

CERTIFICATION OF ENROLLMENT

ENGROSSED SUBSTITUTE HOUSE BILL 1589

Chapter 351, Laws of 2024

68th Legislature
2024 Regular Session

LARGE COMBINATION UTILITIES—DECARBONIZATION

EFFECTIVE DATE: March 28, 2024

Passed by the House March 5, 2024
Yeas 50 Nays 45

LAURIE JINKINS

**Speaker of the House of
Representatives**

Passed by the Senate March 1, 2024
Yeas 27 Nays 22

DENNY HECK

President of the Senate

Approved March 28, 2024 2:44 PM

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE HOUSE BILL 1589** as passed by the House of Representatives and the Senate on the dates hereon set forth.

BERNARD DEAN

Chief Clerk

FILED

March 29, 2024

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE HOUSE BILL 1589

AS AMENDED BY THE SENATE

Passed Legislature - 2024 Regular Session

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 19.280.030, 80.24.010, 19.405.060, 80.28.130, 80.28.365,
4 80.28.380, and 80.28.425; adding a new chapter to Title 80 RCW;
5 creating a new section; and declaring 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, require these companies to 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 that serve over 500,000 gas customers in
17 Washington state, which are also electrical companies, or large
18 combination utilities, play an important role in providing affordable
19 and reliable heating and other energy services, and in leading the
20 implementation of state climate policies. As the state transitions to
21 cleaner sources of energy, large combination utilities are an

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

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

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

1 receive needed energy services, with an equitable allocation of
2 benefits and burdens. This transition will require careful and
3 integrated planning by and between utilities, the commission, and
4 customers, as well as new regulatory tools.

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

22 (6) It is the intent of the legislature to support this
23 transition by adopting requirements for large combination utilities
24 to conduct integrated system planning to develop specific actions
25 supporting gas system decarbonization and electrification, and
26 reduction in the gas rate base.

27 (7) It is the intent of the legislature to encourage a robust
28 competitive wholesale market for generation, storage, and demand-side
29 resources to serve the state's electrical companies, other electric
30 utilities, and end-users that secure their own power supply.

31 NEW SECTION. **Sec. 2.** The definitions in this section apply
32 throughout this chapter unless the context clearly requires
33 otherwise.

34 (1) "Carbon dioxide equivalent" has the same meaning as provided
35 in RCW 70A.65.010.

36 (2) "Combined heat and power" has the same meaning as provided in
37 RCW 19.280.020.

38 (3) "Commission" means the utilities and transportation
39 commission.

1 (4) "Conservation and efficiency resources" means any reduction
2 in electric or natural gas consumption that results from increases in
3 the efficiency of energy use, production, transmission,
4 transportation, or distribution.

5 (5) "Cost effective" means that a project or resource is, or is
6 forecast to:

7 (a) Be reliable and available within the time it is needed; and

8 (b) Reduce greenhouse gas emissions and meet or reduce the energy
9 demand or supply an equivalent level of energy service to the
10 intended customers at an estimated long-term incremental system cost
11 no greater than that of the least-cost similarly reliable and
12 available alternative project or resource, or any combination
13 thereof, including the cost of compliance with chapter 70A.65 RCW,
14 based on the forward allowance ceiling price of allowances approved
15 by the department of ecology under RCW 70A.65.160.

16 (6) "Costs of greenhouse gas emissions" means the costs of
17 greenhouse gas emissions established in RCW 80.28.395 and 80.28.405.

18 (7) "Delivery system" includes any power line, pipe, equipment,
19 apparatus, mechanism, machinery, instrument, or ancillary facility
20 used by a large combination utility to deliver electricity or gas for
21 ultimate consumption by a customer of the large combination utility.

22 (8) "Demand flexibility" means the capacity of demand-side loads
23 to change their consumption patterns hourly or on another timescale.

24 (9) "Electrical company" has the same meaning as provided in RCW
25 80.04.010.

26 (10)(a) "Electrification" means the installation of energy
27 efficient electric end-use equipment.

28 (b) Electrification programs may include weatherization and
29 conservation and efficiency measures.

30 (11) "Electrification readiness" means upgrades or changes
31 required before the installation of energy efficient electric end-use
32 equipment to prevent heat loss from homes including, but not limited
33 to: Structural repairs, such as roof repairs, preweatherization,
34 weatherization, and electrical panel and wiring upgrades.

35 (12) "Emissions baseline" means the actual cumulative greenhouse
36 gas emissions of a large combination utility, calculated pursuant to
37 chapter 70A.65 RCW, for the five-year period beginning January 1,
38 2015, and ending December 31, 2019.

1 (13) "Emissions reduction period" means one of five periods of
2 five calendar years each, with the five periods beginning on January
3 1st of calendar years 2030, 2035, 2040, 2045, and 2050, respectively.

4 (14) "Emissions reduction target" means a targeted reduction of
5 projected cumulative greenhouse gas emissions of a large combination
6 utility approved by the commission for an emissions reduction period
7 that is at least as stringent as the limits established in RCW
8 70A.45.020.

9 (15) "Gas company" has the same meaning as provided in RCW
10 80.04.010.

11 (16) "Geographically targeted electrification" means the
12 geographically targeted transition of a portion of gas customers of
13 the large combination utility with an intent to electrify loads of
14 such customers and, in conjunction, to reduce capital and operational
15 costs of gas operations of the large combination utility serving such
16 customers.

17 (17) "Greenhouse gas" has the same meaning as provided in RCW
18 70A.45.010.

19 (18) "Highly impacted community" has the same meaning as provided
20 in RCW 19.405.020.

21 (19) "Integrated system plan" means a plan that the commission
22 may approve, reject, or approve with conditions pursuant to section 3
23 of this act.

24 (20) "Large combination utility" means a public service company
25 that is both an electrical company and a gas company that serves more
26 than 800,000 retail electric customers and 500,000 retail gas
27 customers in the state of Washington as of June 30, 2024.

28 (21) "Low-income" has the same meaning as provided in RCW
29 19.405.020.

30 (22) "Lowest reasonable cost" means the lowest cost mix of
31 demand-side and supply side resources and decarbonization measures
32 determined through a detailed and consistent analysis of a wide range
33 of commercially available resources and measures. At a minimum, this
34 analysis must consider long-term costs and benefits, market-
35 volatility risks, resource uncertainties, resource dispatchability,
36 resource effect on system operation, the risks imposed on the large
37 combination utility and its ratepayers, public policies regarding
38 resource preference adopted by Washington state or the federal
39 government, the cost of risks associated with environmental effects

1 including potential spills and emissions of carbon dioxide, and the
2 need for security of supply.

3 (23) "Multiyear rate plan" means a multiyear rate plan of a large
4 combination utility filed with the commission pursuant to RCW
5 80.28.425.

6 (24) "Natural gas" has the same meaning as provided in RCW
7 19.405.020.

8 (25) "Nonemitting electric generation" has the same meaning as
9 provided in RCW 19.405.020.

10 (26) "Nonpipeline alternative" means activities or investments
11 that delay, reduce, or avoid the need to build, upgrade, or repair
12 gas plant, such as pipelines and service lines.

13 (27) "Overburdened community" has the same meaning as provided in
14 RCW 70A.65.010.

15 (28) "Overgeneration event" has the same meaning as provided in
16 RCW 19.280.020.

17 (29) "Renewable resource" has the same meaning as provided in RCW
18 19.405.020.

19 (30) "Supply side resource" means, as applicable: (a) Any
20 resource that can provide capacity, electricity, or ancillary
21 services to the large combination utility's electric delivery system;
22 or (b) any resource that can provide conventional or nonconventional
23 gas supplies to the large combination utility's gas delivery system.

24 (31) "System cost" means actual direct costs or an estimate of
25 all direct costs of a project or resource over its effective life
26 including, if applicable: The costs of transmission and distribution
27 to the customers; waste disposal costs; permitting, siting,
28 mitigation, and end-of-cycle decommissioning and remediation costs;
29 fuel costs, including projected increases; resource integration and
30 balancing costs; and such quantifiable environmental costs and
31 benefits and other energy and nonenergy benefits as are directly
32 attributable to the project or resource, including flexibility,
33 resilience, reliability, greenhouse gas emissions reductions, and air
34 quality.

35 (32) "Vulnerable populations" has the same meaning as provided in
36 RCW 19.405.020.

37 NEW SECTION. **Sec. 3.** (1) The legislature finds that large
38 combination utilities are subject to a range of reporting and
39 planning requirements as part of the clean energy transition. The

1 legislature further finds that current natural gas integrated
2 resource plans under development might not yield optimal results for
3 timely and cost-effective decarbonization. To reduce regulatory
4 barriers, achieve equitable and transparent outcomes, and integrate
5 planning requirements, the commission may consolidate a large
6 combination utility's planning requirements for both gas and electric
7 operations, including consolidation into a single integrated system
8 plan that is approved by the commission.

9 (2) (a) By July 1, 2025, the commission shall complete a rule-
10 making proceeding to implement consolidated planning requirements for
11 gas and electric services for large combination utilities that may
12 include plans required under: (i) RCW 19.280.030; (ii) RCW
13 19.285.040; (iii) RCW 19.405.060; (iv) RCW 80.28.380; (v) RCW
14 80.28.365; (vi) RCW 80.28.425; and (vii) RCW 80.28.130. The
15 commission may extend the rule-making proceeding for 90 days for good
16 cause shown. The large combination utilities' filing deadline
17 required in subsection (4) of this section will be extended
18 commensurate to the rule-making extension period set by the
19 commission. Subsequent planning requirements for future integrated
20 system plans must be fulfilled on a timeline set by the commission.
21 Large combination utilities that file integrated system plans are no
22 longer required to file separate plans that are required in an
23 integrated system plan. The statutorily required contents of any plan
24 consolidated into an integrated system plan must be met by the
25 integrated system plan.

26 (b) In its order adopting rules or issuing a policy statement
27 approving the consolidation of planning requirements, the commission
28 shall include a compliance checklist and any additional guidance that
29 is necessary to assist the large combination utility in meeting the
30 minimum requirements of all relevant statutes and rules.

31 (3) Upon request by a large combination utility, the commission
32 may issue an order extending the filing and reporting requirements of
33 a large combination utility under RCW 19.405.060 and 19.280.030, and
34 requiring the large combination utility to file an integrated system
35 plan pursuant to subsection (4) of this section if the commission
36 finds that the large combination utility has made public a work plan
37 that demonstrates reasonable progress toward meeting the standards
38 under RCW 19.405.040(1) and 19.405.050(1) and achieving equity goals.
39 The commission's approval of an extension of filing and reporting
40 requirements does not relieve the large combination utility from the

1 obligation to demonstrate progress towards meeting the standards
2 under RCW 19.405.040(1) and 19.405.050(1) and the interim targets
3 approved in its most recent clean energy implementation plan.
4 Commission approval of an extension under this section fulfills the
5 large combination utilities statutory filing deadlines under RCW
6 19.405.060(1).

7 (4) By January 1, 2027, and on a timeline set by the commission
8 thereafter, large combination utilities shall file an integrated
9 system plan demonstrating how the large combination utilities' plans
10 are consistent with the requirements of this chapter and any rules
11 and guidance adopted by the commission, and which:

12 (a) Achieve the obligations of all plans consolidated into the
13 integrated system plan;

14 (b) Provide a range of forecasts, for at least the next 20 years,
15 of projected customer demand that takes into account econometric data
16 and addresses changes in the number, type, and efficiency of customer
17 usage;

18 (c) Include scenarios that achieve emissions reductions for both
19 gas and electric operations equal to at least their proportional
20 share of emissions reductions required under RCW 70A.45.020;

21 (d) Include scenarios with emissions reduction targets for both
22 gas and electric operations for each emissions reduction period that
23 account for the interactions between gas and electric systems;

24 (e) Achieve two percent of electric load annually with
25 conservation and energy efficiency resources, unless the commission
26 finds that a higher target is cost effective. However, the commission
27 may accept a lower level of achievement if it determines that the
28 requirement in this subsection (4)(e) is neither technically nor
29 commercially feasible during the applicable emissions reduction
30 period;

31 (f) Assess commercially available conservation and efficiency
32 resources, including demand response and load management, to achieve
33 the conservation and energy efficiency requirements in (e) of this
34 subsection, and as informed by the assessment for conservation
35 potential under RCW 19.285.040 for the planning horizon consistent
36 with (b) of this subsection. Such an assessment may include, as
37 appropriate, opportunities for development of combined heat and power
38 as an energy and capacity resource, demand response and load
39 management programs, and currently employed and new policies and
40 programs needed to obtain the conservation and efficiency resources.

1 The value of recoverable waste heat resulting from combined heat and
2 power must be reflected in analyses of cost effectiveness under this
3 subsection;

4 (g) Achieve annual demand response and demand flexibility equal
5 to or greater than 10 percent of winter and summer peak electric
6 demand, unless the commission finds that a higher target is cost
7 effective. However, the commission may accept a lower level of
8 achievement if it determines that the requirement in this subsection
9 (4)(g) is neither technically nor commercially feasible during the
10 applicable emissions reduction period;

11 (h) Achieve all cost-effective electrification of end uses
12 currently served by natural gas identified through an assessment of
13 alternatives to known and planned gas infrastructure projects,
14 including nonpipeline alternatives, rebates and incentives, and
15 geographically targeted electrification;

16 (i) Include low-income electrification programs that must:

17 (i) Include rebates and incentives to low-income customers and
18 customers experiencing high energy burden for the deployment of high-
19 efficiency electric-only heat pumps in homes and buildings currently
20 heating with wood, oil, propane, electric resistance, or gas;

21 (ii) Provide demonstrated material benefits to low-income
22 participants including, but not limited to, decreased energy burden,
23 the addition of air conditioning, and backup heat sources or energy
24 storage systems, if necessary to protect health and safety in areas
25 with frequent outages, or improved indoor air quality;

26 (iii) Enroll customers in energy assistance programs or provide
27 bill assistance;

28 (iv) Provide dedicated funding for electrification readiness;

29 (v) Include low-income customer protections to mitigate energy
30 burden, if electrification measures will increase a low-income
31 participant's energy burden; and

32 (vi) Coordinate with community-based organizations in the gas or
33 electrical company's service territory including, but not limited to,
34 grantees of the department of commerce, community action agencies,
35 and community-based nonprofit organizations, to remove barriers and
36 effectively serve low-income customers;

37 (j) Accept as proof of eligibility for energy assistance
38 enrollment in any means-tested public benefit, or low-income energy
39 assistance program, for which eligibility does not exceed the low-
40 income definition set by the commission pursuant to RCW 19.405.020;

1 (k) Assess the potential for geographically targeted
2 electrification including, but not limited to, in overburdened
3 communities, on gas plant that is fully depreciated or gas plant that
4 is included in a proposal for geographically targeted electrification
5 that requires accelerating depreciation pursuant to section 7(1) of
6 this act for the gas plant subject to such electrification proposal;

7 (l) Assess commercially available supply side resources,
8 including a comparison of the benefits and risks of purchasing
9 electricity or gas or building new resources;

10 (m) Assess nonpipeline alternatives, including geographically
11 targeted electrification and demand response, as an alternative to
12 replacing aging gas infrastructure or expanded gas capacity.
13 Assessments must involve, at a minimum:

14 (i) Identifying all known and planned gas infrastructure
15 projects, including those without a fully defined scope or cost
16 estimate, for at least the 10 years following the filing;

17 (ii) Estimating programmatic expenses of maintaining that portion
18 of the gas system for at least the 10 years following the filing; and

19 (iii) Ranking all gas pipeline segments for their suitability for
20 nonpipeline alternatives;

21 (n) Assess distributed energy resources that meets the
22 requirements of RCW 19.280.100;

23 (o) Provide an assessment and 20-year forecast of the
24 availability of and requirements for regional supply side resource
25 and delivery system capacity to provide and deliver electricity and
26 gas to the large combination utility's customers and to meet, as
27 applicable, the requirements of chapter 19.405 RCW and the state's
28 greenhouse gas emissions reduction limits in RCW 70A.45.020. The
29 delivery system assessment must identify the large combination
30 utility's expected needs to acquire new long-term firm rights,
31 develop new, or expand or upgrade existing, delivery system
32 facilities consistent with the requirements of this section and
33 reliability standards and take into account opportunities to make
34 more effective use of existing delivery facility capacity through
35 improved delivery system operating practices, conservation and
36 efficiency resources, distributed energy resources, demand response,
37 grid modernization, nonwires solutions, and other programs if
38 applicable;

39 (p) Assess methods, commercially available technologies, or
40 facilities for integrating renewable resources and nonemitting

1 electric generation including, but not limited to, battery storage
2 and pumped storage, and addressing overgeneration events, if
3 applicable to the large combination utility's resource portfolio;

4 (q) Provide a comparative evaluation of supply side resources,
5 delivery system resources, and conservation and efficiency resources
6 using lowest reasonable cost as a criterion;

7 (r) Include a determination of resource adequacy metrics for the
8 integrated system plan consistent with the forecasts;

9 (s) Forecast distributed energy resources that may be installed
10 by the large combination utility's customers and an assessment of
11 their effect on the large combination utility's load and operations;

12 (t) Identify an appropriate resource adequacy requirement and
13 measurement metric consistent with prudent utility practice in
14 implementing RCW 19.405.030 through 19.405.050;

15 (u) Integrate demand forecasts, resource evaluations, and
16 resource adequacy requirements into a long-range assessment
17 describing the mix of supply side resources and conservation and
18 efficiency resources that will meet current and projected needs,
19 including mitigating overgeneration events and implementing RCW
20 19.405.030 through 19.405.050, at the lowest reasonable cost and risk
21 to the large combination utility and its customers, while maintaining
22 and protecting the safety, reliable operation, and balancing of the
23 energy system of the large combination utility;

24 (v) Include an assessment, informed by the cumulative impact
25 analysis conducted under RCW 19.405.140, of: Energy and nonenergy
26 benefits and the avoidance and reductions of burdens to vulnerable
27 populations and highly impacted communities; long-term and short-term
28 public health and environmental benefits, costs, and risks; and
29 energy security and risk;

30 (w) Include a 10-year clean energy action plan for implementing
31 RCW 19.405.030 through 19.405.050 at the lowest reasonable cost, and
32 at an acceptable resource adequacy standard;

33 (x) Include an analysis of how the integrated system plan
34 accounts for:

35 (i) Model load forecast scenarios that consider the anticipated
36 levels of zero emissions vehicle use in a large combination utility's
37 service area, including anticipated levels of zero emissions vehicle
38 use in the large combination utility's service area provided in RCW
39 47.01.520, if feasible;

1 (ii) Analysis, research, findings, recommendations, actions, and
2 any other relevant information found in the electrification of
3 transportation plans submitted under RCW 80.28.365; and

4 (iii) Assumed use case forecasts and the associated energy
5 impacts, which may use the forecasts generated by the mapping and
6 forecasting tool created in RCW 47.01.520;

7 (y) Establish that the large combination utility has:

8 (i) Consigned to auction for the benefit of ratepayers the
9 minimum required number of allowances allocated to the large
10 combination utility for the applicable compliance period pursuant to
11 RCW 70A.65.130, consistent with the climate commitment act, chapter
12 70A.65 RCW, and rules adopted pursuant to the climate commitment act;
13 and

14 (ii) Prioritized, to the maximum extent permissible under the
15 climate commitment act, chapter 70A.65 RCW, revenues derived from the
16 auction of allowances allocated to the utility for the applicable
17 compliance period pursuant to RCW 70A.65.130, first to programs that
18 eliminate the cost burden for low-income ratepayers, such as bill
19 assistance, nonvolumetric credits on ratepayer utility bills, or
20 electrification programs, and second to electrification programs
21 benefiting residential and small commercial customers;

22 (z) Propose an action plan outlining the specific actions to be
23 taken by the large combination utility in implementing the integrated
24 system plan following submission; and

25 (aa) Report on the large combination utility's progress towards
26 implementing the recommendations contained in its previously filed
27 integrated system plan.

28 (5) In evaluating the lowest reasonable cost of decarbonization
29 measures included in an integrated system plan, large combination
30 utilities must apply a risk reduction premium that must account for
31 the applicable allowance ceiling price approved by the department of
32 ecology pursuant to the climate commitment act, chapter 70A.65 RCW.
33 For the purpose of this chapter, the risk reduction premium is
34 necessary to ensure that a large combination utility is making
35 appropriate long-term investments to mitigate against the allowance
36 and fuel price risks to customers of the large combination utility.

37 (6) The clean energy action plan must:

38 (a) Identify and be informed by the large combination utility's
39 10-year cost-effective conservation potential assessment as
40 determined under RCW 19.285.040, if applicable;

1 (b) Establish a resource adequacy requirement;

2 (c) Identify the potential cost-effective demand response and
3 load management programs that may be acquired;

4 (d) Identify renewable resources, nonemitting electric
5 generation, and distributed energy resources that may be acquired and
6 evaluate how each identified resource may be expected to contribute
7 to meeting the large combination utility's resource adequacy
8 requirement;

9 (e) Identify any need to develop new, or expand or upgrade
10 existing, bulk transmission and distribution facilities and document
11 existing and planned efforts by the large combination utility to make
12 more effective use of existing transmission capacity and secure
13 additional transmission capacity consistent with the requirements of
14 subsection (4) (o) of this section; and

15 (f) Identify the nature and possible extent to which the large
16 combination utility may need to rely on alternative compliance
17 options under RCW 19.405.040(1)(b), if appropriate.

18 (7) A large combination utility shall consider the social cost of
19 greenhouse gas emissions, as determined by the commission pursuant to
20 RCW 80.28.405, when developing integrated system plans and clean
21 energy action plans. A large combination utility must incorporate the
22 social cost of greenhouse gas emissions as a cost adder when:

23 (a) Evaluating and selecting conservation policies, programs, and
24 targets;

25 (b) Developing integrated system plans and clean energy action
26 plans; and

27 (c) Evaluating and selecting intermediate term and long-term
28 resource options.

29 (8) Plans developed under this section must be updated on a
30 regular basis, on intervals approved by the commission.

31 (9) (a) To maximize transparency, the commission may require a
32 large combination utility to make the utility's data input files
33 available in a native format. Each large combination utility shall
34 publish its final plan either as part of an annual report or as a
35 separate document available to the public. The report may be in an
36 electronic form.

37 (b) Nothing in this subsection limits the protection of records
38 containing commercial information under RCW 80.04.095.

39 (10) The commission shall establish by rule a cost test for
40 emissions reduction measures achieved by large combination utilities

1 to comply with state clean energy and climate policies. The cost test
2 must be used by large combination utilities under this chapter for
3 the purpose of determining the lowest reasonable cost of
4 decarbonization and electrification measures in integrated system
5 plans, at the portfolio level, and for any other purpose determined
6 by the commission by rule.

7 (11) The commission must approve, reject, or approve with
8 conditions an integrated system plan within 12 months of the filing
9 of such an integrated system plan. The commission may for good cause
10 shown extend the time by 90 days for a decision on an integrated
11 system plan filed on or before January 1, 2027, as such date is
12 extended pursuant to subsection (2) (a) of this section.

13 (12) In determining whether to approve the integrated system
14 plan, reject the integrated system plan, or approve the integrated
15 system plan with conditions, the commission must evaluate whether the
16 plan is in the public interest, and includes the following:

17 (a) The equitable distribution and prioritization of energy
18 benefits and reduction of burdens to vulnerable populations, highly
19 impacted communities, and overburdened communities;

20 (b) Long-term and short-term public health, economic, and
21 environmental benefits and the reduction of costs and risks;

22 (c) Health and safety concerns;

23 (d) Economic development;

24 (e) Equity;

25 (f) Energy security and resiliency;

26 (g) Whether the integrated system plan:

27 (i) Would achieve a proportional share of reductions in
28 greenhouse gas emissions for each emissions reduction period on the
29 gas and electric systems;

30 (ii) Would achieve the energy efficiency and demand response
31 targets in subsection (4) (e) and (g) of this section;

32 (iii) Would achieve cost-effective electrification of end uses as
33 required by subsection (4) (h) of this section;

34 (iv) Results in a reasonable cost to customers, and projects the
35 rate impacts of specific actions, programs, and investments on
36 customers;

37 (v) Would maintain system reliability and reduces long-term costs
38 and risks to customers;

39 (vi) Would lead to new construction career opportunities and
40 prioritizes a transition of natural gas and electricity utility

1 workers to perform work on construction and maintenance of new and
2 existing renewable energy infrastructure; and

3 (vii) Describes specific actions that the large combination
4 utility plans to take to achieve the requirements of the integrated
5 system plan.

6 NEW SECTION. **Sec. 4.** Large combination utilities shall work in
7 good faith with other utilities, independent power producers, power
8 marketers, end-use customers, and interested parties in the region to
9 develop market structures and mechanisms that require the sale of
10 wholesale electricity from generating resources in a manner that
11 allows the greenhouse gas attributes of those resources to be
12 accounted for when they are sold into organized markets.

13 NEW SECTION. **Sec. 5.** (1) Concurrent with an application for an
14 integrated system plan pursuant to section 3 of this act, a large
15 combination utility may propose to construct a new renewable or
16 nonemitting electric generation or transmission facility, make a
17 significant investment in an existing renewable or nonemitting
18 electric generation or transmission facility, purchase an existing
19 renewable or nonemitting electric generation or transmission
20 facility, or enter into a power purchase agreement for the purchase
21 of renewable or nonemitting electric energy or capacity for a period
22 of five years or longer. The large combination utility may submit an
23 application to the commission seeking a certificate of necessity for
24 that construction, investment, or purchase, including entering into a
25 power purchase agreement, if that construction, investment, or
26 purchase costs \$100,000,000 or more, requires the utility to begin
27 incurring significant portions of those costs more than five years
28 before the facility is estimated to be in service, and all or a
29 portion of the costs would be allocable to retail customers in this
30 state. A significant investment may include a group of investments
31 undertaken jointly and located on the same site for a singular
32 purpose, such as increasing the capacity of an existing renewable or
33 nonemitting electric generation or transmission plant. Applications
34 must be submitted in conjunction with a large combination utility's
35 integrated system plan. However, a large combination utility may
36 submit an application outside of the integrated system plan process
37 for a time-sensitive project.

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

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

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

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

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

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

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

37 (5) The large combination utility shall file reports to the
38 commission regarding the status of any project for which a
39 certificate of necessity has been granted under this section,

1 including an update concerning the cost and schedule of that project
2 at intervals determined by the commission.

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

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

27 (8) A proposed or existing supplier of electric generation
28 capacity that seeks to provide electric generation energy or capacity
29 resources to the large combination utility may submit a written
30 proposal directly to the commission as an alternative to the
31 construction, investment, or purchase, including entering into a
32 power purchase agreement, for which the certificate of necessity is
33 sought under this section. The entity submitting an alternative
34 proposal under this subsection has standing to intervene and the
35 commission may allow reasonable discovery in the contested case
36 proceeding conducted under this subsection. In evaluating an
37 alternative proposal, the commission may consider the cost of the
38 alternative proposal and the submitting entity's qualifications,
39 technical competence, capability, reliability, creditworthiness, and
40 past performance. In reviewing an application, the commission may

1 consider any alternative proposals submitted under this subsection.
2 This subsection does not limit the ability of any other person to
3 submit to the commission an alternative proposal to the construction,
4 investment, or purchase, including entering into a power purchase
5 agreement, for which a certificate of necessity is sought under this
6 subsection and to petition for and be granted leave to intervene in
7 the contested case proceeding conducted under this subsection under
8 the rules of practice and procedure of the commission. This
9 subsection does not authorize the commission to order or otherwise
10 require a large combination utility to adopt any alternative proposal
11 submitted under this subsection.

12 NEW SECTION. **Sec. 6.** (1) Large combination utilities must
13 include the following in calculating the emissions baseline and
14 projected cumulative emissions for an emissions reduction period,
15 consistent with reporting of greenhouse gas emissions pursuant to the
16 Washington clean air act, chapter 70A.15 RCW:

17 (a) Methane leaked from the transportation and delivery of gas
18 from the gas distribution and service pipelines from the city gate to
19 customer end use;

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

23 (c) Emissions of methane resulting from leakage from delivery of
24 gas to other gas companies.

25 (2) In calculating an emissions reduction target, a large
26 combination utility must show its emissions baseline and projected
27 cumulative greenhouse gas emissions for the applicable emissions
28 reduction period separately and must show that the total emissions
29 reductions are projected to make progress toward the achievement of
30 the emissions reduction targets identified in the applicable
31 integrated system plan. The final calculation must be presented on a
32 carbon dioxide equivalent basis.

33 (3) All emissions are metric tons of carbon dioxide equivalent as
34 reported to the federal environmental protection agency pursuant to
35 40 C.F.R. 98, either subpart W (methane) or subpart NN (carbon
36 dioxide), or successor reporting requirements.

37 NEW SECTION. **Sec. 7.** (1) In any multiyear rate plan filed by a
38 large combination utility pursuant to RCW 80.28.425 and in accordance

1 with this chapter, the large combination utility must include an
2 updated depreciation study that reduces the gas rate base consistent
3 with an approved integrated system plan, and the commission may adopt
4 depreciation schedules that accelerate cost recovery and reduce the
5 rate base for any gas plant. The commission shall approve a
6 depreciation schedule that depreciates all gas plants in service as
7 of July 1, 2024, by a date no later than January 1, 2050, in any
8 multiyear rate plan, but the commission may adjust depreciation
9 schedules for gas plants as necessary when considering future
10 multiyear rate plans to address affordability provided all plants in
11 service as of July 1, 2024, are fully depreciated by 2050.

12 (2) In any multiyear rate plan proposed by a large combination
13 utility, the company may propose a merger of regulated gas and
14 electric operations into a single rate base. The commission may
15 approve the merger of electric and gas rate bases if the commission
16 finds that the proposal will result in a net benefit to customers of
17 the large combination utility and includes reasonable rate
18 protections for low-income natural gas and electric customers.

19 (3) For a large combination utility that has merged gas and
20 electricity rate bases, the large combination utility must monetize
21 benefits received from any applicable federal and state tax and other
22 incentives for the benefit of customers. These benefits must be
23 separately accounted for and amortized on a schedule designed to
24 mitigate the rate impacts to customers after the rate bases are
25 combined. These credits may not be used for any other purpose, unless
26 directed by the commission.

27 (4) For the first multiyear rate plan proposed by a large
28 combination utility following commission approval or approval with
29 conditions of the initial integrated system plan identified in
30 section 3 of this act, the commission may for good cause shown extend
31 the deadline for a decision set forth under RCW 80.04.130 by up to 60
32 days.

33 NEW SECTION. **Sec. 8.** (1) Beginning January 1, 2025, no large
34 combination utility may offer any form of rebate, incentive, or other
35 inducement to residential gas customers to purchase any natural gas
36 appliance or equipment. Until January 1, 2031, rebates and incentives
37 for commercial and industrial gas customers are not included in this
38 requirement. Rebates and incentives for electric heat pumps that
39 include natural gas backups may be offered until January 1, 2031.

1 (2) By November 1, 2025, a large combination utility must
2 initiate and maintain an effort to educate its ratepayers about the
3 benefits of electrification and the availability of rebates,
4 incentives, or other inducements to purchase energy efficient
5 electric appliances and equipment including, but not limited to, the
6 maintenance of an educational website and the inclusion of
7 educational materials in monthly billing statements.

8 (3) Beginning January 1, 2031, a large combination utility may
9 not include electric air source heat pumps with gas backups as part
10 of its electrification programs.

11 **Sec. 9.** RCW 19.280.030 and 2023 c 229 s 2 are each amended to
12 read as follows:

13 Each electric utility must develop a plan consistent with this
14 section.

15 (1) Utilities with more than 25,000 customers that are not full
16 requirements customers must develop or update an integrated resource
17 plan by September 1, 2008. At a minimum, progress reports reflecting
18 changing conditions and the progress of the integrated resource plan
19 must be produced every two years thereafter. An updated integrated
20 resource plan must be developed at least every four years subsequent
21 to the 2008 integrated resource plan. The integrated resource plan,
22 at a minimum, must include:

23 (a) A range of forecasts, for at least the next 10 years or
24 longer, of projected customer demand which takes into account
25 econometric data and customer usage;

26 (b) An assessment of commercially available conservation and
27 efficiency resources, as informed, as applicable, by the assessment
28 for conservation potential under RCW 19.285.040 for the planning
29 horizon consistent with (a) of this subsection. Such assessment may
30 include, as appropriate, opportunities for development of combined
31 heat and power as an energy and capacity resource, demand response
32 and load management programs, and currently employed and new policies
33 and programs needed to obtain the conservation and efficiency
34 resources;

35 (c) An assessment of commercially available, utility scale
36 renewable and nonrenewable generating technologies including a
37 comparison of the benefits and risks of purchasing power or building
38 new resources;

1 (d) A comparative evaluation of renewable and nonrenewable
2 generating resources, including transmission and distribution
3 delivery costs, and conservation and efficiency resources using
4 "lowest reasonable cost" as a criterion;

5 (e) An assessment of methods, commercially available
6 technologies, or facilities for integrating renewable resources,
7 including but not limited to battery storage and pumped storage, and
8 addressing overgeneration events, if applicable to the utility's
9 resource portfolio;

10 (f) An assessment and 20-year forecast of the availability of and
11 requirements for regional generation and transmission capacity to
12 provide and deliver electricity to the utility's customers and to
13 meet the requirements of chapter 288, Laws of 2019 and the state's
14 greenhouse gas emissions reduction limits in RCW 70A.45.020. The
15 transmission assessment must identify the utility's expected needs to
16 acquire new long-term firm rights, develop new, or expand or upgrade
17 existing, bulk transmission facilities consistent with the
18 requirements of this section and reliability standards;

19 (i) If an electric utility operates transmission assets rated at
20 115,000 volts or greater, the transmission assessment must take into
21 account opportunities to make more effective use of existing
22 transmission capacity through improved transmission system operating
23 practices, energy efficiency, demand response, grid modernization,
24 nonwires solutions, and other programs if applicable;

25 (ii) An electric utility that relies entirely or primarily on a
26 contract for transmission service to provide necessary transmission
27 services may comply with the transmission requirements of this
28 subsection by requesting that the counterparty to the transmission
29 service contract include the provisions of chapter 288, Laws of 2019
30 and chapter 70A.45 RCW as public policy mandates in the transmission
31 service provider's process for assessing transmission need, and
32 planning and acquiring necessary transmission capacity;

33 (iii) An electric utility may comply with the requirements of
34 this subsection (1)(f) by relying on and incorporating the results of
35 a separate transmission assessment process, conducted individually or
36 jointly with other utilities and transmission system users, if that
37 assessment process meets the requirements of this subsection;

38 (g) A determination of resource adequacy metrics for the resource
39 plan consistent with the forecasts;

1 (h) A forecast of distributed energy resources that may be
2 installed by the utility's customers and an assessment of their
3 effect on the utility's load and operations;

4 (i) An identification of an appropriate resource adequacy
5 requirement and measurement metric consistent with prudent utility
6 practice in implementing RCW 19.405.030 through 19.405.050;

7 (j) The integration of the demand forecasts, resource
8 evaluations, and resource adequacy requirement into a long-range
9 assessment describing the mix of supply side generating resources and
10 conservation and efficiency resources that will meet current and
11 projected needs, including mitigating overgeneration events and
12 implementing RCW 19.405.030 through 19.405.050, at the lowest
13 reasonable cost and risk to the utility and its customers, while
14 maintaining and protecting the safety, reliable operation, and
15 balancing of its electric system;

16 (k) An assessment, informed by the cumulative impact analysis
17 conducted under RCW 19.405.140, of: Energy and nonenergy benefits and
18 the avoidance and reductions of burdens to vulnerable populations and
19 highly impacted communities; long-term and short-term public health
20 and environmental benefits, costs, and risks; and energy security and
21 risk;

22 (l) A 10-year clean energy action plan for implementing RCW
23 19.405.030 through 19.405.050 at the lowest reasonable cost, and at
24 an acceptable resource adequacy standard, that identifies the
25 specific actions to be taken by the utility consistent with the
26 long-range integrated resource plan; and

27 (m) An analysis of how the plan accounts for:

28 (i) Modeled load forecast scenarios that consider the anticipated
29 levels of zero emissions vehicle use in a utility's service area,
30 including anticipated levels of zero emissions vehicle use in the
31 utility's service area provided in RCW 47.01.520, if feasible;

32 (ii) Analysis, research, findings, recommendations, actions, and
33 any other relevant information found in the electrification of
34 transportation plans submitted under RCW 35.92.450, 54.16.430, and
35 80.28.365; and

36 (iii) Assumed use case forecasts and the associated energy
37 impacts. Electric utilities may, but are not required to, use the
38 forecasts generated by the mapping and forecasting tool created in
39 RCW 47.01.520. This subsection (1)(m)(iii) applies only to plans due
40 to be filed after September 1, 2023.

1 (2) The clean energy action plan must:

2 (a) Identify and be informed by the utility's 10-year cost-

3 effective conservation potential assessment as determined under RCW

4 19.285.040, if applicable;

5 (b) Establish a resource adequacy requirement;

6 (c) Identify the potential cost-effective demand response and

7 load management programs that may be acquired;

8 (d) Identify renewable resources, nonemitting electric

9 generation, and distributed energy resources that may be acquired and

10 evaluate how each identified resource may be expected to contribute

11 to meeting the utility's resource adequacy requirement;

12 (e) Identify any need to develop new, or expand or upgrade

13 existing, bulk transmission and distribution facilities and document

14 existing and planned efforts by the utility to make more effective

15 use of existing transmission capacity and secure additional

16 transmission capacity consistent with the requirements of subsection

17 (1)(f) of this section; and

18 (f) Identify the nature and possible extent to which the utility

19 may need to rely on alternative compliance options under RCW

20 19.405.040(1)(b), if appropriate.

21 (3)(a) An electric or large combination utility shall consider

22 the social cost of greenhouse gas emissions, as determined by the

23 commission for investor-owned utilities pursuant to RCW 80.28.405 and

24 the department for consumer-owned utilities, when developing

25 integrated resource plans and clean energy action plans. An electric

26 utility must incorporate the social cost of greenhouse gas emissions

27 as a cost adder when:

28 (i) Evaluating and selecting conservation policies, programs, and

29 targets;

30 (ii) Developing integrated resource plans and clean energy action

31 plans; and

32 (iii) Evaluating and selecting intermediate term and long-term

33 resource options.

34 (b) For the purposes of this subsection (3): (i) Gas consisting

35 largely of methane and other hydrocarbons derived from the

36 decomposition of organic material in landfills, wastewater treatment

37 facilities, and anaerobic digesters must be considered a nonemitting

38 resource; and (ii) qualified biomass energy must be considered a

39 nonemitting resource.

1 (4) To facilitate broad, equitable, and efficient implementation
2 of chapter 288, Laws of 2019, a consumer-owned energy utility may
3 enter into an agreement with a joint operating agency organized under
4 chapter 43.52 RCW or other nonprofit organization to develop and
5 implement a joint clean energy action plan in collaboration with
6 other utilities.

7 (5) All other utilities may elect to develop a full integrated
8 resource plan as set forth in subsection (1) of this section or, at a
9 minimum, shall develop a resource plan that:

10 (a) Estimates loads for the next five and 10 years;

11 (b) Enumerates the resources that will be maintained and/or
12 acquired to serve those loads;

13 (c) Explains why the resources in (b) of this subsection were
14 chosen and, if the resources chosen are not: (i) Renewable resources;
15 (ii) methods, commercially available technologies, or facilities for
16 integrating renewable resources, including addressing any
17 overgeneration event; or (iii) conservation and efficiency resources,
18 why such a decision was made;

19 (d) By December 31, 2020, and in every resource plan thereafter,
20 identifies how the utility plans over a 10-year period to implement
21 RCW 19.405.040 and 19.405.050; and

22 (e) Accounts for:

23 (i) Modeled load forecast scenarios that consider the anticipated
24 levels of zero emissions vehicle use in a utility's service area,
25 including anticipated levels of zero emissions vehicle use in the
26 utility's service area provided in RCW 47.01.520, if feasible;

27 (ii) Analysis, research, findings, recommendations, actions, and
28 any other relevant information found in the electrification of
29 transportation plans submitted under RCW 35.92.450, 54.16.430, and
30 80.28.365; and

31 (iii) Assumed use case forecasts and the associated energy
32 impacts. Electric utilities may, but are not required to, use the
33 forecasts generated by the mapping and forecasting tool created in
34 RCW 47.01.520. This subsection (5)(e)(iii) applies only to plans due
35 to be filed after September 1, 2023.

36 (6) Assessments for demand-side resources included in an
37 integrated resource plan may include combined heat and power systems
38 as one of the measures in a conservation supply curve. The value of
39 recoverable waste heat resulting from combined heat and power must be
40 reflected in analyses of cost-effectiveness under this subsection.

1 (7) An electric utility that is required to develop a resource
2 plan under this section must complete its initial plan by September
3 1, 2008.

4 (8) Plans developed under this section must be updated on a
5 regular basis, on intervals approved by the commission or the
6 department, or at a minimum on intervals of two years.

7 (9) (a) Plans shall not be a basis to bring legal action against
8 electric utilities. However, nothing in this subsection (9) (a) may be
9 construed as limiting the commission or any party from bringing any
10 action pursuant to Title 80 RCW, this chapter, or chapter 19.405 RCW
11 against any large combination utility related to an integrated system
12 plan submitted pursuant to section 3 of this act.

13 (b) The commission may approve, reject, or approve with
14 conditions, any integrated system plans submitted by a large
15 combination utility as defined in section 2 of this act.

16 (10) (a) To maximize transparency, the commission, for investor-
17 owned utilities, or the governing body, for consumer-owned utilities,
18 may require an electric utility to make the utility's data input
19 files available in a native format. Each electric utility shall
20 publish its final plan either as part of an annual report or as a
21 separate document available to the public. The report may be in an
22 electronic form.

23 (b) Nothing in this subsection limits the protection of records
24 containing commercial information under RCW 80.04.095.

25 (11) The commission may require a large combination utility as
26 defined in section 2 of this act to incorporate the requirements of
27 this section into an integrated system plan established under section
28 3 of this act.

29 NEW SECTION. Sec. 10. (1) When an integrated system plan of a
30 large combination utility proposes geographically targeted
31 electrification of all or a portion of a service area in which the
32 large combination utility provides gas service to such a service area
33 and one or more consumer-owned utilities provide electric service to
34 such a service area, the integrated system plan of the large
35 combination utility must include a process for outreach by the large
36 combination utility to all consumer-owned utilities providing
37 electric service to such a service area. As part of that outreach,
38 the large combination utility shall provide gas delivery data of
39 sufficient granularity for the consumer-owned electric company to

1 assess the sufficiency of the capacity of the electric distribution
2 system to accommodate the additional load from electrification at the
3 circuit level. This data must be provided at least one plan cycle
4 prior to electrification actions by the large combination utility to
5 allow affected consumer-owned electric companies sufficient time to
6 upgrade electrical distribution equipment and materials as needed to
7 preserve system reliability.

8 (2) Consumer-owned utilities are encouraged to:

9 (a) Work with large combination utilities providing gas service
10 within their service areas to identify opportunities for
11 electrification and mitigating grid impacts by the large combination
12 utility;

13 (b) Account for the costs of greenhouse gas emissions, set total
14 energy savings and greenhouse gas emissions reduction goals, and
15 develop and implement electrification programs in collaboration with
16 large combination utilities providing gas service in service areas of
17 consumer-owned utilities; and

18 (c) Include an electrification plan or transportation
19 electrification program as part of collaboration with large
20 combination utilities.

21 (3) Nothing in this section may be construed as expanding or
22 contracting the authority of any electric utility with regard to the
23 designation of the boundaries of adjoining service areas that each
24 electric utility must observe.

25 NEW SECTION. **Sec. 11.** (1) For any project in an integrated
26 system plan of a large combination utility that is part of a
27 competitive solicitation and with a cost of more than \$10,000,000,
28 the large combination utility must certify to the commission that any
29 work associated with such a project will be constructed by a prime
30 contractor and its subcontractors in a way that includes community
31 workforce agreements or project labor agreements and the payment of
32 area standard prevailing wages and apprenticeship utilization
33 requirements, provided the following apply:

34 (a) The project owner and the prime contractor and all of its
35 subcontractors, regardless of tier, have the absolute right to select
36 any qualified and responsible bidder for the award of contracts on a
37 specified project without reference to the existence or nonexistence
38 of any agreements between such a bidder and any party to such a
39 project labor agreement, and only when such a bidder is willing,

1 ready, and able to become a party to, signs a letter of assent, and
2 complies with such an agreement or agreements, should it be
3 designated the successful bidder; and

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

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

11 NEW SECTION. **Sec. 12.** The commission may adopt rules to ensure
12 the proper implementation and enforcement of this act.

13 **Sec. 13.** RCW 80.24.010 and 2022 c 159 s 1 are each amended to
14 read as follows:

15 Every public service company subject to regulation by the
16 commission shall, on or before the date specified by the commission
17 for filing annual reports under RCW 80.04.080, file with the
18 commission a statement on oath showing its gross operating revenue
19 from intrastate operations for the preceding calendar year or portion
20 thereof and pay to the commission a fee equal to one-tenth of one
21 percent of the first (~~(fifty thousand dollars)~~) \$50,000 of gross
22 operating revenue, plus four-tenths of one percent of any gross
23 operating revenue in excess of (~~(fifty thousand dollars)~~) \$50,000,
24 except that a large combination utility as defined in section 2 of
25 this act shall pay a fee equal to 0.001 percent of the first \$50,000
26 of gross operating revenue, plus 0.005 percent of any gross operating
27 revenue in excess of \$50,000: PROVIDED, That the commission may, by
28 rule, set minimum fees that do not exceed the cost of collecting the
29 fees. The commission may by rule waive any or all of the minimum fee
30 established pursuant to this section.

31 The percentage rates of gross operating revenue to be paid in any
32 year may be decreased by the commission for any class of companies
33 subject to the payment of such fees, by general order entered before
34 March 1st of such year, and for such purpose such companies shall be
35 classified as follows:

36 Electrical, gas, water, telecommunications, and irrigation
37 companies shall constitute class one. Every other company subject to
38 regulation by the commission, for which regulatory fees are not

1 otherwise fixed by law shall pay fees as herein provided and shall
2 constitute additional classes according to kinds of businesses
3 engaged in.

4 Any payment of the fee imposed by this section made after its due
5 date shall include a late fee of two percent of the amount due.
6 Delinquent fees shall accrue interest at the rate of one percent per
7 month.

8 **Sec. 14.** RCW 19.405.060 and 2019 c 288 s 6 are each amended to
9 read as follows:

10 (1)(a) By January 1, 2022, and every four years thereafter, each
11 investor-owned utility must develop and submit to the commission:

12 (i) A four-year clean energy implementation plan for the
13 standards established under RCW 19.405.040(1) and 19.405.050(1) that
14 proposes specific targets for energy efficiency, demand response, and
15 renewable energy; and

16 (ii) Proposed interim targets for meeting the standard under RCW
17 19.405.040(1) during the years prior to 2030 and between 2030 and
18 2045.

19 (b) An investor-owned utility's clean energy implementation plan
20 must:

21 (i) Be informed by the investor-owned utility's clean energy
22 action plan developed under RCW 19.280.030;

23 (ii) Be consistent with subsection (3) of this section; and

24 (iii) Identify specific actions to be taken by the investor-owned
25 utility over the next four years, consistent with the utility's long-
26 range integrated resource plan and resource adequacy requirements,
27 that demonstrate progress toward meeting the standards under RCW
28 19.405.040(1) and 19.405.050(1) and the interim targets proposed
29 under (a)(i) of this subsection. The specific actions identified must
30 be informed by the investor-owned utility's historic performance
31 under median water conditions and resource capability and by the
32 investor-owned utility's participation in centralized markets. In
33 identifying specific actions in its clean energy implementation plan,
34 the investor-owned utility may also take into consideration any
35 significant and unplanned loss or addition of load it experiences.

36 (c) The commission, after a hearing, must by order approve,
37 reject, or approve with conditions an investor-owned utility's clean
38 energy implementation plan and interim targets. The commission may,
39 in its order, recommend or require more stringent targets than those

1 proposed by the investor-owned utility. The commission may
2 periodically adjust or expedite timelines if it can be demonstrated
3 that the targets or timelines can be achieved in a manner consistent
4 with the following:

5 (i) Maintaining and protecting the safety, reliable operation,
6 and balancing of the electric system;

7 (ii) Planning to meet the standards at the lowest reasonable
8 cost, considering risk;

9 (iii) Ensuring that all customers are benefiting from the
10 transition to clean energy: Through the equitable distribution of
11 energy and nonenergy benefits and the reduction of burdens to
12 vulnerable populations and highly impacted communities; long-term and
13 short-term public health and environmental benefits and reduction of
14 costs and risks; and energy security and resiliency; and

15 (iv) Ensuring that no customer or class of customers is
16 unreasonably harmed by any resulting increases in the cost of
17 utility-supplied electricity as may be necessary to comply with the
18 standards.

19 (2) (a) By January 1, 2022, and every four years thereafter, each
20 consumer-owned utility must develop and submit to the department a
21 four-year clean energy implementation plan for the standards
22 established under RCW 19.405.040(1) and 19.405.050(1) that:

23 (i) Proposes interim targets for meeting the standard under RCW
24 19.405.040(1) during the years prior to 2030 and between 2030 and
25 2045, as well as specific targets for energy efficiency, demand
26 response, and renewable energy;

27 (ii) Is informed by the consumer-owned utility's clean energy
28 action plan developed under RCW 19.280.030(1) or other ten-year plan
29 developed under RCW 19.280.030(5);

30 (iii) Is consistent with subsection (4) of this section; and

31 (iv) Identifies specific actions to be taken by the consumer-
32 owned utility over the next four years, consistent with the utility's
33 long-range resource plan and resource adequacy requirements, that
34 demonstrate progress towards meeting the standards under RCW
35 19.405.040(1) and 19.405.050(1) and the interim targets proposed
36 under (a) (i) of this subsection. The specific actions identified must
37 be informed by the consumer-owned utility's historic performance
38 under median water conditions and resource capability and by the
39 consumer-owned utility's participation in centralized markets. In
40 identifying specific actions in its clean energy implementation plan,

1 the consumer-owned utility may also take into consideration any
2 significant and unplanned loss or addition of load it experiences.

3 (b) The governing body of the consumer-owned utility must, after
4 a public meeting, adopt the consumer-owned utility's clean energy
5 implementation plan. The clean energy implementation plan must be
6 submitted to the department and made available to the public. The
7 governing body may adopt more stringent targets than those proposed
8 by the consumer-owned utility and periodically adjust or expedite
9 timelines if it can be demonstrated that such targets or timelines
10 can be achieved in a manner consistent with the following:

11 (i) Maintaining and protecting the safety, reliable operation,
12 and balancing of the electric system;

13 (ii) Planning to meet the standards at the lowest reasonable
14 cost, considering risk;

15 (iii) Ensuring that all customers are benefiting from the
16 transition to clean energy: Through the equitable distribution of
17 energy and nonenergy benefits and reduction of burdens to vulnerable
18 populations and highly impacted communities; long-term and short-term
19 public health and environmental benefits and reduction of costs and
20 risks; and energy security and resiliency; and

21 (iv) Ensuring that no customer or class of customers is
22 unreasonably harmed by any resulting increases in the cost of
23 utility-supplied electricity as may be necessary to comply with the
24 standards.

25 (3)(a) An investor-owned utility must be considered to be in
26 compliance with the standards under RCW 19.405.040(1) and
27 19.405.050(1) if, over the four-year compliance period, the average
28 annual incremental cost of meeting the standards or the interim
29 targets established under subsection (1) of this section equals a two
30 percent increase of the investor-owned utility's weather-adjusted
31 sales revenue to customers for electric operations above the previous
32 year, as reported by the investor-owned utility in its most recent
33 commission basis report. All costs included in the determination of
34 cost impact must be directly attributable to actions necessary to
35 comply with the requirements of RCW 19.405.040 and 19.405.050.

36 (b) If an investor-owned utility relies on (a) of this subsection
37 as a basis for compliance with the standard under RCW 19.405.040(1),
38 then it must demonstrate that it has maximized investments in
39 renewable resources and nonemitting electric generation prior to

1 using alternative compliance options allowed under RCW
2 19.405.040(1)(b).

3 (4)(a) A consumer-owned utility must be considered to be in
4 compliance with the standards under RCW 19.405.040(1) and
5 19.405.050(1) if, over the four-year compliance period, the average
6 annual incremental cost of meeting the standards or the interim
7 targets established under subsection (2) of this section meets or
8 exceeds a two percent increase of the consumer-owned utility's retail
9 revenue requirement above the previous year. All costs included in
10 the determination of cost impact must be directly attributable to
11 actions necessary to comply with the requirements of RCW 19.405.040
12 and 19.405.050.

13 (b) If a consumer-owned utility relies on (a) of this subsection
14 as a basis for compliance with the standard under RCW 19.405.040(1),
15 and it has not met eighty percent of its annual retail electric load
16 using electricity from renewable resources and nonemitting electric
17 generation, then it must demonstrate that it has maximized
18 investments in renewable resources and nonemitting electric
19 generation prior to using alternative compliance options allowed
20 under RCW 19.405.040(1)(b).

21 (5) The commission, for investor-owned utilities, and the
22 department, for consumer-owned utilities, must adopt rules
23 establishing the methodology for calculating the incremental cost of
24 compliance under this section, as compared to the cost of an
25 alternative lowest reasonable cost portfolio of investments that are
26 reasonably available.

27 (6) The commission may require a large combination utility as
28 defined in section 2 of this act to incorporate the requirements of
29 this section into an integrated system plan established under section
30 3 of this act.

31 **Sec. 15.** RCW 80.28.130 and 2011 c 214 s 22 are each amended to
32 read as follows:

33 Whenever the commission finds, after hearing had upon its own
34 motion or upon complaint, that repairs or improvements, to, or
35 changes in, any gas plant, electrical plant, system of sewerage, or
36 water system ought to be made, or that any additions or extensions
37 should reasonably be made thereto, in order to promote the security
38 or convenience of the public or employees, or in order to secure
39 adequate service or facilities for manufacturing, distributing or

1 supplying gas, electricity, wastewater company services, or water,
2 the commission may enter an order directing that such reasonable
3 repairs, improvements, changes, additions or extensions of such gas
4 plant, electrical plant, system of sewerage, or water system be made.
5 The commission may require a large combination utility as defined in
6 section 2 of this act to incorporate any existing pipeline safety and
7 replacement plans under this section into an integrated system plan
8 established under section 3 of this act.

9 **Sec. 16.** RCW 80.28.365 and 2019 c 287 s 5 are each amended to
10 read as follows:

11 (1) An electric utility regulated by the utilities and
12 transportation commission under this chapter may submit to the
13 commission an electrification of transportation plan that deploys
14 electric vehicle supply equipment or provides other electric
15 transportation programs, services, or incentives to support
16 electrification of transportation. The plans should align to a period
17 consistent with either the utility's planning horizon under its most
18 recent integrated resource plan or the time frame of the actions
19 contemplated in the plan, and may include:

20 (a) Any programs that the utility is proposing contemporaneously
21 with the plan filing or anticipates later in the plan period;

22 (b) Anticipated benefits of transportation electrification, based
23 on a forecast of electric transportation in the utilities' service
24 territory; and

25 (c) Anticipated costs of programs, subject to the restrictions in
26 RCW 80.28.360.

27 (2) In reviewing an electrification of transportation plan under
28 subsection (1) of this section, the commission may consider the
29 following: (a) The applicability of multiple options for
30 electrification of transportation across all customer classes; (b)
31 the impact of electrification on the utility's load, and whether
32 demand response or other load management opportunities, including
33 direct load control and dynamic pricing, are operationally
34 appropriate; (c) system reliability and distribution system
35 efficiencies; (d) interoperability concerns, including the
36 interoperability of hardware and software systems in electrification
37 of transportation proposals; and (e) the benefits and costs of the
38 planned actions.

1 (3) The commission must issue an acknowledgment of an
2 electrification of transportation plan within six months of the
3 submittal of the plan. The commission may establish by rule the
4 requirements for preparation and submission of an electrification of
5 transportation plan. An electric utility may submit a plan under this
6 section before or during rule-making proceedings.

7 (4) The commission may require a large combination utility as
8 defined in section 2 of this act to incorporate the requirements of
9 this section into an integrated system plan established under section
10 3 of this act.

11 **Sec. 17.** RCW 80.28.380 and 2019 c 285 s 11 are each amended to
12 read as follows:

13 (1) Each gas company must identify and acquire all conservation
14 measures that are available and cost-effective. Each company must
15 establish an acquisition target every two years and must demonstrate
16 that the target will result in the acquisition of all resources
17 identified as available and cost-effective. The cost-effectiveness
18 analysis required by this section must include the costs of
19 greenhouse gas emissions established in RCW 80.28.395. The targets
20 must be based on a conservation potential assessment prepared by an
21 independent third party and approved by the commission. Conservation
22 targets must be approved by order by the commission. The initial
23 conservation target must take effect by 2022.

24 (2) The commission may require a large combination utility as
25 defined in section 2 of this act to incorporate the requirements of
26 this section into an integrated system plan established under section
27 3 of this act.

28 **Sec. 18.** RCW 80.28.425 and 2021 c 188 s 2 are each amended to
29 read as follows:

30 (1) Beginning January 1, 2022, every general rate case filing of
31 a gas or electrical company must include a proposal for a multiyear
32 rate plan as provided in this chapter. The commission may, by order
33 after an adjudicative proceeding as provided by chapter 34.05 RCW,
34 approve, approve with conditions, or reject, a multiyear rate plan
35 proposal made by a gas or electrical company or an alternative
36 proposal made by one or more parties, or any combination thereof. The
37 commission's consideration of a proposal for a multiyear rate plan is
38 subject to the same standards applicable to other rate filings made

1 under this title, including the public interest and fair, just,
2 reasonable, and sufficient rates. In determining the public interest,
3 the commission may consider such factors including, but not limited
4 to, environmental health and greenhouse gas emissions reductions,
5 health and safety concerns, economic development, and equity, to the
6 extent such factors affect the rates, services, and practices of a
7 gas or electrical company regulated by the commission.

8 (2) The commission may approve, disapprove, or approve with
9 modifications any proposal to recover from ratepayers up to five
10 percent of the total revenue requirement approved by the commission
11 for each year of a multiyear rate plan for tariffs that reduce the
12 energy burden of low-income residential customers including, but not
13 limited to: (a) Bill assistance programs; or (b) one or more special
14 rates. For any multiyear rate plan approved under this section
15 resulting in a rate increase, the commission must approve an increase
16 in the amount of low-income bill assistance to take effect in each
17 year of the rate plan where there is a rate increase. At a minimum,
18 the amount of such low-income assistance increase must be equal to
19 double the percentage increase, if any, in the residential base rates
20 approved for each year of the rate plan. The commission may approve a
21 larger increase to low-income bill assistance based on an appropriate
22 record.

23 (3) (a) If it approves a multiyear rate plan, the commission shall
24 separately approve rates for each of the initial rate year, the
25 second rate year and, if applicable, the third rate year, and the
26 fourth rate year.

27 (b) The commission shall ascertain and determine the fair value
28 for rate-making purposes of the property of any gas or electrical
29 company that is or will be used and useful under RCW 80.04.250 for
30 service in this state by or during each rate year of the multiyear
31 rate plan. For the initial rate year, the commission shall, at a
32 minimum, ascertain and determine the fair value for rate-making
33 purposes of the property of any gas or electrical company that is
34 used and useful for service in this state as of the rate effective
35 date. The commission may order refunds to customers if property
36 expected to be used and useful by the rate effective date when the
37 commission approves a multiyear rate plan is in fact not used and
38 useful by such a date.

1 (c) The commission shall ascertain and determine the revenues and
2 operating expenses for rate-making purposes of any gas or electrical
3 company for each rate year of the multiyear rate plan.

4 (d) In ascertaining and determining the fair value of property of
5 a gas or electrical company pursuant to (b) of this subsection and
6 projecting the revenues and operating expenses of a gas or electrical
7 company pursuant to (c) of this subsection, the commission may use
8 any standard, formula, method, or theory of valuation reasonably
9 calculated to arrive at fair, just, reasonable, and sufficient rates.

10 (e) If the commission approves a multiyear rate plan with a
11 duration of three or four years, then the electrical company must
12 update its power costs as of the rate effective date of the third
13 rate year. The proceeding to update the electrical company's power
14 costs is subject to the same standards that apply to other rate
15 filings made under this title.

16 (4) Subject to subsection (5) of this section, the commission may
17 by order establish terms, conditions, and procedures for a multiyear
18 rate plan and ensure that rates remain fair, just, reasonable, and
19 sufficient during the course of the plan.

20 (5) Notwithstanding subsection (4) of this section, a gas or
21 electrical company is bound by the terms of the multiyear rate plan
22 approved by the commission for each of the initial rate year and the
23 second rate year. A gas or electrical company may file a new
24 multiyear rate plan in accordance with this section for the third
25 rate year and fourth rate year, if any, of a multiyear rate plan.

26 (6) If the annual commission basis report for a gas or electrical
27 company demonstrates that the reported rate of return on rate base of
28 the company for the 12-month period ending as of the end of the
29 period for which the annual commission basis report is filed is more
30 than .5 percent higher than the rate of return authorized by the
31 commission in the multiyear rate plan for such a company, the company
32 shall defer all revenues that are in excess of .5 percent higher than
33 the rate of return authorized by the commission for refunds to
34 customers or another determination by the commission in a subsequent
35 adjudicative proceeding. If a multistate electrical company with
36 fewer than 250,000 customers in Washington files a multiyear rate
37 plan that provides for no increases in base rates in consecutive
38 years beyond the initial rate year, the commission shall waive the
39 requirements of this subsection provided that such a waiver results
40 in just and reasonable rates.

1 (7) The commission must, in approving a multiyear rate plan,
2 determine a set of performance measures that will be used to assess a
3 gas or electrical company operating under a multiyear rate plan.
4 These performance measures may be based on proposals made by the gas
5 or electrical company in its initial application, by any other party
6 to the proceeding in its response to the company's filing, or in the
7 testimony and evidence admitted in the proceeding. In developing
8 performance measures, incentives, and penalty mechanisms, the
9 commission may consider factors including, but not limited to, lowest
10 reasonable cost planning, affordability, increases in energy burden,
11 cost of service, customer satisfaction and engagement, service
12 reliability, clean energy or renewable procurement, conservation
13 acquisition, demand side management expansion, rate stability, timely
14 execution of competitive procurement practices, attainment of state
15 energy and emissions reduction policies, rapid integration of
16 renewable energy resources, and fair compensation of utility
17 employees.

18 (8) Nothing in this section precludes any gas or electrical
19 company from making filings required or permitted by the commission.

20 (9) The commission shall align, to the extent practical, the
21 timing of approval of a multiyear rate plan of an electrical company
22 submitted pursuant to this section with the clean energy
23 implementation plan of the electrical company filed pursuant to
24 RCW 19.405.060.

25 (10) The provisions of this section may not be construed to limit
26 the existing rate-making authority of the commission.

27 (11) The commission may require a large combination utility as
28 defined in section 2 of this act to incorporate the requirements of
29 this section into an integrated system plan established under section
30 3 of this act.

31 NEW SECTION. **Sec. 19.** This chapter may be known and cited as
32 the Washington decarbonization act for large combination utilities.

33 NEW SECTION. **Sec. 20.** Sections 2 through 8, 10 through 12 and
34 19 of this act constitute a new chapter in Title 80 RCW.

35 NEW SECTION. **Sec. 21.** If any provision of this act or its
36 application to any person or circumstance is held invalid, the

1 remainder of the act or the application of the provision to other
2 persons or circumstances is not affected.

3 NEW SECTION. **Sec. 22.** This act is necessary for the immediate
4 preservation of the public peace, health, or safety, or support of
5 the state government and its existing public institutions, and takes
6 effect immediately.

Passed by the House March 5, 2024.

Passed by the Senate March 1, 2024.

Approved by the Governor March 28, 2024.

Filed in Office of Secretary of State March 29, 2024.

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