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**Technology, Energy &  
Communications Committee**

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**HB 2351**

**Brief Description:** Concerning energy resource planning and renewable energy standards.

**Sponsors:** Representatives Morris and Hudgins.

**Brief Summary of Bill**

- Requires investor-owned utilities and consumer-owned utilities to develop integrated resource plans.
- Establishes a statewide renewable energy goal based on the integrated resources plans and creates renewable energy targets for electric utilities.
- Submits this act by referendum to the people of the state of Washington for their adoption and ratification, or rejection, at the next general election.

**Hearing Date:** 1/10/06

**Staff:** Scott Richards (786-7156).

**Background:**

Least Cost Planning

In Washington, most of the electricity sold to retail customers is generated by hydroelectric power. According to the state's 2004 fuel mix disclosure report using 2003 electricity production data, hydroelectric power accounts for 66.6 percent of electricity sold; coal represents 17.7 percent; natural gas 9.8 percent; and nuclear power supplies 4.6 percent. Non-hydro renewable resources such as wind, landfill gas, or biomass represent 1.3 percent.

Traditionally, electric utilities have been guided in their efforts to acquire resources for meeting their customers' demand for electricity by a least cost planning analysis. In conducting least cost planning, utilities choose a mix of supply and demand side resources that minimizes the cost of services to the customer. The mix may include electricity that is generated by the utility itself, purchased on long-term contracts from other producers, or may include some electricity purchased on the short-term or spot market. It may also include conservation and energy efficiency.

The Bonneville Power Administration (BPA) sells wholesale electric power to utilities for resale generated by the federal hydroelectric dams that are part of the Federal Columbia River Power System, a nuclear facility and other nonfederal power plants.

The rules of the Washington State Utilities and Transportation Commission (UTC) require the investor-owned electric utilities regulated by the UTC to develop least cost plans in consultation with the staff of the UTC.

### Renewable Energy

Beginning January 1, 2002, all electric utilities (other than small electric utilities) had to offer their customers an option to purchase electricity generated using alternative energy resources. This was a voluntary approach to encouraging the use and development of electricity generation using a mix of renewable resources. The Department of Community, Trade, and Economic Development (DCTED) and the UTC must report annually on the products offered to customers, customer participation, and the investments made by each utility in qualifying alternative energy resources.

### **Summary of Bill:**

#### Integrated Resource Plans

Investor-owned and consumer-owned electric utilities are required to develop integrated resource plans that describe the mix of generating resources and improvements in efficient use of electricity to meet current and future needs at the lowest reasonable cost to ratepayers. Development of an integrated resource plan must include demand forecasts, assessment of technically feasible improvements, assessment of technically feasible generating technologies, resource evaluation, and specific actions to be taken by the utility consistent with the integrated resource plan. For all plans subsequent to the initial integrated resource plan, the plan must also include a progress report that relates the new plan to the previous plan.

The investor-owned utilities must submit integrated resource plans to the UTC. Consumer-owned utilities must develop and publish a work schedule for the preparation of an integrated resource plan and the governing body shall approve an integrated resource plan after public notice and hearing. Consumer-owned utilities must provide a copy of the integrated resource plan to the DCTED.

The DCTED must review the integrated resource plans of consumer-owned utilities and prepare a statewide summary report to the legislature. The UTC must provide information on the investor-owned utilities to the DCTED for inclusion in the statewide summary report.

#### Renewable Energy Goal

By December 1, 2007, the DCTED shall establish a statewide renewable energy goal using the integrated resource plans that investor-owned utilities and consumer-owned utilities must develop. The DCTED shall update the goal in 2009, 2013, and 2019 using the integrated resource plans that the investor-owned utilities and consumer-owned utilities must develop.

Renewable energy targets, beginning January 1, 2011, are also established for electric utilities to include renewable energy in their mix of resources. The targets are set as follows:

- By January 1, 2011 through December 31, 2015, electric utilities shall make the percentage of annual retail load represented by eligible renewable resources or equivalent renewable energy credits equal to the statewide renewable energy goal established in 2009.
- By January 1, 2016 through December 31, 2020, electric utilities shall make the percentage of annual retail load represented by eligible renewable resources or equivalent renewable energy credits equal to the statewide renewable energy goal established in 2013.

- By January 1, 2021, electric utilities shall make the percentage of annual retail load represented by eligible renewable resources or equivalent renewable energy credits equal to the statewide renewable energy goal established in 2019.

Renewable resources include water, wind, solar energy, geothermal energy, landfill gas, biomass energy from animal waste, solid organic fuels from wood, forest, field residues, or energy crops, wave or tidal power, and gas from sewage treatment facilities. Not all electric generation using renewable resources is eligible to meet the standard. Resources are limited by date of operation or upgrade for a facility and, in some cases, its geographic location.

An electric utility may meet the renewable energy standard by counting electricity from renewable resources for which it receives credit under BPA conservation and renewable programs and from renewable resources that are part of the BPA electricity portfolio. An electric utility may include electricity generated from renewable resources provided to customers through optional pricing programs (green options programs).

An electric utility may contribute additional credit toward meeting the target for early acquisition of eligible renewable resources physically located in Washington state and for renewable resources acquired from facilities constructed using apprenticeship programs.

Electricity generated by a utility through distributed generation used to serve the customer's electricity needs may count towards meeting both standards.

Electricity from resources used by a utility to meet a federally legislated standard may be used to meet the standards but not electricity used to meet a standard established through legislation in another state.

#### Compliance and Monitoring

By January 1, 2010, and every two years thereafter, utilities must report on the renewable energy acquired to meet the target and its annual retail load. Consumer-owned utilities report to the DCTED and investor-owned utilities report to the UTC.

#### Referendum

This bill directs the secretary of state to submit this act as a referendum to the people for adoption and ratification, or rejection at the next general election.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.