review of policies and practices for distributed energy resources planning in other states, an inventory of current utility distribution planning practices and capabilities in Washington, and recommendations for using distributed energy resources planning to inform utility IRPs.

In its 2017 report to the Legislature, the UTC recommended that any distributed energy resources planning policies adopted by the Legislature be broad and flexible, and suggested 10 best practices for distributed energy resources planning.

Summary of Engrossed Substitute Bill:

The Legislature declares it to be the policy of Washington that any distributed energy resources planning process engaged in by an electric utility in the state should accomplish certain goals, including:

- identifying the data gaps that impede a robust planning process as well as any upgrades needed to obtain data that would allow the electric utility to quantify the locational and temporal value of resources on the distribution system;
- identifying potential programs and tariffs to fairly compensate customers for the value of their distributed energy resources; and

- providing, at a minimum, a 10-year plan for distribution system investments and an analysis of nonwires alternatives for major transmission and distribution investments.

To ensure that procurement decisions are based on current cost and performance data for distributed energy resources, an electric utility should procure the distributed energy resource needs identified in any distributed energy resources plan through a process that is price-based and technology neutral.

By January 1, 2023, the Legislature must conduct an initial review of the state's policy pertaining to distributed energy resources planning. By January 1, 2026, and every four years thereafter, the Legislature must conduct a full review of the policy and determine how many electric utilities in the state have engaged or are engaging in a distributed energy resources planning process, whether the process has met the goals specified by the state's policy, and whether these goals need to be expanded or amended.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The bill captures all the points that must be considered in distributed energy resources planning. Establishing high-level principles and regular review and reporting requirements ensures flexibility and accountability as electric utilities develop their plans. Distributed energy resources planning is an important part of the state's energy future, especially as regional energy markets and the distribution grid continue to change. Through effective distributed energy resources planning, customer-side investments can become more cost-effective and realize greater net system benefits.

(Opposed) None.

(Other) There is a concern that the engineering tasks encapsulated by the goals expressed in this bill are based on regulatory compliance rather than on system reliability. Electric utilities are already doing several of the actions recommended in the bill. There may be issues with the investment and procurement goals recommended in the bill.

Persons Testifying: (In support) Representative Morris, prime sponsor; Dave Danner, Utilities and Transportation Commission; Brandon Houskeeper, Puget Sound Energy; Joni Bosh, NW Energy Coalition; Kathleen Collins, PacifiCorp; Jaimes Valdez, Spark Northwest; and John Rothlin, Avista.

(Other) Uzma Siddiqi, Seattle City Light.

Persons Signed In To Testify But Not Testifying: None.