

# SENATE BILL REPORT

## SB 5666

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As of January 18, 2022

**Title:** An act relating to 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.

**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:** Senators Liias, Carlyle, Conway, Das, Hunt, Lovelett, Nguyen, Pedersen, Randall, Rolfes, Saldaña, Salomon and Stanford; by request of Office of the Governor.

**Brief History:**

**Committee Activity:** Environment, Energy & Technology: 1/19/22.

### Brief Summary of Bill

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

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*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.*

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## SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

**Staff:** Kimberly Cushing (786-7421)

**Background:** Municipal Electric Utilities and Public Utility Districts. Municipal electric utilities (municipal utilities) in Washington are authorized to provide residents with gas, electricity, water, and other services that are charged by rates or fixed prices. Public utility districts (PUDs) are a type of special purpose district authorized to provide electricity, water and sewer services, and telecommunications services. A PUD is governed by a board of either three or five elected commissioners.

Transportation Electrification. The governing body of a municipal utility or 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 utility or 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.

Emissions Plans and Greenhouse Gas Emissions Mitigation. In 2007, the Legislature granted municipal utilities and PUDs the authority to develop a plan to reduce their greenhouse gas (GHG) emissions, including a plan to achieve no-net emissions from all GHG sources that the utility owns, leases, uses, contracts for, or otherwise controls.

The municipal utilities and PUDs were also authorized, as part of the utility operation, to mitigate the environmental impacts of their operations and any power purchases. Mitigation may include all GHG mitigation mechanisms recognized by an independent, qualified organization with proven experience in emission mitigation activities.

**Summary of Bill:** Targeted Electrification. The Legislature finds, in addition to GHG offset contracts, credits, and other GHG mitigation efforts, targeted electrification is a recognized utility purpose that confers a direct benefit on the utility's ratepayers. A municipal utility or PUD may, as part of its utility operation, mitigate the environmental impacts of its operation, including implementing targeted electrification programs that result in quantifiable and verifiable reductions in GHG emissions from homes and buildings located in the municipal utility or PUD's service territory. A municipal utility or PUD may promote and advertise a GHG emissions mitigation program to its ratepayers.

Targeted Electrification Plans. The governing authority of a municipal utility or PUD may adopt a targeted electrification plan (plan) that establishes a finding that utility outreach and investment in electrification of its customer's end use equipment in residential and commercial buildings will provide net benefits to the utility. 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 consistent with its plan.

Prior to adopting a plan, the governing authority of a municipal utility or PUD must request public comment on the development of the plan. The governing authority must also determine the sum of the benefits of a targeted electrification option equals or exceeds the sum of its costs. This includes differentiating the level of benefits and costs accrued to low-income customers, highly impacted communities, and vulnerable populations in the utility's service area.

The benefits of targeted electrification considered by a municipal utility or PUD may include, but are not limited to, system impacts as well as:

- 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 increased retail load;
- system reliability improvements;
- indoor and outdoor air quality benefits to existing and new project utility customers;
- reductions in greenhouse gas emissions from existing and new project utility customers; and
- public health benefits, such as resilience to extreme heat and wildfire smoke for low-income customers, highly impacted communities, and vulnerable populations.

The costs of targeted electrification considered by a municipal utility or PUD must include, but are not limited to:

- the electricity, which must be demonstrated to have a lower GHG emissions profile that directly 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 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.

Upon adopting a plan, a municipal utility or PUD may offer incentives and establish other programs to accelerate the targeted electrification of homes and buildings for its customers. These incentive and programs may include the promotion of electrically powered equipment, advertising targeted electrification programs and projects, educational programs, and customer incentives or rebates.

A municipal utility or PUD offering these incentives and programs must prioritize service to vulnerable populations and highly impacted communities in the utility's service area. A

municipal utility or PUD must also ensure 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.

Nothing in this provision of the bill limits the existing authority of a municipal 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.

**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.