
SUBSTITUTE HOUSE BILL 1427

State of Washington

68th Legislature

2023 Regular Session

By House Environment & Energy (originally sponsored by Representatives Mena, Doglio, Ramel, Street, Berry, Duerr, Hackney, Reed, Fosse, Cortes, Lekanoff, and Peterson)

1 AN ACT Relating to on-premises energy generation; amending RCW
2 80.60.020 and 80.60.030; reenacting and amending RCW 80.60.010;
3 adding a new section to chapter 19.86 RCW; adding new sections to
4 chapter 80.60 RCW; and creating a new section.

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

6 **Sec. 1.** RCW 80.60.010 and 2019 c 235 s 1 are each reenacted and
7 amended to read as follows:

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

10 (1) "Aggregated meter" means an electric service meter measuring
11 electric energy consumption that is eligible to receive credits under
12 a meter aggregation arrangement as described in RCW 80.60.030.

13 (2) "Commission" means the utilities and transportation
14 commission.

15 (3) "Consumer-owned utility" means a municipal electric utility
16 formed under Title 35 RCW, a public utility district formed under
17 Title 54 RCW, an irrigation district formed under chapter 87.03 RCW,
18 a cooperative formed under chapter 23.86 RCW, or a mutual corporation
19 or association formed under chapter 24.06 RCW, that is engaged in the
20 business of distributing electricity to more than one retail electric
21 customer in the state.

- 1 (4) "Customer-generator" means a user of a net metering system.
- 2 (5) "Designated meter" means an electric service meter at the
3 service of a net metering system that is interconnected to the
4 utility distribution system.
- 5 (6) "Electric cooperative" means a cooperative or association
6 organized under chapter 23.86 or 24.06 RCW.
- 7 (7) "Electric utility" means any electrical company, public
8 utility district, irrigation district, port district, electric
9 cooperative, or municipal electric utility that is engaged in the
10 business of distributing electricity to retail electric customers in
11 the state.
- 12 (8) "Electrical company" means a company owned by investors that
13 meets the definition of RCW 80.04.010.
- 14 (9) "Irrigation district" means an irrigation district under
15 chapter 87.03 RCW.
- 16 (10) "Meter aggregation" means the administrative combination of
17 billing net energy consumption from a designated net meter and
18 eligible aggregated meter.
- 19 (11) "Municipal electric utility" means a city or town that owns
20 or operates an electric utility authorized by chapter 35.92 RCW.
- 21 (12) "Net metering" means measuring the difference between the
22 electricity supplied by an electric utility and the excess
23 electricity generated by a customer-generator's net metering system
24 over the applicable billing period.
- 25 (13) "Net metering system" means a fuel cell, a facility that
26 produces electricity and used and useful thermal energy from a common
27 fuel source, or a facility for the production of electrical energy
28 that generates renewable energy, and that:
- 29 (a) Has an electrical generating AC capacity of (~~not more than~~
30 ~~one hundred kilowatts~~) up to one megawatt for a system in the
31 service territory of a consumer-owned utility. A consumer-owned
32 utility is not required to approve a net metering system for the sole
33 reason that the system conflicts with the Bonneville power
34 administration's definition of a small generator;
- 35 (b) Has an electrical generating AC capacity of up to one
36 megawatt for a system in the service territory of an investor-owned
37 utility. Investor-owned utilities may allow a net metering system
38 larger than one megawatt in their service territory;
- 39 (c) Is located on the customer-generator's premises;

1 (~~(e)~~) (d) Operates in parallel with the electric utility's
2 transmission and distribution facilities and is connected to the
3 electric utility's distribution system; and

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

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

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

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

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

16 (18) "Retail electric customer" includes an individual,
17 organization, group, association, partnership, corporation, agency,
18 unit of state government, or entity that is connected to the electric
19 utility's distribution system and purchases electricity for ultimate
20 consumption and not for resale.

21 (19) "Annual production projections" means estimates of the
22 energy production of a solar energy system over one calendar year.

23 (20) "System components" means the physical parts of a solar
24 energy system including solar modules, direct current to alternating
25 current inverters, solar module level electronics, and solar racking.

26 **Sec. 2.** RCW 80.60.020 and 2019 c 235 s 2 are each amended to
27 read as follows:

28 (1) An electric utility:

29 (a) Shall offer to make net metering, pursuant to RCW 80.60.030,
30 available to eligible customer-generators on a first-come, first-
31 served basis until the earlier of either: (i) (~~(June 30))~~ December
32 31, 2029; or (ii) the first date upon which the cumulative generating
33 capacity of net metering systems equals (~~(four))~~ six percent of the
34 utility's peak demand during 1996. Not less than one-half of the
35 utility's 1996 peak demand available for net metering systems shall
36 be reserved for the cumulative generating capacity attributable to
37 net metering systems that generate renewable energy. Nothing in this
38 section prohibits an electric utility from continuing to make net
39 metering available after the conditions in this subsection are met.

1 An electric utility must continue to make net metering available for
2 low-income households after the conditions in this subsection are
3 met. For the purposes of this subsection, "low-income" has the same
4 meaning as defined in RCW 19.405.020;

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

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

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

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

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

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

33 (d) Must enter a contract, which must be no shorter than 25
34 years, with any person interested in becoming an eligible customer-
35 generator. If the person interested in becoming an eligible customer-
36 generator, or an existing customer-generator, and the electric
37 utility both agree to the terms of the contract, they must enter into
38 the contract. The contract must be transferable to any future
39 customer-generator at the electric meter, in the case of changing
40 system ownership, for the remainder of the contract term.

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

5 (3) (a) (i) A consumer-owned utility may develop a standard rate or
6 tariff schedule that deviates from RCW 80.60.030 for eligible
7 customer-generators to take effect at the earlier of either: (A)
8 (~~June 30~~) December 31, 2029; or (B) the first date upon which the
9 cumulative generating capacity of net metering systems equals
10 (~~four~~) six percent of the utility's peak demand during 1996.

11 (ii) An electrical company may submit a filing with the
12 commission to develop a standard tariff schedule that deviates from
13 RCW 80.60.030 for eligible customer-generators. The commission must
14 approve, reject, or approve with conditions a net metering tariff
15 schedule pursuant to this subsection within one year of an electrical
16 company filing. If the commission approves the filing with
17 conditions, the investor-owned utility may choose to accept the
18 tariff schedule with conditions or file a new tariff schedule with
19 the commission.

20 (b) An approved standard rate or tariff schedule under this
21 subsection applies to any customer-generator subject to an
22 interconnection agreement entered into: (i) After (~~June 30~~)
23 December 31, 2029, or (ii) the first date upon which the cumulative
24 generating capacity of net metering systems pursuant to RCW 80.60.030
25 equals (~~four~~) six percent of the utility's peak demand during 1996,
26 whichever is earlier, unless the commission or governing body
27 determines that a customer-generator is eligible for net metering
28 under a rate or tariff schedule pursuant to RCW 80.60.030.

29 (c) (i) A consumer-owned utility must notify the Washington State
30 University extension energy program (~~sixty~~) 60 days in advance of
31 when a standard rate for an eligible customer-generator is first
32 placed on the agenda of the governing body.

33 (ii) Each electric utility must give notice by July 31, 2020, and
34 semiannually thereafter, to the Washington State University extension
35 energy program of the status of meeting the cumulative generating
36 capacity available to net metering systems pursuant to subsection
37 (1)(a) of this section.

38 (iii) The Washington State University extension energy program
39 must make available on its website a list of the following:

1 (A) Each electric utility's progress on reaching the cumulative
2 generating capacity available to net metering systems pursuant to
3 subsection (1)(a) of this section;

4 (B) Electric utilities that have provided notice of a rate or
5 tariff schedule under this subsection; and

6 (C) Electric utilities that have adopted a standard rate or
7 tariff schedule under this subsection.

8 (d) If the commission does not approve an electrical company's
9 tariff schedule under (a)(ii) of this subsection, the commission may
10 determine the alternative cumulative generating capacity available to
11 net metering systems pursuant to RCW 80.60.030.

12 (4)(a) An electric utility must continue to credit a customer-
13 generator pursuant to RCW 80.60.030 if:

14 (i) The customer-generator takes service under net metering prior
15 to the earlier of: (A) (~~June 30~~) December 31, 2029; or (B) the
16 first date upon which the cumulative generating capacity of net
17 metering systems reaches (~~four~~) six percent of the utility's peak
18 demand in 1996; and

19 (ii) The customer-generator's existing interconnection agreement
20 for the net metering system remains valid.

21 (b) The commission, in the case of electrical companies, and a
22 governing body, in the case of consumer-owned utilities, must
23 determine as part of a standard rate or tariff schedule under this
24 subsection when customer-generators become ineligible for credit
25 pursuant to RCW 80.60.030.

26 (c) Upon adoption of a standard rate or tariff schedule by the
27 commission or governing body pursuant to subsection (3)(a) of this
28 section, the electric utility is exempt from requirements under
29 subsection (1)(c) of this section and RCW 80.60.030 for new
30 interconnection agreements.

31 **Sec. 3.** RCW 80.60.030 and 2019 c 235 s 3 are each amended to
32 read as follows:

33 Consistent with the other provisions of this chapter, the net
34 energy measurement, billed charges for kilowatt-hour consumption, and
35 credits for excess kilowatt-hour generation by a net metered system,
36 must be calculated in the following manner:

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

1 (2) If the electricity supplied by the electric utility exceeds
2 the electricity generated by the customer-generator's net metering
3 system and fed back to the electric utility during the billing
4 period, the customer-generator shall be billed for the net
5 electricity supplied by the electric utility, in accordance with
6 normal metering practices.

7 (3) If excess electricity generated by the net metering system
8 during a billing period exceeds the electricity supplied by the
9 electric utility during the same billing period, the customer-
10 generator:

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

13 (b) Shall be credited for the excess kilowatt-hours generated
14 during the billing period, with the credit for kilowatt-hours
15 appearing on the bill for the following billing period.

16 (4) If a customer-generator requests, an electric utility shall
17 provide such a customer-generator meter aggregation.

18 (a) For a customer-generator participating in meter aggregation,
19 credits for kilowatt-hours earned by the customer-generator's net
20 metering system during the billing period first shall be used to
21 offset electricity supplied by the electric utility at the location
22 of the customer-generator's designated meter.

23 (b) A customer-generator may aggregate a designated meter with
24 one additional aggregated meter located on the same parcel as the
25 designated meter or a parcel that is contiguous with the parcel where
26 the designated meter is located.

27 (c) For the purposes of (b) of this subsection, a parcel is
28 considered contiguous if they share a common property boundary, but
29 may be separated only by a road or rail corridor.

30 (d) A retail electric customer who is a customer-generator and
31 receives retail electric service from an electric utility at an
32 aggregated meter must be the same retail electric customer who
33 receives retail electric service from such an electric utility at the
34 designated meter that is located on the premises where such a
35 customer-generator's net metering system is located.

36 (e) Credits for excess kilowatt-hours earned by the net metering
37 system at the site of a designated meter during a billing period
38 shall be credited by the electric utility for kilowatt-hour charges
39 due at the aggregated meter at the applicable rate of the aggregated
40 meter.

1 (f) If credits generated in any billing period exceed total
2 consumption for that billing period at both meters that are part of
3 an aggregated arrangement, credits are retained pursuant to
4 subsections (3) and (5) of this section.

5 (g) Credits carried over from one billing period to the next
6 pursuant to (f) of this subsection must be applied in subsequent
7 billing periods in the same manner described under (a) and (e) of
8 this subsection.

9 (h) Meters so aggregated shall not change rate classes due to
10 meter aggregation under this section.

11 (5) On March 31st of each calendar year, any remaining unused
12 credits for kilowatt-hours accumulated during the previous year shall
13 be granted to the electric utility, without any compensation to the
14 customer-generator, for distribution to low-income customers through
15 a utility energy assistance program. It is the intent of the
16 legislature that this be in addition to existing funds used for this
17 purpose.

18 (6) Nothing in this section prohibits a utility from allowing
19 aggregation under terms different than the requirements of subsection
20 (4) of this section if a customer-generator has an existing
21 arrangement for meter aggregation in effect or a customer submits a
22 written request for aggregation on or before July 1, 2019.

23 (7) Nothing in this section prohibits the owner of multifamily
24 residential facility from installing a net metering system as defined
25 in RCW 80.60.010 assigned to a single designated meter located on the
26 premises of the multifamily residential facility where the tenants
27 are not individually metered customers of the utility and
28 distributing any benefits of the net metering to tenants of the
29 facility where the net metering system is located. The utility must
30 measure the net energy produced and provide credit to the single
31 designated meter to which the net metering system is assigned in
32 accordance with subsections (1) through (3) of this section or under
33 the terms of a standard rate or tariff schedule established under RCW
34 80.60.020(3). The distribution of benefits to tenants of such a
35 system, if any, is the responsibility of the owner of the net
36 metering system and not the responsibility of the utility.

37 NEW SECTION. Sec. 4. A new section is added to chapter 19.86
38 RCW to read as follows:

1 (1) A customer intending to purchase the installation of a system
2 producing electricity with solar energy must have a contract with a
3 solar energy contractor unless the customer installs the system
4 without a solar energy contractor.

5 (2) A solar energy contract must be in writing. A copy of the
6 contract must be given to the customer at the time the customer signs
7 the contract. The contract must be typed or printed legibly and
8 contain the following provisions:

9 (a) An itemized list or summary of work to be performed;

10 (b) The model and brand name of system components to be used, if
11 system components change throughout the duration of the contract,
12 those changes must be documented and their quality must be equal or
13 greater to that of the original system components, unless agreed upon
14 in writing by the customer;

15 (c) The warranty of each system component;

16 (d) The dollar amount of the contract;

17 (e) The solar energy system's first year annual production
18 projections in kilowatt-hours and the methodology and the means, or
19 name of the program or tool used to develop the projections;

20 (f) The name of the primary solar energy salesperson or solar
21 sales firm;

22 (g) The name, address, and contractor's registration number of
23 the solar energy contractor;

24 (h) A statement as to whether all or part of the work is intended
25 to be subcontracted to or performed by another person or entity other
26 than the contractor's own workforce;

27 (i) The link address to the Washington state labor and industries
28 contractor verification tool;

29 (j) The contract must require the customer to disclose whether
30 the customer intends to obtain a loan in order to pay for all or part
31 of the amount due under the contract;

32 (k) If the customer indicates that he or she intends to obtain a
33 loan to pay for a portion of the contract, the contract must clearly
34 provide a recommendation that the customer wait until receiving
35 financial approval before signing the solar energy contract, and the
36 customer must sign below the recommendation provision acknowledging
37 they have read and understand the recommendation provision;

38 (l) The contract must provide the following recommendation in
39 capital letters:

1 "IF YOU INTEND TO OBTAIN A LOAN TO PAY FOR ALL OR PART OF THE
2 CONTRACT, IT IS RECOMMENDED THAT YOU WAIT UNTIL RECEIVING FINANCIAL
3 APPROVAL BEFORE SIGNING THIS SOLAR ENERGY CONTRACT.";

4 (m) The contract must provide notice of the right to cancel that
5 allows the customer to cancel the solar energy contract within three
6 business days of contract signing and the contract must require the
7 customer to sign below the notice provision acknowledging they have
8 read and understand the notice provision;

9 (n) The contract must provide the following notice in capital
10 letters:

11 "CUSTOMER'S RIGHT TO CANCEL: YOU HAVE THE RIGHT TO CANCEL YOUR
12 SOLAR ENERGY CONTRACT WITHIN THREE BUSINESS DAYS OF CONTRACT
13 SIGNING.";

14 (o) The contract must state that the addition of a solar
15 generation system may affect the value of the structure as determined
16 by the county assessor and any change in value may be reflected in
17 annual property taxes; and

18 (p) The contract must state that a solar generation system will
19 automatically island the customer-generator from the utility grid in
20 the event of a power outage to protect utility repair personnel from
21 a risk of electric shock from the electricity that could otherwise
22 flow into the utility distribution system from the solar generation
23 system. This provision may be omitted if the solar generation system
24 includes grid forming inverters, battery back-up equipment, or other
25 equipment that satisfies UL1741 standards.

26 (3) If the customer indicates that they intend to obtain a loan
27 to pay for all or part of the cost of the solar energy contract, the
28 solar energy contractor or their subcontractor may not begin work
29 until after the customer's rescission rights provided in this section
30 have expired. If the solar energy contractor or their subcontractor
31 commences work under the contract before the customer's rescission
32 rights have expired, the solar energy contractor is prohibited from
33 enforcing the terms of the contract, including claims for labor or
34 materials, in a court of law and must terminate any security interest
35 or statutory lien created under the transaction within 20 days of
36 receiving written rescission of the contract from the customer.

37 (4) A person or entity who purchases or is otherwise assigned a
38 solar energy contract is subject to all claims and defenses with
39 respect to the contract that the customer could assert against the
40 solar energy contractor or subcontractor. A person or entity who

1 sells or otherwise assigns a solar energy contract must include a
2 prominent notice of the potential liability under this section.

3 (5) The legislature finds and declares that a violation of this
4 chapter substantially affects the public interest and is an unfair
5 and deceptive act or practice and unfair method of competition in the
6 conduct of trade or commerce as set forth under this chapter.

7 (6) A solar energy contractor or subcontractor who fails to
8 comply with the requirements of this chapter is liable to the
9 customer for any actual damages sustained by the person as a result
10 of the failure. Nothing in this section limits any cause of action or
11 remedy available under RCW 19.186.050 or this chapter.

12 NEW SECTION. **Sec. 5.** A new section is added to chapter 80.60
13 RCW to read as follows:

14 (1) An entity offering solar energy sales or installation
15 services must offer a contract pursuant to section 4 of this act.

16 (2) A contractor who enters into a contract to perform work on a
17 net metering system shall pay every worker, laborer, and mechanic
18 employed in the execution of the work at least the prevailing rate of
19 wage for their trade or occupation, except that an apprentice
20 registered in an apprenticeship program approved by the Washington
21 state apprenticeship and training council must be paid at least the
22 applicable apprentice prevailing rate of wage.

23 NEW SECTION. **Sec. 6.** A new section is added to chapter 80.60
24 RCW to read as follows:

25 (1)(a) By May 1, 2024, the commission and the department of
26 commerce must jointly convene a work group focused on the future of
27 net metering in Washington state. The work group must include
28 representatives from consumer-owned utilities, investor-owned
29 utilities, the commission, the rooftop solar industry, including the
30 Washington solar energy industries association, agricultural farms in
31 the business of producing crops for food and fermented beverages,
32 environmental justice advocates, labor unions, consumer advocates,
33 rural communities including communities east of the crest of the
34 Cascade mountains, and federally recognized Indian tribes.

35 (b) The work group must report recommendations to the commission
36 and the department of commerce on what alternatives to net metering
37 should be considered by the legislature and when it is reasonable for
38 these alternatives to be implemented. The work group should take into

1 account the findings of the cost shift study required in subsection
2 (2) of this section in its recommendations.

3 (c) As part of its recommendations, the work group must consider
4 the implications for the solar industry workforce, rate of deployment
5 of consumer-owned solar and storage, future electric load growth,
6 reduction in utility income associated with different levels of net
7 metering, and equitable distribution of the benefits of consumer-
8 owned solar and storage.

9 (d) The work group must provide an inventory of other states'
10 deviation from net metering laws and the impact deviating from retail
11 net metering had on solar installations, solar installers, utilities,
12 utility customers, rural land, tribal land, and customer-generator
13 payback periods.

14 (2) By January 31, 2024, the department of commerce must begin to
15 conduct a study to investigate the magnitude of any cost shifts among
16 ratepayers associated with retail rate net metering in Washington
17 state, under scenarios assuming total net metered generation capacity
18 of six percent, eight percent, and 12 percent of 1996 peak power.
19 This study must consider the value of solar at utilities representing
20 different levels of customer counts, expected solar insolation,
21 population density and urbanization, topography, types of vegetation,
22 and other characteristics the department of commerce deems relevant.

23 (3) The commission and the department of commerce must summarize
24 the work group's recommendations and the findings of the cost shift
25 study in a report and must deliver the report to the appropriate
26 committees of the legislature by December 1, 2026.

27 (4) The intent of the legislature is for utilities to wait until
28 the work group process has concluded before proposing or adopting
29 alternatives to net metering.

30 NEW SECTION. **Sec. 7.** A new section is added to chapter 80.60
31 RCW to read as follows:

32 (1) It is the intent of the legislature that the state's net
33 metering policy is updated and implemented by January 1, 2030.

34 (2) Any rate or tariff schedule offered by an electric utility
35 under a future net metering policy must:

36 (a) Compensate customer-generators at a rate that is different
37 than the retail rate;

1 (b) Be communicated to customers with one year's notice from when
2 the rate or tariff schedule is first publicly proposed to before it
3 would go into effect; and

4 (c) Allow for inclusion of time-of-use net metering rate
5 structures for distributed storage systems.

6 NEW SECTION. **Sec. 8.** This act may be known and cited as the
7 solar energy resiliency act.

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