

---

HOUSE BILL 2536

---

State of Washington

61st Legislature

2010 Regular Session

By Representatives McCoy, Chase, and Morris

Prefiled 01/05/10. Read first time 01/11/10. Referred to Committee on Technology, Energy & Communications.

1 AN ACT Relating to creating a standard offer contract for certain  
2 renewable energy systems; adding a new chapter to Title 80 RCW; and  
3 prescribing penalties.

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

5 NEW SECTION. **Sec. 1.** The definitions in this section apply  
6 throughout this chapter unless the context clearly requires otherwise.

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

9 (2) "Consumer-owned utility" means a municipal electric utility  
10 formed under Title 35 RCW, a public utility district formed under Title  
11 54 RCW, an irrigation district formed under chapter 87.03 RCW, a  
12 cooperative formed under chapter 23.86 RCW, a mutual corporation or  
13 association formed under chapter 24.06 RCW, a port district formed  
14 under Title 53 RCW, or a water-sewer district formed under Title 57  
15 RCW, that is engaged in the business of distributing electricity to one  
16 or more retail electric customers in the state.

17 (3) "Department" means the Washington department of commerce.

18 (4) "Electric utility" means a consumer-owned or investor-owned  
19 utility located in Washington as defined in this section.

1 (5) "Investor-owned utility" means a corporation owned by investors  
2 that meets the definition of "corporation" as defined in RCW 80.04.010  
3 and is engaged in distributing electricity to more than one retail  
4 electric customer in the state.

5 (6) "Owner" includes: Residential, commercial, and industrial  
6 customers of electric utilities located in Washington; electric  
7 utilities; independent power producers; federal, state, and local  
8 governments; tribal governments and their political subdivisions; and  
9 nonprofit agencies.

10 (7) "Renewable energy system" means a facility of an owner located  
11 in Washington that produces electricity from the following sources of  
12 energy:

13 (a) Biomass, including: (i) By-products of pulping and wood  
14 manufacturing process; (ii) animal waste; (iii) solid organic fuels  
15 from wood; (iv) forest or field residues; (v) wooden demolition or  
16 construction debris; (vi) food waste; (vii) liquors derived from algae  
17 and other sources; (viii) dedicated energy crops; (ix) biosolids; and  
18 (x) yard waste. "Biomass energy" does not include wood pieces that  
19 have been treated with chemical preservatives such as creosote,  
20 pentachlorophenol, or copper-chrome-arsenic; wood from old growth  
21 forests; or municipal solid waste;

22 (b) Gas from sewage treatment facilities and landfills;

23 (c) Geothermal;

24 (d) On-shore and off-shore wind;

25 (e) Solar electric;

26 (f) Solar thermal;

27 (g) Tidal;

28 (h) Water, where the hydroelectric generation facility is  
29 positioned in irrigation pipes or canals, and the generation does not  
30 result in new water diversions or impoundments; and

31 (i) Wave.

32 (8) "Interconnection standards" means technical, engineering,  
33 operational, safety, and procedural requirements for interconnection to  
34 the electric distribution and transmission grid of an electric utility.

35 NEW SECTION. **Sec. 2.** (1)(a) Beginning July 1, 2011, all electric  
36 utilities must provide standard offer contracts for the purchase of

1 electricity produced from renewable energy systems eligible under this  
2 chapter with a generating capacity of two megawatts or less.

3 (b) An electric utility shall purchase electricity from renewable  
4 energy systems on a first-come, first-served basis until the cumulative  
5 nameplate generating capacity of renewable energy systems equals five  
6 percent of the utility's peak demand during 2007. An electric  
7 utility's share of the cumulative nameplate generating capacity may not  
8 be more than the twelve percent of the total cumulative generating  
9 capacity permitted under this subsection.

10 (c) Electric utilities must purchase the electricity from renewable  
11 energy systems at a fixed rate, as determined by the commission, for  
12 investor-owned utilities, and by the department, for customer-owned  
13 utilities, for the duration of the contract.

14 (2)(a) All electric utilities must offer to owners of renewable  
15 energy systems standard offer contracts of no less than twenty years.

16 (b) An electric utility may offer a standard offer contract of less  
17 than twenty years if an owner requests a shorter term.

18 (3) If a renewable energy system under a standard offer contract is  
19 transferred to a new owner, the new owner must notify the electric  
20 utility within thirty days of the transfer in order to continue  
21 receiving payments under existing terms of the previous owner's  
22 standard offer contract for the electricity generated from the  
23 renewable energy system.

24 (4) An owner is not eligible to enter into a standard offer  
25 contract with an electric utility if the owner is participating in the  
26 investment cost recovery incentive payment program under chapter 82.16  
27 RCW or in the net metering program under chapter 80.60 RCW.

28 (5) All electric utilities shall distribute evenly across each  
29 individual customer class the cost of the electricity purchased from  
30 renewable energy system owners with a standard offer contract.

31 NEW SECTION. **Sec. 3.** (1)(a) An electric utility shall connect  
32 renewable energy systems eligible under this chapter with a nameplate  
33 generating capacity of ten kilowatts or less to its distribution or  
34 transmission grid within sixty days of receiving an owner's written  
35 request to connect.

36 (b) An electric utility shall connect renewable energy systems  
37 eligible under this chapter with a nameplate generating capacity of

1 more than ten kilowatts to three hundred kilowatts to its distribution  
2 or transmission grid within one hundred eighty days of receiving an  
3 owner's written request to connect.

4 (c) An electric utility shall connect renewable energy systems  
5 eligible under this chapter with a nameplate generating capacity of  
6 more than three hundred kilowatts and up to two megawatts to its  
7 distribution or transmission grid within three hundred sixty-five days  
8 of receiving an owner's written request to connect.

9 (d) If an electric utility fails to connect a renewable energy  
10 system to its distribution or transmission grid within the time allowed  
11 under this section, the electric utility must pay a two thousand dollar  
12 per day penalty to the owner until the system is connected to  
13 distribution or transmission of the electric utility.

14 (2) An owner is responsible for the costs of equipment needed to  
15 connect the renewable energy system to the electric utility's  
16 distribution or transmission grid. A renewable energy system must  
17 include, at the owner's expense, all equipment necessary to meet  
18 applicable safety, power quality, and interconnection requirements  
19 established by the commission, for investor-owned utilities, or by the  
20 department, for consumer-owned utilities, as well as meet the standards  
21 set by the national electrical code, national electrical safety code,  
22 the institute of electrical and electronics engineers, and underwriters  
23 laboratories.

24 (3) The owner and the electric utility shall share the cost of  
25 upgrading the distribution system or transmission grid, if additional  
26 upgrades are necessary solely to connect a renewable energy system.  
27 The owner's share of the cost equals fifty percent of the cost of the  
28 necessary upgrades and the electric utilities' share of the cost equals  
29 fifty percent of the cost of the necessary upgrades.

30 (4)(a) By June 1, 2011, the commission, for investor-owned  
31 utilities, shall review existing interconnection standards and adopt  
32 interconnection standards for renewable energy systems eligible to  
33 interconnect under this chapter.

34 (b) By June 1, 2011, the department, for consumer-owned utilities,  
35 shall adopt interconnection standards for renewable energy systems  
36 eligible under this chapter.

37 (c) The commission and department shall consult with each other in  
38 developing the interconnection standards under this section.

1 (d) In adopting interconnection standards, the commission and the  
2 department may not require owners of renewable energy systems to:

3 (i) Acquire insurance;

4 (ii) Install external disconnect switches if the inverter of the  
5 renewable energy system meets standards established by the institute of  
6 electrical and electronic engineers;

7 (iii) Pay a fee of more than one hundred dollars for an  
8 interconnection application; or

9 (iv) Pay standby fees.

10 (5) By July 1, 2011, electric utilities shall develop, publish, and  
11 provide transparent and nondiscriminatory rules for connecting a  
12 renewable energy system to the utilities distribution or transmission  
13 grid. Electric utilities must apply these standard rules for  
14 connecting renewable energy systems to its distribution or transmission  
15 grid.

16 NEW SECTION. **Sec. 4.** (1) By June 1, 2011, the commission, for  
17 investor-owned utilities, and the department, for consumer-owned  
18 utilities, shall develop and adopt through their respective rule-making  
19 authorities a standard offer contract rate in kilowatt hours for the  
20 electricity generated by renewable energy systems and supplied to the  
21 distribution or transmission grid of an electric utility.

22 (2) The commission and department shall adopt fixed, levelized  
23 rates for each renewable energy system to equal the average generation  
24 costs of each renewable energy system plus a rate of return of ten  
25 percent. The commission and department shall include, but not be  
26 limited to, the following factors in calculating the average generating  
27 cost of a renewable energy system:

28 (a) Installed capital costs;

29 (b) Fixed and variable operation and management expenses;

30 (c) Fuel costs;

31 (d) Cost of financing;

32 (e) Land costs or leases;

33 (f) Insurance;

34 (g) Transmission and interconnection costs;

35 (h) Net capacity factors; and

36 (i) Estimated project life and projected generation degradation.

1 (3) In developing the rate, the commission and department shall  
2 ensure the rate is reasonable and fair to the owner of a renewable  
3 energy system and to the ratepayers of electric utilities.

4 (4) The commission and department shall develop standard offer  
5 contract rates that are differentiated based on the size of the system.  
6 The following tiers must be used to differentiate rates:

7 (a) Tier one equals the nameplate generating capacity of a  
8 renewable energy system up to ten kilowatts;

9 (b) Tier two equals the nameplate generating capacity of a  
10 renewable energy system greater than ten kilowatts and up to three  
11 hundred kilowatts; and

12 (c) Tier three equals the nameplate generating capacity of a  
13 renewable energy system greater than three hundred kilowatts and up to  
14 two megawatts.

15 (5)(a) By June 1, 2013, the commission, for investor-owned  
16 utilities, and the department, for consumer-owned utilities, shall  
17 review the average generation costs of renewable energy systems and  
18 adopt standard offer contract rates based on the methods described in  
19 subsection (2) of this section.

20 (b) Beginning July 1, 2013, all electric utilities shall offer  
21 standard offer contracts to new applicants using rates adopted under  
22 (a) of this subsection.

23 (c) The department and commission shall consult with each other in  
24 reviewing the average generation costs of each renewable energy system.

25 (6) On June 30, 2016, and by June 30th every three years  
26 thereafter, the commission and department shall review and adopt new  
27 standard offer contract rates using methods described in subsection (2)  
28 of this section. Beginning July 1st, following the review and adoption  
29 of standard offer contract rates, all electric utilities shall provide  
30 standard offer contracts using standard offer contract rates to new  
31 applicants.

32 (7) In developing standard offer contract rates under this section,  
33 the department and commission must consult with each other.

34 NEW SECTION. **Sec. 5.** Renewable energy system owners and electric  
35 utilities may negotiate with each other regarding who receives the  
36 renewable energy credits associated with the renewable energy system.

1 If a renewable energy system owner decides to maintain the renewable  
2 energy credits associated with their system, this has no bearing on the  
3 responsibilities of electric utilities under this chapter.

4 NEW SECTION. **Sec. 6.** (1) Renewable energy system owners served by  
5 investor-owned utilities shall upon request provide the commission with  
6 any information that may be relevant to the commission performing its  
7 duties under this chapter.

8 (2) Renewable energy system owners served by a consumer-owned  
9 utility shall upon request provide the department with any information  
10 that may be relevant to the department performing its duties under this  
11 chapter.

12 NEW SECTION. **Sec. 7.** Sections 1 through 6 of this act constitute  
13 a new chapter in Title 80 RCW.

--- END ---