
SUBSTITUTE HOUSE BILL 2102

State of Washington

57th Legislature

2001 Regular Session

By House Committee on Technology, Telecommunications & Energy (originally sponsored by Representatives Poulsen, Crouse, Campbell, Kenney, Linville, Conway, Ruderman and Schual-Berke; by request of Governor Locke)

Read first time 02/26/2001. Referred to Committee on .

1 AN ACT Relating to diversification of state electricity supply and
2 demand management; amending RCW 80.60.005 and 80.60.010; adding new
3 sections to chapter 80.60 RCW; adding a new section to chapter 43.21F
4 RCW; adding a new section to chapter 80.28 RCW; and creating new
5 sections.

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

7 NEW SECTION. **Sec. 1.** This chapter may be known and cited as the
8 diversification of electricity supply and demand management act.

9 **Sec. 2.** RCW 80.60.005 and 1998 c 318 s 1 are each amended to read
10 as follows:

11 The legislature finds that it is in the public interest to:

12 (1) Encourage private investment in renewable energy resources;

13 (2) Stimulate the economic growth of this state; (~~and~~)

14 (3) Enhance the continued diversification of the energy resources
15 used in this state; and

16 (4) Promote conservation and efficiency in electricity usage.

1 **Sec. 3.** RCW 80.60.010 and 2000 c 158 s 1 are each amended to read
2 as follows:

3 The definitions in this section apply throughout this chapter
4 unless the context clearly indicates otherwise.

5 (1) "Alternative energy resources" means the electricity produced
6 from generation facilities fueled by: (a) Wind; (b) solar energy; (c)
7 geothermal energy; (d) landfill gas; (e) wave or tidal action; (f) gas
8 produced during the treatment of wastewater; (g) qualified hydropower;
9 or (h) biomass energy based on solid organic fuels from wood, forest,
10 or field residues, or dedicated energy crops that do not include wood
11 pieces that have been treated with chemical preservatives such as
12 creosote, pentachlorophenol, or copper-chrome-arsenic.

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

14 (~~(+2)~~) (3) "Conservation and efficiency resources" means measures
15 that yield a decrease of energy consumption while providing the same
16 level of energy service.

17 (4) "Customer-generator" means a user of a net metering system.

18 (~~(+3)~~) (5) "Department" means the department of community, trade,
19 and economic development.

20 (6) "Electrical company" means a company owned by investors that
21 meets the definition of RCW 80.04.010.

22 (~~(+4)~~) (7) "Electric cooperative" means a cooperative or
23 association organized under chapter 23.86 or 24.06 RCW.

24 (~~(+5)~~) (8) "Electric utility" means any electrical company, public
25 utility district, irrigation district, port district, electric
26 cooperative, or municipal electric utility that is engaged in the
27 business of distributing electricity to retail electric customers in
28 the state.

29 (~~(+6)~~) (9) "Irrigation district" means an irrigation district
30 under chapter 87.03 RCW.

31 (~~(+7)~~) (10) "Municipal electric utility" means a city or town that
32 owns or operates an electric utility authorized by chapter 35.92 RCW.

33 (~~(+8)~~) (11) "Net metering" means measuring the difference between
34 the electricity supplied by an electric utility and the electricity
35 generated by a customer-generator that is fed back to the electric
36 utility over the applicable billing period.

37 (~~(+9)~~) (12) "Net metering system" means a fuel cell or a facility
38 for the production of electrical energy that:

39 (a) Uses as its fuel either solar, wind, or hydropower;

1 (b) Has a generating capacity of not more than twenty-five
2 kilowatts;

3 (c) Is located on the customer-generator's premises;

4 (d) Operates in parallel with the electric utility's transmission
5 and distribution facilities; and

6 (e) Is intended primarily to offset part or all of the customer-
7 generator's requirements for electricity.

8 (~~(10)~~) (13) "Port district" means a port district within which an
9 industrial development district has been established as authorized by
10 Title 53 RCW.

11 (~~(11)~~) (14) "Public utility district" means a district authorized
12 by chapter 54.04 RCW.

13 (15) "Qualified diversity resources" means (a) new conservation and
14 efficiency resources; or (b) alternative energy resources that are
15 either:

16 (i) New alternative energy resources that are physically metered
17 and that are verified in Washington; or

18 (ii) Existing alternative energy resources located in Washington
19 and fully owned or contracted by a Washington utility.

20 (16) "Qualified hydropower" means the additional energy produced by
21 (a) existing hydropower facilities that have been modernized or
22 upgraded after June 1, 1998, to increase capacity or efficiency; or (b)
23 new hydropower facilities that operate with a head of twenty meters or
24 less.

25 (17) "Small electric utility" means any consumer-owned utility with
26 twenty-five thousand or fewer electric meters in service, or that has
27 an average of seven or fewer customers per mile of distribution line.
28 "Electric meters in service" means those meters that record in at least
29 nine months in any calendar year not less than two hundred fifty
30 kilowatt hours per month.

31 NEW SECTION. Sec. 4. (1) By January 1, 2007, and each year
32 thereafter through December 31, 2011, each electric utility shall
33 ensure that at least five percent of its resources used to serve its
34 Washington retail customers are qualified diversity resources. Of the
35 five percent, not less than one and one-quarter percent must be
36 alternative energy resources and not less than one and one-quarter
37 percent must be conservation and efficiency resources.

1 (2) By January 1, 2012, and each year thereafter, each electric
2 utility shall ensure that at least ten percent of its resources used to
3 serve its Washington retail customers are qualified diversity
4 resources. Of the ten percent, not less than two and one-half percent
5 must be alternative energy resources and not less than two and one-half
6 percent must be conservation and efficiency resources.

7 (3) An electric utility that as of March 1, 2001, owns or has under
8 contract sufficient resources to meet one hundred percent of its annual
9 energy needs to serve its customers is exempt from the alternative
10 energy resources obligations of this section until such time as those
11 resources are no longer sufficient to serve at least ninety-five
12 percent of its annual energy needs, or January 1, 2009, whichever is
13 earlier.

14 (4) If in any year the cost of a utility's lowest cost available
15 alternative energy resource is more than one hundred ten percent of a
16 utility's lowest costs for energy produced by new generation
17 facilities, then the utility is relieved for that year of its
18 alternative energy resource obligations under this section for that
19 portion.

20 (5) A small utility may meet its obligation under this section by
21 investing at least two times the amount of its conservation and
22 renewables discount pursuant to the Bonneville power administration's
23 final record of decision for conservation and renewable implementation,
24 dated February 12, 2001.

25 (6) A utility is relieved of its obligation under this section with
26 regard to alternative energy resources for that portion of its customer
27 load that is met with power purchased from the Bonneville power
28 administration.

29 NEW SECTION. **Sec. 5.** (1) By March 1, 2003, and by each March 1st
30 thereafter, each electric utility, except electrical companies, shall
31 report at an open public meeting its activities undertaken to achieve
32 the requirements of section 4 of this act. A written copy or
33 transcript of the report must also be submitted to the department
34 within twenty days of the public meeting.

35 (2) Beginning March 1, 2003, and by each March 1st thereafter, each
36 electrical company shall report to the commission its activities
37 undertaken to achieve the requirements of section 4 of this act.

1 (3) By July 1, 2003, and each July 1st thereafter, the department
2 and the commission must jointly report to the legislature and the
3 governor whether and how the standards in section 4 of this act have
4 been met for the previous five calendar years.

5 NEW SECTION. **Sec. 6.** A new section is added to chapter 43.21F RCW
6 to read as follows:

7 (1) The department shall adopt rules governing the reporting
8 requirements in section 5(1) of this act.

9 (2) The department shall adopt rules establishing criteria for
10 determining whether resources qualify as alternative energy resources
11 or conservation and efficiency resources as defined in RCW 80.60.010.
12 To the extent practicable, these criteria shall be consistent with any
13 pertinent recommendations of the regional technical forum of the
14 Pacific Northwest electric power and conservation planning council
15 created under P.L. 96-501, 16 U.S.C. Sec. 839. The department may
16 establish procedures by which an electric utility, except an electric
17 company, that makes expenditures for eligible conservation and
18 efficiency resources in an amount equivalent to two percent of its
19 previous calendar year's gross revenues from the bundled sale of
20 electricity to Washington retail customers is deemed to have dedicated
21 one-half of one percent of its resources toward the conservation and
22 efficiency requirements of section 4 of this act. The rules shall
23 include criteria for qualifying expenditures for weatherization of
24 low-income households as conservation and efficiency resources. The
25 department shall also consider energy savings realized from smart
26 meters and other energy management systems in establishing criteria
27 under this section.

28 (3) By July 1, 2003, the department shall establish criteria by
29 which utilities may meet the provisions of section 4 of this act
30 through a qualified diversity resource credit trading program. For
31 purposes of this section, "qualified diversity resource credit trading
32 program" means a clearinghouse or other system through which a utility
33 may secure, for trade or other consideration, verifiable evidence that
34 a second party has developed a qualified diversity resource equivalent
35 in part or in full to the utility's obligation under this section and
36 that the second party agrees to transfer such evidence exclusively to
37 the credit of the utility. The department shall report to the

1 legislature regarding the establishment of any credit trading program
2 under this section.

3 NEW SECTION. **Sec. 7.** A new section is added to chapter 80.28 RCW
4 to read as follows:

5 The commission shall adopt rules to implement sections 4 and 5 of
6 this act with respect to electrical companies. The rules may include
7 criteria to establish equivalence between an electric company's
8 expenditure levels for conservation and efficiency resources and the
9 performance standard percentages set out in section 4 of this act.

10 NEW SECTION. **Sec. 8.** Each electric utility, as defined in RCW
11 80.60.010, shall undertake and complete by January 1, 2003, a
12 feasibility study to determine effective methods for reducing by at
13 least three percent use of electricity during daily peak periods of
14 electricity demand. Each utility shall report the results of its study
15 under section 5 of this act. The study shall consider the feasibility
16 and effectiveness of such factors as: Providing consumers information
17 on the cost of electricity at different times of day or season; "smart
18 meters" technology or other energy management systems that enable
19 consumers and utilities to improve management of electricity supply and
20 cost; and rate structures that create an incentive for demand reduction
21 dispatched by utilities.

22 NEW SECTION. **Sec. 9.** Any direct service industrial customer that
23 obtains a sales and use tax exemption or deferral or business and
24 occupation tax or public utility tax credit under chapter . . . (House
25 Bill No. 1404, Senate Bill No. 5539, or other similar legislation),
26 Laws of 2001 must meet the obligations under sections 4 and 5 of this
27 act as if it were an electric utility.

28 NEW SECTION. **Sec. 10.** Sections 1, 4, 5, and 9 of this act are
29 each added to chapter 80.60 RCW.

30 NEW SECTION. **Sec. 11.** If chapter . . . (House Bill No. 1404,
31 Senate Bill No. 5539, or other similar legislation), Laws of 2001 does
32 not become law by June 30, 2001, section 9 of this act is null and
33 void.

1 NEW SECTION. **Sec. 12.** If any provision of this act or its
2 application to any person or circumstance is held invalid, the
3 remainder of the act or the application of the provision to other
4 persons or circumstances is not affected.

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