H-4216.3		

HOUSE BILL 2783

State of Washington 62nd Legislature 2012 Regular Session

By Representatives Upthegrove, Short, and McCune

Read first time 02/13/12. Referred to Committee on Environment.

- 1 AN ACT Relating to coal transition power; amending RCW 19.285.030,
- 2 19.285.040, 19.29A.010, and 19.29A.060; and reenacting and amending RCW
- 3 80.80.010.
- 4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:
- 5 **Sec. 1.** RCW 19.285.030 and 2009 c 565 s 20 are each amended to 6 read as follows:
- 7 The definitions in this section apply throughout this chapter 8 unless the context clearly requires otherwise.
- 9 (1) "Attorney general" means the Washington state office of the 10 attorney general.
- 11 (2) "Auditor" means: (a) The Washington state auditor's office or 12 its designee for qualifying utilities under its jurisdiction that are 13 not investor-owned utilities; or (b) an independent auditor selected by 14 a qualifying utility that is not under the jurisdiction of the state 15 auditor and is not an investor-owned utility.
- 16 (3) "Commission" means the Washington state utilities and 17 transportation commission.
- 18 (4) "Conservation" means any reduction in electric power

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- 1 consumption resulting from increases in the efficiency of energy use, 2 production, or distribution.
- 3 (5) "Cost-effective" has the same meaning as defined in RCW 80.52.030.
 - (6) "Council" means the Washington state apprenticeship and training council within the department of labor and industries.
 - (7) "Customer" means a person or entity that purchases electricity for ultimate consumption and not for resale.
 - (8) "Department" means the department of commerce or its successor.
 - (9) "Distributed generation" means an eligible renewable resource where the generation facility or any integrated cluster of such facilities has a generating capacity of not more than five megawatts.
 - (10) "Eligible renewable resource" means:

- (a) Electricity from a generation facility powered by a renewable resource other than freshwater that commences operation after March 31, 1999, where: (i) The facility is located in the Pacific Northwest; or (ii) the electricity from the facility is delivered into Washington state on a real-time basis without shaping, storage, or integration services; or
- (b) Incremental electricity produced as a result of efficiency improvements completed after March 31, 1999, to hydroelectric generation projects owned by a qualifying utility and located in the Pacific Northwest or to hydroelectric generation in irrigation pipes and canals located in the Pacific Northwest, where the additional generation in either case does not result in new water diversions or impoundments.
- 27 (11) "Investor-owned utility" has the same meaning as defined in 28 RCW 19.29A.010.
- 29 (12) "Load" means the amount of kilowatt-hours of electricity 30 delivered in the most recently completed year by a qualifying utility 31 to its Washington retail customers.
 - (13) "Nonpower attributes" means all environmentally related characteristics, exclusive of energy, capacity reliability, and other electrical power service attributes, that are associated with the generation of electricity from a renewable resource, including but not limited to the facility's fuel type, geographic location, vintage, qualification as an eligible renewable resource, and avoided emissions

of pollutants to the air, soil, or water, and avoided emissions of carbon dioxide and other greenhouse gases.

- (14) "Pacific Northwest" has the same meaning as defined for the Bonneville power administration in section 3 of the Pacific Northwest electric power planning and conservation act (94 Stat. 2698; 16 U.S.C. Sec. 839a).
- 7 (15) "Public facility" has the same meaning as defined in RCW 8 39.35C.010.
 - (16) "Qualifying utility" means an electric utility, as the term "electric utility" is defined in RCW 19.29A.010, that serves more than twenty-five thousand customers in the state of Washington. The number of customers served may be based on data reported by a utility in form 861, "annual electric utility report," filed with the energy information administration, United States department of energy.
 - (17) "Renewable energy credit" means a tradable certificate of proof of at least one megawatt-hour of an eligible renewable resource where the generation facility is not powered by freshwater, the certificate includes all of the nonpower attributes associated with that one megawatt-hour of electricity, and the certificate is verified by a renewable energy credit tracking system selected by the department.
 - (18) "Renewable resource" means: (a) Water; (b) wind; (c) solar energy; (d) geothermal energy; (e) landfill gas; (f) wave, ocean, or tidal power; (g) gas from sewage treatment facilities; (h) biodiesel fuel as defined in RCW 82.29A.135 that is not derived from crops raised on land cleared from old growth or first-growth forests where the clearing occurred after December 7, 2006; and (i) biomass energy based on animal waste or solid organic fuels from wood, forest, or field residues, or dedicated energy crops that do not include (i) wood pieces that have been treated with chemical preservatives such as creosote, pentachlorophenol, or copper-chrome-arsenic; (ii) black liquor by-product from paper production; (iii) wood from old growth forests; or (iv) municipal solid waste.
 - (19) "Rule" means rules adopted by an agency or other entity of Washington state government to carry out the intent and purposes of this chapter.
- 37 (20) "Year" means the twelve-month period commencing January 1st 38 and ending December 31st.

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1 (21) "Coal transition power" has the same meaning as defined in RCW 80.80.010.

- Sec. 2. RCW 19.285.040 and 2007 c 1 s 4 are each amended to read as follows:
- (1) Each qualifying utility shall pursue all available conservation that is cost-effective, reliable, and feasible.
- (a) By January 1, 2010, using methodologies consistent with those used by the Pacific Northwest electric power and conservation planning council in its most recently published regional power plan, each qualifying utility shall identify its achievable cost-effective conservation potential through 2019. At least every two years thereafter, the qualifying utility shall review and update this assessment for the subsequent ten-year period.
- (b) Beginning January 2010, each qualifying utility shall establish and make publicly available a biennial acquisition target for cost-effective conservation consistent with its identification of achievable opportunities in (a) of this subsection, and meet that target during the subsequent two-year period. At a minimum, each biennial target must be no lower than the qualifying utility's pro rata share for that two-year period of its cost-effective conservation potential for the subsequent ten-year period.
- (c) In meeting its conservation targets, a qualifying utility may count high-efficiency cogeneration owned and used by a retail electric customer to meet its own needs. High-efficiency cogeneration is the sequential production of electricity and useful thermal energy from a common fuel source, where, under normal operating conditions, the facility has a useful thermal energy output of no less than thirty-three percent of the total energy output. The reduction in load due to high-efficiency cogeneration shall be: (i) Calculated as the ratio of the fuel chargeable to power heat rate of the cogeneration facility compared to the heat rate on a new and clean basis of a best-commercially available technology combined-cycle natural gas-fired combustion turbine; and (ii) counted towards meeting the biennial conservation target in the same manner as other conservation savings.
- (d) The commission may determine if a conservation program implemented by an investor-owned utility is cost-effective based on the commission's policies and practice.

1 (e) The commission may rely on its standard practice for review and 2 approval of investor-owned utility conservation targets.

- (2)(a) Each qualifying utility shall use eligible renewable resources or acquire equivalent renewable energy credits, or a combination of both, to meet the following annual targets:
- (i) At least three percent of its load by January 1, 2012, and each year thereafter through December 31, 2015;
- 8 (ii) At least nine percent of its load by January 1, 2016, and each 9 year thereafter through December 31, 2019; and
 - (iii) At least fifteen percent of its load by January 1, 2020, and each year thereafter.
 - (b) A qualifying utility may count distributed generation at double the facility's electrical output if the utility: (i) Owns or has contracted for the distributed generation and the associated renewable energy credits; or (ii) has contracted to purchase the associated renewable energy credits.
 - (c) In meeting the annual targets in (a) of this subsection, a qualifying utility shall calculate its annual load based on the average of the utility's load for the previous two years.
 - (d) A qualifying utility shall be considered in compliance with an annual target in (a) of this subsection if: (i) The utility's weatheradjusted load for the previous three years on average did not increase over that time period; (ii) after December 7, 2006, the utility did not commence or renew ownership or incremental purchases of electricity from resources other than coal transition power or renewable resources other than on a daily spot price basis and the electricity is not offset by equivalent renewable energy credits; and (iii) the utility invested at least one percent of its total annual retail revenue requirement that year on eligible renewable resources, renewable energy credits, or a combination of both.
 - (e) The requirements of this section may be met for any given year with renewable energy credits produced during that year, the preceding year, or the subsequent year. Each renewable energy credit may be used only once to meet the requirements of this section.
 - (f) In complying with the targets established in (a) of this subsection, a qualifying utility may not count:
 - (i) Eligible renewable resources or distributed generation where

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the associated renewable energy credits are owned by a separate entity;
or

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- (ii) Eligible renewable resources or renewable energy credits obtained for and used in an optional pricing program such as the program established in RCW 19.29A.090.
 - (g) Where fossil and combustible renewable resources are cofired in one generating unit located in the Pacific Northwest where the cofiring commenced after March 31, 1999, the unit shall be considered to produce eligible renewable resources in direct proportion to the percentage of the total heat value represented by the heat value of the renewable resources.
- (h)(i) A qualifying utility that acquires an eligible renewable resource or renewable energy credit may count that acquisition at one and two-tenths times its base value:
- 15 (A) Where the eligible renewable resource comes from a facility 16 that commenced operation after December 31, 2005; and
- 17 (B) Where the developer of the facility used apprenticeship 18 programs approved by the council during facility construction.
- (ii) The council shall establish minimum levels of labor hours to be met through apprenticeship programs to qualify for this extra credit.
 - (i) A qualifying utility shall be considered in compliance with an annual target in (a) of this subsection if events beyond the reasonable control of the utility that could not have been reasonably anticipated or ameliorated prevented it from meeting the renewable energy target. Such events include weather-related damage, mechanical failure, strikes, lockouts, and actions of a governmental authority that adversely affect the generation, transmission, or distribution of an eligible renewable resource under contract to a qualifying utility.
- 30 (3) Utilities that become qualifying utilities after December 31, 2006, shall meet the requirements in this section on a time frame comparable in length to that provided for qualifying utilities as of December 7, 2006.
- 34 Sec. 3. RCW 80.80.010 and 2011 c 180 s 102 are each reenacted and amended to read as follows:
- The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

1 (1) "Attorney general" means the Washington state office of the attorney general.

- (2) "Auditor" means: (a) The Washington state auditor's office or its designee for consumer-owned utilities under its jurisdiction; or (b) an independent auditor selected by a consumer-owned utility that is not under the jurisdiction of the state auditor.
- (3) "Average available greenhouse gas emissions output" means the level of greenhouse gas emissions as surveyed and determined by the energy policy division of the department of commerce under RCW 80.80.050.
- (4) "Baseload electric generation" means electric generation from a power plant that is designed and intended to provide electricity at an annualized plant capacity factor of at least sixty percent.
- (5) "Coal transition power" means the output of a coal-fired electric generation facility that is subject to an obligation to meet the standards contained in RCW 80.80.040(3)(c) and sold under a long-term financial commitment that includes a combination of unit output and power acquired from a specified or unspecified source that is needed to fulfill contractual obligations when unit output from the coal-fired electric generation facility is reduced or curtailed.
- (6) "Cogeneration facility" means a power plant in which the heat or steam is also used for industrial or commercial heating or cooling purposes and that meets federal energy regulatory commission standards for qualifying facilities under the public utility regulatory policies act of 1978 (16 U.S.C. Sec. 824a-3), as amended.
- (7) "Combined-cycle natural gas thermal electric generation facility" means a power plant that employs a combination of one or more gas turbines and steam turbines in which electricity is produced in the steam turbine from otherwise lost waste heat exiting from one or more of the gas turbines.
- (8) "Commission" means the Washington utilities and transportation commission.
- (9) "Consumer-owned utility" means a municipal 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, or port district within which an

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- industrial district has been established as authorized by Title 53 RCW, 1 2 that is engaged in the business of distributing electricity to more 3 than one retail electric customer in the state.
 - (10) "Department" means the department of ecology.

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- (11) "Distributed generation" means electric generation connected to the distribution level of the transmission and distribution grid, which is usually located at or near the intended place of use.
- (12) "Electric utility" means an electrical company or a consumer-9 owned utility.
 - (13) "Electrical company" means a company owned by investors that meets the definition of RCW 80.04.010.
 - (14) "Governing board" means the board of directors or legislative authority of a consumer-owned utility.
- (15) "Greenhouse gas" includes carbon dioxide, methane, nitrous 14 oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride. 15
 - (16) "Long-term financial commitment" means:
 - (a) Either a new ownership interest in baseload electric generation or an upgrade to a baseload electric generation facility; or
 - (b) A new or renewed contract for baseload electric generation with a term of five or more years for the provision of retail power or wholesale power to end-use customers in this state.
 - (17) "Memorandum of agreement" or "memorandum" means a binding and enforceable contract entered into pursuant to RCW 80.80.100 between the governor on behalf of the state and an owner of a baseload electric generation facility in the state that produces coal transition power.
 - (18) "Plant capacity factor" means the ratio of the electricity produced during a given time period, measured in kilowatt-hours, to the electricity the unit could have produced if it had been operated at its rated capacity during that period, expressed in kilowatt-hours.
 - "Power plant" means a facility for the generation of electricity that is permitted as a single plant by a jurisdiction inside or outside the state.
 - (20) "Upgrade" means any modification made for the primary purpose of increasing the electric generation capacity of a baseload electric generation facility. "Upgrade" does not include routine or necessary maintenance, installation of emission control equipment, installation, replacement, or modification of equipment that improves the heat rate of the facility, or installation, replacement, or modification of

- 1 equipment for the primary purpose of maintaining reliable generation
- 2 output capability that does not increase the heat input or fuel usage
- 3 as specified in existing generation air quality permits as of July 22,
- 4 2007, but may result in incidental increases in generation capacity.

Sec. 4. RCW 19.29A.010 and 2000 c 213 s 2 are each amended to read 6 as follows:

The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

- (1) "Biomass generation" means electricity derived from burning solid organic fuels from wood, forest, or field residue, 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.
- (2) "Bonneville power administration system mix" means a generation mix sold by the Bonneville power administration that is net of any resource specific sales and that is net of any electricity sold to direct service industrial customers, as defined in section 3(8) of the Pacific Northwest electric power planning and conservation act (16 U.S.C. Sec. 839(a)(8)).
- 20 (3) "Coal generation" means the electricity produced by a 21 generating facility that burns coal as the primary fuel source.
 - (4) "Commission" means the utilities and transportation commission.
 - (5) "Conservation" means an increase in efficiency in the use of energy use that yields a decrease in energy consumption while providing the same or higher levels of service. Conservation includes low-income weatherization programs.
 - (6) "Consumer-owned utility" means 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, or a mutual corporation or association formed under chapter 24.06 RCW, that is engaged in the business of distributing electricity to more than one retail electric customer in the state.
 - (7) "Declared resource" means an electricity source specifically identified by a retail supplier to serve retail electric customers. A declared resource includes a stated quantity of electricity tied directly to a specified generation facility or set of facilities either

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through ownership or contract purchase, or a contractual right to a stated quantity of electricity from a specified generation facility or set of facilities.

- (8) "Department" means the department of ((community, trade, and economic development)) commerce.
- (9) "Electricity information coordinator" means the organization selected by the department under RCW 19.29A.080 to: (a) Compile generation data in the Northwest power pool by generating project and by resource category; (b) compare the quantity of electricity from declared resources reported by retail suppliers with available generation from such resources; (c) calculate the net system power mix; and (d) coordinate with other comparable organizations in the western interconnection.
- (10) "Electric meters in service" means those meters that record in at least nine of twelve calendar months in any calendar year not less than two hundred fifty kilowatt hours per month.
- (11) "Electricity product" means the electrical energy produced by a generating facility or facilities that a retail supplier sells or offers to sell to retail electric customers in the state of Washington, provided that nothing in this title shall be construed to mean that electricity is a good or product for the purposes of Title 62A RCW, or any other purpose. It does not include electrical energy generated onsite at a retail electric customer's premises.
- 24 (12) "Electric utility" means a consumer-owned or investor-owned 25 utility as defined in this section.
 - (13) "Electricity" means electric energy measured in kilowatt hours, or electric capacity measured in kilowatts, or both.
 - (14) "Fuel mix" means the actual or imputed sources of electricity sold to retail electric customers, expressed in terms of percentage contribution by resource category. The total fuel mix included in each disclosure shall total one hundred percent.
 - (15) "Geothermal generation" means electricity derived from thermal energy naturally produced within the earth.
 - (16) "Governing body" means the council of a city or town, the commissioners of an irrigation district, municipal electric utility, or public utility district, or the board of directors of an electric cooperative or mutual association that has the authority to set and approve rates.

(17) "High efficiency cogeneration" means electricity produced by equipment, such as heat or steam used for industrial, commercial, heating, or cooling purposes, that meets the federal energy regulatory commission standards for qualifying facilities under the public utility regulatory policies act of 1978.

- (18) "Hydroelectric generation" means a power source created when water flows from a higher elevation to a lower elevation and the flow is converted to electricity in one or more generators at a single facility.
- 10 (19) "Investor-owned utility" means a company owned by investors 11 that meets the definition of RCW 80.04.010 and is engaged in 12 distributing electricity to more than one retail electric customer in 13 the state.
 - (20) "Landfill gas generation" means electricity produced by a generating facility that uses waste gases produced by the decomposition of organic materials in landfills.
 - (21) "Natural gas generation" means electricity produced by a generating facility that burns natural gas as the primary fuel source.
 - (22) "Northwest power pool" means the generating resources included in the United States portion of the Northwest power pool area as defined by the western systems coordinating council.
 - (23) "Net system power mix" means the fuel mix in the Northwest power pool, net of: (a) Any declared resources in the Northwest power pool identified by in-state retail suppliers or out-of-state entities that offer electricity for sale to retail electric customers; (b) any electricity sold by the Bonneville power administration to direct service industrial customers; and (c) any resource specific sales made by the Bonneville power administration.
- 29 (24) "Oil generation" means electricity produced by a generating 30 facility that burns oil as the primary fuel source.
 - (25) "Proprietary customer information" means: (a) Information that relates to the source and amount of electricity used by a retail electric customer, a retail electric customer's payment history, and household data that is made available by the customer solely by virtue of the utility-customer relationship; and (b) information contained in a retail electric customer's bill.
- 37 (26) "Renewable resources" means electricity generation facilities 38 fueled by: (a) Water; (b) wind; (c) solar energy; (d) geothermal

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- energy; (e) landfill gas; or (f) biomass energy based on solid organic 1 2
- fuels from wood, forest, or field residues, or dedicated energy crops that do not include wood pieces that have been treated with chemical 3
- preservatives such as creosote, pentachlorophenol, or copper-chrome-4
 - (27) "Resale" means the purchase and subsequent sale of electricity for profit, but does not include the purchase and the subsequent sale of electricity at the same rate at which the electricity was purchased.
- (28) "Retail electric customer" means a person or entity that 9 10 purchases electricity for ultimate consumption and not for resale.
 - (29) "Retail supplier" means an electric utility that offers an electricity product for sale to retail electric customers in the state.
- 13 (30) "Small utility" means any consumer-owned utility with twenty-14 five thousand or fewer electric meters in service, or that has an average of seven or fewer customers per mile of distribution line. 15
- (31) "Solar generation" means electricity derived from radiation 16 17 from the sun that is directly or indirectly converted to electrical 18 energy.
- (32) "State" means the state of Washington. 19

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- 20 (33) "Waste incineration generation" means electricity derived from 21 solid or liquid wastes from businesses, burning households, 22 municipalities, or waste treatment operations.
- 23 (34) "Wind generation" means electricity created by movement of air 24 that is converted to electrical energy.
- (35) "Transition power" has the same meaning as coal transition 25 26 power as defined in RCW 80.80.010.
- 27 Sec. 5. RCW 19.29A.060 and 2000 c 213 s 4 are each amended to read as follows: 28
- (1) Each retail supplier shall disclose the fuel mix of each electricity product it offers to retail electric customers as follows: 30
 - (a) For an electricity product comprised entirely of declared resources, a retail supplier shall disclose the fuel mix for the electricity product based on the quantity of electric generation from those declared resources for the previous calendar year and any adjustment, if taken, available under subsection (6) of this section.
- 36 (b) For an electricity product comprised of no declared resources, 37 a retail supplier shall report the fuel mix for the electricity product

as the fuel mix of net system power for the previous calendar year, as determined by the electricity information coordinator under RCW 19.29A.080.

- (c) For an electricity product comprised of a combination of declared resources and the net system power, a retail supplier shall disclose the fuel mix for the electricity product as a weighted average of the megawatt-hours from declared resources and the megawatt-hours from the net system power mix for the previous calendar year according to the proportion of declared resources and net system power contained in the electricity product.
- (2) The disclosures required by this section shall identify the percentage of the total electricity product sold by a retail supplier during the previous calendar year from each of the following categories:
 - (a) Coal generation;

- (b) Hydroelectric generation;
- (c) Natural gas generation;
- (d) Nuclear generation; and
- (e) Other generation, except that when a component of the other generation category meets or exceeds two percent of the total electricity product sold by a retail supplier during the previous calendar year, the retail supplier shall identify the component or components and display the fuel mix percentages for these component sources, which may include, but are not limited to: (i) Biomass generation; (ii) geothermal generation; (iii) landfill gas generation; (iv) oil generation; (v) solar generation; (vi) waste incineration; ((er)) (vii) wind generation; or (viii) transition power. A retail supplier may voluntarily identify any component or components within the other generation category that comprises two percent or less of annual sales. A retail supplier may voluntarily report transition power as coal power under (a) of this subsection or as transition power.
- (3) Retail suppliers may separately report a subcategory of natural gas generation to identify high efficiency cogeneration.
- (4) Except as provided in subsection (3) of this section, a retail supplier cannot include in the disclosure label any environmental quality or environmental impact qualifier related to any of the generation categories disclosed.

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(5) For the portion of an electricity product purchased from the Bonneville power administration, retail suppliers may disclose the Bonneville power administration system mix.

- (6) A retail supplier may adjust its reported fuel mix for known changes in its declared resources for the current year based on any changes in its sources of electricity supply from either generation or contracts. If a retail supplier changes its fuel mix during a calendar year, it shall report those changes to the electricity information coordinator.
- (7) Disclosure of the fuel mix information required in this section shall be made in the following uniform format: A tabular format with two columns, where the first column shall alphabetically list each category and the second column shall display the corresponding percentage of the total that each category represents. The percentage shall be reported as a numeric value rounded to the nearest one percent. The percentages listed for the categories identified must sum to one hundred percent with the table displaying such a total.

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