Multiple Agency Fiscal Note Summary

Bill Number: 1427 S HB	**Title:** On-premises energy gen.

Estimated Cash Receipts

NONE

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Local Gov. Total						

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Commerce	1.2	923,761	923,761	923,761	.8	272,276	272,276	272,276	.0	0	0	0
Utilities and Transportation Commission	.4	0	0	102,101	.2	0	0	49,530	.0	0	0	0
Washington State University	.6	235,000	235,000	235,000	.2	75,000	75,000	75,000	.0	0	0	0
Total $	**2.2**	**1,158,761**	**1,158,761**	**1,260,862**	**1.2**	**347,276**	**347,276**	**396,806**	**0.0**	**0**	**0**	**0**

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Commerce	.0	0	0	.0	0	0	.0	0	0
Utilities and Transportation Commission	.0	0	0	.0	0	0	.0	0	0
Washington State University	.0	0	0	.0	0	0	.0	0	0
Total $	**0.0**	**0**	**0**	**0.0**	**0**	**0**	**0.0**	**0**	**0**

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Breakout

NONE

Prepared by: Tiffany West, OFM	**Phone:** (360) 890-2653	**Date Published:** Final 2/17/2023

Individual State Agency Fiscal Note

Bill Number: 1427 S HB	Title: On-premises energy gen.	Agency: 103-Department of Commerce

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.2	1.2	1.2	0.8	0.0
Account					
General Fund-State 001-1	383,588	540,173	923,761	272,276	0
Total $	383,588	540,173	923,761	272,276	0

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

[X] If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

[ ] If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

[ ] Capital budget impact, complete Part IV.

[ ] Requires new rule making, complete Part V.

Legislative Contact:	Andrew Hatt	Phone: 360-786-7296	Date: 02/10/2023
Agency Preparation:	Dan Nguyen	Phone: (206) 454-2207	Date: 02/15/2023
Agency Approval:	Jason Davidson	Phone: 360-725-5080	Date: 02/15/2023
OFM Review:	Gwen Stamey	Phone: (360) 790-1166	Date: 02/15/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Differences between SHB 1427 and the original bill:

Section 6 changes the workgroup from being led by Washington State University (WSU) to being jointly led by the Utilities and Transportation Commission (UTC) and the Department of Commerce (department). In addition, the UTC and department, instead of WSU, must undertake the required cost shift study.

Summary of SHB 1427:

New Section 6(1) adds a new section to chapter 80.60 RCW requiring the UTC and the department to jointly convene a work group focused on the future of NEM in Washington and undertake the required cost shift study.

Section 6(2) requires the department to begin a study by January 31, 2024 on the magnitude of any cost shifts among ratepayers associated with retail rate net metering in Washington state, under scenarios assuming total NEM generation capacity of six and eight percent, and 12 percent of 1996 peak power. The study must consider the value of solar at utilities representing different levels of customer counts, expected solar insolation, population density and urbanization, topography, types of vegetation, and other characteristics the department deems relevant.

New Section 6(3) requires the commission and the department to summarize the work group's recommendations and the findings of the cost shift study in a report and must deliver the report to the appropriate committees of the legislature by December 1, 2026.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

The bill would require the department to commence a study by January 1, 2024, to investigate the magnitude of any cost shifts among ratepayers associated with retail rate net energy metering (NEM), under scenarios assuming total NEM generation capacity of six and eight percent, and 12 percent of 1996 peak power. The study must consider the value of solar at utilities representing different levels of customer counts, expected solar insolation, population density and urbanization, topography, types of vegetation, and other characteristics Commerce deems relevant.

The bill also requires UTC and the department to convene a work group on the future of NEM by May 1, 2024, that identifies alternatives to NEM, states when it is reasonable for these alternatives to be implemented, provides an inventory of other states' deviation from NEM, and identifies the impact deviating from retail NEM has had on solar installations, named stakeholders, rural and tribal land, and customer-generator payback periods.

UTC and the department must summarize the work group's recommendations and the findings of the cost shift study in the report due December 1, 2026.

To accomplish this work the department estimates:

0.80 FTE Senior Energy Policy Specialist EMS2 (1,644 hours) in FY24-FY26 and 0.25 FTE (500 hours) in FY27 to provide expert policy advice and support the study, help facilitate the workgroup process with UTC, in FY27 for July thru December 2026 when the reports are finalized.

0.20 FTE Commerce Specialist 3 to manage contracts.

Salaries and Benefits:
FY24: $149,681
FY25-FY26: $154,630 per fiscal year
FY27: $41,144

Goods and Services:
FY24: $9,662
FY25-FY26: $9,670 per fiscal year
FY27: $2,423

Professional Service Contracts:
One professional services contract for development of the study. The department assumes a rate of $250 per hour for the professional services contracts.
FY24: $ 175,000
FY25: $ 325,000

Intra-Agency Reimbursements:
FY24: $49,245
FY25-FY26: $50,873 per fiscal year
FY27: $13,536

Note: Standard goods and services costs include supplies and materials, employee development and training, Attorney General costs, central services charges and agency administration. Agency administration costs (e.g., payroll, HR, IT) are funded under a federally approved cost allocation plan.

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Total Costs:
FY24: $383,588
FY25: $540,173
FY26: $215,173
FY27: $57,103

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	383,588	540,173	923,761	272,276	0
		Total $	383,588	540,173	923,761	272,276	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.2	1.2	1.2	0.8	
A-Salaries and Wages	114,684	118,125	232,809	149,757	
B-Employee Benefits	34,997	36,505	71,502	46,017	
C-Professional Service Contracts	175,000	325,000	500,000		
E-Goods and Other Services	9,662	9,670	19,332	12,093	
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	49,245	50,873	100,118	64,409	
9-					
Total $	383,588	540,173	923,761	272,276	0

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Administrative Services - Indirect	111,168	0.2	0.2	0.2	0.2	
Commerce Specialist 3	82,056	0.2	0.2	0.2	0.1	
EMS Band 2	122,841	0.8	0.8	0.8	0.6	
Total FTEs		1.2	1.2	1.2	0.8	0.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1427 S HB	Title: On-premises energy gen.	Agency: 215-Utilities and Transportation Commission

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.5	0.2	0.4	0.2	0.0
Account					
Public Service Revolving Account-State 111-1	69,081	33,020	102,101	49,530	0
Total $	69,081	33,020	102,101	49,530	0

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Andrew Hatt	Phone: 360-786-7296	Date: 02/10/2023
Agency Preparation:	Amy Andrews	Phone: 360-481-1335	Date: 02/13/2023
Agency Approval:	Amy Andrews	Phone: 360-481-1335	Date: 02/13/2023
OFM Review:	Tiffany West	Phone: (360) 890-2653	Date: 02/14/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Sec. 1 identifies the electrical generating AC capacity of investor-owned utilities but changes the allowable megawatts from two to one for investor-owned utilities.

Sec. 2(1)(a) changes the date of offering net-metering availability to eligible customer-generators from December 31, 2035, to December 31, 2029, and changes the percentage of the cumulative generating capacity of net metering systems from 12 to six percent. It also allows the utility to continue making net metering available after the conditions of the subsection are met and requires net metering to be available to low-income households after the conditions of the subsection are met. Fiscal impact is assumed during tariff revisions.

Sec. 2(1)(e) is removed in the substitute which required the utility to develop a standard tariff schedule that is expressed as a percentage of the utility's retail rate. UTC still assumes a significant fiscal impact related to tariff changes due to language in Sec. 3(a)(ii) that allows utilities to submit a standard tariff schedule and the Commission must approve, reject, or approve with conditions within one year of the company filing.

Sec. 2(4)(a)(i) changes the date the utility must credit customer-generators who take service under net metering from December 31, 2035, to December 31, 2029. It also adjusts the required cumulative generating capacity of net metering systems from 12 percent to six percent of the utility's peak demand in 1996. Same as above, significant fiscal impact is assumed due to the anticipated work to agree on the correct percentage of the retail rate utilities should compensate net metering customers.

Sec. 3(5) still includes the utility to distribute, on March 31 of each calendar year, any remaining unused credits for kilowatt-hours accumulated during the previous year to low-income customers through a utility energy assistance program.

Sec. 4(2)(e) adds a provision to the solar energy contract that requires the solar energy system's first year annual production projections in kilowatt-hours. The previous version only required the annual production projections. No fiscal impact assumed.

Sec. 4(2)(n) adds language that must be provided in the contract capital letters. No fiscal impact assumed.

Sec 5(2) adds that a contractor who enters into a contract to perform work on a net metering system must pay every person employed in the execution of that work at least the prevailing rate of wage for their trade. No fiscal impact assumed.

Sec. 6 no longer requires the Washington State University extension energy program to create a work group, it has been changed to the UTC and the Department of Commerce to jointly create the work group by May 1, 2024. The UTC assumes this creation and participation will happen between July 1, 2023, and December 1, 2026. A significant fiscal impact is assumed.

Sec. 7 changes that the state's net-metering policy be updated and implemented by January 1, 2030, and requires customer communication with one year's notice from when the rate or tariff schedule is first publicly proposed to before the effective date. Verification by Consumer Protection staff to ensure customer notice met requirement when company files tariff revision.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

None

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Tariff Revisions to Implement the Solar Energy Resiliency Act
Section 3 changes necessitate tariff revisions to each electric utility's net-metering tariff and potentially a separate revision to each electric utility's low-income bill assistance tariff. The change to the net metering credit annual ending period will also require a change to the UTC reporting requirement.

FY2024 - $36,061 total cost
(Deputy Asst. Director | Regulatory Services, 0.03 FTE; Asst. Director, Policy, 0.02 FTE; Regulatory Analyst 3, 0.11 FTE; Regulatory Analyst 2, 0.06 FTE; Policy Advisor, 0.04 FTE)

Energy Workgroup Lead and Reporting Requirements
Section 6 requires a UTC, along with Department of Commerce, to co-lead the workgroup with reporting requirements to the Legislature by Dec. 1, 2026.

FY2024, FY2025, FY2026, & FY2027 - $33,020 for FY2024, FY2025, FY2026 and $16,510 for FY2027
(Deputy Asst. Director | Regulatory Services, 0.03 FTE; Deputy Director | Regulatory Services, 0.01 FTE; Asst. Director, Policy, 0.03 FTE; Regulatory Analyst 3, 0.06 FTE; Regulatory Analyst 2, 0.04 FTE; Policy Advisor, 0.06 FTE)

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
111-1	Public Service Revolving Account	State	69,081	33,020	102,101	49,530	0
		Total $	69,081	33,020	102,101	49,530	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.5	0.2	0.4	0.2	
A-Salaries and Wages	46,993	22,462	69,455	33,693	
B-Employee Benefits	16,449	7,863	24,312	11,795	
C-Professional Service Contracts					
E-Goods and Other Services	5,639	2,695	8,334	4,042	
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	69,081	33,020	102,101	49,530	0

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Asst. Director, Policy	110,064	0.1	0.0	0.0	0.0	
Deputy Asst. Director | Regulatory Services	101,136	0.1	0.0	0.1	0.0	
Deputy Director | Regulatory Services	117,996	0.0	0.0	0.0	0.0	
Policy Advisor	100,008	0.1	0.1	0.1	0.1	
Regulatory Analyst 2	82,896	0.1	0.0	0.1	0.0	
Regulatory Analyst 3	93,840	0.2	0.1	0.1	0.1	
Total FTEs		0.5	0.2	0.4	0.2	0.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1427 S HB	Title: On-premises energy gen.	Agency: 365-Washington State University

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.5	0.7	0.6	0.2	0.0
Account					
General Fund-State 001-1	100,000	135,000	235,000	75,000	0
Total $	100,000	135,000	235,000	75,000	0

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- [X] If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- [ ] If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- [ ] Capital budget impact, complete Part IV.
- [ ] Requires new rule making, complete Part V.

Legislative Contact:	Andrew Hatt	Phone: 360-786-7296	Date: 02/10/2023
Agency Preparation:	Brittney Gamez	Phone: 509-335-5406	Date: 02/15/2023
Agency Approval:	Chris Jones	Phone: 509-335-9682	Date: 02/15/2023
OFM Review:	Ramona Nabors	Phone: (360) 742-8948	Date: 02/16/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

1427 S HB requires the WSU Energy Program to convene a work group by May 1, 2024 focused on the future of net metering in Washington. The work group must include representatives from consumer-owned utilities, investor-owned utilities, the commission, the rooftop solar industry – including the Washington solar energy industries association, agricultural farms in the business of producing crops for food and fermented beverages, environmental justice advocates, labor unions, consumer advocates, rural communities including communities in Eastern Washington, and Indian Tribes.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

This workgroup must report recommendations to the WSU Energy Program on what alternatives to net metering should be considered by the Legislature and when it is reasonable for these alternatives to be implemented. There are several criteria listed in Section 6 of the bill regarding areas of consideration and deliverables for the work group. In addition – also in Section 6 – by January 31, 2024, the WSU Energy Program must begin to conduct a study to investigate the magnitude of any cost shifts among ratepayers associated with retail rate net metering in Washington, under scenarios assuming total net metered generation capacity of six percent, 12 percent, and 24 percent of 1996 peak power. Furthermore – also captured in Section 6 – the WSU Energy Program must summarize the work group's recommendations and the findings of the cost shift study in a report and deliver the report to the Legislature by December 1, 2026. All of these efforts would require a significant portion of focused staff time from several WSU Energy Program staff members – including an Energy Program Coordinator, Energy Project Analyst, and various other technical and support staff members. Activities would include convening the work group; staffing it; facilitating it; and guiding it though the required considerations, tasks and deliverables highlighted in Section 6. In addition, there would be significant staff efforts – from an Energy Program Coordinator, Energy Project Analyst, and various other technical and support staff members – to conduct and deliver the study. Because of the dates articulated in the bill, the study would be conducted simultaneously with the activities of the work group. Finally, there would be focused staff time involved in compiling and summarizing the recommendations from the work group and the findings of the study in a report to the Legislature by December 1, 2026.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	100,000	135,000	235,000	75,000	0
		Total $	100,000	135,000	235,000	75,000	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.5	0.7	0.6	0.2	
A-Salaries and Wages	47,052	63,788	110,840	34,897	
B-Employee Benefits	30,491	41,334	71,825	22,613	
C-Professional Service Contracts					
E-Goods and Other Services	21,457	28,878	50,335	16,490	
G-Travel	1,000	1,000	2,000	1,000	
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	100,000	135,000	235,000	75,000	0

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Application Systems Analyst	98,159	0.1	0.1	0.1	0.0	
Director	111,686	0.1	0.1	0.1	0.0	
Energy Project Analyst	59,962	0.1	0.1	0.1	0.1	
Energy Project Coordinator	87,637	0.3	0.4	0.4	0.1	
Total FTEs		0.5	0.7	0.6	0.2	0.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1427 S HB	Title: On-premises energy gen.

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- [X] Cities: Cities that operate electric utility services.
- [X] Counties: Counties that operate electric utility services.
- [X] Special Districts: Public Utility Districts & Municipal Electric Companies.
- [ ] Specific jurisdictions only:
- [ ] Variance occurs due to:

Part II: Estimates

- [ ] No fiscal impacts.
- [ ] Expenditures represent one-time costs:
- [ ] Legislation provides local option:
- [X] Key variables cannot be estimated with certainty at this time: The number of utilities that do not already require customer generator contracts or offer standard rates or tariff schedules.

Estimated revenue impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated expenditure impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Part III: Preparation and Approval

Fiscal Note Analyst: Chelsea Mickel	Phone: 518-727-3478	Date: 02/17/2023
Leg. Committee Contact: Andrew Hatt	Phone: 360-786-7296	Date: 02/10/2023
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 02/17/2023
OFM Review: Tiffany West	Phone: (360) 890-2653	Date: 02/17/2023

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

This bill amends the net metering requirements for utilities, including contract requirements with customer-generators and authorizing time-of-use net metering rates.

CHANGES BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:
--Raises the system size that consumer-owned utilities are required to offer net metering up to, from 200 kilowatts to one megawatt, and adds in an exception for systems conflicting with a current contract with the Bonneville Power Administration;
--Changes the requirements for utilities to offer net metering, by changing the date from December 31, 2035, to December 31, 2029, and lowering the cumulative generating capacity limit for net metering systems, from 12% to 6%;
--Specifies that a utility is not prohibited from continuing to make net metering available after these conditions are met, and requires that utilities continue to make net metering available for low-income households;
--Removes language requiring a utility to develop rates as a percentage of the utility's retail rate;
--Removes language explicitly authorizing utilities to develop optional time-of-use rates;
--Specifies that the annual production projections that are to be included in solar contracts are to be for a solar energy system's first year;
--Requires that a solar contract states that adding a solar generation system may affect the value of the structure and property taxes, and that a solar generation system tied to the grid may turn off automatically in the event of a power outage to protect utility repair personnel;
--Requires that workers performing work on a net metering system be paid their occupation's prevailing wage, with an exception for apprentices;
--Changes the convenor of the future of net metering work group from the Washington State University Extension Energy Program to a joint effort by the Utilities and Transportation Commission and the Department of Commerce, and language requiring them to consider whether it is reasonable for utilities to count consumer-owned clean energy systems in their service territory toward the Clean Energy Transformation Act;
--Changes the total net metered generation capacity scenarios required in the cost shift study, to 6%, 8%, and 12%, and specifies that the study must consider the value of solar across a variety of factors;
--Specifies that it is the intent of the Legislature for utilities to wait until the work group process has concluded before proposing or adopting alternatives to net metering, and that the state's net metering policy is updated and implemented by January 1, 2030; and
--Reduces the period that customers must be notified regarding a new rate before it goes into effect, from three years to one year.

SUMMARY OF CURRENT BILL:
--Changes the net metering requirement for electric utilities from June 30, 2029, to December 31, 2029, or the first date upon which a utility reaches the cumulative generating capacity for net metering systems, which is increased from 4% to 6% of the utility's peak demand during 1996.
--Changes the size of systems that utilities must allow to be net metered, from 100 kilowatts to one megawatt for utilities.
--Changes requirements for utilities regarding net metering, including requiring 25-year contracts between customer-generators, requiring that net metering continue to be made available for low-income households, and directing that unused energy credits at the end of an annual cycle be granted to low-income customers through a utility energy assistance program.
--Adopts consumer protections for solar energy customers through contract requirements.
This bill requires the Department of Commerce (Commerce) to begin conducting a study by January 31, 2024, on cost shifting associated with net metering, the Utilities and Transportation Commission (UTC) and Commerce to jointly convene a work group by May 1, 2024, to make recommendations about the future of net metering, and the UTC and Commerce to summarize both the work group's recommendations and the findings of the cost shift study in a report submitted to the Legislature by December 1, 2026.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

CHANGES IN EXPENDITURE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:
This bill version would have additional, indeterminate expenditure impacts on local governments.

The substitute bill raises the system size that consumer-owned utilities are required to offer net metering up to, from 200 kilowatts to one megawatt. By increasing the size of the system that utilities must offer net metering services to, the bill increases the number of utility customers producing their own electricity with on-site energy systems (customer-generators) eligible for net metering contracts, which would in turn increase the amount of staff time required to draft and negotiate net metering contracts. Since it is unknown how many more customer-generators would be eligible for net metering under the provisions of this bill, the additional expenditure impacts to local governments are indeterminat

The substitute bill removes language explicitly authorizing utilities to develop optional time-of-use rates. Since time-of-use net-metering was presented as a local option in the original version on the bill, it is difficult to determine the decrease in expenditures as a result of removing the language, since it is unknown how many jurisdiction would have adopted the local option.

Language requiring utilities to develop rates as a percentage of the utility's retail rate is removed from the substitute version of the bill. This would result in an indeterminate decrease in local government expenditures, since staff time would no longer be required to calculate rates as a percentage of retail rates. The amount of staff time that would have been required to calculate these rates is unknown, and thus the expenditure impact of removing this language is indeterminate.

EXPENDITURE IMPACTS OF CURRENT BILL:
This bill would have indeterminate expenditure impacts on local governments.

Net metering enables customer-generators to sell back the electricity they do not use to an electric utility and offset their future energy costs. This bill requires utilities to develop a standard rate or tariff schedule for eligible customer-generators and enter into a contract with any person interested in becoming an eligible customer-generator. Some utilities, such as Snohomish County, already require net metering agreements for customer-generators. For utilities that already require contracts, the increase in costs in staff time would be de minimis, since these tasks already fall under the purview of current employees. For utilities that do not already require contracts or set standard rates for customer-generators, there may be costs incurred from increased staff time to draft and negotiate net metering contracts, as well as determine an appropriate standard rate or tariff schedule.

The Utilities and Transportation Commission (UTC) and the Department of Commerce (Commerce) work group is required to include representatives from consumer-owned and investor-own utilities and other relevant organizations in Eastern Washington. This work group may require multiple in-person meetings, which would incur travel and potentially hotel costs for local utility staff, depending on how far away they live from the meeting. If the meetings were held in Olympia, it would cost a utility staff member traveling from Seattle, which is 122 miles away, $334 for a single one-day meeting. This cost includes a $74 per diem, $138 hotel cost and a mileage reimbursement fee. The bill does not say where the meetings would be held, how to determine which utilities must send representatives to the work group, how many representatives are required for quorum, or how frequently they must meet. It is difficult to determine the total cost of in-person work group meetings to local governments because of these uncertainties.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

CHANGES IN REVENUE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:
The revenue impacts of the substitute remain the same as the prior version and are discussed below.

REVENUE IMPACTS OF CURRENT BILL:

This bill would have indeterminate revenue impacts of local governments. Utility customers producing their own electricity as customer-generators may shift service and capital costs to traditional rate-paying customers in order for utilities to make up lost revenue. However, it is unknown if this cost shift would be significant. Since utilities may offset lost revenue by increasing the service costs for standard rate customers, the revenue impacts of this bill are indeterminate.

SOURCES

Department of Commerce
House Bill Report, SHB 1427, Environment & Energy Committee (2023)
House Bill Analysis, HB 1427, Environment & Energy Committee (2023)
Local Government Fiscal Note, HB 1427, (2023)
Local Government Fiscal Note Program Travel Cost Model (2023)
Snohomish County Public Utility District
Washington State Public Utility Districts Association