SENATE BILL REPORT
ESHB 1233

As Reported by Senate Committee On:
Energy, Environment & Technology, February 22, 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: Passed House: 2/08/18, 96-2.
Committee Activity: Energy, Environment & Technology: 2/21/18, 2/22/18 [DP, DNP, w/ oRec].

Brief Summary of 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.

SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TECHNOLOGY

Majority Report: Do pass.
Signed by Senators Carlyle, Chair; Palumbo, Vice Chair; Hobbs, McCoy, Ranker and Wellman.

Minority Report: Do not pass.
Signed by Senators Brown, Hawkins and Sheldon.

Minority Report: That it be referred without recommendation.
Signed by Senator Ericksen, Ranking Member.

Staff: Kimberly Cushing (786-7421)

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.

Background: Integrated Resource Plan (IRP). All investor-owned and consumer-owned electric utilities in the state with more than 25,000 customers must develop IRPs. All other electric utilities in the state, including those that essentially receive all their power from the Bonneville Power Administration, must file either an IRP or a less-detailed resource plan.

An IRP must describe the mix of generating resources and conservation and efficiency resources that will meet current and projected needs at the lowest reasonable cost to the utility and its ratepayers. An IRP must include a number of components, such as an assessment of commercially available conservation and efficiency resources.

Distributed Energy Resources (DER) Planning. Under the 2017-2019 Operating Budget, the Legislature directed the Utilities and Transportation Commission (UTC) to report by December 31, 2017, 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 December 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 ten best practices for distributed energy resources planning.

Summary of Bill: State DER Policy. The Legislature declares the policy of Washington to be that an electric utility in the state engaged in any DER planning process 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;
- proposing monitoring, control, and metering upgrades that will be leveraged to provide net benefits for customers;
- identifying potential programs and tariffs to fairly compensate customers for the value of their DERs;
- forecasting the growth of DER on the utility's distribution system;
- providing, at a minimum, a ten-year plan for distribution system investments and an analysis of nonwires alternatives for major transmission and distribution investments, with a goal to provide the most affordable investments for all customers and avoid reactive expenditures to accommodate unanticipated growth in DER;
- including the DER identified in the plan in the electric utility's IRP;
- including a discussion of how the electric utility is adapting cybersecurity and data privacy practices to the changing distribution system and the internet of things; and
- including a discussion of lessons learned from the planning cycle and identify data and process improvements for the next cycle.

To ensure that procurement decisions are based on current cost and performance data for DER, an electric utility should procure the DER needs identified in any DER plan through a process that is price-based and technology neutral. The governing body, for a consumer-owned utility, or the UTC, for an investor-owned utility, may approve a pilot process to gain

a better understanding of the costs and benefits of DER**,** if the projected cost of a procurement is more than the calculated system net benefit of the identified DER.

Legislative Review of DER Planning. The Legislature must conduct an initial review of the state's policy pertaining to distributed energy resources planning, by January 1, 2023. The Legislature must conduct a full review of the policy by January 1, 2026, and every four years thereafter, 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.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: Electric utilities have been working on DER planning for a number of years. This is the next generation of utility planning. The bill follows the study that the UTC did and their recommendations. The IRP is very robust process for stakeholder involvement. The bill provides options and an incremental approach allowing utilities to go forward. This has the potential for reaching a conclusion on location values. UTC will adopt rules for the three IOUs.

OTHER: Solar is a tiny amount of the energy mix, but has leveraged millions of dollars and employees many people. If Washington decides to pursue DER, we do not want it to devalue solar or prematurely remove net metering. Washington can monitor and learn from states with a higher percentage of DERs. Any DER planning process must include a robust public stakeholder process.

Persons Testifying: PRO: Kathleen Collins, PacifiCorp.

OTHER: Allison Arnold, Executive Director, Solar Installers of Washington.

Persons Signed In To Testify But Not Testifying: No one.