

# WASHINGTON RENEWABLE ELECTRICITY STANDARD SUMMARY

**A. SUMMARY:** In November 2006, Washington voters passed the Clean Energy Initiative (I-937), an act relating to requirements for new energy sources. I-937 adds a new chapter to Title 19 of the Revised Code of Washington, adopting a renewable electricity standard (RES) policy. The RES requires the state's largest utilities reach 3 percent renewable energy use beginning in 2012, and increasing to 15 percent in 2020 and beyond. It also requires those electric utilities to pursue all low-cost energy conservation opportunities with their customers. The initiative requires that implementation rules be adopted by December 31, 2007.

## **B. AUTHORIZING LEGISLATION/REGULATION**

**1. Part of Broader Energy Package?** No

**2. Legislative/Regulatory Intent:** “Increasing energy conservation and the use of appropriately sited renewable energy facilities builds on the strong foundation of low-cost renewable hydroelectric generation in Washington state and will promote energy independence in the state and the Pacific Northwest region. Making the most of our plentiful local resources will stabilize electricity prices for Washington residents, provide economic benefits for Washington counties and farmers, create high-quality jobs in Washington, provide opportunities for training apprentice workers in the renewable energy field, protect clean air and water, and position Washington state as a national leader in clean energy technologies.”

**3. Applicable Legislation/Regulation:**

11/06 – [Initiative 937](#)

**4. Date Enacted:** November 7, 2006

**5. Date Effective:** November 7, 2006

## **C. RULEMAKING**

**1. Implementing/rulemaking Authority:** Two state entities share responsibility for developing rules and implementing the policy—the Washington State Utilities and Transportation Commission (WUTC) and the Washington Department of Community, Trade, and Economic Development (CTED). The WUTC is responsible for developing and implementing regulations, as well as the administration and enforcement of the RES as it applies to investor-owned utilities (IOUs). CTED is responsible for adopting rules concerning only process, timelines, and documentation to ensure the proper implementation of the policy as it applies to qualifying utilities that are not IOUs.

**2. Rulemaking Completed to Date:**

None. Regulations implementing I-937 must be adopted by December 31, 2007.

**D. TARGETS AND TIMETABLES**

**1. Brief Overview:** Washington's RES begins in 2012 with 3 percent of total retail electric load of qualifying utilities, and increases to 15 percent by 2020, and remaining at 15 percent each year thereafter.

**2. Schedule:**

Compliance Year	Percent of Total Retail Electric Load
2012	3 %
2013	3 %
2014	3 %
2015	3 %
2016	9 %
2017	9 %
2018	9 %
2019	9 %
2020 and thereafter	15 %

**3. Treatment of Existing Capacity:** Electricity from a generation facility powered by a renewable resource other than fresh water that commences operation after March 31, 1999 is eligible to meet the RES. In addition, incremental electricity produced as a result of efficiency improvements completed after March 31, 1999, to hydroelectric generation projects is also eligible under certain conditions.

**4. Sunset Clause:** None.

**E. DEFINITION OF ELIGIBLE RESOURCES AND TECHNOLOGIES**

**1. Eligible Resources**

- Wind
- Solar energy
- Wave, ocean, or tidal power
- Geothermal energy
- Landfill gas
- Gas from sewage treatment facilities
- Biodiesel fuel that is not derived from crops raised on land cleared from old growth or first-growth forests where the clearing occurred after the effective date of the RES
- 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 byproduct from

paper production; (iii) wood from old growth forests; or (iv) municipal solid waste

- **Water** – 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.

Note: Eligible combustible renewable resources may be co-fired with fossil fuels in generating units located in the Pacific Northwest, provided that only the renewable energy fraction of production from multi-fuel facilities shall be considered eligible.

- 2. Special Incentives/Exclusions:** Distributed generation facilities (smaller than 5 megawatts in size) using eligible resources may count as double toward the annual requirements as long as the utility owns or has contracted for the distributed generation and the associated renewable energy credits; or has contracted to purchase the associated renewable energy credits. In addition, 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 where the eligible renewable resource comes from a facility that commenced operation after December 31, 2005; and where the developer of the facility used apprenticeship programs approved by the council during facility construction.

Electric generation from municipal solid waste, or certain biomass energy resources—including wood chemically treated with preservatives, black liquor byproduct from paper production, and wood from old growth forests—are explicitly excluded from eligibility. In addition, only certain incremental hydroelectric generation (see hydroelectric definition) is RES eligible. All other hydroelectric generation is excluded.

- 3. Treatment of Self Generation:** Distributed generation, which means an eligible renewable resource where the generation facility or any integrated cluster of such facilities has a generating capacity of not more than 5 megawatts (MW), is eligible to meet the annual requirements, and may also be eligible for extra credits.
- 4. Rules governing Location of Generating Facilities:** To be RES eligible, a renewable energy facility must either be located in the Pacific Northwest (Washington, Oregon, Idaho, and western Montana); or the electricity from the facility must be delivered into Washington state on a real-time basis without shaping, storage, or integration services. Incremental hydroelectric generation is restricted to facilities located in the Pacific Northwest only.
- 5. Eligibility of Green Pricing Programs:** In complying with the annual requirements, a qualifying utility may not count 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).

## **F. COVERED UTILITIES**

- 1. Classes of Retailers Covered :** The RES applies to all electric utilities, including investor-owned utilities, municipal utilities, and cooperatives, that serves more than 25,000 customers in the state of Washington. Utilities that become qualifying utilities by meeting the customer threshold after December 31, 2006, will be responsible for complying with the annual requirements on a time frame that is comparable in length to that provided for qualifying utilities as of the RES' original effective date.
- 2. Share of State Sales/Capacity/Delivered Power Covered:** Approximately 88 percent of total state electric sales (2004 data) are covered by the RES.
- 3. Apportionment of obligation among utilities:** The annual requirements are applied separately to each qualifying utility. In meeting the requirements, a qualifying utility is required to calculate its annual load based on the average of the utility's load for the previous two years. Load is defined as "the amount of kilowatt-hours of electricity delivered in the most recently completed year by a qualifying utility to its Washington retail customers."
- 4. Exemption by Customer Class:** NA

## **G. COST PROVISIONS**

- 1. Cost Cap for Retailers:** Each qualifying utility is considered in compliance with an annual requirement if the utility invests at least four percent of its total annual retail revenue requirement on the incremental costs of eligible renewable resources, the cost of renewable energy credits, or a combination of both. The incremental cost of an eligible renewable resource is determined by calculating "the difference between the levelized delivered cost of the eligible renewable resource, regardless of ownership, compared to the levelized delivered cost of an equivalent amount of reasonably available substitute resources that do not qualify as eligible renewable resources, where the resources being compared have the same contract length or facility life."
- 2. Cost Cap for Consumers:** NA
- 3. Cost Recovery Mechanisms:** An IOU is entitled to recover all prudently incurred costs associated with RES compliance. The WUTC is responsible for addressing any cost recovery issues of qualifying IOUs that serve both in Washington and in other states in complying with the RES.
- 4. Supply Contract Requirements:** None specified.
- 5. Special Funds:** Any administrative penalties collected from qualifying utilities are to be deposited into an energy independence act special account. Expenditures from the

account may be used only for the purchase of renewable energy credits or for energy conservation projects at public facilities, local government facilities, community colleges, or state universities.

## **H. COMPLIANCE AND ENFORCEMENT**

- 1. Certification, tracking, and trading mechanism[s]:** Each qualifying utility is permitted to use eligible renewable resources or acquire equivalent renewable energy credits (REC), or a combination of both, in order to meet the annual requirements. A REC is defined as a tradable certificate of proof of at least one megawatt-hour of an eligible renewable resource. Generation from eligible incremental hydroelectric resources are not permitted to receive tradable RECs. CTED is responsible for selecting a tracking system that will verify RECs.

Each REC includes all of the nonpower attributes associated with that one megawatt-hour of electricity. Nonpower attributes is defined as “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.”

REC ownership lies with the owner of the eligible renewable energy generation facility.

- 2. Flexibility Mechanisms:**

- a. REC Banking:** A qualifying utility may meet its annual requirements for any given year using RECs produced during that year, the preceding year, or the subsequent year. Therefore, each REC carries a three-year lifespan. Each REC may only be used once for compliance.

- 3. Penalties, Procedures, Powers, and Sanctions:** Qualifying utilities that fail to comply with the annual requirements are required to pay an administrative penalty to the state of Washington in the amount of \$50 for each megawatt-hour of shortfall. Beginning in 2007, this penalty shall be adjusted annually for inflation.

Any administrative penalties collected from qualifying utilities are to be deposited into an energy independence act special account. Expenditures from the account may be used only for the purchase of renewable energy credits or for energy conservation projects at public facilities, local government facilities, community colleges, or state universities. The state owns and must retire any REC purchased using moneys from the account, and only the director of general administration or the director's designee is authorized allocate funds from the account.

For a qualifying utility that is an IOU, the WUTC is responsible for determining RES

compliance and assessing penalties for noncompliance. For qualifying utilities that are not IOUs, the state auditor is responsible for auditing RES compliance, and the attorney general is responsible for enforcing that compliance. The WUTC (for IOUs) and the state auditor (for all other qualifying utilities) will determine whether a qualifying utility is exempt from the administrative penalty for that year if that utility meets the cost cap, slow growth, or force majeure criteria. The WUTC also has the authority to determine if an IOU may recover the cost of the administrative penalty in electric rates.

A qualifying utility must notify its retail electric customers within three months of incurring a penalty regarding the size of the penalty and the reason it was incurred.

4. **Escape Clauses:** A qualifying utility shall be considered in compliance with the annual requirements if events beyond the reasonable control of the utility that could not have been reasonably anticipated or ameliorated (force majeure) 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.”

In addition, qualifying utilities that have not experienced any retail load growth in three consecutive years are allowed to meet a lesser requirement. A qualifying utility shall be considered in compliance with an annual requirement if “(i) the utility's weather adjusted load for the previous three years on average did not increase over that time period; (ii) after the effective date of this section, the utility did not commence or renew ownership or incremental purchases of electricity from resources other than 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.”

## **I. ADMINISTRATION**

1. **Administering Entities, Duties, Powers, and Contact Information:** Several state entities share responsibility for developing rules and implementing the policy—the Washington State Utilities and Transportation Commission (WUTC) and the Washington Department of Community, Trade, and Economic Development (CTED). The WUTC is responsible for developing and implementing regulations, as well as the administration and enforcement of the RES as it applies to investor-owned utilities (IOUs). CTED is responsible for adopting rules concerning only process, timelines, and documentation to ensure the proper implementation of the policy as it applies to qualifying utilities that are not IOUs. The Washington State Auditors Office, in conjunction with the State Attorney General, is responsible for overseeing RES compliance with qualifying utilities that are not IOUs.

Washington State Utilities and Transportation Commission

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128-10th Avenue SW  
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Phone: (360) 725-4000  
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Washington State Auditors Office  
Washington State Capitol Campus  
PO Box 40021  
Olympia, WA 98504-0021  
Phone: (866) 902-3900  
Web site: <http://www.sao.wa.gov/>

- 2. Source and amount of Administrative Funding:** None specified.

## **J. REPORTING REQUIREMENTS**

- 1. Reporting Requirements for Retailers:** On or before June 1, 2012, and annually thereafter, each qualifying utility is required to report to the CTED on its progress in the preceding year in meeting the annual requirements. For each year that a qualifying utility elects to demonstrate alternative compliance (reaching the cost cap, slow growth, or force majeure), it must include in its annual report relevant data to demonstrate that it met the criteria. A qualifying utility that is an IOU shall also report all required information to the WUTC, and all other qualifying utilities shall also make all required information available to the state auditor. All qualifying utilities are required to make these annual reports available to their customers.
- 2. Reporting Requirements for Administrative Entities:** None specified.
- 3. Cost Information:** The first compliance year of the RES is not until 2012, so no actual cost data is available. However, in 2006, the Union of Concerned Scientists released a reports on the potential cost effects of the RES.

Deyette, J. and S. Clemmer. 2006. ["The Washington Clean Energy Initiative: Effects of I-937 on Consumers, Jobs and the Economy."](#) Cambridge, Mass: Union of Concerned Scientists. October.

## **J. STATUS AND SPECIAL NOTES**