

SUMMARY OF INITIATIVE 2066 TO THE PEOPLE

As of September 3, 2024

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Brief Summary

- Requires every gas company or large combination utility, or city or town that furnishes natural gas, to provide natural gas to anyone that demands, applies for, or is reasonably entitled to natural gas.
- Prohibits the Utilities and Transportation Commission from approving an integrated system plan (ISP) or a multiyear rate plan that requires or incentivizes a company to terminate natural gas service to customers, or a customer to switch fuel use by restricting access to natural gas or making natural gas cost-prohibitive.
- Repeals provisions from ESHB 1589 (2024) as well as specific provisions related to cost-effective electrification and geographically targeted electrification planning under an ISP.
- Forbids the State Building Code Council, cities, towns, counties, and air pollution control agencies from prohibiting, penalizing, or discouraging the use of gas for heating or uses related to any appliance or equipment in any building.

Background: Initiative Process. Article II, Section 1, of the Washington State Constitution authorizes the initiative process, allowing the people to place a proposition on the ballot or to submit the proposed law to the Legislature. Initiatives to the People, if certified to have sufficient signatures, are submitted for a vote of the people at the next state general election.

On July 24, 2024, signature verification was completed and certified by the Office of the Secretary of State for Initiative 2066.

Ballot Title and Measure Prepared by the Attorney General. The ballot title and ballot measure summary are prepared by the Washington State Office of the Attorney General and will read as follows:

Ballot Title.

Initiative Measure No. 2066 concerns regulating energy services, including natural gas and electrification. This measure would repeal or prohibit certain laws and regulations that discourage natural gas use, and/or promote electrification, and require certain utilities and local governments to provide natural gas to eligible customers.

Should this measure be enacted into law? Yes [] No []

Ballot Measure Summary.

This measure would require utilities and local governments to provide natural gas to eligible customers, prevent state approval of rate plans requiring or incentivizing gas service termination, restricting access to gas service, or making it cost-prohibitive; and prohibit the state energy code, localities, and air pollution control agencies from penalizing gas use. It would repeal sections of chapter 351, Laws of 2024, including planning requirements for cost-effective electrification and prohibitions on gas rebates and incentives.

Gas Utility Obligation to Serve. Under current law, utilities regulated by the Utilities and Transportation Commission (UTC), including gas companies, must furnish the services they provide, such as electricity, wastewater company services, water, or gas, to all people and corporations who apply and are reasonably entitled to those services. A gas company's statutory obligation to furnish gas to any customer who applies for gas service that has access to the gas company's thermal energy network may be met by providing thermal energy through a nonemitting thermal energy network, exclusively upon petition of a gas company and subject to the UTC's approval.

Currently, the UTC regulates four investor-owned gas companies—Avista Corporation, Puget Sound Energy, Cascade Natural Gas Corporation, and Northwest Natural Gas Company.

A city or town may also provide municipal utility services, such as gas services. Two cities operate natural gas utilities—Ellensburg and Enumclaw.

Large Combination Utilities and Natural Gas Planning. In 2024, the Legislature passed ESHB 1589, also known as the Washington Decarbonization Act for Large Combination Utilities, which established a process for the UTC to consolidate a large combination utility's multiple planning requirements for both gas and electric operations into a single integrated system plan (ISP), by July 1, 2025. A large combination utility is required to file an ISP by January 1, 2027, and the UTC must take into account specific public interest factors when approving an ISP.

A large combination utility is defined as both an electrical company and a gas company that serves more than 800,000 retail electric customers and 500,000 retail gas customers in Washington as of June 30, 2024. Puget Sound Energy is the only utility that meets this definition.

In addition to establishing a planning process described above, ESHB 1589 does the following:

1. Applies a risk reduction premium when evaluating the lowest reasonable cost of decarbonization measures in an ISP to ensure that a large combination utility is making

appropriate long-term investments to mitigate against the allowance prices under the Climate Commitment Act and fuel price risks to its customers.

2. Directs a large combination utility to include an updated depreciation study that reduces the gas rate base consistent with an approved ISP and any multi-year rate plan (MYRP). The UTC may adopt depreciation schedules that accelerate cost recovery or address affordability; however, in any MYRP, the UTC must approve a depreciation schedule that depreciates all gas plants currently in service no later than January 1, 2050.
3. Allows a large combination utility to propose a merger of the regulated gas and electric operations into a single rate base, and the UTC to approve the merger if it finds the proposal will result in a net benefit to customers of the large combination utility.
4. Beginning January 1, 2025, prohibits a large combination utility from offering any form of rebate, incentive, or other inducement to residential gas customers to purchase any natural gas appliance or equipment, with exceptions for electric heat pumps that include natural gas backups and commercial and industrial customers.
5. Requires a large combination utility to educate its customers about the benefits of electrification and the availability of rebates, incentives, or other inducements to purchase energy efficient electric appliances and equipment by November 1, 2025.
6. Requires the ISP to include a process for outreach to the consumer-owned utilities that provide electric service to the same service area, or portion of a service area, where a large combination utility is proposing geographically targeted electrification. The outreach must include specific gas delivery data.

Washington State Energy Code. The Washington State Energy Code (Energy Code) is part of the State Building Code, which sets the minimum construction requirements for buildings in the state. The Energy Code provides a maximum and minimum level of energy efficiency for residential buildings and the minimum level of energy efficiency for nonresidential buildings.

The State Building Code Council (SBCC) maintains the Energy Code. SBCC reviews, updates, and adopts model state building codes every three years. The Energy Code must be designed to:

- construct increasingly energy efficient homes and buildings that help achieve the broader goal of building zero fossil-fuel greenhouse gas emission homes and buildings by the year 2031;
- 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
- allow space heating equipment efficiency to offset or substitute for building envelope thermal performance.

In 2023, SBCC amended the Energy Code by rule, which in part revised the scoring system and credit requirements used in the approval of building permits based on the size and occupancy classification of a dwelling unit. Different credit amounts are earned by installing various appliances and employing building treatments to reduce energy use. The credits are available for equipment such as electric heat pumps, solar panels, and upgraded thermostats or ventilation systems. The rules went into effect March 14, 2024.

Air Pollution Control Agencies. The purpose of the Clean Air Act (CAA) is to prevent and control air pollution. To achieve this, the CAA enables local air pollution control authorities, or clean air agencies, to implement and enforce federal, state, and local air pollution regulations. Local clean air agencies may be comprised from one county or several counties. There are seven local air pollution control agencies in the state. Where there is no local air authority, Ecology implements and enforces the CAA. Air pollution regulations within Indian reservation lands are overseen by the Environmental Protection Agency, and fall under the Federal Air Rules for Reservations regulations.

Summary of Bill: Gas Utility Obligation to Serve. Every gas company, large combination utility, or city or town that furnishes natural gas, is required to provide natural gas to those in their service area or territory that demands, applies for, or is reasonably entitled to natural gas, even if other energy services or sources may be available.

ESHB 1589 Amendments and Repealers. Several provisions of ESHB 1589 are either amended or repealed. The UTC is prohibited from approving an ISP or a MYRP that:

- requires or incentivizes a gas company or large combination utility to terminate natural gas service to customers; or
- authorizes a gas company or large combination utility to require a customer to involuntarily switch fuel use by either restricting access to natural gas or implementing planning requirements making natural gas cost-prohibitive.

Several ISP planning requirements related to cost-effective electrification and geographically targeted electrification are removed. These planning requirements included:

- achieving cost-effective electrification of end uses currently served by natural gas identified through an assessment;
- providing low-income electrification programs that provide dedicated funding for electrification readiness;
- assessing the potential for geographically targeted electrification on gas plant infrastructure; and
- assessing nonpipeline alternatives, which includes identifying known and planned gas infrastructure projects, estimating maintenance expenses for the gas system, and ranking gas pipeline segments.

The requirement to apply a risk reduction premium that accounts for the applicable allowance prices under the Climate Commitment Act when evaluating the lowest reasonable cost of decarbonization measures in an ISP is removed.

Several sections of ESHB 1589 are repealed including those that:

- required the UTC to approve a depreciation schedule for all gas plants currently in service, no later than January 1, 2050;
- allowed the UTC to approve the merger of the regulated gas and electric operation into a single rate base;
- prohibited rebates or incentives for natural gas appliances or equipment;
- required customer education about the benefits of electrification; and
- required outreach to consumer-owned utilities that provide electric service to the same

service area, or portion of a service area, where a large combination utility is proposing geographically targeted electrification.

Energy Code. The provision requiring the Energy Code to be designed to help achieve the broader goal of building zero fossil-fuel greenhouse gas emission homes and buildings is removed. SBCC is not permitted to prohibit, penalize, or discourage the use of gas for heating, or uses related to any appliance or equipment, in any residential or nonresidential building.

Local Government Provisions. Cities, towns, counties, and air pollution control agencies are not permitted to prohibit, penalize, or discourage the use of gas for heating, or uses related to any appliance or equipment, in any building.

Effective Date: The initiative takes effect 30 days after the election at which it is approved.

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