**2995-S AMH MORR H5181.1 - NOT FOR FLOOR USE**

**SHB 2995** - H AMD TO H AMD (H-5172.1/18) **1425**

By Representative Morris

On page 42, after line 22 of the amendment, insert the following:

"NEW SECTION. **Sec.**  A new section is added to chapter 19.280 RCW to read as follows:

(1) The legislature finds that distributed energy resources will help electric utilities achieve the fossil fuel reduction targets established under section 3 of this act. The legislature finds that the proliferation of distributed energy resources across the distribution system is rapidly transforming the relationships between electric utilities and their retail electric customers. The legislature finds that distributed energy resources planning processes will vary from one utility to another based on the unique characteristics of each system. However, distributed energy resources planning processes may allow electric utilities to better anticipate both the positive and negative impacts of this transformation by: Illuminating the interdependencies among customer-sited energy and capacity resources; identifying and quantifying customer values that are not represented in volumetric electricity rates; reducing, deferring, or eliminating unnecessary and costly transmission and distribution capital expenditures; maximizing system benefits for all retail electric customers; and identifying opportunities for improving access to transformative technologies for low-income and other underrepresented customer populations.

(2) Therefore, it is the policy of the state of Washington that any distributed energy resources planning process engaged in by an electric utility in the state should accomplish the following:

(a) Identify the data gaps that impede a robust planning process as well as any upgrades, such as but not limited to advanced metering and grid monitoring equipment, enhanced planning simulation tools, and potential cooperative efforts with other utilities in developing tools needed to obtain data that would allow the electric utility to quantify the locational and temporal value of resources on the distribution system;

(b) Propose monitoring, control, and metering upgrades that are supported by a business case identifying how those upgrades will be leveraged to provide net benefits for customers;

(c) Identify potential programs and tariffs to fairly compensate customers for the value of their distributed energy resources, which may both produce and consume electricity and capacity from the distribution system individually or in groups, and ensure their optimal usage, including programs targeted at low-income customers;

(d) Forecast, using probabilistic models if available, the growth of distributed energy resources on the utility's distribution system;

(e) Provide, at a minimum, a ten-year plan for distribution system investments and an analysis of nonwires alternatives for major transmission and distribution investments. This plan should include a process whereby near-term assumptions, as well as any pilots or procurements initiated in accordance with subsection (3) of this section, regularly inform and adjust the long-term projections of the plan. The goal of the plan should be to provide the most affordable investments for all customers and avoid reactive expenditures to accommodate unanticipated growth in distributed energy resources. An analysis that fairly considers wire-based and nonwires alternatives on equal terms is foundational to achieving this goal. The electric utility should be financially indifferent to the technology that is used to meet a particular resource need. The distribution system investment planning process should utilize a transparent approach that involves opportunities for stakeholder input and feedback;

(f) Include the distributed energy resources identified in the plan in the electric utility's integrated resource plan developed under this chapter. Distribution system plans should be used as inputs to the integrated resource planning process. Distributed energy resources may be used to meet system needs when they are not needed to meet a local distribution need. Including select distributed energy resources in the integrated resource planning process allows those resources to displace or delay system resources in the integrated resource plan;

(g) Include a high level discussion of how the electric utility is adapting cybersecurity and data privacy practices to the changing distribution system and the internet of things, including an assessment of the costs associated with ensuring customer privacy; and

(h) Include a discussion of lessons learned from the planning cycle and identify process and data improvements planned for the next cycle.

(3) To ensure that procurement decisions are based on current cost and performance data for distributed energy resources, a utility should procure the distributed energy resource needs identified in any distributed energy resources plan through a process that is price-based and technology neutral. Electric utilities should consider using competitive procurements tailored to meet a specific need, which may increase the utility's ability to identify the lowest cost and most efficient means of meeting distribution system needs. If the projected cost of a procurement is more than the calculated system net benefit of the identified distributed energy resources, the governing body, in the case of a consumer-owned utility, or the commission, in the case of an investor-owned utility, may approve a pilot process by which the electric utility will gain a better understanding of the costs and benefits of a distributed energy resource or resources.

(4) By January 1, 2023, the legislature must conduct an initial review of the state's policy pertaining to distributed energy resources planning under this chapter. By January 1, 2026, and every four years thereafter, the legislature must conduct a full review of the policy and determine how many electric utilities in the state have engaged in or are engaging in a distributed energy resources planning process, whether the process has met the eight goals specified under subsection (2) of this section, and whether these goals need to be expanded or amended.

NEW SECTION. **Sec.**  The legislature finds that the electrical and natural gas utility industry is facing a transformational change brought on by new technology, rapidly changing costs, and emerging opportunities for customers. The legislature finds that similar changes in technology and customer preferences have swiftly altered other industries and intends for Washington's electrical and natural gas utility regulatory environment to continue to protect consumers while enabling regulated utilities to systematically respond to new technologies and opportunities. The legislature intends to ensure that consumers receive cost-effective and reliable services that are environmentally responsible services, and to assist electrical companies in meeting the fossil fuel reduction targets established under section 3 of this act, by authorizing the Washington utilities and transportation commission to employ alternative forms of regulation to traditional rate-based, rate of return regulation for electrical and gas companies. The legislature finds that a similar update to the utilities and transportation commission's statutory grant of authority for telecommunications customers a decade ago serves as a reasonable model. The legislature intends that the utilities and transportation commission will utilize alternative forms of regulation to further the state's public policy goals by ensuring that electrical and gas companies are incentivized to invest to meet state policy objectives.

The legislature intends that an alternative form of regulation should: Enable utility services designed to support optimal and efficient use of the electrical or natural gas system and utility operations; align utility regulatory incentives with the public interest; maintain and enhance overall electrical or natural gas system reliability, resilience, and security; allow electrical or natural gas companies to support and participate in market transformation for enabling technologies, without harming competition; maximize the value of new business opportunities to utility customers, especially low-income customers; protect utility customers from short and long-term risk; ensure an appropriate level of consumer protection; and support the achievement of state emissions reduction goals and utilities' fossil fuel reduction targets while avoiding adverse environmental impacts.

**Sec.**  RCW 80.28.005 and 1994 c 268 s 1 are each amended to read as follows:

((~~Unless the context clearly requires otherwise,~~)) The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Bondable conservation investment" means all expenditures made by electrical, gas, or water companies with respect to energy or water conservation measures and services intended to improve the efficiency of electricity, gas, or water end use, including related carrying costs if:

(a) The conservation measures and services do not produce assets that would be bondable utility property under the general utility mortgage of the electrical, gas, or water company;

(b) The commission has determined that the expenditures were incurred in conformance with the terms and conditions of a conservation service tariff in effect with the commission at the time the costs were incurred, and at the time of such determination the commission finds that the company has proven that the costs were prudent, that the terms and conditions of the financing are reasonable, and that financing under this chapter is more favorable to the customer than other reasonably available alternatives;

(c) The commission has approved inclusion of the expenditures in rate base and has not ordered that they be currently expensed; and

(d) The commission has not required that the measures demonstrate that energy savings have persisted at a certain level for a certain period before approving the cost of these investments as bondable conservation investment.

(2) "Conservation bonds" means bonds, notes, certificates of beneficial interests in trusts, or other evidences of indebtedness or ownership that:

(a) The commission determines at or before the time of issuance are issued to finance or refinance bondable conservation investment by an electrical, gas or water company; and

(b) Rely partly or wholly for repayment on conservation investment assets and revenues arising with respect thereto.

(3) "Conservation investment assets" means the statutory right of an electrical, gas, or water company:

(a) To have included in rate base all of its bondable conservation investment and related carrying costs; and

(b) To receive through rates revenues sufficient to recover the bondable conservation investment and the costs of equity and debt capital associated with it, including, without limitation, the payment of principal, premium, if any, and interest on conservation bonds.

(4) "Finance subsidiary" means any corporation, company, association, joint stock association, or trust that is beneficially owned, directly or indirectly, by an electrical, gas, or water company, or in the case of a trust issuing conservation bonds consisting of beneficial interests, for which an electrical, gas, or water company or a subsidiary thereof is the grantor, or an unaffiliated entity formed for the purpose of financing or refinancing approved conservation investment, and that acquires conservation investment assets directly or indirectly from such company in a transaction approved by the commission.

(5) "Greenhouse gas" and "greenhouse gases" has the same meaning as defined in RCW 70.235.010.

(6) "Greenhouse gas planning adder" means a calculation of the economic impacts associated with an incremental increase in greenhouse gas emissions in a calendar year and must be an amount equal to the greater of: (a) The minimum annual greenhouse gas planning adder for such a calendar year; or (b) the applicable carbon or greenhouse gas tax rate, if any, as expressed in dollars per metric ton of carbon dioxide or greenhouse gas for such a calendar year.

(7) "Intermediate-term resource options" means a new or renewed contract for electricity or natural gas with a term of more than three but less than five years for the provision of electricity or natural gas to retail end-use customers in this state.

(8) "Long-term resource options" means:

(a) Either a new ownership interest in an electric or gas plant or an upgrade to an existing electric plant; or

(b) A new or renewed contract for electricity or natural gas with a term of five or more years for the provision of electricity or natural gas to retail end-use customers in this state.

(9) "Minimum annual greenhouse gas planning adder" means, for calendar year 2018, forty dollars per metric ton of greenhouse gas, which amount must be increased each January 1st by one and one-fourth percent, rounded to the nearest dollar.

(10) "Qualified biomass energy" has the same meaning as defined in RCW 19.285.030.

(11) "Upgrade" means any modification made for the primary purpose of increasing the electric generation capacity of an electric generation facility. "Upgrade" does not include routine or necessary maintenance, installation of emission control equipment, installation, replacement, or modification of equipment that improves the heat rate of the facility, or installation, replacement, or modification of equipment for the primary purpose of maintaining reliable generation output capability that does not increase the heat input or fuel usage.

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

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

(2) Every gas company, electrical company, wastewater company, and water company ((~~shall~~)) must furnish and supply such service, instrumentalities and facilities as ((~~shall be~~)) are safe, adequate and efficient, and in all respects just and reasonable.

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

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

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

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

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

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

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

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

(5) The utility ((~~shall~~)) must:

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

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

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

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

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

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

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

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

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

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

(11)(a) Electrical companies, gas companies, and the commission shall use the greenhouse gas planning adder when evaluating and selecting conservation policies, programs, and targets.

(b)(i) Electrical companies must use the greenhouse gas planning adder in developing and evaluating integrated resource plans pursuant to chapter 19.280 RCW; and

(ii) Gas companies must use the greenhouse gas planning adder in developing integrated resource plans that describe a mix of natural gas, biogas, or synthetic gas and conservation designated to meet current and future needs at the lowest reasonable costs to the gas company and its customers.

(c) Electrical companies and gas companies must use the greenhouse gas planning adder in evaluating and selecting intermediate-term and long-term resource options.

(d) The commission must use the greenhouse gas planning adder in evaluating integrated resource plans and intermediate-term and long-term resource options selected by electrical companies and gas companies under this subsection.

(e) For the purposes of this subsection: (i) Gas consisting largely of methane and other hydrocarbons derived from the decomposition of organic material in landfills, wastewater treatment facilities, and anaerobic digesters must be considered a nonemitting resource; and (ii) qualified biomass energy must be considered a nonemitting resource.

(f) A multistate electric company with retail customers and generation located outside the state of Washington must use the greenhouse gas planning adder pursuant to this subsection beginning January 1, 2020.

NEW SECTION. **Sec.**  A new section is added to chapter 80.28 RCW to read as follows:

(1) The legislature declares that changes in technology and the structure of the energy industry may produce conditions under which traditional rate of return, rate-based regulation of electrical and gas companies may not in all cases provide the most efficient and effective means of achieving the legislature's intent and the public policy goals of this state as declared in chapters 19.280 and 19.285 RCW and this title. The commission should be authorized to employ an alternative form of regulation if that alternative is better suited to achieving those policy goals.

(2)(a) Subject to the conditions set forth in this chapter, the commission may regulate an electrical or gas company by authorizing an alternative form of regulation. The commission may determine the manner and extent of any alternative form of regulation as may be appropriate in the public interest, including, but not limited to, authorizing an alternative form of regulation for all or individual utility services.

(b) The commission must consider, to the extent applicable, the extent to which an alternative form of regulation is expected to:

(i) Align utility regulatory incentives with the public interest;

(ii) Maintain and enhance the ability of the electrical or gas company to furnish safe, adequate, and efficient service to its customers;

(iii) Support prudent and efficient use of the electrical or natural gas system and utility operations;

(iv) Maintain and enhance overall electrical or natural gas system reliability, security, and resilience;

(v) Allow an electrical or gas company to support and participate in market transformation for enabling technologies without harming competition;

(vi) Allow an electrical or gas company to be financially indifferent as to: (A) The ownership of the property necessary to furnish service to its customers, except where appropriate for facilities furnished to establish a person as a customer of the electrical or gas company; or (B) the quantity of electricity or gas sold to its customers;

(vii) Reasonably protect customers, including low-income customers, from associated short and long-term risks;

(viii) Ensure an appropriate level of consumer protection;

(ix) Support the achievement of state emissions reduction goals;

(x) Consider adverse environmental impacts;

(xi) Provide the electrical or gas company with the opportunity to earn a reasonable rate of return on investment; and

(xii) Provide for broad customer engagement to promote participation by a diversity of customers, particularly underserved communities or segments thereof, in the associated programs to help achieve the criteria identified in this subsection (2)(b).

(3) An electrical or gas company may petition the commission to establish an alternative form of regulation. The electrical or gas company must submit with the petition a plan for an alternative form of regulation, which may include provisions establishing a reasonable range for rate of return on investment. The plan must contain a proposal for transition to the alternative form of regulation and the proposed duration of the plan. The development of a plan, which must include customer and stakeholder input, must contain a proposal for appropriate performance metrics and enforcement or remedial provisions in the event the company fails to meet such metrics. The commission also may initiate consideration of alternative forms of regulation for a company or companies on its own motion. The commission, after notice and hearing, must issue an order accepting, modifying, or rejecting the plan within eleven months after the petition or motion is filed, unless extended by the commission for good cause. Nothing in this section may be interpreted as requiring an electrical or gas company to submit a petition for a plan for an alternative form of regulation as part of or concurrent with a general rate case or other proceeding for recovery of costs of such a company.

(4) Not later than sixty days from the entry of the commission's order, the electrical or gas company affected by the order must file with the commission: (a) An election to proceed with the alternative form of regulation as authorized by the commission; or (b) an election not to proceed with the alternative form of regulation as authorized by the commission.

(5) The commission may waive such a regulatory requirement under this title for an electrical or gas company subject to an alternative form of regulation as may be appropriate to facilitate the implementation of this section. However, as part of a proceeding to consider alternative forms of regulation, the commission may not waive any grant of legal rights to any person contained in this chapter and chapter 80.04 RCW. The commission may waive different regulatory requirements for different electrical or gas companies or services if the different treatment is in the public interest.

(6) Upon petition by the electrical or gas company, or on motion by the commission when evaluating the achievement of metrics developed in subsection (3) of this section, and after notice and hearing, the commission may rescind or modify an alternative form of regulation in the manner requested by the electrical or gas company.

(7) The commission or any person may file a complaint under RCW 80.04.110 alleging that an electrical or gas company under an alternative form of regulation has not complied with the terms and conditions set forth in the alternative form of regulation. The complainant bears the burden of proving the allegations in the complaint.

(8) During a state of emergency declared under RCW 43.06.010(12), the governor may waive or suspend the operation or enforcement of this section or any portion of this section or under any administrative rule, and issue any orders to facilitate the operation of state or local government or to promote and secure the safety and protection of the civilian population.

(9) The provisions of this section apply only to alternative forms of regulation submitted to the commission pursuant to this section. Nothing contained in this section may be construed to alter, amend, repeal, modify, interpret, or be in conflict with this chapter. Nothing in this section may be construed to expand or alter the commission's jurisdiction to regulate in the public interest and ensure just, fair, reasonable, and sufficient rates for electrical and gas companies.

NEW SECTION. **Sec.**  The legislature finds that:

(1) Programs for electrification of transportation have the potential to allow electric utilities to optimize the use of electric distribution infrastructure, improve the management of electric loads, and better manage the integration of variable renewable energy resources. The legislature finds that, depending upon each utility's unique circumstances, electrification of transportation programs may provide cost-effective energy efficiency or defer capital investment needed to accommodate unmanaged variable electricity supply and demand. Electrification of transportation may result in cost savings and system benefits for all ratepayers. The legislature also finds that electrification of transportation may assist electric utilities in meeting the fossil fuel reduction targets established under section 3 of this act.

(2) State policy can achieve the greatest return on investment in reducing greenhouse gas emissions and improving air quality by expediting the transition to alternative fuel vehicles, including electric vehicles. Potential benefits associated with electrification of transportation include the monetization of environmental attributes associated with carbon reduction in the transportation sector.

NEW SECTION. **Sec.**  A new section is added to chapter 35.92 RCW to read as follows:

(1) The governing authority of an electric utility formed under this chapter may adopt a transportation electrification plan that, at a minimum, establishes a finding that: (a) If the electric utility is acquiring new resources as indicated in its most recent plan developed pursuant to chapter 19.280 RCW, utility outreach and investment in the electrification of transportation infrastructure is cost-effective, as determined using a methodology that assesses both the expected system benefits and expected costs to ratepayers served by the utility on the distribution system; or (b) if the electric utility is not acquiring new resources as indicated in its most recent plan developed pursuant to chapter 19.280 RCW, utility outreach and investment in the electrification of transportation infrastructure is cost-effective, as determined using a methodology that assesses both the expected system benefits and expected costs to ratepayers served by the utility on the distribution system and long-term contracted wholesale electricity supply that will result in a greater ratepayer benefit than the individual benefit from the program cost.

(2) In adopting a transportation electrification plan under subsection (1) of this section, the governing authority may consider some or all of the following: (a) The applicability of multiple options for electrification of transportation across all customer classes; (b) the impact of electrification on the utility's distribution load, and whether demand response or other load management opportunities, including direct load control and dynamic pricing, are operationally appropriate; (c) system reliability and distribution system efficiencies; (d) interoperability concerns, including the interoperability of hardware and software systems in electrification of transportation proposals; and (e) overall customer experience.

(3) The governing authority of an electric utility formed under this chapter may, upon making a cost-effectiveness determination in accordance with subsection (1) of this section, offer programs in the electrification of transportation for its customers, including advertising programs to promote the utility's or third-party services, incentives, or rebates.

(4) For the purposes of this section, "system benefit" means a situation where financial, reliability, and quality benefits of the electrification of transportation are conferred equally among all ratepayers on the distribution system or among the utility's resource generation portfolio.

(5) For the purposes of this section, "distribution system" means all of the distribution lines, substations, switches, and other distribution hardware contiguously connected at voltages below ninety kilovolts that are owned and operated by a single utility.

NEW SECTION. **Sec.**  A new section is added to chapter 54.16 RCW to read as follows:

(1) The commission of a public utility district may adopt a transportation electrification plan that, at a minimum, establishes a finding that: (a) If the district is acquiring new resources as indicated in its most recent plan developed pursuant to chapter 19.280 RCW, district outreach and investment in the electrification of transportation infrastructure is cost-effective, as determined using a methodology that assesses both the expected system benefits and expected costs to ratepayers served by the district on the distribution system; or (b) if the district is not acquiring new resources as indicated in its most recent plan developed pursuant to chapter 19.280 RCW, district outreach and investment in the electrification of transportation infrastructure is cost-effective, as determined using a methodology that assesses both the expected system benefits and expected costs to ratepayers served by the utility on the distribution system and long-term contracted wholesale electricity supply that will result in a greater ratepayer benefit than the individual benefit from the program cost.

(2) In adopting a transportation electrification plan under subsection (1) of this section, the commission may consider some or all of the following: (a) The applicability of multiple options for electrification of transportation across all customer classes; (b) the impact of electrification on the district's distribution load, and whether demand response or other load management opportunities, including direct load control and dynamic pricing, are operationally appropriate; (c) system reliability and distribution system efficiencies; (d) interoperability concerns, including the interoperability of hardware and software systems in electrification of transportation proposals; and (e) overall customer experience.

(3) The commission of a public utility district may, upon making a cost-effectiveness determination in accordance with subsection (1) of this section, offer programs in the electrification of transportation for its customers, including advertising programs to promote the district's or third-party services, incentives, or rebates.

(4) For the purposes of this section, "system benefit" means a situation where financial, reliability, and quality benefits of the electrification of transportation are conferred equally among all ratepayers on the distribution system or among the utility's resource generation portfolio.

(5) For the purposes of this section, "distribution system" means all of the distribution lines, substations, switches, and other distribution hardware contiguously connected at voltages below ninety kilovolts that are owned and operated by a single utility.

**Sec.**  RCW 80.60.010 and 2007 c 323 s 1 are each amended to read as follows:

The definitions in this section apply throughout this chapter unless the context clearly indicates otherwise.

(1) "Commission" means the utilities and transportation commission.

(2) "Customer-generator" means a user of a small net metering system.

(3) "Electrical company" means a company owned by investors that meets the definition of RCW 80.04.010.

(4) "Electric cooperative" means a cooperative or association organized under chapter 23.86 or 24.06 RCW.

(5) "Electric utility" means any electrical company, public utility district, irrigation district, port district, electric cooperative, or municipal electric utility that is engaged in the business of distributing electricity to retail electric customers in the state.

(6) "Irrigation district" means an irrigation district under chapter 87.03 RCW.

(7) "Meter aggregation" means the administrative combination of readings from and billing for all meters, regardless of the rate class, on premises owned or leased by a customer-generator located within the service territory of a single electric utility.

(8) "Municipal electric utility" means a city or town that owns or operates an electric utility authorized by chapter 35.92 RCW.

(9) "Net metering" means measuring the difference between the electricity supplied by an electric utility and the electricity generated by a customer-generator over the applicable billing period.

(10) "Small net metering system" means a fuel cell, a facility that produces electricity and used and useful thermal energy from a common fuel source, or a facility for the production of electrical energy that generates renewable energy, and that:

(a) Has an electrical generating capacity of not more than one hundred ninety-nine kilowatts;

(b) Is located on the customer-generator's premises;

(c) Operates in parallel with the electric utility's transmission and distribution facilities; and

(d) Is intended primarily to offset part or all of the customer-generator's requirements for electricity.

(11) "Premises" means any residential property, commercial real estate, or lands, owned or leased by a customer-generator within the service area of a single electric utility.

(12) "Port district" means a port district within which an industrial development district has been established as authorized by Title 53 RCW.

(13) "Public utility district" means a district authorized by chapter 54.04 RCW.

(14) "Renewable energy" means energy generated by a facility that uses water, wind, solar energy, or biogas from animal waste as a fuel.

(15) "Large net metering system" means a fuel cell, a facility that produces electricity and used and useful thermal energy from a common fuel source, or a facility for the production of electrical energy that generates renewable energy, and that:

(a) Has an electrical generating capacity greater than one hundred ninety-nine kilowatts;

(b) Is located on the customer-generator's premises;

(c) Operates in parallel with the electric utility's transmission and distribution facilities; and

(d) Is intended primarily to offset part or all of the customer-generator's requirements for electricity.

**Sec.**  RCW 80.60.020 and 2007 c 323 s 2 are each amended to read as follows:

(1) An electric utility:

(a) ((~~Shall~~)) Except as otherwise provided in subsection (2)(a) of this section, must offer to make net metering available to eligible customers-generators with small net metering systems on a first-come, first-served basis until the cumulative generating capacity of small net metering systems equals ((~~0.25~~)) four percent of the utility's peak demand during 1996. ((~~On January 1, 2014, the cumulative generating capacity available to net metering systems will equal 0.5 percent of the utility's peak demand during 1996.~~)) Not less than one-half of the utility's 1996 peak demand available for small net metering systems ((~~shall~~)) must be reserved for the cumulative generating capacity attributable to small net metering systems that generate renewable energy for residential rate payers;

(b) ((~~Shall~~)) Must allow small net metering systems to be interconnected using a standard kilowatt-hour meter capable of registering the flow of electricity in two directions, unless the commission, in the case of an electrical company, or the appropriate governing body, in the case of other electric utilities, determines, after appropriate notice and opportunity for comment:

(i) That the use of additional metering equipment to monitor the flow of electricity in each direction is necessary and appropriate for the interconnection of small net metering systems, after taking into account the benefits and costs of purchasing and installing additional metering equipment; and

(ii) How the cost of purchasing and installing an additional meter is to be allocated between the customer-generator and the utility;

(c) ((~~Shall~~)) Must charge the customer-generator a minimum monthly fee that is the same as other customers of the electric utility in the same rate class, but ((~~shall~~)) may not charge the customer-generator any additional standby, capacity, interconnection, or other fee or charge unless the commission, in the case of an electrical company, or the appropriate governing body, in the case of other electric utilities, determines, after appropriate notice and opportunity for comment that:

(i) The electric utility will incur direct costs associated with interconnecting or administering small net metering systems that exceed any offsetting benefits associated with these systems; and

(ii) Public policy is best served by imposing these costs on the customer-generator rather than allocating these costs among the utility's entire customer base.

(2)(a) An electric utility may offer an alternative to net metering, for all or certain increments of the utility's distribution system, to customer-generators with small net metering systems after the electric utility reaches a cumulative generating capacity of small net metering systems equal to two percent of the utility's peak demand during 1996 or beginning January 1, 2022, whichever occurs first.

(b) In order to offer an alternative to net metering, the electric utility must first engage in a distributed energy resources planning process, for all or certain increments of the utility's distribution system, that accomplishes the objectives for distributed energy resources planning processes established under section 22 of this act.

(c) An electric utility must continue to offer net metering, in accordance with the requirements of this chapter, to a customer-generator with a small net metering system that is interconnected as of the effective date of this section. The electric utility may offer an alternative to net metering under (a) of this subsection if the property on which an existing net metering system is located is sold or if the financial responsibility for the electric meter is transferred to a new customer.

(3) An electric utility may offer to make net metering available to eligible customer-generators with large net metering systems. If the electric utility chooses to offer to make net metering available to eligible customer-generators with large net metering systems, the electric utility:

(a) Must allow large net metering systems to be interconnected using a standard kilowatt-hour meter capable of registering the flow of electricity in two directions, unless the commission, in the case of an electrical company, or the appropriate governing body, in the case of other electric utilities, determines, after appropriate notice and opportunity for comment:

(i) That the use of additional metering equipment to monitor the flow of electricity in each direction is necessary and appropriate for the interconnection of large net metering systems, after taking into account the benefits and costs of purchasing and installing additional metering equipment; and

(ii) How the cost of purchasing and installing an additional meter is to be allocated between the customer-generator and the utility; and

(b) Must charge the customer-generator a minimum monthly fee that is the same as other customers of the electric utility in the same rate class, but may not charge the customer-generator any additional standby, capacity, interconnection, or other fee or charge unless the commission, in the case of an electrical company, or the appropriate governing body, in the case of other electric utilities, determines, after appropriate notice and opportunity for comment that:

(i) The electric utility will incur direct costs associated with interconnecting or administering large net metering systems that exceed any offsetting benefits associated with these systems; and

(ii) Public policy is best served by imposing these costs on the customer-generator rather than allocating these costs among the utility's entire customer base.

(4) An electric utility may offer an alternative to net metering to customer-generators with large net metering systems beginning January 1, 2019, in accordance with the same distributed energy resources planning requirements specified under subsection (2) of this section.

(5) If a production meter and software is required by the electric utility to provide meter aggregation under RCW 80.60.030(4), the customer‑generator is responsible for the purchase of the production meter and software.

**Sec.**  RCW 80.60.030 and 2007 c 323 s 3 are each amended to read as follows:

Consistent with the other provisions of this chapter, the net energy measurement must be calculated in the following manner:

(1) The electric utility ((~~shall~~)) must measure the net electricity produced or consumed during the billing period, in accordance with normal metering practices.

(2) If the electricity supplied by the electric utility exceeds the electricity generated by the customer-generator and fed back to the electric utility during the billing period, the customer-generator ((~~shall~~)) must be billed for the net electricity supplied by the electric utility, in accordance with normal metering practices.

(3) If electricity generated by the customer-generator exceeds the electricity supplied by the electric utility, the customer-generator:

(a) ((~~Shall~~)) Must be billed for the appropriate customer charges for that billing period, in accordance with RCW 80.60.020; and

(b) ((~~Shall~~)) Must be credited for the excess kilowatt-hours generated during the billing period, with this kilowatt-hour credit appearing on the bill for the following billing period.

(4) If a customer-generator requests, an electric utility ((~~shall~~)) must provide meter aggregation.

(a) For customer-generators participating in meter aggregation, kilowatt-hours credits earned by a small net metering system during the billing period first ((~~shall~~)) must be used to offset electricity supplied by the electric utility.

(b) Not more than a total of one hundred kilowatts ((~~shall~~)) may be aggregated among all customer-generators participating in a generating facility under this subsection.

(c) Excess kilowatt-hours credits earned by the small net metering system, during the same billing period, ((~~shall~~)) must be credited equally by the electric utility to remaining meters located on all premises of a customer-generator at the designated rate of each meter.

(d) Meters so aggregated ((~~shall~~)) may not change rate classes due to meter aggregation under this section.

(5) On March 31st or April 30th of each calendar year, any remaining unused kilowatt-hour credit accumulated during the previous ((~~year shall~~)) twelve-month period must be granted to the electric utility, without any compensation to the customer-generator. An electric utility may use any net metering credits granted under this subsection to assist qualified low-income residential customers of the electric utility in paying their electricity bill, if doing so is found to be cost-effective and feasible.

NEW SECTION. **Sec.**  (1) Section 25 of this act takes effect on the effective date of any act by the legislature that imposes a tax, fee, or other monetary price on the carbon content of fossil fuels and electricity sold or used within the state.

(2) The utilities and transportation commission must provide notice of the effective date of section 25 of this act to affected parties, the chief clerk of the house of representatives, the secretary of the senate, the office of the code reviser, and others as deemed appropriate by the commission."

Renumber the remaining sections consecutively and correct any internal references accordingly.

On page 42, line 29 of the amendment, after "of this act" strike "this act"

EFFECT: Establishes a state policy pertaining to distributed energy resources planning. Establishes a greenhouse gas planning adder for certain activities of the Utilities and Transportation Commission (UTC), electrical companies, and gas companies. Authorizes the UTC to regulate electrical and gas companies under an alternative form of regulation. Authorizes the governing board of a municipal electric utility or public utility district to adopt a transportation electrification plan. Increases the maximum electrical generating capacity of systems for which electric utilities are required to make net metering available to 199 kilowatts. Authorizes, but does not require, electric utilities to offer net metering to customer-generators with systems larger than 199 kilowatts. Increases the minimum net metering threshold for small net metering systems to four percent of the utility's peak demand during 1996. Provides a mechanism by which an electric utility may offer an alternative to net metering.