

SHB 2333 - H AMD 1038

By Representative Morris

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** It is the intent of the legislature to
4 establish a goal of encouraging the construction and development of
5 renewable energy in the state of Washington to meet increasing demands
6 for affordable and reliable electricity. Since electricity supply may
7 lag behind electricity demand, the result may be a sharp increase in
8 electricity prices. The legislature finds that it is desirable to
9 shorten the time it takes to bring new electricity generation to
10 market. Washington is a leader in the development of renewable energy
11 technologies and the legislature acknowledges that encouraging the
12 development of renewable technologies in meeting increased electricity
13 demand will create jobs for Washington's citizens.

14 NEW SECTION. **Sec. 2.** The definitions in this section apply
15 throughout this chapter unless the context clearly requires otherwise.

16 (1) "Commission" means the Washington state utilities and
17 transportation commission.

18 (2) "Consumer-owned utility" includes a municipal electric utility
19 formed under Title 35 RCW, a public utility district formed under Title
20 54 RCW, an irrigation district formed under chapter 87.03 RCW, a
21 cooperative formed under chapter 23.86 RCW, a mutual corporation or
22 association formed under chapter 24.06 RCW, a port district formed
23 under Title 53 RCW, or a water-sewer district formed under Title 57
24 RCW, that is engaged in the business of distributing electricity to one
25 or more retail electric customers in the state.

26 (3) "Cost-effective" has the same meaning as in RCW 80.52.030.

27 (4) "Department" means the department of community, trade, and
28 economic development.

1 (5) "Distributed generation" means either an electricity generation
2 system that uses as its fuel an eligible renewable resource or a fuel
3 cell as defined in RCW 43.19.651, and: (a) Is available on-site and
4 not from a commercial source, and (b) has a generating capacity of not
5 more than twenty-five kilowatts.

6 (6) "Electric utility" means a consumer-owned or investor-owned
7 utility.

8 (7) "Eligible renewable resources" means:

9 (a) Electricity generation facilities powered by a renewable
10 resource, including only those hydro projects that use the natural
11 gravity induced by the flow of the river to produce electricity and do
12 not require the construction of an impounding dam with a large
13 reservoir that commenced operation after April 1, 1999, and that are
14 located in the Pacific Northwest; and

15 (b) Additional power generation achieved, above original design
16 specifications, at hydroelectric facilities, irrigation pipes, and
17 canals, operating on April 1, 1999, that are located in the Pacific
18 Northwest, and do not result in any new water diversions.

19 (8) "Full requirements customer" means a utility that relies on the
20 Bonneville power administration for all of the power needed to supply
21 its total load requirement other than that served by nondispatchable
22 generating resources totaling no more than six megawatts.

23 (9) "Governing body" means the board of directors, city council,
24 commissioners, or board of any consumer-owned utility.

25 (10) "Integrated resource plan" or "plan" means a plan describing
26 the mix of generating resources and improvements in the efficient use
27 of electricity that will meet current and future needs at the lowest
28 reasonable cost to the utility and its ratepayers.

29 (11) "Investor-owned utility" means a corporation owned by
30 investors that meets the definition in RCW 80.04.010 and is engaged in
31 distributing electricity to more than one retail electric customer in
32 the state.

33 (12) "Pacific Northwest" has the same meaning as defined in section
34 3 of the Pacific Northwest electric power planning and conservation
35 act, P.L. 96-501 (16 U.S.C. Sec. 389a; 94 Stat. 2698).

36 (13) "Renewable energy credit" means a tradable certificate of
37 proof of one megawatt-hour of electricity generated from a renewable

1 resource that: (a)(i) Is located in the Pacific Northwest and
2 commenced operation after December 1, 2001; or (ii) is located in the
3 United States portion of the western region as defined by the western
4 electricity coordinating council or its successor entity and commenced
5 operation after July 1, 2003; (b) is not powered by fresh water; and
6 (c) is verified by the renewable energy credit trading system selected
7 by the department.

8 (14) "Renewable resources" means electricity generation facilities
9 fueled by: (a) Water; (b) wind; (c) solar energy; (d) geothermal
10 energy; (e) landfill gas; (f) biomass energy based on animal waste or
11 solid organic fuels from wood, forest, or field residues, or dedicated
12 energy crops that do not include wood pieces that have been treated
13 with chemical preservatives such as creosote, pentachlorophenol, or
14 copper-chrome-arsenic; (g) wave or tidal power; or (h) gas from sewage
15 treatment facilities.

16 (15) "Retail load" means the amount of kilowatt-hours of
17 electricity delivered by an electric utility to its Washington retail
18 customers.

19 (16) "Retail load growth" means the average annual increase in the
20 amount of kilowatt-hours of electricity delivered by an electric
21 utility to its Washington retail customers during a calendar year
22 compared to the prior five consecutive calendar years.

23 NEW SECTION. **Sec. 3.** (1) Each electric utility must develop an
24 integrated resource plan consistent with the provisions of this
25 section. Such a plan shall be updated on a regular basis and, at a
26 minimum, must include:

27 (a) A range of forecasts of future customer demand using methods
28 that examine the effect of economic forces on the consumption of
29 electricity and that address changes in the number, type, and
30 efficiency of electrical end-uses;

31 (b) An assessment of technically feasible improvements in the
32 efficient use of electricity, including load management and fuel
33 switching, as well as currently employed and new policies and programs
34 needed to obtain the efficiency improvements;

35 (c) An assessment of technically feasible generating technologies

1 including but not limited to renewable resources, cogeneration, power
2 purchases, and thermal resources;

3 (d) An evaluation comparing the cost-effectiveness of generating
4 resources with the cost-effectiveness of improvements in the efficient
5 use of electricity;

6 (e) The integration of the demand forecasts and resource
7 evaluations into a long-range integrated resource plan describing the
8 mix of resources and efficiency measures that will meet current and
9 future needs at the lowest reasonable cost, including an assessment of
10 risk associated with fuel price, fuel availability, hedging, and future
11 environmental regulations, to the utility and its ratepayers;

12 (f) A short-term plan outlining the specific actions to be taken by
13 the utility consistent with the long-range integrated resource plan;
14 and

15 (g) For all plans subsequent to the initial integrated resource
16 plan, a progress report that relates the new plan to the previous plan.

17 (2)(a) Investor-owned utilities shall submit integrated resource
18 plans to the commission. The commission shall establish by rule the
19 requirements for preparation and submission of integrated resource
20 plans.

21 (b) The commission may adopt additional rules as necessary to
22 clarify the requirements of subsection (1) of this section as they
23 apply to investor-owned utilities.

24 (3)(a) Each consumer-owned utility shall develop and publish a work
25 schedule for the preparation of an integrated resource plan. The work
26 schedule shall set forth the proposed content of the integrated
27 resource plan, the proposed schedule of preparation, and provisions for
28 public involvement in the preparation and review of the plan. The
29 governing body of each utility shall approve an integrated resource
30 plan only after it has provided public notice and hearing on the
31 proposed plan. Upon approval of its governing board, each consumer-
32 owned utility shall publish a final integrated resource plan either as
33 part of an annual report or as a separate document available to the
34 public.

35 (b) Each consumer-owned utility shall transmit a copy of its
36 integrated resource plan to the department by July 31, 2006, and
37 transmit subsequent plans every two years thereafter.

1 (c) Consumer-owned utilities that are full requirements customers
2 of the Bonneville power administration, that purchase all of their
3 power from a single nonaffiliated energy supplier, that have fewer than
4 twelve thousand five hundred customers, or have an average of seven or
5 fewer customers per mile of distribution line, are exempted from the
6 requirements of this section. However, utilities exempted under this
7 section are encouraged to consider preparation of integrated resource
8 plans under this chapter.

9 (d) Consumer-owned utilities may develop integrated resource plans
10 jointly with other consumer-owned utilities. Data and assessments
11 included in joint reports must be identifiable to each individual
12 utility.

13 (e) A consumer-owned utility exempt under (c) of this subsection is
14 not eligible for tax incentives under sections 7 and 8 of this act
15 unless it develops an integrated resource plan under guidelines
16 established by the department.

17 (4) The department shall review the integrated resource plans of
18 consumer-owned utilities and prepare a report to the legislature
19 assessing the utilities' conformance with this section. The report
20 shall include a statewide summary of utility load forecasts,
21 load/resource balance, and utility plans for the development of thermal
22 generation, renewable resources, and efficiency resources. The
23 commission shall provide the department with data summarizing
24 activities of investor-owned utilities for use in the department's
25 statewide summary. The department shall submit the initial report by
26 December 1, 2006, and subsequent reports every two years thereafter.
27 Where appropriate, the department may include reports required by this
28 section within the biennial report required under RCW 43.21F.045.

29 NEW SECTION. **Sec. 4.** A statewide renewable energy goal is
30 established. The goal is to encourage electric utilities to acquire
31 eligible renewable resources that represent fifteen percent of the
32 retail load that serves Washington customers by 2023. An electric
33 utility may contribute toward meeting the statewide goal by increasing
34 the mix of resources it uses to serve its Washington customers to
35 include a greater percentage of eligible renewable resources. An
36 electric utility may choose to increase the percentage of eligible

1 renewable resources relative to its annual retail load under section 5
2 of this act or increase the percentage of eligible renewable resources
3 used to meet its annual retail load growth under section 6 of this act.

4 NEW SECTION. **Sec. 5.** (1) The renewable energy target for electric
5 utilities that use a percentage of annual retail load is as follows:

6 (a) By January 1, 2010, and each year thereafter through December
7 31, 2014, five percent of the annual retail load represented by
8 eligible renewable resources or equivalent renewable energy credits, or
9 a combination of both.

10 (b) By January 1, 2015, and each year thereafter through December
11 31, 2022, ten percent of the annual retail load represented by eligible
12 renewable resources or equivalent renewable energy credits, or a
13 combination of both.

14 (c) By January 1, 2023, and each year thereafter, fifteen percent
15 of the annual retail load represented by eligible renewable resources
16 or equivalent renewable energy credits, or a combination of both.

17 (2) Nothing in this chapter limits electric utilities from
18 exceeding this renewable energy target.

19 (3) In meeting this renewable energy target, an electric utility
20 may contribute eligible renewable resources even if it also receives
21 credit or funding from the Bonneville power administration for those
22 resources.

23 (4) In meeting this renewable energy target, a consumer-owned
24 utility that is a customer of the Bonneville power administration can
25 contribute that portion of its load served by eligible renewable
26 resources that are part of the Bonneville power administration's system
27 mix. A utility also can contribute credit toward meeting this target
28 for the portion of environmentally preferred power it purchases from
29 the Bonneville power administration that meets the definition of an
30 eligible renewable resource.

31 (5) An electric utility that offers an optional pricing program
32 that charges a higher rate for electricity generated from qualified
33 alternative energy resources under RCW 19.29A.090 may contribute only
34 the energy generated under such a program that qualifies as eligible
35 renewable resources toward meeting this statewide renewable energy
36 target. An electric utility must separately disclose the energy

1 generated under an optional pricing program. An electric utility may
2 not use energy generated under an optional pricing program to meet the
3 eligibility requirements for tax incentives under sections 7 and 8 of
4 this act.

5 (6)(a) An electric utility may contribute additional credit toward
6 meeting the renewable energy target if it acquires eligible renewable
7 resources physically located in Washington state:

8 (i) Where the eligible renewable resource commenced construction
9 after December 31, 2003; and

10 (ii) Where the electric utility purchased or contracted for the
11 eligible renewable resource by December 31, 2007.

12 (b) An electric utility that acquires energy from an eligible
13 renewable resource that meets the criteria under this section may count
14 that resource above its base value toward meeting the renewable energy
15 target according to the following benchmarks:

16 (i) Energy from an eligible renewable resource purchased or
17 contracted by December 31, 2004, can be counted at one and one-tenth
18 times its base value;

19 (ii) Energy from an eligible renewable resource purchased or
20 contracted by December 31, 2005, can be counted at one and nine-
21 hundredths times its base value;

22 (iii) Energy from an eligible renewable resource purchased or
23 contracted by December 31, 2006, can be counted at one and eight-
24 hundredths times its base value; or

25 (iv) Energy from an eligible renewable resource purchased or
26 contracted by December 31, 2007, can be counted at one and seven-
27 hundredths times its base value.

28 (7)(a) An electric utility may contribute additional credit toward
29 meeting the renewable energy target if it acquires eligible renewable
30 resources physically located in Washington state or renewable energy
31 credits from an eligible renewable resource physically located in
32 Washington state:

33 (i) Where the eligible renewable resource commenced construction
34 after December 31, 2003; and

35 (ii) Where the renewable energy developer used apprenticeship
36 programs during construction of the eligible renewable resources.

1 (b) The apprenticeship programs must be approved by the
2 apprenticeship council under its authority in chapter 49.04 RCW,
3 according to the following benchmarks:

4 (i) Minimum levels of apprenticeship programs shall be ten percent
5 of total labor hours for projects commencing construction after
6 December 31, 2007;

7 (ii) Minimum levels of apprenticeship programs shall be twelve and
8 one-half percent of total labor hours for projects commencing
9 construction after December 31, 2014; or

10 (iii) Minimum levels of apprenticeship programs shall be fifteen
11 percent of total labor hours for projects commencing construction after
12 December 31, 2021.

13 (c) The apprenticeship council will determine if construction of an
14 eligible renewable resource meets one of the benchmarks listed in (b)
15 of this subsection.

16 (d) An electric utility that acquires energy or renewable energy
17 credits from an eligible renewable resource that meets the criteria
18 under this section may count that resource at one and two-tenths times
19 its base value toward meeting the renewable energy target.

20 (8) An electric utility may contribute eligible distributed
21 generation toward meeting the renewable energy target if the utility:
22 (a) Owns the distributed generation facility and the renewable energy
23 credits produced by the facility; or (b) through contract with a retail
24 electric customer has purchased the renewable energy credits of a
25 distributed generation facility.

26 (9) An electric utility may contribute credit toward meeting the
27 renewable energy target for resources when the utility also receives
28 credit or funding for those same resources under a renewable standard
29 established by federal legislation. However, an electric utility may
30 not contribute credit toward meeting the renewable energy target for
31 resources when the utility also receives credit or funding for those
32 same resources under a renewable standard established by legislation in
33 another state.

34 NEW SECTION. **Sec. 6.** (1) The renewable energy target for electric
35 utilities using a percentage of annual load growth is to have sixty
36 percent of the annual retail load growth represented by eligible

1 renewable resources or equivalent renewable energy credits, or a
2 combination of both, beginning on the effective date of this act and on
3 each January 1st thereafter.

4 (2) Nothing in this chapter limits electric utilities from
5 exceeding this renewable energy target.

6 (3) For purposes of determining contributions toward the renewable
7 energy target established in subsection (1) of this section, an
8 electric utility may apply the criteria under section 5 (3) through (9)
9 of this act.

10 NEW SECTION. **Sec. 7.** A new section is added to chapter 82.16 RCW
11 to read as follows:

12 (1) Effective January 1, 2010, a credit is allowed against the tax
13 due under this chapter to a light and power business that acquires an
14 amount of eligible renewable resources that: (a) Is in addition to any
15 renewable resource acquisition amount that is identified in the
16 integrated resource plan of the business; and (b) will be used to
17 contribute toward the statewide renewable resource goal.

18 (2) The amount of credit allowed under this section during a
19 reporting period is the product of the average cost per megawatt-hour
20 of the additional renewable resources acquired and the number of
21 megawatt-hours of additional renewable resources acquired.

22 (3) "Eligible renewable resources," "renewable resources,"
23 "integrated resource plan," and "statewide renewable resource goal"
24 mean the same as in sections 2 and 4 of this act.

25 (4) The credit may not exceed the amount of tax that would
26 otherwise be due under this chapter.

27 (5) A light and power business is eligible for the tax credit under
28 this section if it meets the renewable energy targets under sections 5
29 or 6 of this act to enable it to contribute to the statewide renewable
30 energy goal.

31 NEW SECTION. **Sec. 8.** A new section is added to chapter 82.16 RCW
32 to read as follows:

33 (1) In computing tax under this chapter, an eligible light and
34 power business may deduct from gross income an amount that is equal to
35 the product of (a) the number of megawatt-hours of electricity produced

1 or acquired during the reporting period for the specific purpose of
2 meeting the renewable energy targets established in section 5 or 6 of
3 this act and (b) the difference in (i) the average wholesale cost per
4 megawatt-hour of the electricity produced or acquired during the
5 reporting period for the specific purpose of meeting the renewable
6 energy targets and (ii) one hundred ten percent of the average
7 wholesale price per megawatt-hour of electricity traded at the mid-
8 Columbia hub in the three calendar years prior to the calendar year in
9 which the contract was first signed for delivery of the electricity or
10 in which a facility generating the electricity becomes operational.

11 (2) For the purposes of this section, "eligible light and power
12 business" means a light and power business that:

13 (a) Meets the percentage in section 5(1)(b) of this act for its
14 annual retail load; or

15 (b) Meets sixty percent of its annual retail load growth for each
16 year beginning with calendar year 2010 through 2014.

17 (i) For an electric utility that chooses to meet the renewable
18 energy target under section 5(1)(b) of this act, "annual retail load"
19 means the average annual retail load during the immediate five
20 consecutive calendar years prior to January 1, 2015.

21 (ii) For an electric utility that chooses to meet the renewable
22 energy target under section 6 of this act, "annual retail load growth"
23 means the average annual retail load growth during the previous five
24 consecutive calendar years.

25 (3) For purposes of this section:

26 (a) "Annual retail load" means the average annual retail load
27 during the immediate five consecutive years prior to January 1, 2015;

28 (b) "Annual retail load growth" means the average annual retail
29 load growth during the previous five consecutive calendar years;

30 (c) "Retail load" means the amount of kilowatt-hours of electricity
31 delivered by an electric utility to its Washington retail customers;
32 and

33 (d) "Retail load growth" means the average annual increase in the
34 amount of kilowatt-hours of electricity delivered by an electric
35 utility to its Washington retail customers during a calendar year
36 compared to the prior five consecutive calendar years.

1 (4) No deduction may be taken under this section before January 1,
2 2015.

3 NEW SECTION. **Sec. 9.** (1) By January 1, 2008, and biennially
4 thereafter, each electric utility that chooses to contribute toward the
5 statewide renewable energy target, must report on the renewable energy
6 it has acquired to meet the target and its annual retail load.
7 Consumer-owned electric utilities provide this information to the
8 department and investor-owned utilities provide this information to the
9 commission. The department shall coordinate with the commission to
10 include information relating to the investor-owned utilities. The
11 department shall include this information as part of its biennial
12 report required under RCW 43.21F.045.

13 (2) The department shall review the accomplishments of the electric
14 utilities in meeting the statewide targets established in this chapter.
15 Reviews will be conducted during 2009, 2014, and 2024. The reviews
16 will include comment from all interested parties on recommendations for
17 changes in the statewide renewable energy targets, collection of
18 necessary information, and methods for improving the contributions of
19 utilities toward meeting the targets.

20 NEW SECTION. **Sec. 10.** If any provision of this act or its
21 application to any person or circumstance is held invalid, the
22 remainder of the act or the application of the provision to other
23 persons or circumstances is not affected.

24 NEW SECTION. **Sec. 11.** Sections 1 through 6, 9, and 10 of this act
25 constitute a new chapter in Title 19 RCW."

26 Correct the title.

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