

**RCW 80.86.040 Certificate of necessity for certain construction, investment, or purchase costs—Application.** (1) Concurrent with an application for an integrated system plan pursuant to RCW 80.86.020, a large combination utility may propose to construct a new renewable or nonemitting electric generation or transmission facility, make a significant investment in an existing renewable or nonemitting electric generation or transmission facility, purchase an existing renewable or nonemitting electric generation or transmission facility, or enter into a power purchase agreement for the purchase of renewable or nonemitting electric energy or capacity for a period of five years or longer. The large combination utility may submit an application to the commission seeking a certificate of necessity for that construction, investment, or purchase, including entering into a power purchase agreement, if that construction, investment, or purchase costs \$100,000,000 or more, requires the utility to begin incurring significant portions of those costs more than five years before the facility is estimated to be in service, and all or a portion of the costs would be allocable to retail customers in this state. A significant investment may include a group of investments undertaken jointly and located on the same site for a singular purpose, such as increasing the capacity of an existing renewable or nonemitting electric generation or transmission plant. Applications must be submitted in conjunction with a large combination utility's integrated system plan. However, a large combination utility may submit an application outside of the integrated system plan process for a time-sensitive project.

(2) A large combination utility submitting an application under this section may request one or more of the following:

(a) A certificate of necessity that the electric energy or capacity to be supplied or transmitted as a result of the proposed construction, investment, or purchase, including entering into a power purchase agreement, is needed;

(b) A certificate of necessity that the size, fuel type, and other design characteristics of the existing or proposed electric generation or transmission facility or the terms of the power purchase agreement represent the most appropriate and reasonable means of meeting that power need;

(c) A certificate of necessity that the estimated purchase or capital costs of and the financing plan for the existing or proposed electric generation or transmission facility including, but not limited to, the costs of siting and licensing a new facility and the estimated cost of power from the new or proposed electric generation facility, or the cost of transmission on the new or proposed electric transmission facility, are reasonable; or

(d) A request to: (i) Recognize, accrue, and defer the allowance for funds used during construction; and (ii) recover financing interest costs in base rates on construction work in progress for capital improvements approved under this section prior to the assets being considered used and useful.

(3) The commission may approve, reject, or approve with conditions an application under this section if it is in the public interest, and the construction, investment, or purchase, including entering into a power purchase agreement, complies with the commission's administrative rules governing electric resource procurement.

(4) In a certificate of necessity under this section, the commission may specify the estimated costs included for the construction of or significant investment in the electric generation or transmission facility, the estimated price included for the purchase of the existing electric generation or transmission facility, or the estimated price included for the purchase of power pursuant to the terms of the power purchase agreement.

(5) The large combination utility shall file reports to the commission regarding the status of any project for which a certificate of necessity has been granted under this section, including an update concerning the cost and schedule of that project at intervals determined by the commission.

(6) If the commission denies any of the relief requested by a large combination utility, the large combination utility may withdraw its application or proceed with the proposed construction, purchase, investment, or power purchase agreement without a certificate and the assurance granted under this section under its ordinary course of business.

(7) If the assumptions underlying an approved certificate of necessity materially change, a large combination utility shall request, or the commission or potential intervenor on its own motion may initiate, a proceeding to review whether it is reasonable to complete an unfinished project for which a certificate of necessity has been granted. The commission shall list the assumptions underlying an approved certificate in the order approving the certificate. If the commission finds that the completion of the project is no longer reasonable, the commission may modify or cancel approval of the certificate of necessity. The commission may allow recovery of reasonable costs already incurred or committed to by contract. Once the commission finds that completion of the project is no longer reasonable, the commission may limit future cost recovery to those costs that could not be reasonably avoided. Nothing in this subsection may be construed as amending, modifying, or repealing any existing authority of the commission to ascertain and determine the fair value for rate-making purposes of the property of any large combination utility.

(8) A proposed or existing supplier of electric generation capacity that seeks to provide electric generation energy or capacity resources to the large combination utility may submit a written proposal directly to the commission as an alternative to the construction, investment, or purchase, including entering into a power purchase agreement, for which the certificate of necessity is sought under this section. The entity submitting an alternative proposal under this subsection has standing to intervene and the commission may allow reasonable discovery in the contested case proceeding conducted under this subsection. In evaluating an alternative proposal, the commission may consider the cost of the alternative proposal and the submitting entity's qualifications, technical competence, capability, reliability, creditworthiness, and past performance. In reviewing an application, the commission may consider any alternative proposals submitted under this subsection. This subsection does not limit the ability of any other person to submit to the commission an alternative proposal to the construction, investment, or purchase, including entering into a power purchase agreement, for which a certificate of necessity is sought under this subsection and to petition for and be granted leave to intervene in the contested case proceeding conducted under this subsection under the rules of practice and procedure of the

commission. This subsection does not authorize the commission to order or otherwise require a large combination utility to adopt any alternative proposal submitted under this subsection. [2024 c 351 s 5.]

**Effective date—2024 c 351:** See note following RCW 80.86.010.