Z-0100.3

SENATE BILL 5093

State of Washington 67th Legislature 2021 Regular Session

By Senators Liias and Lovelett; by request of Office of the Governor

Prefiled 01/06/21.

AN ACT Relating to reducing statewide greenhouse gas emissions by achieving greater decarbonization of residential and commercial buildings; amending RCW 19.27A.160, 19.27A.015, 19.27A.020, 19.27A.200, 80.28.074, 80.28.110, 80.28.190, 80.28.005, 43.21F.055, 35.92.430, and 54.16.390; amending 2007 c 349 ss 1 and 3 (uncodified); adding a new section to chapter 19.27A RCW; adding new sections to chapter 80.28 RCW; adding a new section to chapter 35.92 RCW; adding a new section to chapter 54.16 RCW; adding a new section to chapter 43.330 RCW; and creating new sections.

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

NEW SECTION. **Sec. 1.** High-efficiency electric space and water heating equipment, such as electric heat pumps for space heating and electric heat pump water heaters, lower overall energy demand and system costs and improve indoor air quality and environmental outcomes.

As Washington transitions to 100 percent clean electricity, switching from fossil-fuel based heating equipment to high-efficiency electric equipment will reduce climate impacts and fuel price risks in the long term.

In order to meet the statewide greenhouse gas emissions limits in RCW 70A.45.020, the state must require construction of increasingly

low-emission energy efficient homes and buildings and achieve construction of zero fossil-fuel greenhouse gas emission homes and buildings by 2030. A 2020 report by the United States climate alliance found that Washington had nearly 90,000 clean energy jobs in 2019. The top categories of clean energy jobs are in the buildings sector, including: High-efficiency heating, ventilation, and air conditioning; energy efficiency technologies; and renewable heating and cooling. As the fastest growing clean energy industries in our state, work in these areas also supports job creation in other construction trades, which is a critical component of a clean energy economic recovery strategy.

Stable and predictable policy and regulatory frameworks are necessary to stimulate the critical social dialogue and collaboration to ensure a just transition for workers, including solutions to continue to provide meaningful work for skilled tradespersons, establish and sustain institutional and technical capacities to support affected workers, and mobilize funding and assistance to those in need. It is the intent of the legislature to both provide regulatory certainty and tools and resources to support the transition of companies that engage in the distribution of fossil fuels for residential and commercial heating, and to workers who are employed in the sectors affected by the transition to cleaner heating sources.

In order to have a comprehensive understanding of the need and potential for updating the building stock, more robust benchmarking and reporting for building performance, operations, and maintenance is needed. While the state has adopted comprehensive reporting requirements for larger commercial buildings, it currently lacks similar requirements for smaller commercial buildings. It is the intent of the legislature to extend existing building benchmarking and operations and maintenance planning requirements to smaller commercial buildings, in order to assess the needs and opportunities for job creation, incentives, and environmental and public health improvements.

Utilities have an important role in providing affordable and reliable heating and other energy services. As the state transitions to cleaner sources of energy, utilities are an important partner in helping their customers make smart energy choices, and actively supporting the replacement of fossil fuel-based space and water heating equipment with high-efficiency electric equipment.

Programs for the electrification of homes and buildings have the potential to allow electric utilities to optimize the use of electric grid infrastructure, improve the management of electric loads, better manage the integration of variable renewable energy resources, reduce greenhouse gas emissions from the buildings sector, mitigate the environmental impacts of utility operations and power purchases, and improve health outcomes for occupants due to improved indoor air quality.

Legislative clarity is important for utilities to offer programs and services, including incentives, in the electrification of homes and buildings for their customers. It is the intent of the legislature to achieve parity among all electric utilities so that each utility, depending on its unique circumstances, can determine its appropriate role in advancing home and building electrification for its customers.

In order to meet the statewide greenhouse gas limits in the energy sectors of the economy, more resources must be directed toward achieving electrification and decarbonization of residential and commercial heating loads, while continuing to protect customers, especially low-income customers and vulnerable communities.

Sec. 2. RCW 19.27A.160 and 2009 c 423 s 5 are each amended to read as follows:

(1) Except as provided in subsection (2) of this section, residential and nonresidential construction permitted under the ((~~2031~~)) 2027 state energy code must achieve at least a seventy percent reduction in annual net energy consumption and eliminate on-site fossil fuel combustion for space heating and water heating, using the adopted 2006 Washington state energy code as a baseline.

(2) The council shall adopt state energy codes from 2013 through ((~~2031~~)) 2027 that incrementally move towards achieving the ((~~seventy percent reduction in annual net energy consumption~~)) targets as specified in subsection (1) of this section. The council shall report its progress by December 31, ((~~2012~~)) 2023, and every three years thereafter. ((~~If the council determines that economic, technological, or process factors would significantly impede adoption of or compliance with this subsection, the council may defer the implementation of the proposed energy code update and shall report its findings to the legislature by December 31st of the year prior to the year in which those codes would otherwise be enacted.~~))

Sec. 3. RCW 19.27A.015 and 1990 c 2 s 2 are each amended to read as follows:

Except as provided in RCW 19.27A.020((~~(7)~~)) (6), the Washington state energy code for residential buildings shall be the ((~~maximum and~~)) minimum energy code for residential buildings in each city, town, and county and shall be enforced by each city, town, and county ((~~no later than July 1, 1991~~)). The Washington state energy code for nonresidential buildings shall be the minimum energy code for nonresidential buildings enforced by each city, town, and county.

Sec. 4. RCW 19.27A.020 and 2018 c 207 s 7 are each amended to read as follows:

(1) The state building code council in the department of enterprise services shall adopt rules to be known as the Washington state energy code as part of the state building code.

(2) The council shall follow the legislature's standards set forth in this section to adopt rules to be known as the Washington state energy code. The Washington state energy code shall be designed to:

(a) Construct increasingly low-emission energy efficient homes and buildings ((~~that help~~)) and achieve ((~~the broader goal of building~~)) construction of zero fossil-fuel greenhouse gas emission homes and buildings by the year ((~~2031~~)) 2030;

(b) Require new buildings to meet a certain level of energy efficiency, but allow flexibility in building design, construction, and heating equipment efficiencies within that framework; and

(c) ((~~Allow space heating equipment efficiency to offset or substitute for building envelope thermal performance~~)) Require new buildings to provide space heating and water heating equipment that minimizes direct and indirect greenhouse gas emissions.

(3) The Washington state energy code shall take into account regional climatic conditions. One climate zone includes: Adams, Asotin, Benton, Chelan, Columbia, Douglas, Ferry, Franklin, Garfield, Grant, Kittitas, Klickitat, Lincoln, Okanogan, Pend Oreille, Skamania, Spokane, Stevens, Walla Walla, Whitman, and Yakima counties. The other climate zone includes all other counties not listed in this subsection (3). The assignment of a county to a climate zone may not be changed by adoption of a model code or rule. Nothing in this section prohibits the council from adopting the same rules or standards for each climate zone.

(4) The minimum Washington state energy code for residential buildings shall be the 2006 edition of the Washington state energy code, or as amended by rule by the council.

(5) The minimum state energy code for new nonresidential buildings shall be the Washington state energy code, 2006 edition, or as amended by the council by rule.

(6)(a) Except as provided in (b) of this subsection, the Washington state energy code for residential structures shall preempt the residential energy code of each city, town, and county in the state of Washington.

(b) The state energy code for residential structures does not preempt a city, town, or county's energy code for residential structures ((~~which exceeds~~)) that provides greater reductions in energy use and greenhouse gas emissions than the requirements of the state energy code ((~~and which was adopted by the city, town, or county prior to March 1, 1990. Such cities, towns, or counties may not subsequently amend their energy code for residential structures to exceed the requirements adopted prior to March 1, 1990~~)) adopted by the council.

(7) The state building code council shall consult with the department of enterprise services as provided in RCW 34.05.310 prior to publication of proposed rules. The director of the department of enterprise services shall recommend to the state building code council any changes necessary to conform the proposed rules to the requirements of this section.

(8) ((~~The state building code council shall evaluate and consider adoption of the international energy conservation code in Washington state in place of the existing state energy code.~~

~~(9)~~)) The definitions in RCW 19.27A.140 apply throughout this section.

Sec. 5. RCW 19.27A.200 and 2019 c 285 s 2 are each amended to read as follows:

The definitions in this section apply throughout RCW 19.27A.210, 19.27A.220, 19.27A.230, and 19.27A.240 unless the context clearly requires otherwise.

(1) "Agricultural structure" means a structure designed and constructed to house farm implements, hay, grain, poultry, livestock, or other horticultural products, and that is not a place used by the

public or a place of human habitation or employment where agricultural products are processed, treated, or packaged.

(2) "Baseline energy use intensity" means a building's weather normalized energy use intensity measured the previous year to making an application for an incentive under RCW 19.27A.220.

(3) "Building owner" means an individual or entity possessing title to a building.

(4) "Building tenant" means a person or entity occupying or holding possession of a building or premises pursuant to a rental agreement.

(5) "Conditional compliance" means a temporary compliance method used by building owners that demonstrate the owner has implemented energy use reduction strategies required by the standard, but has not demonstrated full compliance with the energy use intensity target.

(6) "Consumer-owned utility" has the same meaning as defined in RCW 19.27A.140.

(7) "Covered commercial building" means a ((~~building~~)):

(a) Building where the sum of nonresidential, hotel, motel, and dormitory floor areas exceeds fifty thousand gross square feet, excluding the parking garage area; or

(b) Tier 2 covered commercial building or tier 3 covered commercial building, as determined by the department pursuant to section 6 of this act.

(8) "Department" means the department of commerce.

(9) "Director" means the director of the department of commerce or the director's designee.

(10) "Electric utility" means a consumer-owned utility or an investor-owned utility.

(11) "Eligible building owner" means: (a) The owner of a covered commercial building required to comply with the standard established in RCW 19.27A.210; or (b) the owner of a multifamily residential building where the floor area exceeds fifty thousand gross square feet, excluding the parking garage area.

(12) "Energy" includes: Electricity, including electricity delivered through the electric grid and electricity generated at the building premises using solar or wind energy resources; natural gas, including renewable natural gas, synthetic gas, or fossil gas; district steam; district hot water; district chilled water; propane; fuel oil; wood; coal; or other fuels used to meet the energy loads of a building.

(13) "Energy use intensity" means a measurement that normalizes a building's site energy use relative to its size. A building's energy use intensity is calculated by dividing the total net energy consumed in one year by the gross floor area of the building, excluding the parking garage. "Energy use intensity" is reported as a value of thousand British thermal units per square foot per year.

(14) "Energy use intensity target" means the net energy use intensity of a covered commercial building that has been established for the purposes of complying with the standard established under RCW 19.27A.210.

(15) "Gas company" includes every corporation, company, association, joint stock association, partnership, and person, their lessees, trustees, or receiver appointed by any court whatsoever, and every city or town owning, controlling, operating, or managing any gas plant within this state.

(16) "Greenhouse gas" includes carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride.

(17)(a) "Gross floor area" means the total number of square feet measured between the exterior surfaces of the enclosing fixed walls of a building, including all supporting functions such as offices, lobbies, restrooms, equipment storage areas, mechanical rooms, break rooms, and elevator shafts.

(b) "Gross floor area" does not include outside bays or docks.

(18) "Investor-owned utility" means a company owned by investors, that meets one of the definitions of RCW 80.04.010, and that is engaged in distributing electricity to more than one retail electric customer in the state.

(19) "Multifamily residential building" means a building containing sleeping units or more than two dwelling units where occupants are primarily permanent in nature.

(20) "Net energy use" means the sum of metered and bulk fuel energy entering the building, minus the sum of metered energy leaving the building.

(21) "Qualifying utility" means a consumer-owned or investor-owned gas or electric utility that serves more than twenty-five thousand customers in the state of Washington.

(22) "Savings-to-investment ratio" means the ratio of the total present value savings to the total present value costs of a bundle of an energy or water conservation measure estimated over the projected useful life of each measure. The numerator of the ratio is the

present value of net savings in energy or water and nonfuel or nonwater operation and maintenance costs attributable to the proposed energy or water conservation measure. The denominator of the ratio is the present value of the net increase in investment and replacement costs less salvage value attributable to the proposed energy or water conservation measure.

(23) "Standard" means the state energy performance standard for covered commercial buildings established under RCW 19.27A.210.

(24) "Thermal energy company" has the same meaning as defined in RCW 80.04.550.

(25) "Tier 2 covered commercial building" means a building where the sum of nonresidential, hotel, motel, and dormitory floor areas exceeds 25,000 gross square feet, excluding the parking garage area, but does not exceed 50,000 gross square feet.

(26) "Tier 3 covered commercial building" means a building where the sum of nonresidential, hotel, motel, and dormitory floor areas exceeds 10,000 gross square feet, excluding the parking garage area, but does not exceed 25,000 gross square feet.

(27) "Weather normalized" means a method for modifying the measured building energy use in a specific weather year to energy use under normal weather conditions.

NEW SECTION. **Sec. 6.** A new section is added to chapter 19.27A RCW to read as follows:

(1)(a) By November 1, 2021, the department must adopt by rule a state energy management and benchmarking requirement for tier 2 covered commercial buildings and tier 3 covered commercial buildings.

(b) In establishing the requirements under (a) of this subsection, the department must adopt requirements for building owner implementation based on sections 5, 6, and 7 of ANSI/ASHRAE/IES standard 100-2018, including reporting and administrative procedures.

(c) The department is authorized to impose an administrative penalty upon a building owner for failing to submit documentation demonstrating compliance with the requirements of this section. Administrative penalties collected under this section must be deposited into the low-income weatherization and structural rehabilitation assistance account created in RCW 70A.35.030.

(2) By July 1, 2023, the department must provide the owners of tier 2 covered commercial buildings with notification of requirements.

(3) By July 1, 2024, the department must provide the owners of tier 3 covered commercial buildings with notification of requirements.

(4) The owner of a tier 2 or tier 3 covered commercial building must report the building owner's compliance with the requirements to the department in accordance with the schedule established under subsection (5) of this section and every five years thereafter. For each reporting date, the building owner must submit documentation to demonstrate that they have developed and implemented the procedures of sections 5, 6, and 7 of ANSI/ASHRAE/IES standard 100-2018 as modified by the department by rule.

(5) By July 1, 2025, tier 2 covered commercial building owners shall submit reports to the department as required by the rules adopted in subsection (1) of this section. By July 1, 2026, tier 3 covered commercial building owners shall submit reports to the department as required by the rules adopted in subsection (1) of this section.

(6) By July 1, 2027, the department shall evaluate benchmarking data to determine energy use averages by building type. The department shall submit a report to the legislature and the governor's office by October 1, 2027, with recommendations for building performance standards for tier 2 and tier 3 covered commercial buildings. The department is authorized to adopt rules for inclusion of tier 2 and tier 3 covered commercial buildings in the state energy performance standard created in RCW 19.27A.210 starting in 2029.

Sec. 7. RCW 80.28.074 and 1988 c 166 s 1 are each amended to read as follows:

The legislature declares it is the policy of the state to:

(1) ((~~Preserve affordable natural gas and electric services to the residents of the state;~~

~~(2)~~)) Maintain and advance the efficiency, affordability, and availability of ((~~natural gas and electric~~)) energy services to the residents of the state of Washington;

((~~(3)~~)) (2) Ensure that customers pay only reasonable charges for ((~~natural gas and electric~~)) energy services;

((~~(4)~~)) (3) Permit flexible pricing of ((~~natural gas and electric~~)) energy services;

(4) Limit and reduce the use of fossil fuels for space and water heating and advance the use of high-efficiency electric equipment.

Sec. 8. RCW 80.28.110 and 2011 c 214 s 20 are each amended to read as follows:

Every ((~~gas company,~~)) electrical company, wastewater company, or water company, engaged in the sale and distribution of ((~~gas,~~)) electricity or water or the provision of wastewater company services, shall, upon reasonable notice, furnish to all persons and corporations who may apply therefor and be reasonably entitled thereto, suitable facilities for furnishing and furnish all available ((~~gas,~~)) electricity, wastewater company services, and water as demanded, except that a water company may not furnish water contrary to the provisions of water system plans approved under chapter 43.20 or ((~~70.116~~)) 70A.100 RCW and wastewater companies may not provide services contrary to the approved general sewer plan.

Sec. 9. RCW 80.28.190 and 2003 c 53 s 383 are each amended to read as follows:

(1) No gas company shall, after January 1, 1956, operate in this state any gas plant for hire without first having obtained from the commission under the provisions of this chapter a certificate declaring that public convenience and necessity requires or will require such operation and setting forth the area or areas within which service is to be rendered; but a certificate shall be granted where it appears to the satisfaction of the commission that such gas company was actually operating in good faith, within the confines of the area for which such certificate shall be sought, on June 8, 1955. Any right, privilege, certificate held, owned or obtained by a gas company may be sold, assigned, leased, transferred or inherited as other property, only upon authorization by the commission. The commission shall have power, after hearing, when the applicant requests a certificate to render service in an area already served by a certificate holder under this chapter only when the existing gas company or companies serving such area will not provide the same to the satisfaction of the commission and in all other cases, with or without hearing, to issue the certificate as prayed for; or for good cause shown to refuse to issue same, or to issue it for the partial exercise only of the privilege sought, and may attach to the exercise of the rights granted by the certificate such terms and conditions

as, in its judgment, the public convenience and necessity may require.

(2) A gas company may not offer new service to any customer located outside of the area authorized in its approved certificate of public convenience and necessity as of July 1, 2021.

(3) The commission may, at any time, by its order duly entered after a hearing had upon notice to the holder of any certificate hereunder, and an opportunity to such holder to be heard, at which it shall be proven that such holder willfully violates or refuses to observe any of its proper orders, rules or regulations, suspend, revoke, alter or amend any certificate issued under the provisions of this section, but the holder of such certificate shall have all the rights of rehearing, review and appeal as to such order of the commission as is provided herein.

((~~(3)~~)) (4) In all respects in which the commission has power and authority under this chapter applications and complaints may be made and filed with it, process issued, hearings held, opinions, orders and decisions made and filed, petitions for rehearing filed and acted upon, and petitions for writs of review to the superior court filed therewith, appeals or mandate filed with the supreme court or the court of appeals of this state considered and disposed of by such courts in the manner, under the conditions, and subject to the limitations and with the effect specified in the Washington utilities and transportation commission laws of this state.

((~~(4)~~)) (5) Every officer, agent, or employee of any corporation, and every other person who violates or fails to comply with, or who procures, aids or abets in the violation of any of the provisions of this section or who fails to obey, observe or comply with any order, decision, rule or regulation, directive, demand or requirements, or any provision of this section, is guilty of a gross misdemeanor.

((~~(5)~~)) (6) Neither this section, RCW 80.28.200, ((~~80.28.210,~~)) nor any provisions thereof shall apply or be construed to apply to commerce with foreign nations or commerce among the several states of this union except insofar as the same may be permitted under the provisions of the Constitution of the United States and acts of congress.

((~~(6)~~)) (7) The commission shall collect the following miscellaneous fees from gas companies: Application for a certificate of public convenience and necessity or to amend a certificate, twenty-five dollars; application to sell, lease, mortgage or transfer

a certificate of public convenience and necessity or any interest therein, ten dollars.

Sec. 10. RCW 80.28.005 and 1994 c 268 s 1 are each amended to read as follows:

((~~Unless the context clearly requires otherwise, the~~)) 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) "Lowest reasonable cost" means the lowest cost mix of resources determined through a detailed and consistent analysis of a wide range of commercially available sources. At a minimum, this analysis must consider resource costs, market-volatility risks, demand-side resource uncertainties, the risks imposed on ratepayers, resource effect on system operations, public policies regarding resource preference adopted by Washington state or the federal government, the cost of risks associated with environmental effects, including the social cost of greenhouse gas emissions as determined by the commission pursuant to RCW 80.28.395, and the need for security of energy supply.

(6) "Low-income" means a household income as defined by the commission, provided that the definition may not exceed the higher of 80 percent of area median household income or 200 percent of the federal poverty level, adjusted for household size.

(7) "Overburdened community" has the same meaning as "highly impacted community" as that term is defined in RCW 19.405.020.

(8) "Transition implementation plan" means a comprehensive plan developed by a gas company and submitted to the commission that evaluates strategies to achieve a reduction in greenhouse gas emissions from the combustion of natural gas, identifies specific actions to meet an emissions reduction target at the lowest reasonable cost for customers, evaluates cost and life-cycle

emissions associated with alternative pipeline fuels and electric alternatives, and is consistent with the requirements specified in RCW 19.27A.020.

NEW SECTION. **Sec. 11.** A new section is added to chapter 80.28 RCW to read as follows:

(1)(a) A statewide clean heat standard is established for the purpose of limiting the expansion of the natural gas system for residential and commercial space and water heating, and advancing the use of high-efficiency electric equipment, production and distribution of clean fuels, and the safe and equitable transition of the natural gas system.

(b) Utilities must ensure an equitable transition of the gas system by:

(i) Ensuring that the transition does not disproportionately impact low-income households or overburdened communities;

(ii) Ensuring the equitable distribution of energy and nonenergy benefits, including the reduction of burdens and improvement of indoor air quality, of utility programs and infrastructure to overburdened communities and vulnerable populations. An equitable distribution must be informed by the evaluations in section 14(2) (l) and (m) of this act;

(iii) Including provisions for equity and opportunity improvement, including: (A) Employer paid sick leave programs; (B) pay practices in relation to living wage indicators such as the federal poverty level; (C) efforts to evaluate pay equity based on gender identity, race, and other protected status under Washington law; (D) facilitating career development opportunities such as apprenticeship programs, internships, job shadowing, and on-the-job training; and (E) employment assistance and employment barriers for justice affected individuals; and

(iv) Providing for the just transition of affected workers through layoff avoidance strategies.

(2) Beginning July 1, 2021, gas company tariff provisions for line extensions for residential and commercial gas service must recover the full cost of the extension from the new customer requesting service.

(3) By January 1, 2022, and every four years thereafter, each gas company must develop and submit to the commission a transition implementation plan to achieve a reduction in greenhouse gas

emissions, consistent with its proportional obligation under RCW 70A.45.020, resulting from combustion of natural gas sold or delivered by the company.

(4) A transition implementation plan must evaluate and compare multiple strategies to identify the lowest reasonable cost combination of strategies to achieve the reductions. To meet their required emissions reduction target under subsection (3) of this section, each gas company must include evaluation of the following emissions reduction strategies:

(a) Measures to increase the efficiency of energy use in residential, industrial, and commercial buildings through building thermal load reduction strategies such as envelope efficiency improvements, hot water conservation, or process load reductions;

(b) Conversion of existing customers to high-efficiency electric equipment through demographically targeted programs to support an equitable transition;

(c) Geographically targeted programs to permanently decommission portions of a gas company's distribution systems;

(d) Reduction of the carbon content of delivered gas by incorporating renewable natural gas, hydrogen, or other low-carbon fuels; and

(e) Expansion of voluntary renewable natural gas programs.

(5) A transition implementation plan must:

(a) Identify specific actions to achieve the gas company's share of the statewide obligation in RCW 70A.45.020 and must include an estimate of the costs and benefits resulting from the transition, including the costs and benefits that will accrue to vulnerable populations and overburdened communities. The cost-benefit analysis must incorporate the avoided social cost of greenhouse gas emissions resulting from the use of natural gas as determined by the commission pursuant to RCW 80.28.395;

(b) Consider recommendations from the latest state energy strategy created under RCW 43.21F.090;

(c) Identify changes to depreciation schedules or rate design to be consistent with specific actions in the transition implementation plan.

(6) A transition implementation plan may include projects authorized under RCW 80.28.420 that are anticipated to reduce greenhouse gas emissions from pipelines through the reduction of nonhazardous leaks.

(7) Prior to adopting a transition implementation plan, the natural gas company must request the input of any electric utility serving customers in the natural gas company's service area on the development of the plan.

NEW SECTION. **Sec. 12.** A new section is added to chapter 80.28 RCW to read as follows:

(1) The commission, after a hearing, must by order approve, reject, or approve with conditions a gas company's transition implementation plan. The commission may periodically adjust or expedite timelines if it can be demonstrated that the emission reduction targets under section 11(3) of this act or timelines can be achieved in a manner consistent with the following:

(a) Maintaining and protecting the safety and reliable operation of the natural gas system; and

(b) Planning to meet the emission reduction targets under section 11(3) of this act at the lowest reasonable cost.

(2) The commission, in coordination with the department of commerce, must ensure that the transition from fossil natural gas does not disproportionately impact low-income households.

NEW SECTION. **Sec. 13.** A new section is added to chapter 80.28 RCW to read as follows:

(1) By January 1, 2023, the commission must establish a uniform climate protection surcharge at an amount not to exceed the social cost of greenhouse gas emissions established in RCW 80.28.395.

(2) Each gas company must implement by tariff the climate protection surcharge applied on a per-therm basis to natural gas delivered to its customers. Sales of renewable natural gas, zero-emission synthetic gas, and renewable hydrogen are exempt from the climate protection surcharge. The funds collected from the climate protection surcharge must be used by each gas company for the following purposes, as approved by the commission:

(a) Implementing programs approved in its transition implementation plan, as designated in section 11(3) of this act;

(b) Providing weatherization services, bill credits, or rate assistance to low-income customers, including assistance to offset the impacts of the uniform climate protection surcharge on low-income customers;

(c) Programs to avoid worker dislocation, including ensuring the use of qualified workers in implementing the transition implementation plan, and training programs for workers in the fossil natural gas industry to support skill development;

(d) Developing and distributing lower-carbon fuels including, but not limited to, renewable natural gas distributed under a tariff approved under RCW 80.28.385; and

(e) Ensuring that the transition implementation plan does not disproportionately impact vulnerable populations or overburdened communities.

(3) Projects or activities funded from the climate protection surcharge must meet high labor standards, including family sustaining wages, providing benefits including health care and pensions, career development opportunities, and maximize access to economic benefits from such projects for local workers and diverse businesses.

NEW SECTION. **Sec. 14.** A new section is added to chapter 80.28 RCW to read as follows:

(1) Each natural gas utility regulated by the commission has the responsibility to meet system demand with the least cost mix of energy supply, including: Natural gas; renewable fuels; electrification; and conservation. In furtherance of that responsibility, each natural gas utility must develop an integrated resource plan.

(2) At a minimum, integrated resource plans must include:

(a) A range of forecasts of future natural gas demand in firm and interruptible markets for each customer class that examine the effect of economic forces on the consumption of natural gas and that address changes in the number, type, and efficiency of natural gas end uses;

(b) An assessment of commercially available conservation, including load management, as well as an assessment of currently employed and new policies and programs needed to obtain the conservation improvements;

(c) An assessment of conventional and commercially available nonconventional gas supplies;

(d) An assessment of the impact of the electrification of the building sector;

(e) An assessment of opportunities for using company-owned or contracted storage;

(f) An assessment of pipeline transmission capability and reliability;

(g) A comparative evaluation of the cost of natural gas purchasing strategies, electrification, storage options, delivery resources, and improvements in conservation using a consistent method to calculate cost-effectiveness;

(h) The integration of the demand forecasts and resource evaluations into a long-range integrated resource plan, for at least the next ten years, describing the mix of resources that is designated to meet current and future needs at the lowest reasonable cost to the utility and its ratepayers;

(i) A short-term plan outlining the specific actions to be taken by the utility in implementing the long-range integrated resource plan during each of the three years following submission;

(j) A report on the utility's progress towards implementing the recommendations contained in its previously filed plan;

(k) An assessment of current conditions, including:

(i) The economic, public health, and environmental conditions within the utility's service territory. These conditions are not restricted to the effects of utility actions, and the analysis must include relevant information from publicly available sources, including the cumulative impact analysis developed by the department of health under RCW 19.405.140;

(ii) The energy and nonenergy benefits and burdens associated with the utility's infrastructure and programs, including benefits and burdens caused by utility actions outside the utility's service territory;

(l) An evaluation of disparities in current conditions for overburdened communities and vulnerable populations based on the assessment required by (k)(i) of this subsection; and

(m) An evaluation of disparities in utility programs and infrastructure for overburdened communities and vulnerable populations based on the assessment required by (k)(ii) of this subsection.

(3) Beginning September 1, 2021, each natural gas utility must submit a plan within two years after the date on which the previous plan was filed with the commission. Not later than twelve months prior to the due date of a plan, the utility must provide a work plan for informal commission review. The work plan must outline the

content of the integrated resource plan to be developed by the utility and the method for assessing potential resources.

(4) The work plan must outline the timing and extent of public participation. In addition, the commission must hear comment on the plan at a public hearing scheduled after the utility submits its plan for commission review.

(5) The commission must consider the information reported in the integrated resource plan when the commission evaluates the performance of the utility in rate and other proceedings.

Sec. 15. RCW 43.21F.055 and 1996 c 186 s 104 are each amended to read as follows:

((~~The department shall not intervene in any regulatory proceeding before the Washington utilities and transportation commission or proceedings of utilities not regulated by the commission.~~)) Nothing in this chapter abrogates or diminishes the functions, powers, or duties of the energy facility site evaluation council pursuant to chapter 80.50 RCW, the utilities and transportation commission pursuant to Title 80 RCW, or other state or local agencies established by law.

((~~The department shall avoid duplication of activity with other state agencies and officers and other persons.~~))

NEW SECTION. **Sec. 16.** 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 beneficial electrification plan that establishes a finding that utility outreach and investment in the electrification of homes and buildings will provide net benefits to the utility. Prior to adopting a beneficial electrification plan, the governing authority must request the input of any natural gas company serving customers in the electric utility's service area on the development of the plan.

(2) A beneficial electrification plan adopted under subsection (1) of this section must identify options and program schedules for the electrification of various energy end-uses or other energy sources.

(3) In adopting a beneficial electrification plan under subsection (1) of this section, the governing authority of an electric utility formed under this chapter must determine that the

sum of the benefits of an electrification option equals or exceeds the sum of its costs. As part of this determination, the governing authority may differentiate the level of benefits and costs accrued to highly impacted communities and vulnerable populations in the electric utility's service area, as those terms are defined in RCW 19.405.020.

(a) The benefits of beneficial electrification considered by a governing authority must include, but are not limited to, system impacts, as well as the following:

(i) Utility revenue from increased retail load from beneficial electrification;

(ii) Distribution system efficiencies resulting from demand response or other load management opportunities, including direct control and dynamic pricing, associated with the increased retail load;

(iii) System reliability improvements;

(iv) The opportunity for indoor and outdoor air quality benefits to existing utility customers and customers from projects constructed after the effective date of this section;

(v) The opportunity for greenhouse gas emissions reductions from existing utility customers and customers from projects constructed after the effective date of this section, consistent with the emission reduction targets recommended by the department of ecology under RCW 70A.45.020; and

(vi) Other benefits identified by the governing authority.

(b) The costs of beneficial electrification considered by a governing authority must include, but are not limited to:

(i) The electricity, which must be demonstrated to have, during the life cycle of the electric appliance, a lower greenhouse gas emissions profile than direct-use natural gas, or any other resources used to serve or offset the increased retail load from beneficial electrification;

(ii) Any upgrades to the utility's distribution system or load management practices and equipment made necessary by the increased retail load; and

(iii) The cost of the incentive, advertising, or other inducements used to encourage customers to electrify an energy end-use currently served by a different fuel source.

(4) An electric utility formed under this chapter may, upon making a determination in accordance with subsection (1) of this

section, offer incentives and other programs to accelerate the beneficial electrification of homes and buildings for its customers, including the promotion of electrically powered equipment, advertising beneficial electrification programs and projects, educational programs, and customer incentives or rebates. An electric utility offering such incentives and other programs must, when practical, prioritize service to highly impacted communities in the electric utility's service area, as that term is defined in RCW 19.405.020.

(5) For the purposes of this section, "beneficial electrification" means electrification of an energy end-use in a way that provides a net benefit to the utility consistent with subsection (3) of this section.

(6) Nothing in this section limits the existing authority of an electric utility formed under this chapter to offer incentives and other programs to accelerate the electrification of homes and buildings for its customers if such electrification is in the direct economic interest of the electric utility.

NEW SECTION. **Sec. 17.** 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 beneficial electrification plan that establishes a finding that outreach and investment in the electrification of homes and buildings will provide net benefits to the utility. Prior to adopting a beneficial electrification plan, the commission of a public utility district must request the input of any natural gas company serving customers in the public utility district's service area on the development of the plan.

(2) A beneficial electrification plan adopted under subsection (1) of this section must identify options and program schedules for the electrification of various energy end-uses or other energy sources.

(3) In adopting a beneficial electrification plan under subsection (1) of this section, the commission of a public utility district must determine that the sum of the benefits of an electrification option equals or exceeds the sum of its costs. As part of this determination, the commission may differentiate the level of benefits and costs accrued to highly impacted communities

and vulnerable populations in the public utility district's service area, as those terms are defined in RCW 19.405.020.

(a) The benefits of beneficial electrification considered by a commission must include, but are not limited to, system impacts, as well as the following:

(i) Utility revenue from increased retail load from beneficial electrification;

(ii) Distribution system efficiencies resulting from demand response or other load management opportunities, including direct control and dynamic pricing, associated with the increased retail load;

(iii) System reliability improvements;

(iv) The opportunity for indoor and outdoor air quality benefits to existing utility customers and customers from projects constructed after the effective date of this section;

(v) The opportunity for greenhouse gas emissions reductions from existing utility customers and customers from projects constructed after the effective date of this section, consistent with the emission reduction targets recommended by the department of ecology under RCW 70A.45.020; and

(vi) Other benefits identified by the commission of the public utility district.

(b) The costs of beneficial electrification considered by a commission must include, but are not limited to:

(i) The electricity, which must be demonstrated to have, during the life cycle of the electric equipment, a lower greenhouse gas emissions profile than direct-use natural gas, or any other resources used to serve or offset the increased retail load from beneficial electrification;

(ii) Any upgrades to the utility's distribution system or load management practices and equipment made necessary by the increased retail load; and

(iii) The cost of the incentive, advertising, or other inducements used to encourage customers to electrify an energy end-use currently served by a different fuel source.

(4) A public utility district may, upon making a determination in accordance with subsection (1) of this section, offer incentives and other programs to accelerate the beneficial electrification of homes and buildings for its customers, including the promotion of electrically powered equipment, advertising beneficial

electrification programs and projects, educational programs, and customer incentives or rebates. A public utility district offering such incentives and other programs must, when practical, prioritize service to highly impacted communities in the public utility district's service area, as that term is defined in RCW 19.405.020.

(5) For the purposes of this section, "beneficial electrification" means electrification of an energy end-use in a way that provides a net benefit to the utility consistent with subsection (3) of this section.

(6) Nothing in this section limits the existing authority of the commission of a public utility district to offer incentives and other programs to accelerate the electrification of homes and buildings for its customers if, over the life of the electrification incentive or program, such electrification is in the direct economic interest of the public utility district.

Sec. 18. 2007 c 349 s 1 (uncodified) is amended to read as follows:

The legislature finds and declares that greenhouse gases offset contracts, credits, and other greenhouse gases mitigation efforts, including beneficial electrification, are a recognized utility purpose that confers a direct benefit on the utility's ratepayers. The legislature declares that ((~~section 2 of this act~~)) RCW 35.92.430 is intended to reverse the result of *Okeson v. City of Seattle* (January 18, 2007), by expressly granting municipal utilities the statutory authority to engage in mitigation activities to offset their utility's impact on the environment.

Sec. 19. RCW 35.92.430 and 2007 c 349 s 2 are each amended to read as follows:

(1) A city or town authorized to acquire and operate utilities for the purpose of furnishing the city or town and its inhabitants and other persons with water, with electricity for lighting and other purposes, or with service from sewerage, stormwater, surface water, or solid waste handling facilities, may develop and make publicly available a plan to reduce its greenhouse ((~~gases~~)) gas emissions or achieve no-net emissions from all sources of greenhouse gases that the utility owns, leases, uses, contracts for, or otherwise controls.

(2) A city or town authorized to acquire and operate utilities for the purpose of furnishing the city or town and its inhabitants

and other persons with water, with electricity for lighting and other purposes, or with service from sewerage, stormwater, surface water, or solid waste handling facilities, may, as part of its utility operation, mitigate the environmental impacts, such as greenhouse ((~~gases~~)) gas emissions, of its operation, including any power purchases. The mitigation may include, but is not limited to, those greenhouse gases mitigation mechanisms recognized by independent, qualified organizations with proven experience in emissions mitigation activities. Mitigation mechanisms may include the purchase, trade, and banking of greenhouse gases offsets or credits. If a state greenhouse gases registry is established, a utility that has purchased, traded, or banked greenhouse gases mitigation mechanisms under this section shall receive credit in the registry. Mitigation may also include implementation of programs including, but not limited to, beneficial electrification programs that result in quantifiable and verified reductions in greenhouse gas emissions from homes and buildings located in the utility's service territory. A utility may promote and advertise a greenhouse gas emissions reduction program to its ratepayers.

Sec. 20. 2007 c 349 s 3 (uncodified) is amended to read as follows:

The legislature finds and declares that greenhouse gases offset contracts, credits, and other greenhouse gases mitigation efforts, including beneficial electrification, are a recognized utility purpose that confers a direct benefit on the utility's ratepayers. The legislature declares that ((~~section 4 of this act~~)) RCW 54.16.390 is intended to reverse the result of *Okeson v. City of Seattle* (January 18, 2007), by expressly granting public utility districts the statutory authority to engage in mitigation activities to offset their utility's impact on the environment.

Sec. 21. RCW 54.16.390 and 2007 c 349 s 4 are each amended to read as follows:

(1) A public utility district may develop and make publicly available a plan for the district to reduce its greenhouse ((~~gases~~)) gas emissions or achieve no-net emissions from all sources of greenhouse gases that the district owns, leases, uses, contracts for, or otherwise controls.

(2) A public utility district may, as part of its utility operation, mitigate the environmental impacts, such as greenhouse ((~~gases~~)) gas emissions, of its operation and any power purchases. Mitigation may include, but is not limited to, those greenhouse gases mitigation mechanisms recognized by independent, qualified organizations with proven experience in emissions mitigation activities. Mitigation mechanisms may include the purchase, trade, and banking of greenhouse gases offsets or credits. If a state greenhouse gases registry is established, a public utility district that has purchased, traded, or banked greenhouse gases mitigation mechanisms under this section shall receive credit in the registry. Mitigation may also include implementation of programs including, but not limited to, beneficial electrification programs that result in quantifiable and verified reductions in greenhouse gas emissions from homes and buildings located in the public utility district's service territory. A public utility district may promote and advertise a greenhouse gas emissions reduction program to its ratepayers.

NEW SECTION. **Sec. 22.** A new section is added to chapter 43.330 RCW to read as follows:

(1) A heat pump and electrification program is established within the department. The purpose of the program is to support job creation and workforce development through the transition of residential and commercial buildings away from fossil fuels by providing incentives, education, and outreach resources for the installation of high-efficiency electric heat pumps and other electric equipment.

(2) The department shall implement a statewide heat pump program consistent with the following:

(a) Provide coordination and technical assistance to utilities, housing providers, residential and commercial builders, and the public to promote the adoption of high-efficiency electric heat pump equipment for space and water heating;

(b) Develop and distribute educational materials about the benefits of heat pump technology;

(c) Develop strategies to ensure that the program serves low-income households, vulnerable populations, and overburdened communities, including dedicating a portion of the program funding for this purpose. For the purposes of this subsection (2)(c), "overburdened communities" has the same meaning as defined in RCW 80.28.005;

(d) In coordination with the state board for community and technical colleges, support the development of a workforce training and certification program for the installation of high-efficiency electric heat pump equipment; and

(e) Develop and implement an incentive program for residential and commercial building owners that convert from a fossil fuel space or water heating system to a high-efficiency electric heat pump. The incentives must be limited to projects installed by certified installers. In developing the incentive, the department may consider higher payments for those with low or moderate incomes, residents or owners of rental properties, and other populations who may be overburdened. Projects or activities funded from the incentive must meet high labor standards, including family sustaining wages, providing benefits including health care and pensions, career development opportunities, and maximize access to economic benefits from such projects for local workers and diverse businesses. Each contracting entity's proposal must be reviewed for equity and opportunity improvement efforts, including: (i) Employer paid sick leave programs; (ii) pay practices in relation to living wage indicators such as the federal poverty level; (iii) efforts to evaluate pay equity based on gender identity, race, and other protected status under Washington law; (iv) facilitating career development opportunities such as apprenticeship programs, internships, job shadowing, and on-the-job training; and (v) employment assistance and employment barriers for justice affected individuals.

(3) The department is authorized to contract with a nonprofit trade association, regional market transformation organization, or community organization to implement the program.

NEW SECTION. **Sec. 23.** This act may be known and cited as the healthy homes and clean buildings act.

NEW SECTION. **Sec. 24.** If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

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