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**Technology, Energy & Communications  
Committee**

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**HB 1133**

**Brief Description:** Modifying provisions of chapter 19.285 RCW, the energy independence act.

**Sponsors:** Representatives McCoy and Eddy.

**Brief Summary of Bill**

- Modifies the renewable resources and energy conservation requirements of the Energy Independence Act.
- Increases the amount of renewable resources that certain electric utilities must use and expands the geographic region from which they may be derived.
- Specifies that certain electric utilities must pursue all available conservation related to energy end-use, production, and distribution.

**Hearing Date:** 1/19/09

**Staff:** Scott Richards (786-7156)

**Background:**

**Initiative 937**

In 2006, the people of the State of Washington in the general election approved Initiative 937. Initiative 937 requires certain electric utilities with 25,000 or more customers to meet targets for use of renewable energy resources and energy conservation.

**Renewable Resources Targets**

Each qualifying utility must use eligible renewable resources or acquire equivalent renewable energy credits, or a combination of both, to meet the following annual targets:

- At least 3 percent of its load by January 1, 2012, and each year thereafter through December 31, 2015;

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- At least 9 percent of its load by January 1, 2016, and each year thereafter through December 31, 2019; and
- At least 15 percent of its load by January 1, 2020, and each year thereafter.

Load means the amount of kilowatt-hours of electricity delivered in the most recently completed year by a qualifying utility to its Washington retail customers.

"Eligible renewable resource" includes wind; solar; geothermal energy; landfill and sewage gas; wave and tidal power; and certain biomass and biodiesel fuels. Electricity produced from an eligible renewable resource must be generated in a facility that started operating after March 31, 1999. The facility must either be located in the Pacific Northwest or the electricity from the facility must be delivered into the state on a real-time basis. Incremental electricity produced from efficiency improvements at hydropower facilities owned by qualifying utilities is also an eligible renewable resource if the improvements were completed after March 31, 1999.

Additional credit toward meeting the targets is provided for investments in distributed generation facilities and for investments in facilities that use state-approved apprenticeship programs during construction. Qualifying utilities may count distributed generation at double the facilities output and the use of apprentice program at one and two-tenths times the renewable resources or renewable energy credit's base value. "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.

A "renewable energy credit" is defined as a tradable certificate of proof of at least one megawatt hour of an eligible renewable resource. The credits can be bought and sold as a commodity in the energy marketplace. The initiative requires a renewable energy credit to be verified by a tracking system selected by the Department of Community, Trade, and Economic Development (CTED).

### **Energy Conservation Assessments and Targets**

Each qualifying electric utility must pursue all available conservation that is cost-effective, reliable, and feasible. By January 1, 2010, each qualifying utility must assess the conservation it can achieve through 2019, and update the assessments every two years for the next ten-year period. Beginning January 2010, each qualifying utility must meet biennial conservation targets that are consistent with its conservation assessments. In meeting its target, a qualifying utility may count certain types of customer-owned and operated high-efficiency cogeneration facilities. "High-efficiency cogeneration" means 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.

### **Summary of Bill:**

#### **Renewable Resources Targets**

Each qualifying utility must use eligible renewable resources or acquire equivalent renewable energy credits, or a combination of both, to meet the following annual targets:

- At least 4 percent of its load by January 1, 2012, and each year thereafter through December 31, 2015;

- At least 10 percent of its load by January 1, 2016, and each year thereafter through December 31, 2019;
- At least 16 percent of its load by January 1, 2020, and each year thereafter through December 31, 2024; and
- At least 20 percent of its load by January 1, 2025, each year thereafter.

### **Expansion of Geographic Region**

Starting January 1, 2016, the geographic region in which each qualifying utility may generate or derive eligible renewable resources and renewable energy credits is expanded. Each qualifying utility must obtain at least half of its eligible renewable resources and renewable energy credits from generation facilities located in the Pacific Northwest. The remaining amount may be derived from generation facilities located within the geographic boundary of the Western Electricity Coordinating Council (WECC). Electricity from an eligible renewable resource that is derived from generation facilities located outside the Pacific Northwest must be delivered to the Bonneville Power Administration or to the transmission system of a qualifying utility.

### **Expansion of Eligible Renewable Resources**

Beginning July 1, 2009, a qualifying utility may acquire renewable energy credits produced on or after July 1, 2009 from a biomass energy facility, regardless of the date it commences operations. Black liquors derived from various sources may be counted as a renewable resource. Biomass energy derived from food and yard wastes is also eligible.

Incremental electricity produced as a result of efficiency improvements completed after March 31, 1999 to hydroelectric generation projects whose energy output is marketed by the Bonneville Power Administration qualifies as an eligible renewable resource. Also, electricity produced from a distributed generation facility that uses currents from freshwater rivers and streams qualifies as an eligible renewable resource if the electricity is not produced as a result of water diversions, impoundments and dams.

### **Non-Power Attributes of Renewable Resources**

The non-power attributes associated with an anaerobic digester may be separated into avoided emissions of greenhouse gases and into renewable energy credits.

### **Resource Costs for Investor-owned Utilities**

For the purposes of complying with the renewable energy targets, an investor-owned utility must use its total retail revenue requirement resulting from the utility's most recent general rate case. If the Washington Utilities and Transportation Commission (WUTC) has not issued an order in a general rate case for a utility in any of the three years prior to a year for which an annual renewable resources target is increased, the WUTC must calculate the total annual retail revenue requirement for that utility for that target year.

### **Energy Conservation Assessments and Targets**

By January 1, 2010, each qualifying utility must identify its achievable cost-effective conservation potential through 2019, which shall include all achievable cost-effective conservation related to energy end-use, production, and distribution. In assessing cost-effective potential, qualifying utilities must use methodologies consistent with those used by the Pacific Northwest Electric Power and Conservation Planning Council (Council) in its most recent published regional power plan.

By January 1, 2010, each qualifying utility must make public its biennial conservation target and meet its target during the subsequent two-year period. In meeting its biennial conservation acquisition target, each qualifying utility must include, at a minimum: (1) at least twenty percent of the qualifying utility's cost-effective end-use conservation potential identified for the subsequent ten-year period; and (2) at least twenty percent of the qualifying utility's cost-effective distribution and production conservation potential identified for the subsequent ten-year period.

In meeting its biennial conservation acquisition target, a qualifying utility may not use distribution or production conservation in lieu of end-use conservation. Additionally, a qualifying utility may not use incremental electricity produced as a result of efficiency improvements to hydroelectric generation projects to meet its biennial conservation acquisition target.

#### **High-Efficiency Co-generation**

In meeting its conservation acquisition targets, a qualifying utility may count high-efficiency cogeneration owned and used by a retail electric customer, if the cogeneration facility is designed to have a projected overall thermal conversion efficiency of at least seventy percent.

#### **Rulemaking**

Rules implementing the Energy Independence Act must be adopted by June 30, 2010.

Within six months of the adoption by the Council of its regional power plan, the Department of Community, Trade, and Economic Development and the Utilities and Transportation Commission must initiate and complete a rulemaking. In the rulemaking process, the Commissions and the Department must consider adopting any changes in methodologies used by the Council that would impact a qualifying utility's conservation potential.

**Appropriation:** None.

**Fiscal Note:** Requested on January 15, 2009.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.