
Environment & Energy Committee

HB 1767

Brief Description: Concerning the authority of publicly owned electric utilities to engage in targeted electrification through the adoption of plans that establish a finding that utility outreach and investment in the conversion of its customers' end use equipment from fossil fuels to electricity will provide net benefits to the utility.

Sponsors: Representatives Ramel, Macri, Berry, Dolan, Fitzgibbon, Ryu, Wicks, Wylie, Bateman, Duerr, Shewmake, Chopp, Tharinger, Valdez, Pollet, Stonier, Goodman, Callan, Harris-Talley, Hackney, Kloba and Frame; by request of Office of the Governor.

Brief Summary of Bill

- Authorizes the governing body of municipal electric utilities and public utility districts (PUDs) to adopt a targeted electrification plan that establishes a finding that utility outreach and investment in the electrification of customers' end use equipment in residential and commercial buildings will provide net benefits to the utility or PUD.
- Identifies certain benefits that may, and certain costs that must, be addressed in a targeted electrification plan.
- Authorizes municipal electric utilities and PUDs, upon the adoption of a targeted electrification plan, to offer incentives and establish other programs to accelerate the targeted electrification of homes and buildings for their customers.

Hearing Date: 1/14/22

Staff: Robert Hatfield (786-7117).

Background:

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

Municipal Electric Utilities and Public Utility Districts.

Municipalities are authorized to operate as utilities and set the rates and charges for the provision of water, sewer, electric power, heating fuel, solid waste removal, and transportation facility services. Public utility districts (PUDs) are a type of special-purpose district authorized for the purpose of generating and distributing electricity, providing water and sewer services, and providing telecommunications services. A PUD may operate on a countywide basis or may encompass a small jurisdiction. A PUD is governed by a board of either three or five elected commissioners.

Municipal electric utilities are authorized to provide electric service both within and outside of their jurisdictional boundaries. Some municipal electric utilities provide electricity to adjoining areas, both to incorporated cities and to unincorporated areas under county authority.

A PUD may build and operate generation, distribution, and transmission facilities, both within and outside the county boundary, to furnish electricity to the county's inhabitants or other persons, provided that such activity is reasonably related to the PUD's core purpose of serving its own customers. If a PUD wants to build a utility plant inside a city or town, the city's governing body must consent to the service and approve the plan for construction.

Transportation Electrification.

The governing body of a municipal electric utility or a PUD may adopt an electrification of transportation plan that, at a minimum, establishes a finding that utility outreach and investment in the electrification of transportation infrastructure does not increase net costs to ratepayers in excess of 0.25 percent.

Upon making a net cost determination, a municipal electric utility or a PUD may offer incentive programs in transportation electrification for its customers, including the promotion of electric vehicle adoption and advertising programs that promote the utility's services, incentives, or rebates.

Constitutional Limitations on Lending of Credit.

Article VIII, Section 7 of the Washington Constitution prohibits public entities from giving money, and from loaning money or credit, to individuals, unless certain exceptions apply. As one exception to this general rule, Article VIII, Section 10 permits public entities that sell energy to finance consumer conservation measures under some circumstances, but not where such financing results in a conversion from one energy source to another. The Washington Supreme Court has held that in some circumstances, inducements to electrify do not constitute a lending of credit or money.

Summary of Bill:

The governing body of a municipal electric utility or public utility district (PUD) may adopt a plan that establishes a finding that utility outreach and investment in the electrification of its customers' end use equipment in residential and commercial buildings will provide net benefits

to the utility or PUD. Such a plan must identify options and program schedules for the targeted electrification of various energy end uses or energy sources.

"Targeted electrification" is defined as the conversion to electricity from a fossil fuel or wood of an energy end use or energy source in a way that provides a net benefit to the utility as determined pursuant to a targeted electrification plan.

In adopting a targeted electrification plan, the governing authority of an electric utility or PUD must determine that the sum of the benefits of a targeted 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 low-income customers, highly impacted communities, and vulnerable populations in the utility's or PUD's service area.

The benefits of targeted electrification considered by a governing authority may include, but are not limited to, system impacts, as well as the following:

- utility revenue from increased retail load from targeted electrification;
- distribution and transmission system efficiencies resulting from demand response or other load management opportunities associated with the increased retail load;
- system reliability improvements;
- indoor and outdoor air quality benefits to utility and PUD customers;
- reductions in greenhouse gas emissions;
- public health benefits, such as resilience to extreme heat and wildfire smoke; and
- other benefits identified by the governing authority.

The costs of targeted electrification considered by a governing authority must include, but are not limited to:

- the electricity, which must be demonstrated to have, during the life span of the electric equipment, a lower greenhouse gas emissions profile than direct use natural gas or any other resources used to serve or offset the increased retail load from targeted electrification;
- any upgrades to the utility's or PUD's distribution or transmission system or load management practices and equipment made necessary by the increased retail load; and
- the cost of the incentives, advertising, or other inducements used to encourage customers to electrify an energy end use currently served by a different fuel source.

An electric utility or PUD may, upon adopting a targeted electrification plan, offer incentives and establish other programs to accelerate the targeted electrification of homes and buildings for its customers, including the promotion of electrically powered equipment, advertising targeted electrification programs and projects, educational programs, and customer incentives or rebates. An electric utility or PUD offering these incentives and other programs must prioritize service to vulnerable populations and highly impacted communities in the electric utility's or PUD's service area.

In the course of adopting and implementing a targeted electrification plan, an electric utility or

PUD must ensure that all customers are benefiting from the transition to clean energy through the equitable distribution of energy and nonenergy benefits and reduction of burdens to vulnerable populations and highly impacted communities, including long-term and short-term public health and environmental benefits and reduction of costs and risks; and energy security and resiliency.

None of the provisions related to targeted electrification limit the existing authority of an electric utility or PUD to offer incentives and other programs to accelerate the electrification of homes and buildings for its customers if the electrification is in the direct economic interest of the electric utility or PUD.

Appropriation: None.

Fiscal Note: Requested on January 5, 2022.

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