

Proposed Substitute House Bill 1589 (H-1085.3)

House Environment & Energy Committee

By Representative Doglio

Original Bill:

Relating to supporting Washington's clean energy economy and transitioning to a clean, affordable, and reliable energy future.

Proposed Substitute (H-1085.3) compared to the original bill:

- Adds an intent section
- Section 3—Definitions:
 - Modifies the definition of “combination utility” to be “a public service company that is both an electrical company and a large gas company that serves more than 800,000 retail electric customers and 500,000 retail natural gas customers in the state of Washington as of June 30, 2023.”
 - Strikes the definition of “deep energy retrofit.”
 - Modifies the definition of “electrification” to “the installation by a combination utility of electric end-use equipment provided that installation: (a) Will result in a net reduction in statewide greenhouse gas emissions over the life of the equipment as compared to the most efficient commercially available natural gas or alternative energy resource alternative; and (b) reduces the sales of natural gas by the large gas company. Electrification programs of a combination utility may include, but are not limited to, programs that facilitate deep energy retrofits or the installation of electric air-source heat pumps with gas backups in existing buildings. However, electric air-source heat pumps with gas backups may not be part of any plan filed pursuant to section 4 of this act [electrification plans].”
 - Modifies the definition of “emissions reduction period” to mean “one of four periods of five calendar years each, with the four periods beginning on January 1st of calendar years 2030, 2035, 2040, 2045, and 2050, respectively.”
- Section 4—Gas decarbonization plan:
 - Adds language to provide that the terms of a gas decarbonization plan filed by a large gas company shall be binding on any entity that subsequently acquires an ownership interest in all or part of the large gas company's gas storage, transmission, or distribution network.
- Section 5—Electrification plan:
 - Requires that an electrification plan be filed by a large gas company, rather than a combination utility, as part of a gas decarbonization plan.

Committee: House Environment & Energy Committee
Staff: Robert Hatfield (786-7117), Office of Program Research
Date: February 13, 2023
Draft: H-1085.3

- Requires large gas companies, rather than both large gas companies and combination utilities, to include certain information in calculating their emissions baselines and projected cumulative emissions.
- Section 8—Approval of gas decarbonization plan and electrification plan:
 - Provides that the Utilities and Transportation Commission (UTC) may, rather than must, require a large gas company to achieve the maximum level of greenhouse gas emissions reductions practicable using alternative energy resources at or below the applicable cost target.
 - Provides that, notwithstanding any other provision of law, a combination utility with an electrification plan approved by the UTC is subject to the following requirements:
 - the combination utility is required to meet at least 2 percent of electric load annually with conservation and energy efficiency resources, unless the UTC finds that a higher target is cost-effective;
 - the combination utility is required to achieve annual demand response equal to or greater than 10 percent of winter and summer peak electric demand, unless the UTC finds that a higher target is cost-effective; and
 - if the combination utility does not comply with the requirements of listed above, the UTC may impose a penalty, to be dedicated to customer bill assistance programs for the combination utility.
- Section 10—Labor provisions:
 - Provides that the labor provisions in the act apply to projects with a cost greater than \$10 million, rather than a cost greater than \$1 million.
- Section 11—Electric utilities:
 - Various categories of electric utilities are encouraged to include an electrification plan or transportation electrification program as part of a collaboration with large gas companies, rather than as part of a clean energy plan.
- Section 12—Title:
 - The chapter created in the act may be known and cited as the Washington Decarbonization Act for Large Gas Companies, rather than the Washington Decarbonization Act for Large Gas Companies and Combination Utilities.

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

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

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

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

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

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

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

1 (5) It is the intent of the legislature to require large
2 combination utilities to decarbonize their systems by: (a)
3 Prioritizing the most efficient and cost-effective measures to
4 achieve emissions reductions at the lowest reasonable cost to
5 customers; (b) investing in the energy supply, storage, delivery, and
6 demand-side resources that will be needed to serve any increase in
7 electrical demand affordably and reliably; (c) maintaining safety and
8 reliability as the gas system undergoes transformational changes; (d)
9 integrating zero-carbon and carbon-neutral fuels to serve high heat
10 and industrial loads that require gaseous fuels; (e) managing peak
11 demand of the electric system; and (f) ensuring an equitable
12 distribution of benefits to, and reduction of burdens for,
13 overburdened communities that have historically been underserved by
14 utility energy efficiency programs, and may be disproportionately
15 impacted by rising fuel and equipment costs or experience high energy
16 burden.

17 (6) It is the intent of the legislature to support this
18 transition by adopting requirements for large combination utilities
19 to conduct integrated system planning to develop specific actions
20 supporting gas system decarbonization and electrification. These
21 plans must be approved, rejected, or approved subject to conditions
22 by the utilities and transportation commission. Once approved, an
23 integrated system plan may be included in a multiyear rate plan.

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

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

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

1 (b) No large gas company that serves more than 500,000 retail
2 natural gas customers in the state of Washington on June 30, 2023,
3 may furnish or supply gas service, instrumentalities, and facilities
4 to any commercial or residential location that did not receive gas
5 service or have filed applications for gas service as of June 30,
6 2023.

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

11 (4) Utility service for residential space heating shall not be
12 terminated between November 15th through March 15th if the customer:

13 (a) Notifies the utility of the inability to pay the bill,
14 including a security deposit. This notice should be provided within
15 five business days of receiving a payment overdue notice unless there
16 are extenuating circumstances. If the customer fails to notify the
17 utility within five business days and service is terminated, the
18 customer can, by paying reconnection charges, if any, and fulfilling
19 the requirements of this section, receive the protections of this
20 chapter;

21 (b) Provides self-certification of household income for the prior
22 twelve months to a grantee of the department of commerce, which
23 administers federally funded energy assistance programs. The grantee
24 shall determine that the household income does not exceed the maximum
25 allowed for eligibility under the state's plan for low-income energy
26 assistance under 42 U.S.C. 8624 and shall provide a dollar figure
27 that is seven percent of household income. The grantee may verify
28 information provided in the self-certification;

29 (c) Has applied for home heating assistance from applicable
30 government and private sector organizations and certifies that any
31 assistance received will be applied to the current bill and future
32 utility bills;

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

36 (e) Agrees to a payment plan and agrees to maintain the payment
37 plan. The plan will be designed both to pay the past due bill by the
38 following October 15th and to pay for continued utility service. If
39 the past due bill is not paid by the following October 15th, the
40 customer is not eligible for protections under this chapter until the

1 past due bill is paid. The plan may not require monthly payments in
2 excess of seven percent of the customer's monthly income plus one-
3 twelfth of any arrearage accrued from the date application is made
4 and thereafter during November 15th through March 15th. A customer
5 may agree to pay a higher percentage during this period, but shall
6 not be in default unless payment during this period is less than
7 seven percent of monthly income plus one-twelfth of any arrearage
8 accrued from the date application is made and thereafter. If
9 assistance payments are received by the customer subsequent to
10 implementation of the plan, the customer shall contact the utility to
11 reformulate the plan; and

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

13 (5) The utility shall:

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

17 (b) Assist the customer in fulfilling the requirements under this
18 section;

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

22 (d) Be permitted to disconnect service if the customer fails to
23 honor the payment program. Utilities may continue to disconnect
24 service for those practices authorized by law other than for
25 nonpayment as provided for in this subsection. Customers who qualify
26 for payment plans under this section who default on their payment
27 plans and are disconnected can be reconnected and maintain the
28 protections afforded under this chapter by paying reconnection
29 charges, if any, and by paying all amounts that would have been due
30 and owing under the terms of the applicable payment plan, absent
31 default, on the date on which service is reconnected; and

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

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

37 (7) Every gas company and electrical company shall offer
38 residential customers the option of a budget billing or equal payment
39 plan. The budget billing or equal payment plan shall be offered low-
40 income customers eligible under the state's plan for low-income

1 energy assistance prepared in accordance with 42 U.S.C. 8624(C)(1)
2 without limiting availability to certain months of the year, without
3 regard to the length of time the customer has occupied the premises,
4 and without regard to whether the customer is the tenant or owner of
5 the premises occupied.

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

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

14 (10) In establishing rates or charges for water service, water
15 companies as defined in RCW 80.04.010 may consider the achievement of
16 water conservation goals and the discouragement of wasteful water use
17 practices.

18 NEW SECTION. **Sec. 3.** The definitions in this section apply
19 throughout this chapter unless the context clearly requires
20 otherwise.

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

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

28 (3) "Carbon dioxide removal" has the same meaning as defined in
29 RCW 70A.65.010.

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

34 (5) "Commission" means the utilities and transportation
35 commission.

36 (6) "Cost target" means: (a) With respect to a gas
37 decarbonization plan for a large gas company, the cost target
38 identified in section 7(1) of this act; and (b) with respect to an

1 electrification plan for a combination utility, the cost target
2 identified in section 7(2) of this act.

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

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

8 (9) "Electrical company" has the same meaning as defined in RCW
9 80.04.010.

10 (10) "Electrification" means the installation by a combination
11 utility of electric end-use equipment provided that installation: (a)
12 Will result in a net reduction in statewide greenhouse gas emissions
13 over the life of the equipment as compared to the most efficient
14 commercially available natural gas or alternative energy resource
15 alternative; and (b) reduces the sales of natural gas by the large
16 gas company. Electrification programs of a combination utility may
17 include, but are not limited to, programs that facilitate deep energy
18 retrofits or the installation of electric air-source heat pumps with
19 gas backups in existing buildings. However, electric air-source heat
20 pumps with gas backups may not be part of any plan filed pursuant to
21 section 5 of this act.

22 (11) "Emissions baseline" means the actual cumulative greenhouse
23 gas emissions of a large gas company, calculated pursuant to chapter
24 173-441 WAC, for the five-year period beginning January 1, 2018, and
25 ending December 31, 2022.

26 (12) "Emissions reduction period" means one of four periods of
27 five calendar years each, with the four periods beginning on January
28 1st of calendar years 2030, 2035, 2040, 2045, and 2050, respectively.

29 (13) "Gas company" has the same meaning as defined in RCW
30 80.04.010.

31 (14) "Greenhouse gas" has the same meaning as defined in RCW
32 70A.45.010.

33 (15) "Highly impacted community" has the same meaning as defined
34 in RCW 19.405.020.

35 (16) "Large gas company" means a gas company that serves more
36 than 500,000 retail natural gas customers in the state of Washington
37 on June 30, 2023.

38 (17) "Renewable hydrogen" has the same meaning as defined in RCW
39 19.405.020.

1 (18) "Low-income" has the same meaning as defined in RCW
2 19.405.020.

3 (19) "Multiyear rate plan" means a multiyear rate plan of a gas
4 company filed with the commission pursuant to RCW 80.28.425.

5 (20) "Natural gas" has the same meaning as defined in RCW
6 19.405.020.

7 (21) "Renewable natural gas" has the same meaning as defined in
8 RCW 19.405.020.

9 (22) "Renewable resource" has the same meaning as defined in RCW
10 19.405.020.

11 (23) "Renewable syngas" means any fuel derived by processing:

12 (a) Manure of agricultural livestock, including litter, wood
13 shavings, straw, rice hulls, bedding material, and other materials
14 incidentally collected with the manure;

15 (b) Any nonhazardous, cellulosic, or other organic agricultural
16 or food industry byproduct or waste material that is derived from:

17 (i) Biomass;

18 (ii) Harvesting residues;

19 (iii) Wastes or byproducts from fermentation processes, ethanol
20 production, biodiesel production, slaughter of agricultural
21 livestock, food production, food processing, or food service; or

22 (iv) Other organic wastes, byproducts, or sources;

23 (c) Solid wood waste materials, including waste pallets, crates,
24 dunnage, manufacturing and construction wood wastes, and landscape or
25 right-of-way tree trimmings;

26 (d) Landfill waste, sewage waste treatment materials, or other
27 organic materials; or

28 (e) Carbon dioxide removal processes.

29 NEW SECTION. **Sec. 4.** (1) A large gas company shall file a gas
30 decarbonization plan as part of any multiyear rate plan filed on or
31 after January 1, 2026, and every four years thereafter, that would
32 aim to achieve the gas company's proportional share of emissions
33 reductions required under RCW 70A.45.020.

34 (2) A gas decarbonization plan filed pursuant to this section
35 must:

36 (a) Include proposed programs to advance gas decarbonization
37 measures for customers;

38 (b) Include programs targeted to low-income customers, vulnerable
39 populations, and highly impacted communities;

1 (c) Include outreach plans for engagement with low-income
2 customers, vulnerable populations, and highly impacted communities to
3 develop programs to support those customers in every phase of the
4 programs in the large gas company's gas decarbonization plan,
5 including through incentives offered to multifamily buildings
6 occupied in full or in part by low-income households;

7 (d) Prioritize investments that benefit low-income customers,
8 vulnerable populations, and highly impacted communities from the
9 investments made to implement the gas decarbonization plan;

10 (e) Set forth portfolios that the large gas company will use to
11 reduce greenhouse gas emissions to meet the emissions reduction
12 target identified in the applicable gas decarbonization plan. The
13 large gas company shall present:

14 (i) A portfolio of resources that uses alternative energy
15 resources to the maximum practicable extent, that meets the
16 requirements of the applicable cost target, that may include leak
17 reductions approved by the commission, and that may or may not meet
18 one or more of the emissions reduction targets identified in the
19 applicable gas decarbonization plan but that demonstrates reductions
20 in greenhouse gas emissions;

21 (ii) Other portfolios at the large gas company's discretion; and

22 (iii) Other portfolios as directed by the commission;

23 (f) Quantify projected cumulative greenhouse gas emissions
24 reductions for each emissions reduction period resulting from each
25 portfolio presented in the gas decarbonization plan;

26 (g) Propose program budgets resulting from each portfolio
27 presented in the gas decarbonization plan;

28 (h) Quantify the cost of implementing each portfolio presented in
29 the gas decarbonization plan;

30 (i) Project annual greenhouse gas emissions reductions that would
31 result if each portfolio presented in the gas decarbonization plan
32 were extended through 2050;

33 (j) Describe the effects of the actions and investments of each
34 portfolio presented in the gas decarbonization plan on the safety,
35 reliability, and resilience of the large gas company's gas service;

36 (k) Identify potential changes to depreciation schedules or other
37 actions to align the large gas company's cost recovery with statewide
38 policy goals, including reducing greenhouse gas emissions, minimizing
39 costs, and minimizing risks to the large gas company and its
40 customers;

1 (1) Explain the large gas company's analysis of the costs and
2 benefits of an array of alternatives, including the costs of
3 greenhouse gas emissions in the cost-benefit calculations;

4 (m) Describe the monitoring and verification methodology to be
5 used in reporting; and

6 (n) Include any other information required by the commission.

7 (3) The terms of a gas decarbonization plan filed by a large gas
8 company pursuant to this section are binding on any entity that
9 subsequently acquires an ownership interest in all or part of the
10 large gas company's gas storage, transmission, or distribution
11 network.

12 NEW SECTION. **Sec. 5.** On or after January 1, 2026, a large gas
13 company shall file with the commission an electrification plan as
14 part of a gas decarbonization plan filed pursuant to section 4 of
15 this act for commission approval. Electrification plans may be
16 combined with other demand-side management strategic issues or
17 transportation electrification plans, as applicable, but an
18 electrification plan must include, at a minimum:

19 (1) Proposed programs to advance electrification for customers;

20 (2) Programs targeted to low-income customers, vulnerable
21 populations, and highly impacted communities;

22 (3) Outreach plans for engagement with low-income customers,
23 vulnerable populations, and highly impacted communities to develop
24 programs to support those customers in every phase of the combination
25 utility's electrification programs, including through incentives
26 offered to multifamily buildings occupied in full or in part by low-
27 income households;

28 (4) Budgets; targeted numbers of installations; projected fuel
29 savings; projected cost-effectiveness calculations, including the
30 costs of greenhouse gas emissions; projected reductions in greenhouse
31 gas emissions; and other information deemed relevant by the
32 commission for the plan as a whole and for each program included in
33 the plan;

34 (5) Documentation and data to show that the combination utility's
35 electrification plan is consistent with maintaining the reliability
36 of the electric grid; and

37 (6) Incentives to facilitate electrification, which may include
38 programs targeted toward new and existing building markets. Products
39 eligible for incentives must be certified under an energy star

1 program established by section 324A of the energy policy and
2 conservation act, 42 U.S.C. Sec. 6294a, as amended, or a successor
3 program if that certification is available, in product categories for
4 which such certification exists.

5 NEW SECTION. **Sec. 6.** (1) Large gas companies must include the
6 following in calculating their emissions baseline and projected
7 cumulative emissions for an emissions reduction period, consistent
8 with chapter 173-441 WAC:

9 (a) Methane leaked from the transportation and delivery of gas
10 from the gas distribution and service pipelines from the city gate to
11 customer end use;

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

15 (c) Emissions of methane resulting from leakage from delivery of
16 gas to other gas companies.

17 (2) In calculating an emissions reduction target, a large gas
18 company must show its emissions baseline and projected cumulative
19 greenhouse gas emissions for the applicable emissions reduction
20 period separately and must show that the total emissions reductions
21 are projected to make progress toward the achievement of the
22 emissions reduction targets identified in the applicable gas
23 decarbonization plan. The final calculation must be presented on a
24 carbon dioxide equivalent basis.

25 (3) All emissions are metric tons of carbon dioxide equivalent as
26 reported to the federal environmental protection agency pursuant to
27 40 C.F.R. 98, either subpart W (methane) or subpart NN (carbon
28 dioxide), or successor reporting requirements.

29 NEW SECTION. **Sec. 7.** (1) The commission shall establish a cost
30 target for a gas decarbonization plan that is 2.5 percent of the gas
31 revenue requirement approved by the commission for the large gas
32 company for each year of the multiyear rate plan. For the purposes of
33 this subsection, the commission shall calculate the gas revenue
34 requirement for any combination utility net of the program budget for
35 any electrification plan filed by the combination utility as part of
36 its gas decarbonization plan.

37 (2) The commission shall establish a cost target for the
38 electrification plan that is 2.5 percent of the electric revenue

1 requirement approved by the commission for the combination utility
2 for each year of the multiyear rate plan. For the purposes of this
3 subsection, the commission shall calculate the electric revenue
4 requirement for any combination utility net of the program budget for
5 the gas decarbonization plan filed by the combination utility.

6 NEW SECTION. **Sec. 8.** (1) The commission shall approve a gas
7 decarbonization or electrification plan if the commission finds it to
8 be in the public interest. The commission may modify a proposed gas
9 decarbonization or electrification plan if the modifications are
10 necessary to ensure that the plan is in the public interest.

11 (2) In evaluating whether a proposed gas decarbonization or
12 electrification plan is in the public interest, the commission shall
13 take into account the following factors:

14 (a) Whether the gas decarbonization or electrification plan
15 achieves reductions in greenhouse gas emissions for each emissions
16 reduction period;

17 (b) Whether the gas decarbonization or electrification plan
18 demonstrates progress toward meeting the emissions reduction targets
19 identified in the applicable gas decarbonization plan through
20 maximizing the use of alternative energy resources;

21 (c) Whether investments in the gas decarbonization or
22 electrification plan prioritize serving low-income customers,
23 vulnerable populations, and highly impacted communities;

24 (d) Whether the gas decarbonization or electrification plan
25 results in a reasonable cost to customers; and

26 (e) Whether the gas decarbonization or electrification plan
27 maintains system reliability.

28 (3)(a) The commission may require a large gas company to achieve
29 the maximum level of greenhouse gas emissions reductions practicable
30 using alternative energy resources at or below the applicable cost
31 target.

32 (b) The commission may approve, or amend and approve, a gas
33 decarbonization plan with costs greater than the cost target
34 identified in section 7(1) of this act or an electrification plan
35 with costs greater than the cost target identified in section 7(2) of
36 this act only if it finds that the plan is in the public interest,
37 costs to customers are reasonable, the plan includes mitigation of
38 rate increases for low-income customers, and the benefits of the

1 plan, including the costs of greenhouse gas emissions, exceed the
2 costs.

3 (4) Notwithstanding any other provision of law, any procurement
4 by a combination utility with an electrification plan approved by the
5 commission under this section is subject to the following
6 requirements:

7 (a) 40 percent of the total capacity and energy necessary to meet
8 the requirements of chapter 19.405 RCW must be supplied through the
9 execution of power purchase agreements with third parties pursuant to
10 which the combination utility purchases energy, capacity, and
11 environmental attributes from resources owned and operated by
12 entities that are not affiliated with the combination utility and
13 that commit to allow the combination utility rights to dispatch,
14 operate, and control the solicited resource in the same manner as the
15 combination utility's own generating resources;

16 (b) 60 percent of the total capacity and energy necessary to meet
17 the requirements of chapter 19.405 RCW must be supplied from
18 resources owned and operated by the combination utility or an
19 affiliate of the combination utility.

20 (5) Upon commission approval of a power purchase agreement for
21 acquisition of resources by a combination utility with an
22 electrification plan approved by the commission under this section,
23 the combination utility is allowed to: (a) Recover the cost of
24 purchases of energy, capacity, and environmental attributes from
25 renewable resources under the power purchase agreement; and (b) earn
26 a return on such purchases in an amount that is the product of the
27 following equation: (i) A rate of return that is no less than the
28 authorized cost of debt and no greater than the authorized rate of
29 return of the combination company, multiplied by (ii) the operating
30 expense incurred by the combination utility under the power purchase
31 agreement.

32 (6) Notwithstanding any other provision of law, a combination
33 utility with an electrification plan approved by the commission under
34 this section is subject to the following requirements:

35 (a) The combination utility is required to meet at least two
36 percent of electric load annually with conservation and energy
37 efficiency resources, unless the commission finds that a higher
38 target is cost-effective;

39 (b) The combination utility is required to achieve annual demand
40 response equal to or greater than 10 percent of winter and summer

1 peak electric demand, unless the commission finds that a higher
2 target is cost-effective; and

3 (c) If the combination utility does not comply with the
4 requirements of (a) or (b) of this subsection, the commission may
5 impose a penalty, to be dedicated to customer bill assistance
6 programs for the combination utility.

7 NEW SECTION. **Sec. 9.** (1) In any multiyear rate plan filed by a
8 combination utility pursuant to RCW 80.28.425, the commission must
9 adopt depreciation schedules for any gas plant in service as of the
10 effective date of the depreciation schedules of the multiyear rate
11 plan such that the incremental depreciation for each year of such a
12 multiyear rate plan resulting from the depreciation is equal to one
13 percent of the gas revenue requirement for the preceding year.

14 (2) If the ratio of the rate base for gas operations of a
15 combination utility to the combined rate bases for gas and electric
16 operations of the combination utility is less than or equal to 0.2,
17 then the combination utility may propose, and the commission shall
18 adopt, in the next multiyear rate plan of a combination utility filed
19 after the achievement of such a ratio, a merger of the rate bases
20 supporting gas and electric operations of the combination utility
21 into a single energy rate base and the adoption of rates for electric
22 and gas service that support the recovery of such a merged energy
23 rate base.

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

33 (1) The large gas company and the prime contractor and all of its
34 subcontractors regardless of tier have the absolute right to select
35 any qualified and responsible bidder for the award of contracts on a
36 specified project without reference to the existence or nonexistence
37 of any agreements between such a bidder and any party to such a
38 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 (2) 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 NEW SECTION. **Sec. 11.** Electrical companies, municipal electric
10 utilities, public utility districts, irrigation districts,
11 cooperatives, and mutual corporations providing retail electric
12 service are encouraged to:

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

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

20 (3) Include an electrification plan or transportation
21 electrification program as part of collaboration with large gas
22 companies.

23 NEW SECTION. **Sec. 12.** This chapter may be known and cited as
24 the Washington decarbonization act for large gas companies.

25 NEW SECTION. **Sec. 13.** Sections 3 through 12 of this act
26 constitute a new chapter in Title 80 RCW.

27 NEW SECTION. **Sec. 14.** If any provision of this act or its
28 application to any person or circumstance is held invalid, the
29 remainder of the act or the application of the provision to other
30 persons or circumstances is not affected.

31 NEW SECTION. **Sec. 15.** This act is necessary for the immediate
32 preservation of the public peace, health, or safety, or support of

1 the state government and its existing public institutions, and takes
2 effect immediately.

--- **END** ---