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ENGROSSED SUBSTITUTE HOUSE BILL 1589

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State of Washington

68th Legislature

2023 Regular Session

By House Environment & Energy (originally sponsored by Representatives Doglio, Fitzgibbon, Berry, Alvarado, Bateman, Ramel, Peterson, Lekanoff, Hackney, Macri, and Kloba)

READ FIRST TIME 02/16/23.

1 AN ACT Relating to supporting Washington's clean energy economy  
2 and transitioning to a clean, affordable, and reliable energy future;  
3 amending RCW 80.28.010 and 80.28.110; adding a new chapter to Title  
4 80 RCW; creating a new section; prescribing penalties; and declaring  
5 an emergency.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** (1) The legislature finds that the state's  
8 gas and electrical companies face transformational change brought on  
9 by new technology, emerging opportunities for customers, and state  
10 clean energy laws. Chapter 19.405 RCW, the Washington clean energy  
11 transformation act, and chapter 70A.65 RCW, the Washington climate  
12 commitment act, mean these companies must find innovative and  
13 creative solutions to equitably serve their customers, provide clean  
14 energy, reduce emissions, and keep rates fair, just, reasonable, and  
15 sufficient.

16 (2) Gas companies with over 500,000 customers that are also  
17 electrical companies, or combination utilities, play an important  
18 role in providing affordable and reliable heating and other energy  
19 services, and in leading the implementation of state climate  
20 policies. As the state transitions to cleaner sources of energy,  
21 combination utilities are an important partner in helping their

1 customers make smart energy choices, and actively supporting the  
2 replacement of fossil fuel-based space and water heating equipment  
3 and other fossil fuel-based equipment with high-efficiency  
4 nonemitting equipment. Programs to accelerate the adoption of  
5 efficient, nonemitting appliances have the potential to allow  
6 combination utilities to optimize the use of energy infrastructure,  
7 improve the management of energy loads, better manage the integration  
8 of variable renewable energy resources, reduce greenhouse gas  
9 emissions from the buildings sector, mitigate the environmental  
10 impacts of utility operations and power purchases, and improve health  
11 outcomes for occupants. Legislative clarity is important for  
12 utilities to offer programs and services, including incentives, in  
13 the decarbonization of homes and buildings for their customers.

14 (3) In order to meet the statewide greenhouse gas limits in the  
15 energy sectors of the economy, more resources must be directed toward  
16 achieving decarbonization of residential and commercial heating loads  
17 and other loads that are served with fossil fuels, while continuing  
18 to protect customers, especially low-income customers and vulnerable  
19 communities. The legislature finds that regulatory innovation may be  
20 needed to remove barriers that combination utilities may face to meet  
21 the state's public policy objectives and expectations. The enactment  
22 of chapter 188, Laws of 2021 (Engrossed Substitute Senate Bill No.  
23 5295) began that regulatory transition from traditional cost-of-  
24 service regulation, with investor-owned gas and electrical companies  
25 using forward-looking multiyear rate plans and taking steps toward  
26 performance-based regulation. These steps are intended to provide  
27 certainty and stability to both customers and to investor-owned gas  
28 and electrical companies, aligning public policy objectives with  
29 investments, safety, and reliability.

30 (4) The legislature finds that as Washington transitions to 100  
31 percent clean electricity and as the state implements the Washington  
32 climate commitment act, switching from fossil fuel-based heating  
33 equipment and other fossil fuel-based appliances to high-efficiency  
34 nonemitting equipment will reduce climate impacts and fuel price  
35 risks for customers in the long term. This new paradigm requires a  
36 thoughtful transition to decarbonize the energy system to ensure that  
37 customers are protected, are not subject to sudden price shocks, and  
38 continue to receive needed energy services. This transition will  
39 require careful and integrated planning across utilities and with  
40 customers as well as new regulatory tools.

1 (5) It is the intent of the legislature to require combination  
2 utilities to decarbonize their systems by: (a) Prioritizing efficient  
3 and cost-effective measures to transition customers off of the direct  
4 use of fossil fuels at the lowest reasonable cost to customers; (b)  
5 investing in the energy supply, storage, delivery, and demand-side  
6 resources that will be needed to serve any increase in electrical  
7 demand affordably and reliably; (c) maintaining safety and  
8 reliability as the gas system undergoes transformational changes; (d)  
9 integrating zero-carbon and carbon-neutral fuels to serve high heat  
10 and industrial loads where electrification may not be technically  
11 feasible; (e) managing peak demand of the electric system; and (f)  
12 ensuring an equitable distribution of benefits to, and reduction of  
13 burdens for, overburdened communities that have historically been  
14 underserved by utility energy efficiency programs, and may be  
15 disproportionately impacted by rising fuel and equipment costs or  
16 experience high energy burden.

17 (6) It is the intent of the legislature to support this  
18 transition by adopting requirements for combination utilities to  
19 conduct integrated system planning to develop specific actions  
20 supporting gas system decarbonization and electrification.

21 **Sec. 2.** RCW 80.28.010 and 2011 c 214 s 11 are each amended to  
22 read as follows:

23 (1) All charges made, demanded, or received by any gas company,  
24 electrical company, wastewater company, or water company for gas,  
25 electricity or water, or for any service rendered or to be rendered  
26 in connection therewith, shall be just, fair, reasonable and  
27 sufficient. Reasonable charges necessary to cover the cost of  
28 administering the collection of voluntary donations for the purposes  
29 of supporting the development and implementation of evergreen  
30 community management plans and ordinances under RCW 80.28.300 must be  
31 deemed as prudent and necessary for the operation of a utility.

32 (2) (a) Every gas company, electrical company, wastewater company,  
33 and water company shall furnish and supply such service,  
34 instrumentalities and facilities as shall be safe, adequate and  
35 efficient, and in all respects just and reasonable.

36 (b) No large gas company that serves more than 500,000 retail  
37 natural gas customers in the state of Washington on June 30, 2023,  
38 may furnish or supply gas service, instrumentalities, and facilities  
39 to any commercial or residential location that did not receive gas

1 service or did not file applications for gas service as of June 30,  
2 2023.

3 (c) The prohibition in (b) of this subsection does not apply to  
4 facilities engaged in one or more manufacturing processes described  
5 by North American industry classification system codes beginning with  
6 31, 32, or 33.

7 (d) The prohibition in (b) of this subsection does not apply to  
8 the following facilities until January 1, 2040:

9 (i) Facilities with building occupancies classified as  
10 institutional I-2 (medical care facilities) or I-3 (correctional  
11 facilities) pursuant to the international building code, that are  
12 required by federal or state regulation to have redundant emergency  
13 backup power generation systems; and

14 (ii) Facilities owned or operated by the United States department  
15 of defense that utilize reciprocating internal combustion engine  
16 generators that support energy resilience, energy security, and  
17 energy efficiency initiatives.

18 (3) All rules and regulations issued by any gas company,  
19 electrical company, wastewater company, or water company, affecting  
20 or pertaining to the sale or distribution of its product or service,  
21 must be just and reasonable.

22 (4) Utility service for residential space heating shall not be  
23 terminated between November 15<sup>th</sup> through March 15<sup>th</sup> if the customer:

24 (a) Notifies the utility of the inability to pay the bill,  
25 including a security deposit. This notice should be provided within  
26 five business days of receiving a payment overdue notice unless there  
27 are extenuating circumstances. If the customer fails to notify the  
28 utility within five business days and service is terminated, the  
29 customer can, by paying reconnection charges, if any, and fulfilling  
30 the requirements of this section, receive the protections of this  
31 chapter;

32 (b) Provides self-certification of household income for the prior  
33 twelve months to a grantee of the department of commerce, which  
34 administers federally funded energy assistance programs. The grantee  
35 shall determine that the household income does not exceed the maximum  
36 allowed for eligibility under the state's plan for low-income energy  
37 assistance under 42 U.S.C. 8624 and shall provide a dollar figure  
38 that is seven percent of household income. The grantee may verify  
39 information provided in the self-certification;

1 (c) Has applied for home heating assistance from applicable  
2 government and private sector organizations and certifies that any  
3 assistance received will be applied to the current bill and future  
4 utility bills;

5 (d) Has applied for low-income weatherization assistance to the  
6 utility or other appropriate agency if such assistance is available  
7 for the dwelling;

8 (e) Agrees to a payment plan and agrees to maintain the payment  
9 plan. The plan will be designed both to pay the past due bill by the  
10 following October 15th and to pay for continued utility service. If  
11 the past due bill is not paid by the following October 15<sup>th</sup>, the  
12 customer is not eligible for protections under this chapter until the  
13 past due bill is paid. The plan may not require monthly payments in  
14 excess of seven percent of the customer's monthly income plus one-  
15 twelfth of any arrearage accrued from the date application is made  
16 and thereafter during November 15<sup>th</sup> through March 15<sup>th</sup>. A customer  
17 may agree to pay a higher percentage during this period, but shall  
18 not be in default unless payment during this period is less than  
19 seven percent of monthly income plus one-twelfth of any arrearage  
20 accrued from the date application is made and thereafter. If  
21 assistance payments are received by the customer subsequent to  
22 implementation of the plan, the customer shall contact the utility to  
23 reformulate the plan; and

24 (f) Agrees to pay the moneys owed even if he or she moves.

25 (5) The utility shall:

26 (a) Include in any notice that an account is delinquent and that  
27 service may be subject to termination, a description of the  
28 customer's duties in this section;

29 (b) Assist the customer in fulfilling the requirements under this  
30 section;

31 (c) Be authorized to transfer an account to a new residence when  
32 a customer who has established a plan under this section moves from  
33 one residence to another within the same utility service area;

34 (d) Be permitted to disconnect service if the customer fails to  
35 honor the payment program. Utilities may continue to disconnect  
36 service for those practices authorized by law other than for  
37 nonpayment as provided for in this subsection. Customers who qualify  
38 for payment plans under this section who default on their payment  
39 plans and are disconnected can be reconnected and maintain the  
40 protections afforded under this chapter by paying reconnection

1 charges, if any, and by paying all amounts that would have been due  
2 and owing under the terms of the applicable payment plan, absent  
3 default, on the date on which service is reconnected; and

4 (e) Advise the customer in writing at the time it disconnects  
5 service that it will restore service if the customer contacts the  
6 utility and fulfills the other requirements of this section.

7 (6) A payment plan implemented under this section is consistent  
8 with RCW 80.28.080.

9 (7) Every gas company and electrical company shall offer  
10 residential customers the option of a budget billing or equal payment  
11 plan. The budget billing or equal payment plan shall be offered low-  
12 income customers eligible under the state's plan for low-income  
13 energy assistance prepared in accordance with 42 U.S.C. 8624(C)(1)  
14 without limiting availability to certain months of the year, without  
15 regard to the length of time the customer has occupied the premises,  
16 and without regard to whether the customer is the tenant or owner of  
17 the premises occupied.

18 (8) Every gas company, electrical company, wastewater company,  
19 and water company shall construct and maintain such facilities in  
20 connection with the manufacture and distribution of its product, or  
21 provision of its services, as will be efficient and safe to its  
22 employees and the public.

23 (9) An agreement between the customer and the utility, whether  
24 oral or written, does not waive the protections afforded under this  
25 chapter.

26 (10) In establishing rates or charges for water service, water  
27 companies as defined in RCW 80.04.010 may consider the achievement of  
28 water conservation goals and the discouragement of wasteful water use  
29 practices.

30 **Sec. 3.** RCW 80.28.110 and 2021 c 65 s 97 are each amended to  
31 read as follows:

32 ((Every)) Except for a large gas company pursuant to RCW  
33 80.28.010(2)(b), every gas company, electrical company, wastewater  
34 company, or water company, engaged in the sale and distribution of  
35 gas, electricity or water or the provision of wastewater company  
36 services, shall, upon reasonable notice, furnish to all persons and  
37 corporations who may apply therefor and be reasonably entitled  
38 thereto, suitable facilities for furnishing and furnish all available  
39 gas, electricity, wastewater company services, and water as demanded,

1 except that a water company may not furnish water contrary to the  
2 provisions of water system plans approved under chapter 43.20 or  
3 70A.100 RCW and wastewater companies may not provide services  
4 contrary to the approved general sewer plan.

5 NEW SECTION. **Sec. 4.** The definitions in this section apply  
6 throughout this chapter unless the context clearly requires  
7 otherwise.

8 (1) "Alternative energy resource" means biogas, renewable natural  
9 gas, renewable syngas, renewable hydrogen, carbon dioxide removal,  
10 carbon-free district energy, any electrification programs approved as  
11 part of an electrification plan pursuant to section 5 of this act,  
12 and any carbon-neutral fuel as defined in statute.

13 (2) "Carbon dioxide equivalent" has the same meaning as defined  
14 in RCW 70A.65.010.

15 (3) "Carbon-free district energy" means a network of hot water  
16 pipes and cold water pipes used to provide thermal energy to multiple  
17 buildings that does not result in the emissions of greenhouse gases.

18 (4) "Combination utility" means a public service company that is  
19 both an electrical company and a large gas company that serves more  
20 than 800,000 retail electric customers and 500,000 retail natural gas  
21 customers in the state of Washington as of June 30, 2023.

22 (5) "Commission" means the utilities and transportation  
23 commission.

24 (6) "Cost-effective" means that a project or resource is  
25 forecast:

26 (a) To be reliable and available within the time it is needed;  
27 and

28 (b) To reduce greenhouse gas emissions and meet or reduce the  
29 energy demand or supply an equivalent level of energy service to the  
30 intended customers at an estimated incremental system cost no greater  
31 than that of the least-cost similarly reliable and available  
32 alternative project or resource, or any combination thereof,  
33 including the cost of compliance with chapter 70A.65 RCW, based on  
34 the forward allowance ceiling price of allowances approved by the  
35 department of ecology under RCW 70A.65.160.

36 (7) "Costs of greenhouse gas emissions" means the costs of  
37 greenhouse gas emissions established in RCW 80.28.395.

38 (8) "Electrical company" has the same meaning as provided in RCW  
39 80.04.010.

1 (9) (a) "Electrification" means the installation of electric end-  
2 use equipment.

3 (b) Electrification programs may include, but are not limited to,  
4 programs that facilitate the installation of electric air-source heat  
5 pumps with gas backups in existing buildings. However, electric air-  
6 source heat pumps with gas backups may not be part of any plan filed  
7 after 2030.

8 (10) "Emissions baseline" means the actual cumulative greenhouse  
9 gas emissions of a combination utility, calculated pursuant to  
10 chapter 70A.65 RCW, for the five-year period beginning January 1,  
11 2015, and ending December 31, 2019.

12 (11) "Emissions reduction period" means one of five periods of  
13 five calendar years each, with the five periods beginning on January  
14 1st of calendar years 2030, 2035, 2040, 2045, and 2050, respectively.

15 (12) "Emissions reduction target" means a targeted reduction of  
16 projected cumulative greenhouse gas emissions of a combination  
17 utility approved by the commission for an emissions reduction period  
18 that is at least as stringent as the limits established in RCW  
19 70A.45.020.

20 (13) "Gas company" has the same meaning as provided in RCW  
21 80.04.010.

22 (14) "Greenhouse gas" has the same meaning as provided in RCW  
23 70A.45.010.

24 (15) "Low-income" has the same meaning as provided in RCW  
25 19.405.020.

26 (16) "Multiyear rate plan" means a multiyear rate plan of a gas  
27 company filed with the commission pursuant to RCW 80.28.425.

28 (17) "Natural gas" has the same meaning as provided in RCW  
29 19.405.020.

30 (18) "Overburdened community" has the same meaning as provided in  
31 RCW 70A.65.010.

32 (19) "Renewable hydrogen" has the same meaning as provided in RCW  
33 19.405.020.

34 (20) "Renewable natural gas" has the same meaning as provided in  
35 RCW 19.405.020.

36 (21) "Renewable resource" has the same meaning as provided in RCW  
37 19.405.020.

38 (22) "System cost" means an estimate of all direct costs of a  
39 project or resource over its effective life including, if applicable:  
40 The costs of transmission and distribution to the customers; waste



1 disposal costs; permitting, siting, mitigation, and end-of-cycle  
2 decommissioning and remediation costs; fuel costs, including  
3 projected increases; resource integration and balancing costs; and  
4 such quantifiable environmental costs and benefits and other energy  
5 and nonenergy benefits as are directly attributable to the project or  
6 resource, including flexibility, resilience, reliability, greenhouse  
7 gas emissions reductions, and air quality.

8 NEW SECTION. **Sec. 5.** (1) The legislature finds that utilities  
9 are subject to a range of reporting and planning requirements as part  
10 of the clean energy transition. To reduce regulatory barriers,  
11 achieve equitable and transparent outcomes, and integrate planning  
12 requirements, the commission may consolidate planning requirements  
13 into a single integrated system plan that is approved by the  
14 commission.

15 (a) By September 1, 2023, the commission shall initiate a process  
16 to consolidate planning requirements and to waive any commission  
17 rules necessary to facilitate an integrated system plan.

18 (b) The commission shall issue a notice and request for comment  
19 and shall hold a public comment hearing.

20 (c) In its order approving the consolidation of planning  
21 requirements, the commission shall include a compliance checklist and  
22 shall provide any additional guidance that is necessary to ensure  
23 that the integrated system plan meets the minimum requirements of all  
24 relevant statutes and rules.

25 (2) Subject to approval by the commission pursuant to subsection  
26 (1) of this section, by January 1, 2026, and every four years  
27 thereafter, a combination utility shall file an integrated system  
28 plan demonstrating how the combination utility plans to:

29 (a) Achieve its obligations under chapters 19.280, 19.405,  
30 19.285, and 70A.65 RCW, RCW 80.28.380, and existing pipeline safety  
31 and replacement plans;

32 (b) Achieve gas utility and electric utility emissions reductions  
33 equal to their proportional share of emissions reductions required  
34 under RCW 70A.45.020;

35 (c) Maximize investments of revenues generated from consigning  
36 allowances pursuant to chapter 70A.65 RCW in programs that  
37 incentivize a transition to electric heat pumps and other electric  
38 appliances, conservation and efficiency services, and other programs  
39 that aid in the transition from the direct use of fossil fuels; and

1 (d) Comply with any other obligations under applicable rules,  
2 regulations, or laws.

3 (3) In addition, an integrated system plan filed pursuant to this  
4 section must:

5 (a) Include an emissions reduction target;

6 (b) Present and evaluate a range of resource portfolios and  
7 proposed programs to advance clean energy and gas decarbonization  
8 measures for customers that align with achieving the gas utility's  
9 proportional share of emissions reductions required under RCW  
10 70A.45.020. At a minimum, the range of resource portfolios presented  
11 and evaluated by a combination utility must include:

12 (i) A portfolio of resources that uses cost-effective alternative  
13 energy resources to the maximum practicable extent, which may include  
14 leak reductions approved by the commission, and that meets the  
15 identified emissions reduction targets;

16 (ii) Other portfolios requested by stakeholders;

17 (iii) Other portfolios at the combination utility's discretion;

18 and

19 (iv) Other portfolios as directed by the commission;

20 (c) Include programs targeted to low-income customers, vulnerable  
21 populations, and overburdened communities;

22 (d) Include outreach plans for engagement with all customers, but  
23 prioritizing low-income customers, vulnerable populations, and  
24 overburdened communities to develop programs to support those  
25 customers in every phase of the programs in the combination utility's  
26 integrated system plan, including through incentives offered to  
27 multifamily buildings occupied in full or in part by low-income  
28 households;

29 (e) Prioritize investments that benefit, and reduce burdens to,  
30 low-income customers, vulnerable populations, and overburdened  
31 communities;

32 (f) Prioritize investments in energy efficiency, demand response,  
33 and energy conservation measures, which must achieve at least:

34 (i) Two percent of electric load annually with conservation and  
35 energy efficiency resources, unless the commission finds that a  
36 higher target is cost-effective; and

37 (ii) Annual demand response equal to or greater than 10 percent  
38 of winter and summer peak electric demand, unless the commission  
39 finds that a higher target is cost-effective;

1 (g) Set forth specific actions that the combination utility will  
2 take to reduce greenhouse gas emissions to meet the emissions  
3 reduction target;

4 (h) Quantify projected cumulative greenhouse gas emissions  
5 reductions for each emissions reduction period resulting from each  
6 portfolio presented in the integrated system plan;

7 (i) Propose program budgets resulting from each portfolio  
8 presented in the integrated system plan;

9 (j) Quantify the cost of implementing each portfolio presented in  
10 the integrated system plan;

11 (k) Project annual greenhouse gas emissions reductions that would  
12 result if each portfolio presented in the integrated system plan were  
13 extended through 2050;

14 (l) Describe the effects of the specific actions and investments  
15 of each portfolio presented in the integrated system plan on the  
16 safety, reliability, and resilience of the combination utility's  
17 energy service;

18 (m) Identify potential changes to depreciation schedules or other  
19 actions to align the combination utility's cost recovery with state  
20 laws, including reducing greenhouse gas emissions, minimizing costs,  
21 and minimizing risks to the combination utility and its customers;

22 (n) Explain the combination utility's analysis of the costs and  
23 benefits of an array of alternatives, including the costs of  
24 greenhouse gas emissions in the cost-benefit calculations;

25 (o) Describe the monitoring and verification methodology to be  
26 used in reporting; and

27 (p) Include any other information required by the commission.

28 (4) The commission must approve, reject, or approve with  
29 conditions the integrated system plan within 12 months of receiving  
30 the final plan. Once approved, a combination utility may include an  
31 integrated system plan in a proposal for a multiyear rate plan.

32 (a) In determining whether to approve the plan, the commission  
33 must evaluate whether the plan is in the public interest. This  
34 evaluation includes, but is not limited to, a consideration of:

35 (i) The equitable distribution of energy benefits and reduction  
36 of burdens to vulnerable populations and highly impacted communities;

37 (ii) Long-term and short-term public health, economic, and  
38 environmental benefits and the reduction of costs and risks; and

39 (iii) Energy security and resiliency.

1 (b) In evaluating whether a proposed integrated system plan is in  
2 the public interest, the commission shall take into account the  
3 following factors:

4 (i) Whether the specific actions in the integrated system plan  
5 achieve reductions in greenhouse gas emissions for each emissions  
6 reduction period;

7 (ii) Whether the integrated system plan demonstrates progress  
8 toward meeting the emissions reduction targets;

9 (iii) Whether investments in the integrated system plan  
10 prioritize serving low-income customers, vulnerable populations, and  
11 overburdened communities;

12 (iv) Whether the integrated system plan and the proposed actions  
13 in the plan are cost-effective and how the integrated system plan is  
14 likely to result in a reasonable cost to customers, where cost-  
15 effectiveness is defined in subsection (5) of this section;

16 (v) Whether the integrated system plan maintains system  
17 reliability and reduces long-term costs and risks to customers; and

18 (vi) Whether the integrated system plan will lead to new  
19 construction career opportunities and prioritizes a transition of  
20 natural gas and electricity utility workers to perform work on  
21 construction and maintenance of new and existing renewable energy  
22 infrastructure.

23 (5) The commission shall establish by rule a cost-effectiveness  
24 test for emissions reduction measures taken by combination utilities  
25 to comply with state clean energy and climate policies.

26 (a) The cost-effectiveness test must be used for the purpose of  
27 determining cost-effectiveness of decarbonization measures taken, at  
28 the portfolio level, by a combination utility under this chapter, and  
29 for any other purpose determined by the commission by rule.

30 (b) In evaluating the cost-effectiveness of gas decarbonization  
31 measures within the integrated system plan, a combination utility  
32 shall apply a risk reduction premium that shall account for: (i) The  
33 most recent allowance ceiling price approved by the department of  
34 ecology pursuant to the climate commitment act, chapter 70A.65 RCW;  
35 or (ii) a forward price index for allowance prices approved by the  
36 department of ecology. For the purpose of this chapter, the risk  
37 reduction premium is necessary to ensure that a combination utility  
38 is making appropriate long-term investments to mitigate against the  
39 allowance and fuel price risks to customers of the combination  
40 utility.

1 (c) The commission may approve, or amend and approve, an  
2 integrated system plan that exceeds the cost-effectiveness test and  
3 risk reduction premium requirements identified in this subsection  
4 only if it finds that the plan is in the public interest, costs to  
5 customers are reasonable, the plan includes mitigation of rate  
6 increases for low-income customers, and the benefits of the plan,  
7 including the costs of greenhouse gas emissions, exceed the costs.

8 (6) The commission shall determine the appropriate, cost-  
9 effective cost recovery mechanisms for a combination utility to meet  
10 its integrated system plan including, but not limited to:

11 (a) The majority of total capacity and energy necessary to meet  
12 the requirements of chapter 19.405 RCW to be supplied from resources  
13 owned and operated by the combination utility or an affiliate of the  
14 combination utility;

15 (b) A performance incentive mechanism;

16 (c) A return on generation assets and generation under contract  
17 based on the combination utility's authorized return on equity;

18 (d) A higher rate of return on certain electric assets including,  
19 but not limited to, microgrids, electric vehicle charging  
20 infrastructure, advanced metering infrastructure, new substations or  
21 distribution lines, and transmission upgrades; and

22 (e) A return on power purchase agreements that is no less than  
23 the authorized cost of debt and no greater than the authorized rate  
24 of return of the combination company, multiplied by the operating  
25 expense incurred by the combination utility under the power purchase  
26 agreement.

27 NEW SECTION. **Sec. 6.** (1) A combination utility must include the  
28 following in calculating its emissions baseline and projected  
29 cumulative emissions for an emissions reduction period, consistent  
30 with chapter 173-441 WAC:

31 (a) Methane leaked from the transportation and delivery of gas  
32 from the gas distribution and service pipelines from the city gate to  
33 customer end use;

34 (b) Greenhouse gas emissions resulting from the combustion of gas  
35 by customers not otherwise subject to federal greenhouse gas  
36 emissions reporting and excluding all transport customers; and

37 (c) Emissions of methane resulting from leakage from delivery of  
38 gas to other gas companies.

1 (2) In calculating an emissions reduction target, a combination  
2 utility must show its emissions baseline and projected cumulative  
3 greenhouse gas emissions for the applicable emissions reduction  
4 period separately and must show that the total emissions reductions  
5 are projected to make progress toward the achievement of the  
6 emissions reduction targets identified in the applicable integrated  
7 system plan. The final calculation must be presented on a carbon  
8 dioxide equivalent basis.

9 (3) All emissions are metric tons of carbon dioxide equivalent as  
10 reported to the federal environmental protection agency pursuant to  
11 40 C.F.R. 98, either subpart W (methane) or subpart NN (carbon  
12 dioxide), or successor reporting requirements.

13 NEW SECTION. **Sec. 7.** (1) In any multiyear rate plan filed by a  
14 combination utility pursuant to RCW 80.28.425, the commission must  
15 adopt depreciation schedules for any gas plant in service as of the  
16 effective date of the depreciation schedules of the multiyear rate  
17 plan such that the incremental depreciation for each year of such a  
18 multiyear rate plan resulting from the depreciation is equal to one  
19 percent of the gas revenue requirement for the preceding year.

20 (2) After the approval of an integrated system plan, the  
21 combination utility may propose a merger of the rate bases supporting  
22 gas and electric operations of the combination utility into a single  
23 energy rate base and the adoption of rates for electric and gas  
24 service that support the recovery of such a merged energy rate base.  
25 The commission may approve the merger of electric and gas rate bases  
26 if the commission finds that the proposal will result in a net  
27 benefit to customers of the combination utility.

28 (3) For a combination utility that has merged gas and electricity  
29 rate bases, the combination utility must monetize benefits from any  
30 applicable federal and state tax incentives for the benefit of  
31 customers. These benefits must be separately accounted for and  
32 amortized on a schedule designed to mitigate the rate impacts to  
33 customers after the rate bases are combined. These credits may not be  
34 used for any other purpose.

35 NEW SECTION. **Sec. 8.** (1) For any project in a decarbonization  
36 or targeted electrification plan of a combination utility that is  
37 part of a competitive solicitation and with a cost of more than  
38 \$10,000,000, the combination utility must certify to the commission

1 that any work associated with such a project will be constructed by a  
2 prime contractor and its subcontractors in a way that includes  
3 community workforce agreements or project labor agreements and the  
4 payment of area standard prevailing wages and apprenticeship  
5 utilization requirements, provided the following apply:

6 (a) The combination utility and the prime contractor and all of  
7 its subcontractors, regardless of tier, have the absolute right to  
8 select any qualified and responsible bidder for the award of  
9 contracts on a specified project without reference to the existence  
10 or nonexistence of any agreements between such a bidder and any party  
11 to such a project labor agreement, and only when such a bidder is  
12 willing, ready, and able to become a party to, signs a letter of  
13 assent, and complies with such an agreement or agreements, should it  
14 be designated the successful bidder; and

15 (b) It is understood that this is a self-contained, stand-alone  
16 agreement, and that by virtue of having become bound to such an  
17 agreement or agreements, neither the prime contractor nor the  
18 subcontractors are obligated to sign any other local, area, or  
19 national agreement.

20 (2) Nothing in this section supersedes RCW 19.28.091 or 19.28.261  
21 or chapter 49.17 RCW, without regard to project cost.

22 NEW SECTION. **Sec. 9.** Electrical companies, municipal electric  
23 utilities, public utility districts, irrigation districts,  
24 cooperatives, and mutual corporations providing retail electric  
25 service are encouraged to:

26 (1) Work with large gas companies providing gas service within  
27 their service areas to identify opportunities for electrification and  
28 the provision of energy peaking service by the large gas company;

29 (2) Account for the costs of greenhouse gas emissions, set total  
30 energy savings and greenhouse gas emissions reduction goals, and  
31 develop and implement electrification programs in collaboration with  
32 large gas companies providing gas service in service areas; and

33 (3) Include an electrification plan or transportation  
34 electrification program as part of collaboration with large gas  
35 companies.

36 NEW SECTION. **Sec. 10.** This chapter may be known and cited as  
37 the Washington decarbonization act for large combination utilities.

1        NEW SECTION.    **Sec. 11.**    Sections 4 through 10 of this act  
2        constitute a new chapter in Title 80 RCW.

3        NEW SECTION.    **Sec. 12.**    If any provision of this act or its  
4        application to any person or circumstance is held invalid, the  
5        remainder of the act or the application of the provision to other  
6        persons or circumstances is not affected.

7        NEW SECTION.    **Sec. 13.**    This act is necessary for the immediate  
8        preservation of the public peace, health, or safety, or support of  
9        the state government and its existing public institutions, and takes  
10       effect immediately.

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