
**Technology, Energy & Communications
Committee**

HB 1086

Brief Description: Requiring certain providers of electric service to purchase electricity from eligible distributed generators.

Sponsors: Representatives McCoy, Chase, Hudgins and Morris.

Brief Summary of Bill

- Requires qualifying utilities to allow an eligible distributed generator to interconnect to the utility's distribution system.
- Specifies the minimum power purchase rate qualifying utilities must offer an eligible distributed generator for various distributed generation technologies.
- Requires the governing board of a consumer-owned utility and the Utilities and Transportation Commission to develop power purchase contracts, review distributed generation rates, and make adjustments to those rates as necessary.

Hearing Date: 1/28/09

Staff: Kara Durbin (786-7133)

Background:

Distributed Generation

Distributed generation, also called on-site generation, commonly refers to small-scale power generation technologies located close to where the electricity is used.

Feed-in Tariffs

A feed-in tariff is an offering of a fixed-price contract over a specified term with specified operating conditions to eligible renewable energy generators. Feed-in tariffs can be either an all-inclusive rate or a fixed premium payment on top of the prevailing spot market price for power. The price paid represents estimates of either the cost or the value of renewable generation. The

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tariff is generally offered by the interconnecting utility and sets a standing price for each category of eligible renewable generator. Tariffs are often differentiated based on technology type, resource quality, or project size and may decline on a set schedule over time.

Cost-Recovery Incentive Program for Renewable Energy Systems

In 2005, the Legislature created a cost-recovery incentive program to promote renewable energy systems that produce electricity from solar, wind, or anaerobic digesters. An individual, business, or local government purchasing an eligible system may apply for an incentive payment from the electric utility serving the applicant. The incentive provides at least 15 cents for each kilowatt-hour of energy produced, with extra incentives for solar, wind, or anaerobic digester systems that use components manufactured in Washington. Extra incentives are also available wind energy. Payments are capped at \$2,000 annually per applicant.

Electric utilities may provide incentive payments under this program to a customer-generator, but are not required to do so. A utility providing incentive payments is allowed a credit against its public utility tax (PUT) for incentives paid, limited to \$25,000 or 0.25 percent of its taxable power sales, whichever is greater.

The cost-recovery incentive program expires June 30, 2015.

Summary of Bill:

Purchase of Distributed Generation

A qualifying utility must interconnect an eligible distributed generator to the utility's distribution system within 60 days of receiving a request to interconnect. If the qualifying utility refuses to connect an eligible distributed generator to the utility's distribution system, the qualifying utility is subject to a fine of up to \$100 a day.

Qualifying utilities must enter into at least a 20 year power purchase agreement with an eligible distributed generator to purchase all electricity from the distributed generator.

Power Purchase Agreement Rate (or "Feed-in Tariff")

The power purchase agreement rate per kilowatt hour must at least reflect the following:

- 1) Hydroelectric power:
 - a) under 500 kilowatts: \$0.10
 - b) between 500 kilowatts and five megawatts: \$0.085
- 2) Landfill or sewage treatment facility gas:
 - a) under 500 kilowatts: \$0.10
 - b) between 500 kilowatts and five megawatts: \$0.085
- 3) Biomass or biogas:
 - a) under 150 kilowatts: \$0.145
 - b) between 150 and 500 kilowatts: \$0.125
 - c) between 500 kilowatts and five megawatts: \$0.115
- 4) Geothermal energy (under five megawatts): \$0.19

- 5) Wind powered plants:
- a) years one through five: \$0.105
 - b) years six through 20 (under 700 kilowatt hours per square meter per year): \$0.105
 - c) years six through 20 (over 1,100 kilowatt hours per square meter per year): \$0.08
 - d) years six through 20 (between 700 and 1,100 kilowatt hour per square meter per year): rate is a linear extrapolation between the rate at 700 kilowatt hours per square meter per year to 1,100 kilowatt hours per square meter per year
- 6) Small wind turbines: \$0.025
- 7) Solar powered plants:
- a) free standing or open field projects: \$0.50
 - b) rooftop projects less than 30 kilowatts: \$0.65 per kilowatt hour
 - c) rooftop projects between 30 kilowatts and 100 kilowatts: \$0.62
 - d) rooftop projects greater than 100 kilowatts: \$0.61
 - e) facade cladding projects under 30 kilowatts: \$0.71
 - f) facade cladding projects between 30 and 100 kilowatts: \$0.68
 - g) facade cladding projects over 100 kilowatts: \$0.67

Administration

The Utilities and Transportation Commission (UTC) or the governing board of a consumer-owned utility (COU) must annually approve a distributed generation factor as a non-bypassable surcharge payable by every customer of the investor-owned or consumer-owned utility, regardless of customer class. The surcharge must cover the cost of the electricity and any interconnection costs.

The UTC or the governing boards of the COU's must develop a standard contract to be used in all power purchase agreements for distributed generation.

The UTC or governing board of the COU must review the distributed generation rates specified in this act every two years and adjust those rates as necessary to: 1) account for inflation; 2) assist in the profitable development of distributed generators; 3) prevent excessive profits for distributed generators; and 4) prevent unnecessary costs to ratepayers. The UTC or governing board of the COU must reduce the distributed generation rates to reflect any federal or state subsidies, tax credits, or other incentives that an eligible distributed generator is receiving.

Reporting

The UTC and the Department of Community, Trade and Economic Development shall report to the Governor and the Legislature in 2010, 2011, and every four years after 2011 on: 1) the number of new eligible distributed generators in the state, including the environmental effects of those generators; 2) recommended legislation and changes to the distributed generation rates; 3) implementation actions taken by the UTC or COUs.

Definitions

"Distributed generation" means a renewable resource in which the generation facility or cluster of facilities has a generating capacity of five megawatts or less.

"Eligible distributed generator" means the distributed generation located on the premises of an individual, business, or local government, but it does not include distributed generation by an individual, business, or local government in the electricity or gas distribution business.

"Renewable resource" means water, wind, solar, geothermal, landfill or sewage treatment facility gas, wave, ocean, or tidal power. Renewable resource also includes biodiesel fuel not derived from old growth forests, byproducts of pulping or wood manufacturing, black liquors, and biomass energy, except for wood pieces that are treated with chemical preservatives or derived from old growth forests or municipal solid waste.

"Small wind turbine" means any wind turbine with a rotor blade swept area of no more than 2,000 square feet.

"Qualifying utility" means an electric utility serving more than 25,000 customers in Washington.

Appropriation: None.

Fiscal Note: Requested on January 26, 2009.

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