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HOUSE BILL 1047

State of Washington 59th Legislature 2005 Regular Session

By Representatives Hudgins, Conway, McIntire, Chase and Upthegrove

Read first time 01/11/2005. Referred to Committee on Technology, Energy & Communications.

AN ACT Relating to including renewable energy in the mix of energy resources; and adding a new chapter to Title 19 RCW.

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

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

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

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

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

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

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

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

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

(7) "Eligible renewable resources" means:

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

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

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

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

(10) "Integrated resource plan" or "plan" means a plan describing the mix of generating resources and improvements in the efficient use

of electricity that will meet current and future needs at the lowest reasonable cost to the utility and its ratepayers.

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

(12) "Renewable energy credit" means a tradable certificate of proof of one megawatt hour of electricity generated from a renewable resource that: (a)(i) Is located in the Pacific Northwest and commenced operation after December 1, 2001; or (ii) is located in the United States portion of the western region as defined by the western electricity coordinating council or its successor entity and commenced operation after July 1, 2003; (b) is not powered by fresh water; and (c) is verified by the renewable energy credit trading system selected by the department.

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

(14) "Retail load" means the amount of kilowatt hours of electricity delivered by an electric utility to its Washington retail customers.

NEW SECTION. **Sec. 3.** By December 1, 2006, the department shall establish a statewide renewable energy goal based on the integrated resource plans developed under sections 4 through 7 of this act. The department shall update this goal in 2008, 2012, and 2018 based on the integrated resource plans developed under sections 4 through 7 of this act. An electric utility may contribute toward meeting the statewide goal by increasing the mix of resources it uses to serve its Washington customers to include a greater percentage of eligible renewable resources.

NEW SECTION. **Sec. 4.** Each electric utility must develop an integrated resource plan consistent with the provisions of this section. Such a plan shall be updated on a regular basis and, at a minimum, must include:

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

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

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

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

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

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

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

NEW SECTION. **Sec. 5.** (1) Investor-owned utilities shall submit integrated resource plans to the commission. The commission shall establish by rule the requirements for preparation and submission of integrated resource plans.

(2) The commission may adopt additional rules as necessary to clarify the requirements of section 4 of this act as they apply to investor-owned utilities.

NEW SECTION. **Sec. 6.** (1) Each consumer-owned utility shall develop and publish a work schedule for the preparation of an integrated resource plan. The work schedule shall set forth the proposed content of the integrated resource plan, the proposed schedule of preparation, and provisions for public involvement in the preparation and review of the plan. The governing body of each utility shall approve an integrated resource plan only after it has provided public notice and hearing on the proposed plan. Upon approval of its governing board, each consumer-owned utility shall publish a final integrated resource plan either as part of an annual report or as a separate document available to the public.

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

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

NEW SECTION. **Sec. 7.** The department shall review the integrated resource plans of consumer-owned utilities and prepare a report to the legislature. The report shall include a statewide summary of utility load forecasts, load/resource balance, and utility plans for the development of thermal generation, renewable resources, and efficiency resources. The commission shall provide the department with data summarizing activities of investor-owned utilities for use in the department's statewide summary. The department shall submit the initial report by December 1, 2006, and subsequent reports every two years thereafter. Where appropriate, the department may include reports required by this section within the biennial report required under RCW 43.21F.045.

NEW SECTION. **Sec. 8.** (1) The renewable energy target for electric utilities is as follows:

(a) By January 1, 2010, and each year thereafter through December 31, 2014, the percentage of annual retail load represented by eligible renewable resources or equivalent renewable energy credits, or a

combination of both, equal to the statewide renewable energy goal percentage established by the department in 2008 under section 3 of this act.

(b) By January 1, 2015, and each year thereafter through December 31, 2019, the percentage of annual retail load represented by eligible renewable resources or equivalent renewable energy credits, or a combination of both, equal to the statewide renewable energy goal percentage established by the department in 2012 under section 3 of this act.

(c) By January 1, 2020, and each year thereafter, the percentage of annual retail load represented by eligible renewable resources or equivalent renewable energy credits, or a combination of both, equal to the statewide renewable energy goal percentage established by the department in 2018 under section 3 of this act.

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

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

NEW SECTION. **Sec. 9.** By January 1, 2010, and biennially thereafter, each electric utility that chooses to contribute toward the statewide renewable energy target, must report on the renewable energy it has acquired to meet the target and its annual retail load. Consumer-owned electric utilities provide this information to the department and investor-owned utilities provide this information to the commission. The department shall coordinate with the commission to include information relating to the investor-owned utilities. The department shall include this information as part of its biennial report required under RCW 43.21F.045.

NEW SECTION. **Sec. 10.** (1) In meeting the renewable energy target, an electric utility may contribute eligible renewable resources even if it also receives credit or funding from the Bonneville power administration for those resources.

(2) In meeting the renewable energy target, a consumer-owned utility that is a customer of the Bonneville power administration can

contribute that portion of its load served by eligible renewable resources that are part of the Bonneville power administration's system mix. A utility also can contribute credit toward meeting this target for the portion of environmentally preferred power it purchases from the Bonneville power administration that meets the definition of an eligible renewable resource.

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

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

(i) Where the eligible renewable resource commenced construction after December 31, 2004; and

(ii) Where the electric utility purchased or contracted for the eligible renewable resource by December 31, 2008.

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

(i) Energy from an eligible renewable resource purchased or contracted by December 31, 2005, can be counted at one and one-tenth times its base value;

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

(iii) Energy from an eligible renewable resource purchased or contracted by December 31, 2007, can be counted at one and eight-hundredths times its base value; or

(iv) Energy from an eligible renewable resource purchased or contracted by December 31, 2008, can be counted at one and seven-hundredths times its base value.

(5)(a) An electric utility may contribute additional credit toward meeting the renewable energy target if it acquires eligible renewable

resources physically located in Washington state or renewable energy credits from an eligible renewable resource physically located in Washington state:

(i) Where the eligible renewable resource commenced construction after December 31, 2004; and

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

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

(i) Minimum levels of apprenticeship programs shall be ten percent of total labor hours for projects commencing construction after December 31, 2008;

(ii) Minimum levels of apprenticeship programs shall be twelve and one-half percent of total labor hours for projects commencing construction after December 31, 2015; or

(iii) Minimum levels of apprenticeship programs shall be fifteen percent of total labor hours for projects commencing construction after December 31, 2022.

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

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

(6) An electric utility may contribute eligible distributed generation towards meeting the renewable energy target if the utility: (a) Owns the distributed generation facility and the renewable energy credits produced by the facility; or (b) through contract with a retail electric customer has purchased the renewable energy credits of a distributed generation facility.

(7) An electric utility may contribute credit towards meeting the renewable energy target for resources when the utility also receives credit or funding for those same resources under a renewable standard established by federal legislation. However, an electric utility may not contribute credit towards meeting the renewable energy target for

resources when the utility also receives credit or funding for those same resources under a renewable standard established by legislation in another state.

(8) Nothing in this chapter limits electric utilities from exceeding the renewable energy target.

NEW SECTION. **Sec. 11.** If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. **Sec. 12.** Sections 1 through 11 of this act constitute a new chapter in Title 19 RCW.

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