
SUBSTITUTE SENATE BILL 6027

State of Washington

57th Legislature

2001 Regular Session

By Senate Committee on Environment, Energy & Water (originally sponsored by Senators Fraser, Winsley and Finkbeiner; by request of Governor Locke)

READ FIRST TIME 03/05/01.

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; adding a new section to
5 chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; adding a
6 new section to chapter 82.16 RCW; creating new sections; and providing
7 expiration dates.

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

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

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

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

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

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

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

18 (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) conservation and
14 efficiency resources contracted for after March 1, 2001; or (b)
15 alternative energy resources that are either:

16 (i) Alternative energy resources initiating operations after March
17 1, 2001, that are physically metered and that are verified in
18 Washington; or

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

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

26 (17) "Small electric utility" means any consumer-owned utility with
27 twenty-five thousand or fewer electric meters in service, or that has
28 an average of seven or fewer customers per mile of distribution line.

29 "Electric meters in service" means those meters that record in at least
30 nine months in any calendar year not less than two hundred fifty
31 kilowatt hours per month.

32 NEW SECTION. Sec. 4. (1) By January 1, 2007, and each year
33 thereafter through December 31, 2011, each electric utility shall
34 ensure that at least five percent of its resources used to serve its
35 Washington retail customers are qualified diversity resources. Of the
36 five percent, not less than one and one-quarter percent must be
37 alternative energy resources and not less than one and one-quarter
38 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 lowest cost alternative energy resource
15 available to a utility exceeds one hundred ten percent of the capital
16 and energy cost from a new generation facility that is not an
17 alternative energy resource, the utility is relieved of its alternative
18 resource obligations under this section.

19 (5) A small utility may meet its obligation under this section by
20 investing at least two times the amount of its conservation and
21 renewables discount pursuant to the Bonneville power administration's
22 conservation and renewables discount program for the contract period
23 beginning October 1, 2001.

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

28 NEW SECTION. **Sec. 5.** (1) By January 1, 2007, and each year
29 thereafter through December 31, 2011, each natural gas distribution
30 utility that provides gas services within two or more counties shall
31 ensure that at least two and one-half percent of its resources used to
32 serve its Washington retail customers are conservation and efficiency
33 resources.

34 (2) By January 1, 2012, and each year thereafter, each natural gas
35 distribution utility that provides gas services within two or more
36 counties shall ensure that at least five percent of its resources used
37 to serve its Washington retail customers are conservation and
38 efficiency resources.

1 NEW SECTION. **Sec. 6.** (1) By March 1, 2003, and by each March 1st
2 thereafter, each electric utility, except electrical companies, shall
3 report at an open public meeting its activities undertaken to achieve
4 the requirements of section 4 of this act. A written copy or
5 transcript of the report must also be submitted to the department
6 within twenty days of the public meeting.

7 (2) Beginning March 1, 2003, and by each March 1st thereafter, each
8 electrical company and gas company shall report to the commission its
9 activities undertaken to achieve the requirements of sections 4 and 5
10 of this act.

11 (3) By July 1, 2003, and each July 1st thereafter, the department
12 and the commission must jointly report to the legislature and the
13 governor whether and how the standards in sections 4 and 5 of this act
14 have been met for the previous calendar year.

15 NEW SECTION. **Sec. 7.** A new section is added to chapter 43.21F RCW
16 to read as follows:

17 (1) The department shall adopt rules governing the reporting
18 requirements in section 6(1) of this act.

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

1 (3) By July 1, 2003, the department shall establish criteria by
2 which utilities may meet the provisions of sections 4 and 5 of this act
3 through a qualified diversity resource credit trading program. For
4 purposes of this section, "qualified diversity resource credit trading
5 program" means a clearinghouse or other system through which a utility
6 may secure, for trade or other consideration, verifiable evidence that
7 a second party has developed a qualified diversity resource equivalent
8 in part or in full to the utility's obligation under this section and
9 that the second party agrees to transfer such evidence exclusively to
10 the credit of the utility. The department shall report to the
11 legislature regarding the establishment of any credit trading program
12 under this section.

13 NEW SECTION. **Sec. 8.** A new section is added to chapter 80.28 RCW
14 to read as follows:

15 The commission shall adopt rules to implement sections 4 through 6
16 of this act with respect to electrical companies and gas companies.
17 The rules may include criteria to establish equivalence between an
18 electric company's expenditure levels for conservation and efficiency
19 resources and the performance standard percentages set out in sections
20 4 and 5 of this act.

21 NEW SECTION. **Sec. 9.** Each electric utility, as defined in RCW
22 80.60.010, shall undertake and complete by January 1, 2003, a
23 feasibility study to determine effective methods for reducing by at
24 least three percent use of electricity during daily peak periods of
25 electricity demand. Each utility shall report the results of its study
26 under section 6 of this act. The study shall consider the feasibility
27 and effectiveness of such factors as: Providing consumers information
28 on the cost of electricity at different times of day or season; "smart
29 meters" technology or other energy management systems that enable
30 consumers and utilities to improve management of electricity supply and
31 cost; and rate structures that create an incentive for demand reduction
32 dispatched by utilities.

33 NEW SECTION. **Sec. 10.** Any direct service industrial customer that
34 obtains a sales and use tax exemption or deferral or business and
35 occupation tax or public utility tax credit under chapter . . . (House
36 Bill No. 1404, Senate Bill No. 5539, or other similar legislation),

1 Laws of 2001 must meet the obligations under sections 4 and 6 of this
2 act as if it were an electric utility.

3 NEW SECTION. **Sec. 11.** A new section is added to chapter 82.08 RCW
4 to read as follows:

5 The tax levied by RCW 82.08.020 does not apply to sales of smart
6 metering and control technology purchased after July 1, 2003, by an
7 electric utility as defined in RCW 80.60.010, up to a selling price of
8 fifty dollars per utility customer to be served by the technology.
9 "Smart metering and control technology" means equipment, including
10 specialized meters, that provide two-way electronic communication
11 between the utility and a customer's electric meter or electric
12 appliances, and that will enable the utility to charge different rates
13 during different times of day or to physically reduce or interrupt
14 demand for electricity. The utilities and transportation commission
15 shall provide information to the department and to the electric utility
16 in regard to how many customers are being served by smart metering and
17 control technology on June 30, 2001, and how many additional customers
18 will be served by application of the smart metering and control
19 technology after July 1, 2001.

20 This section expires June 30, 2007.

21 NEW SECTION. **Sec. 12.** A new section is added to chapter 82.12 RCW
22 to read as follows:

23 The provisions of this chapter do not apply in respect to smart
24 metering and control technology purchased after July 1, 2003, by an
25 electric utility as defined in RCW 80.60.010, up to a selling price of
26 fifty dollars per utility customer to be served by the technology.
27 "Smart metering and control technology" means equipment, including
28 specialized meters, that provide two-way electronic communication
29 between the utility and a customer's electric meter or electric
30 appliances, and that will enable the utility to charge different rates
31 during different times of day or to physically reduce or interrupt
32 demand for electricity.

33 This section expires June 30, 2007.

34 NEW SECTION. **Sec. 13.** A new section is added to chapter 82.16 RCW
35 to read as follows:

1 In computing tax under this chapter for any electric utility as
2 defined in RCW 80.60.010 that has been certified by the utilities and
3 transportation commission to have, as of July 1, 2001, installed smart
4 metering and control technology for at least thirty percent of its
5 customers, there may be deducted from the gross income an amount equal
6 to the purchase price of smart metering and control technology
7 purchased in the calendar year, up to one hundred dollars per
8 additional customer enabled to be served by such technology beyond the
9 number of customers that were served by smart metering and control
10 technology in the previous calendar year. "Smart metering and control
11 technology" means equipment, including specialized meters, that provide
12 two-way electronic communication between the utility and a customer's
13 electric meter or electric appliances, and that will enable the utility
14 to charge different rates during different times of day or to
15 physically reduce or interrupt demand for electricity. The utilities
16 and transportation commission shall provide information to the
17 department and to the electric utility in regard to how many customers
18 are being served by smart metering and control technology on June 30,
19 2001, and how many additional customers will be served by application
20 of the smart metering and control technology after July 1, 2001.

21 This section expires June 30, 2003.

22 NEW SECTION. **Sec. 14.** Sections 1, 4 through 6, and 10 of this act
23 are each added to chapter 80.60 RCW.

24 NEW SECTION. **Sec. 15.** If chapter . . . (House Bill No. 1404,
25 Senate Bill No. 5539, or other similar legislation), Laws of 2001 does
26 not become law by June 30, 2001, section 10 of this act is null and
27 void.

28 NEW SECTION. **Sec. 16.** If any provision of this act or its
29 application to any person or circumstance is held invalid, the
30 remainder of the act or the application of the provision to other
31 persons or circumstances is not affected.

--- END ---