

# HOUSE BILL REPORT

## HB 1416

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**As Passed House:**

February 9, 2023

**Title:** An act relating to applying the affected market customer provisions of the Washington clean energy transformation act to nonresidential customers of consumer-owned utilities.

**Brief Description:** Applying the affected market customer provisions of the Washington clean energy transformation act to nonresidential customers of consumer-owned utilities.

**Sponsors:** Representatives Doglio, Ramel, Berry, Lekanoff and Reed; by request of Department of Commerce.

**Brief History:**

**Committee Activity:**

Environment & Energy: 1/30/23, 2/2/23 [DP].

**Floor Activity:**

Passed House: 2/9/23, 58-39.

**Brief Summary of Bill**

- Extends the affected market customer provisions of the Clean Energy Transformation Act to market customers of consumer-owned utilities.

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### HOUSE COMMITTEE ON ENVIRONMENT & ENERGY

**Majority Report:** Do pass. Signed by 9 members: Representatives Doglio, Chair; Mena, Vice Chair; Berry, Duerr, Fey, Lekanoff, Ramel, Slatter and Street.

**Minority Report:** Without recommendation. Signed by 6 members: Representatives Dye, Ranking Minority Member; Ybarra, Assistant Ranking Minority Member; Abbarno, Barnard, Couture and Goehner.

**Staff:** Megan McPhaden (786-7114).

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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.*

## **Background:**

### Washington Clean Energy Transformation Act.

#### *Clean Energy Transformation Act Standards.*

Under the Clean Energy Transformation Act (CETA), electric utilities must:

- eliminate coal-fired resources from their allocation of electricity by December 31, 2025 (Coal Elimination Standard);
- ensure that all retail sales of electricity to Washington customers are greenhouse gas neutral by January 1, 2030 (Greenhouse Gas Neutral Standard); and
- supply 100 percent of all retail sales to Washington customers with nonemitting and renewable resources by January 1, 2045 (Clean Energy Standard).

#### *Market Customers.*

Market customers are nonresidential retail electric customers of an electric utility that: (1) purchase electricity from an entity or entities other than the utility with which it is directly interconnected; or (2) generate electricity to meet 100 percent of its own needs.

#### *Affected Market Customers.*

An affected market customer is a customer of an investor-owned utility who becomes a market customer after May 7, 2019, the effective date of the CETA. Affected market customers must comply with the Greenhouse Gas Neutral Standard and the Clean Energy Standard.

#### *Penalties for Utilities and Affected Market Customers.*

Along with electric utilities, affected market customers that fail to comply with the Coal Elimination Standard or Greenhouse Gas Neutral Standard must pay an administrative penalty of \$100 multiplied by the following for each megawatt-hour of electric generation used to meet load that is not electricity from a renewable resource or nonemitting electric generation:

- 1.5 for coal-fired resources;
- 0.84 for gas-fired peaking power plants; and
- 0.60 for gas-fired combined-cycle power plants.

Beginning in 2027 this penalty must be adjusted every other year based on inflation.

Beginning in 2040 the Utilities and Transportation Commission (UTC) may by rule increase this penalty for investor-owned utilities if the UTC determines that doing so will accelerate utilities' compliance with the CETA standards and that doing so is in the public interest.

## **Summary of Bill:**

The affected market customer provisions of the Clean Energy Transformation Act are extended to cover customers of not only investor-owned utilities, but also customers of consumer-owned utilities.

**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) We need to make sure that clean electricity is used even if large industrial customers look to out-of-state suppliers for their electricity. The Clean Energy Transformation Act has a provision that ensures this, but it only applies to large customers of investor-owned utilities who procure their own electricity from a third party or independent generator, and not from their utility. That provision doesn't apply if the customer is connected to a consumer-owned utility network like a public utility district, municipal utility, or a rural co-op. The proposal is to extend that mechanism, the market customer provisions, so that it covers all the customers and all the utilities in the state. We are trying to close a loophole before it becomes a problem. The Department of Commerce requested this legislation because they've seen interest in new large loads looking for power from somewhere other than their local utilities.

(Opposed) None.

**Persons Testifying:** Representative Beth Doglio, prime sponsor; and Glenn Blackmon, Department of Commerce.

**Persons Signed In To Testify But Not Testifying:** None.