
SUBSTITUTE HOUSE BILL 2333

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By House Committee on Technology, Telecommunications & Energy
(originally sponsored by Representatives Hudgins, Schual-Berke,
O'Brien, Upthegrove, Wood, Ruderman, Chase, Murray, Sullivan, Hunt,
G. Simpson, Haigh and Morrell)

READ FIRST TIME 02/10/04.

1 AN ACT Relating to energy efficiency and renewable energy; and
2 adding a new chapter to Title 80 RCW.

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

4 NEW SECTION. **Sec. 1.** The legislature finds that:

5 (1) Washington's utilities have been historical leaders in
6 developing renewable hydroelectric energy and investing in energy
7 efficiency. The state economy has greatly benefited from the strong
8 foundation of low-cost hydroelectric generation as well as forward-
9 looking investments in energy efficiency;

10 (2) Washington has a long tradition of energy policies that support
11 energy efficiency and renewable energy development. These policies,
12 which include financial incentives, have stimulated economic
13 development, reduced operating costs for businesses, made industries
14 more competitive, made homes more comfortable and efficient, reduced
15 the energy burden of low-income households, and protected the
16 environment;

17 (3) Washington is blessed with an abundance of local renewable
18 energy resources;

1 (4) Washington utility green tariff programs have stimulated
2 consumer interest and modest investments in renewable energy
3 development;

4 (5) Uncertainty in the electric industry about the industry's long-
5 term regulatory construct has shortened utility planning horizons and
6 reduced the confidence of electric utilities to recover investments in
7 energy conservation, system reliability, and new generation, including
8 renewable energy resources;

9 (6) The 2003 northeast blackouts and western energy crisis of
10 2000-2001 demonstrated the vulnerability of an energy system reliant on
11 transmission of electricity distant from load centers, increasingly
12 strained water resources, and natural gas impacted by volatile market
13 prices;

14 (7) Aggregation of utility purchasing power under statewide goals
15 to acquire additional renewable generation and energy efficiency
16 resources on behalf of all ratepayers is vital to create high-quality
17 jobs, promote rural economic development, and stabilize energy supplies
18 and prices;

19 (8) Washington electric ratepayers will benefit from resource
20 planning and acquisition that hedges against future fuel price risk by
21 assisting utilities in developing a diverse portfolio of resources to
22 meet customer needs;

23 (9) Encouraging irrigators to increase the efficiency of their
24 operations will yield substantial benefits by reducing peak demands of
25 both electricity and water supplies, improving farm economics, and
26 maximizing use of water resources; and

27 (10) Fuel diversity, economic, and environmental benefits from
28 renewable energy and efficiency resources accrue to the public at
29 large, and therefore all consumers and utilities should support
30 consistent development of these resources to meet the state's electric
31 demand and stabilize electricity prices.

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

34 (1) "Commission" means the Washington state utilities and
35 transportation commission.

36 (2) "Conservation" means any reduction in electric power

1 consumption as a result of increases in the efficiency of energy use,
2 production, distribution, or transmission.

3 (3) "Consumer-owned utility" includes a municipal electric utility
4 formed under Title 35 RCW, a public utility district formed under Title
5 54 RCW, an irrigation district formed under chapter 87.03 RCW, a
6 cooperative formed under chapter 23.86 RCW, a mutual corporation or
7 association formed under chapter 24.06 RCW, a port district formed
8 under Title 53 RCW, or a water-sewer district formed under Title 57
9 RCW, that is engaged in the business of distributing electricity to one
10 or more retail electric customers in the state.

11 (4) "Cost-effective" has the same meaning as in RCW 80.52.030.

12 (5) "Department" means the department of community, trade, and
13 economic development.

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

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

21 (8) "Eligible renewable resources" means:

22 (a) Electricity generation facilities powered by a renewable
23 resource other than fresh water that commenced operation between April
24 1, 1999, and April 1, 2002, and that are used to serve Washington
25 retail electricity customers;

26 (b) Additions made to electricity generation facilities powered by
27 a renewable resource other than fresh water, that commenced operation
28 between April 1, 1999, and April 1, 2002, where electricity generated
29 from the renewable resource is used to serve Washington retail
30 electricity customers;

31 (c) Electricity generation facilities powered by a renewable
32 resource other than fresh water that are contracted between April 1,
33 1999, and April 1, 2002, for delivery to Washington retail electricity
34 customers;

35 (d) Electricity generation facilities powered by a renewable
36 resource other than fresh water that commence operation after April 1,
37 2002, and any subsequent additions to those facilities, that are
38 located in the Pacific Northwest;

1 (e) Additional power generation achieved, above original design
2 specifications, at hydroelectric facilities operating on April 1, 1999,
3 that are located in the Pacific Northwest, where that additional
4 generation results from upgrades or improvements completed after
5 December 31, 2003, and does not result in any new water diversions; or

6 (f) Additions to hydroelectric generating capacity operating on
7 April 1, 1999, in irrigation pipes and canals that are located in the
8 Pacific Northwest, where the additional generation results from
9 upgrades or improvements completed after December 31, 2003, and does
10 not result in any new water diversions.

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

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

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

21 (12) "Low income" means a household meeting the income eligibility
22 guidelines determined by the department.

23 (13) "Low-income energy efficiency services" include energy-related
24 repairs, weatherization, health and safety measures, installation of
25 energy-efficient appliances and fixtures for low-income residences, and
26 investment in new construction of low-income households that exceed the
27 state energy code, as well as energy education, for the purpose of
28 enhancing energy efficiency.

29 (14) "Pacific Northwest" has the same meaning as defined in section
30 3 of the Pacific Northwest electric power planning and conservation
31 act, P.L. 96-501 (16 U.S.C. Sec. 389a; 94 Stat. 2698).

32 (15) "Renewable energy credit" means a tradable certificate of
33 proof of one megawatt-hour of electricity generated from a renewable
34 resource that: (a) Is located in the United States portion of the
35 western region as defined by the western electricity coordinating
36 council; (b) commenced construction after December 31, 2003; (c) is not
37 powered by fresh water; and (d) is verified by the renewable energy
38 credit trading system selected by the department.

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

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

12 (18) "Small utility" means a small utility as defined in RCW
13 19.29A.010.

14 NEW SECTION. **Sec. 3.** (1) Each electric utility must develop an
15 integrated resource plan consistent with the provisions of this
16 section. Such a plan shall be prepared on a biennial basis and, at a
17 minimum, must include:

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

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

26 (c) An assessment of technically feasible generating technologies
27 including but not limited to renewable resources, cogeneration, power
28 purchases, and thermal resources;

29 (d) An evaluation comparing the cost-effectiveness of generating
30 resources with the cost-effectiveness of improvements in the efficient
31 use of electricity;

32 (e) The integration of the demand forecasts and resource
33 evaluations into a long-range integrated resource plan describing the
34 mix of resources and efficiency measures that will meet current and
35 future needs at the lowest reasonable cost to the utility and its
36 ratepayers;

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

4 (g) For all plans subsequent to the initial integrated resource
5 plan, a progress report that relates the new plan to the previously
6 filed plan.

7 (2)(a) Investor-owned utilities shall submit integrated resource
8 plans to the commission. The commission shall establish by rule the
9 requirements for preparation and submission of integrated resource
10 plans.

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

14 (3)(a) Each consumer-owned utility shall develop and publish a work
15 plan for the preparation of an integrated resource plan. The work plan
16 shall set forth the proposed content of the integrated resource plan,
17 the proposed schedule of preparation, and provisions for public
18 involvement in the preparation and review of the plan. The governing
19 body of each utility shall approve an integrated resource plan only
20 after it has provided public notice and hearing on the proposed plan.
21 Each consumer-owned utility shall publish a final integrated resource
22 plan either as part of an annual report or as a separate document
23 available to the public.

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

27 (c) Consumer-owned utilities that are full requirements customers
28 of the Bonneville power administration are exempted from the
29 requirements of this section.

30 (4) Every two years as part of its biennial report required under
31 RCW 43.21F.045, the department shall review the integrated resource
32 plans of consumer-owned utilities and prepare a report to the
33 legislature assessing the utilities' conformance with this section.
34 The report shall include a statewide summary of utility load forecasts,
35 load/resource balance, and utility plans for the development of thermal
36 generation, renewable resources, and efficiency resources. The
37 commission shall provide the department with data summarizing

1 activities of investor-owned utilities for use in the department's
2 statewide summary.

3 NEW SECTION. **Sec. 4.** (1) The following energy efficiency standard
4 is established:

5 (a) Beginning January 1, 2006, and each year thereafter through
6 December 31, 2009, each electric utility shall on average annually
7 acquire electricity savings directly attributable to conservation
8 programs serving its Washington retail customers sufficient to meet an
9 amount equal to seventy-five one-hundredths of one percent of the
10 utility's 2005 retail load. By December 31, 2009, the electricity
11 savings acquired from the conservation programs implemented during the
12 preceding four-year period must meet at least three percent of the
13 utility's 2005 retail load.

14 (b) Beginning January 1, 2010, and each year thereafter through
15 December 31, 2012, each electric utility shall on average annually
16 acquire electricity savings directly attributable to conservation
17 programs serving its Washington retail customers sufficient to meet an
18 amount equal to eighty-five one-hundredths of one percent of the
19 utility's 2009 retail load. By December 31, 2012, the electricity
20 savings acquired from the conservation programs implemented during the
21 preceding three-year period will meet at least two and fifty-five one-
22 hundredths of one percent of the utility's 2009 retail load.

23 (c) Each electric utility shall continue to comply with the
24 standard established in subsection (1)(b) of this section for each
25 subsequent three-year period. The amount of conservation the utility
26 needs to acquire to meet the standard will be based on that utility's
27 retail load for the calendar year immediately preceding each three-year
28 period.

29 (2) Nothing in this chapter limits electric utilities from
30 exceeding the energy efficiency standard.

31 (3) An electric utility shall meet at least five percent of its
32 annual energy efficiency standard requirement with low-income energy
33 efficiency services, unless it can demonstrate to the commission in the
34 case of an investor-owned utility or the department in the case of a
35 consumer-owned utility that sufficient opportunities at cost do not
36 exist within its service territory for conserving energy in low-income
37 households.

1 (4) In meeting the energy efficiency standard, an electric utility
2 may count conservation it implements even if it also receives credit or
3 funding for that conservation from the Bonneville power administration.

4 (5) An electric utility may acquire up to fifteen percent of the
5 energy savings to meet the annual energy efficiency standard using
6 high-efficiency cogeneration. The energy savings resulting from the
7 use of high-efficiency cogeneration are calculated as the difference in
8 energy used by the high-efficiency cogeneration unit and the energy
9 used by equivalent stand-alone thermal and electricity generation
10 processes.

11 (6) Each electric utility shall use practices generally accepted in
12 the Pacific Northwest to measure accrued savings from conservation,
13 including monitoring and verification of those savings.

14 (7) Each electric utility shall pursue energy conservation
15 opportunities in each customer class to achieve savings that are not
16 independently captured by consumer acquisition. The portfolio of
17 energy conservation programs used to meet the efficiency standard must
18 be cost-effective. A conservation program implemented by an investor-
19 owned utility is cost-effective if it passes the total resource cost
20 test as defined by the commission.

21 (8) If an electric utility can demonstrate to the commission in the
22 case of an investor-owned utility or the department in the case of a
23 consumer-owned utility that it is unable to meet the energy efficiency
24 standard created in this section due to a lack of sufficient
25 opportunities for acquiring conservation, that utility can petition to
26 the commission or department, as appropriate, to meet a lesser
27 standard.

28 (9) If an electric utility demonstrates to the commission in the
29 case of an investor-owned utility or the department in the case of a
30 consumer-owned utility that it has not experienced any increase in its
31 average annual retail load growth during the previous five years, that
32 utility may petition to the commission or the department, as
33 appropriate, for an exemption from the standard in subsection (1) of
34 this section.

35 (10) The provisions of this section do not apply to a small utility
36 or a full requirements customer. However, nothing in this chapter
37 prohibits the governing body of a small utility or a full requirements
38 customer from determining the utility should comply with any or all of

1 the provisions of this chapter, which governing bodies are encouraged
2 to do. At any time after this energy efficiency standard is enacted,
3 if a utility no longer meets the definition of a small utility or a
4 full requirements customer, that utility will be required to meet the
5 provisions of this chapter.

6 (11)(a) In the case of consumer-owned utilities, the department
7 shall:

8 (i) Account for the annual electricity savings achieved by a
9 utility on an annual basis pursuant to subsection (1) of this section;

10 (ii) Determine whether the utility is meeting at least five percent
11 of its annual energy efficiency standard with low-income energy
12 efficiency services as required under subsection (3) of this section;

13 (iii) Verify the amount of credit a utility may take against the
14 energy efficiency standard for credits or funding received for
15 conservation from the Bonneville power administration as provided under
16 subsection (4) of this section; and

17 (iv) Determine the amount of credit that may be taken for high-
18 efficiency cogeneration against the energy efficiency standard pursuant
19 to subsection (5) of this section.

20 (b) In the case of investor-owned utilities, the commission shall:

21 (i) Account for the annual electricity savings achieved by a
22 utility on an annual basis pursuant to subsection (1) of this section;

23 (ii) Determine whether the utility is meeting at least five percent
24 of its annual energy efficiency standard with low-income energy
25 efficiency services as required under subsection (3) of this section;

26 (iii) Verify the amount of credit a utility may take against the
27 energy efficiency standard for credits or funding received for
28 conservation from the Bonneville power administration as provided under
29 subsection (4) of this section; and

30 (iv) Determine the amount of credit that may be taken for high-
31 efficiency cogeneration against the energy efficiency standard pursuant
32 to subsection (5) of this section.

33 NEW SECTION. **Sec. 5.** (1) The following renewable energy standard
34 is established:

35 (a) By January 1, 2010, and each year thereafter through December
36 31, 2014, each electric utility shall use eligible renewable resources

1 or acquire equivalent renewable energy credits, or a combination of
2 both, to serve at least five percent of its annual retail load.

3 (b) By January 1, 2015, and each year thereafter through December
4 31, 2022, each electric utility shall use eligible renewable resources
5 or acquire equivalent renewable energy credits, or a combination of
6 both, to serve at least ten percent of its annual retail load.

7 (c) By January 1, 2023, and each year thereafter, each electric
8 utility shall use eligible renewable resources or acquire equivalent
9 renewable energy credits, or a combination of both, to serve at least
10 fifteen percent of its annual retail load.

11 (2) Nothing in this chapter limits electric utilities from
12 exceeding this renewable energy standard.

13 (3) In meeting this renewable energy standard, an electric utility
14 may count eligible renewable resources even if it also receives credit
15 or funding from the Bonneville power administration for those
16 resources.

17 (4) In meeting this renewable energy standard, a consumer-owned
18 utility that is a customer of the Bonneville power administration can
19 count that portion of its load served by eligible renewable resources
20 that are part of the Bonneville power administration's system mix. A
21 utility also can receive credit toward meeting this standard for the
22 portion of environmentally preferred power it purchases from the
23 Bonneville power administration that meets the definition of an
24 eligible renewable resource.

25 (5) An electric utility that offers an optional pricing program
26 that charges a higher rate for electricity generated from renewable
27 energy resources shall not include the renewable energy generated under
28 such a program as eligible renewable energy in its compliance with this
29 renewable energy standard.

30 (6) When an electric utility acquires sufficient eligible renewable
31 resources or renewable energy credits, or a combination of both, to
32 serve at least five percent of its annual retail load, the utility may
33 elect after notifying its retail electricity customers to discontinue
34 meeting the terms and conditions of RCW 19.29A.090. Nothing in this
35 section prohibits a utility from continuing to offer its retail
36 electricity customers a voluntary option to purchase qualified
37 alternative energy resources in accordance with RCW 19.29A.090.

1 (7)(a) If an electric utility can demonstrate to the commission in
2 the case of an investor-owned utility or the department in the case of
3 a consumer-owned utility that it is unable to meet the renewable energy
4 standard created in this section due to insufficient availability of
5 eligible renewable resources and renewable energy credits in an amount
6 equal to or below the cost cap described in (b) of this subsection,
7 that utility can petition to the commission or department, as
8 appropriate, to meet a lesser standard.

9 (b) The renewable energy standard shall not require an electric
10 utility to incur a cost per megawatt hour greater than forty-five
11 dollars for any eligible renewable resource or renewable energy credit.
12 The cost per megawatt hour means the cost of the electricity at the
13 point of entry onto the electric grid. Beginning in 2006, this cost
14 cap shall be adjusted annually by the rate of change of the inflation
15 indicator "gross domestic product-implicit price deflator" as published
16 by the bureau of economic analysis, United States department of
17 commerce.

18 (8)(a) An electric utility may receive additional credit toward
19 meeting the renewable energy standard if it acquires eligible renewable
20 resources physically located in Washington state:

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

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

25 (b) An electric utility that acquires energy from an eligible
26 renewable resource that meets the criteria under this section may count
27 that resource above its base value in meeting the renewable energy
28 standard according to the following benchmarks:

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

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

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

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

4 (9)(a) An electric utility may receive additional credit toward
5 meeting the renewable energy standard if it acquires eligible renewable
6 resources physically located in Washington state or renewable energy
7 credits from an eligible renewable resource physically located in
8 Washington state:

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

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

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

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

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

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

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

28 (d) An electric utility that acquires energy or renewable energy
29 credits from an eligible renewable resource that meets the criteria
30 under this section may count that resource at one and two-tenths times
31 its base value in meeting the renewable energy standard.

32 (10) If an electric utility demonstrates to the commission in the
33 case of an investor-owned utility or the department in the case of a
34 consumer-owned utility that it has not experienced any increase in its
35 average annual retail load growth during the previous five years, that
36 utility may petition to the commission or the department, as
37 appropriate, for an exemption from the standard in subsection (1) of
38 this section.

1 (11) The provisions of this section do not apply to a small utility
2 or a full requirements customer. However, nothing in this chapter
3 prohibits the governing body of a small utility or a full requirements
4 customer from determining the utility should comply with any of the
5 provisions of this chapter, which governing bodies are encouraged to
6 do. At any time after this renewable energy standard is enacted, if
7 a utility no longer meets the definition of a small utility or a full
8 requirements customer, that utility will be required to meet the
9 provisions of this chapter.

10 (12)(a) In the case of consumer-owned utilities, the department
11 shall:

12 (i) Verify the amount of credit taken against the renewable energy
13 standard for the portion of environmentally preferred power purchased
14 from the Bonneville power administration that meets the definition of
15 eligible renewable resources pursuant to subsection (4) of this
16 section; and

17 (ii) Determine whether a utility has acquired electricity generated
18 by a facility where apprenticeship programs were used during the
19 construction of an eligible renewable resource in order to receive
20 additional credit against the renewable energy standard pursuant to
21 subsection (9) of this section.

22 (b) In the case of investor-owned utilities, the commission shall:

23 (i) Verify the amount of credit taken against the renewable energy
24 standard for the portion of environmentally preferred power purchased
25 from the Bonneville power administration that meets the definition of
26 eligible renewable resources pursuant to subsection (4) of this
27 section; and

28 (ii) Determine whether a utility has acquired electricity generated
29 by a facility where apprenticeship programs were used during the
30 construction of an eligible renewable resource in order to receive
31 additional credit against the renewable energy standard pursuant to
32 subsection (9) of this section.

33 NEW SECTION. **Sec. 6.** (1) An electric utility may count eligible
34 distributed generation towards meeting both the renewable energy and
35 energy efficiency standards if the utility: (a) Owns the distributed
36 generation facility and the renewable energy credits produced by the

1 facility; or (b) through contract with a retail electric customer has
2 purchased the renewable energy credits of a distributed generation
3 facility.

4 (2) An electric utility may receive credit towards meeting the
5 energy efficiency or renewable energy standards for resources when the
6 utility also receives credit or funding for those same resources under
7 an efficiency or renewable standard established by federal legislation.
8 However, an electric utility may not receive credit towards meeting the
9 energy efficiency or renewable energy standards for resources when the
10 utility also receives credit or funding for those same resources under
11 an efficiency or renewable standard established by legislation in
12 another state.

13 (3) In preparing a least cost plan, integrated resource plan, or
14 equivalent analysis that describes the mix of generating resources and
15 improvements in the efficient use of electricity that will meet current
16 and future needs of the utility and its ratepayers, an electric utility
17 must include in its modeling and analysis an assumption that the
18 renewable energy and energy efficiency standards established in this
19 chapter will be met.

20 NEW SECTION. **Sec. 7.** (1) The department must convene a group of
21 stakeholders, including the commission, to advise it on the following:

22 (a) Development of criteria for cost-effective conservation that
23 qualifies toward the energy efficiency standard and program
24 implementation guidelines, including verification and monitoring of
25 savings. The department will consider all existing and appropriate
26 criteria and guidelines where applicable, and may rely on work of
27 regional power planning committees in determining criteria and
28 guidelines;

29 (b) Development of a definition of high-efficiency cogeneration
30 that accounts for technological improvements over time;

31 (c) Selection of an existing system of renewable energy credits
32 that may be used to comply with section 5 of this act. The department
33 will consider all existing and appropriate systems and organizations
34 that facilitate renewable energy credit trading westernwide or
35 nationally; and

36 (d) Development of an appropriate implementation schedule for the

1 provisions of this chapter for any utility that no longer meets the
2 definition of a small utility after the effective date of this section.

3 (2) By June 30, 2005, the department may adopt rules governing the
4 issues listed in subsection (1) of this section.

5 (3) By January 1, 2007, the department must select a system of
6 renewable energy credits that may be used to comply with section 5 of
7 this act.

8 (4) For investor-owned utilities, the commission has the exclusive
9 authority to approve criteria, program implementation guidelines, and
10 appropriate financing and accounting mechanisms for expenditures
11 related to acquisition of eligible renewable resources and
12 conservation. In determining whether costs associated with procuring
13 resources in accordance with this chapter are prudently incurred by an
14 investor-owned utility and should be recovered in rates, the commission
15 shall apply the same principles it uses in determining prudence and
16 cost recovery for other electricity resources used to serve customers
17 in the state of Washington.

18 NEW SECTION. **Sec. 8.** (1) On or before June 1, 2007, each electric
19 utility must demonstrate progress in meeting the efficiency and
20 renewable standards in this chapter. Investor-owned utilities will
21 report to the commission, and consumer-owned utilities will report to
22 the department.

23 (2) On or before June 1, 2010, and annually thereafter, each
24 electric utility must demonstrate compliance with the efficiency and
25 renewable standards in this chapter, for the annual period ending the
26 previous December 31st. Each investor-owned utility will demonstrate
27 compliance to its customers in published form and to the commission
28 which will share this information with the department. Each consumer-
29 owned utility will demonstrate compliance to its customers in published
30 form, to its governing body, and to the department.

31 (3) Each report to the commission or the department must include at
32 least the following: The amount of electricity generated or acquired
33 from each eligible renewable resource; the amount of renewable energy
34 credits acquired, sold, or traded; the annual retail load for an
35 electric utility; and the amount of conservation annually acquired,
36 including the amount of low-income energy efficiency services provided,

1 and the amount of high-efficiency cogeneration used to meet the
2 standard.

3 NEW SECTION. **Sec. 9.** (1) On or before December 1, 2010, and
4 biennially thereafter, the department and commission shall submit a
5 report to the legislature on the accomplishments of the efficiency and
6 renewable standards created in this chapter, including unachieved cost-
7 effective conservation opportunities, and make recommendations for
8 revisions to the standards. The commission may initiate rule-making
9 proceedings based on the results of these reports to modify
10 requirements imposed on investor-owned utilities.

11 (2)(a) In the case of consumer-owned utilities, the department
12 shall determine the amount of unachieved cost-effective conservation
13 for the purposes of submitting a report to the legislature pursuant to
14 this section.

15 (b) In the case of investor-owned utilities, the commission shall
16 determine the amount of unachieved cost-effective conservation for the
17 purposes of submitting a report to the legislature pursuant to this
18 section.

19 (3) On or before January 1, 2016, the department shall review and
20 recommend to the legislature continuation or modification of the
21 efficiency and renewable standards based on assessments of the
22 effectiveness of the standards, market conditions, and unachieved
23 opportunities.

24 NEW SECTION. **Sec. 10.** If any provision of this act or its
25 application to any person or circumstance is held invalid, the
26 remainder of the act or the application of the provision to other
27 persons or circumstances is not affected.

28 NEW SECTION. **Sec. 11.** Sections 1 through 10 of this act
29 constitute a new chapter in Title 80 RCW.

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