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**SUBSTITUTE SENATE BILL 5562**

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**State of Washington**

**68th Legislature**

**2023 Regular Session**

**By** Senate Environment, Energy & Technology (originally sponsored by Senators Nguyen, Lovelett, Hunt, Keiser, Lias, Saldaña, Wellman, and C. Wilson)

READ FIRST TIME 02/15/23.

1 AN ACT Relating to supporting Washington's clean energy economy  
2 and transitioning to a clean, affordable, and reliable energy future;  
3 amending RCW 80.28.010; 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 15<sup>th</sup> through March 15<sup>th</sup> 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 15<sup>th</sup> and to pay for continued utility service. If  
39 the past due bill is not paid by the following October 15<sup>th</sup>, 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 15<sup>th</sup> through March 15<sup>th</sup>. 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 five periods of  
27 five calendar years each, with the five 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 large gas company'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** ---