

Exhibit No. ____ (NEH-4)

Docket No. U-072375

Witness: Nancy E. Hirsh

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Joint Application of

PUGET HOLDINGS LLC

and

PUGET SOUND ENERGY, INC.

For an Order Authorizing Proposed Transaction

Docket No. U-072375

EXHIBIT TO TESTIMONY OF

NANCY E. HIRSH

ON BEHALF OF NW ENERGY COALITION

Highlights of State Laws and Policies Regarding Clean and Affordable Energy Services

June 18, 2008

1 **Highlights from Washington State Policies and Laws Encouraging**
2 **Energy Efficiency, Renewable Energy Resources, Low-Income Energy Services, and**
3 **Greenhouse Gas Emissions Reductions**

4
5 State Energy Strategy, 2003 Update

6
7 Guiding Principle #2: Encourage the development of a balanced, cost-effective and
8 environmentally sound resource portfolio that includes conservation, renewables (e.g.,
9 wind, geothermal, hydro, biomass, and solar technologies), and least-cost conventional
10 resources.

11 Guiding Principle #12: Promote policies and programs that provide access to basic
12 energy services to those on limited incomes.

13 Guiding Principle #13: Promote energy policies that maintain and or improve
14 environmental quality.

15
16 State Law Highlights: Energy Efficiency and Renewable Energy Resources

17
18 The legislature finds and declares that it is the continuing purpose of state government,
19 consistent with other essential considerations of state policy, to foster wise and efficient
20 energy use and to promote energy self-sufficiency through the use of indigenous and
21 renewable energy sources, consistent with the promotion of reliable energy sources, the
22 general welfare, and the protection of environmental quality. (RCW 43.21F.010)

23
24 It is the policy of the state of Washington that:

25 (1) The development and use of a diverse array of energy resources with emphasis on
26 renewable energy resources shall be encouraged; ...

27 (3) The development and use of energy resources shall be consistent with the statutory
28 environmental policies of the state;

29 (4) Energy conservation and elimination of wasteful and uneconomic uses of energy
30 and materials shall be encouraged, and this conservation should include, but is not limited
31 to, resource recovery and materials recycling; ... (RCW 43.21F.015)

32
33 The legislature finds that using energy efficiently in housing is one of the lowest cost
34 ways to meet consumer demand for energy; that using energy efficiently helps protect
35 citizens of the state from negative impacts due to changes in energy supply and cost; that
36 using energy efficiently will help mitigate negative environmental impacts of energy use
37 and resource development; and that using energy efficiently will help stretch our present
38 energy resources into the future.

39 It is declared policy of the state of Washington that energy be used efficiently. ...
40 (RCW 19.27A.015, Findings, 1990 c 2, § 1)

41

1 The legislature hereby finds:

2 (1) That major publicly owned or leased facilities have a significant impact on our
3 state's consumption of energy;

4 (2) That energy conservation practices including energy management systems and
5 renewable energy systems adopted for the design, construction, and utilization of such
6 facilities will have a beneficial effect on our overall supply of energy; ... and

7 (5) That the use of energy systems in these facilities which utilize renewable resources
8 such as solar energy, wood or wood waste, or other nonconventional fuels, and which
9 incorporate energy management systems, shall be considered in the design of all publicly
10 owned or leased facilities. (RCW 39.35.010)

11
12 The legislature finds and declares that the buildings, facilities, equipment, and vehicles
13 owned or leased by state government consume significant amounts of energy and that
14 energy conservation actions, including energy management systems, to provide for
15 efficient energy use in these buildings, facilities, equipment, and vehicles will reduce the
16 costs of state government. In order for the operations of state government to provide the
17 citizens of this state an example of energy use efficiency, the legislature further finds and
18 declares that state government should undertake an aggressive program designed to
19 reduce energy use in state buildings, facilities, equipment, and vehicles within a
20 reasonable period of time. (RCW 43.19.668)

21
22 ... The legislature further recognizes that energy efficiency and energy conservation can
23 help to reduce air pollution and shall therefore be considered when making decisions on
24 air pollution control strategies and projects. ... (RCW 70.94.011)

25
26 In planning for future energy expenditures, public agencies shall give priority to projects
27 and resources which are cost-effective. Priority for future bond sales to finance energy
28 expenditures by public agencies shall be given: First, to conservation; second, to
29 renewable resources; third, to generating resources utilizing waste heat or generating
30 resources of high fuel-conversion efficiency; and fourth, to all other resources. ... (RCW
31 80.52.080)

32
33 ... The legislature further finds that energy efficiency improvement is the single most
34 effective near term measure to lessen the risk of energy shortage. ... (RCW 80.04.250,
35 Findings, 1991 c 122 § 1.)

36
37 The legislature finds and declares that the potential for meeting future energy needs
38 through conservation measures, including energy conservation loans, energy audits, the
39 use of appropriate tree plantings for energy conservation, and the use of renewable
40 resources, such as solar energy, wind energy, wood, wood waste, municipal waste,
41 agricultural products and wastes, hydroelectric energy, geothermal energy, and end-use
42 waste heat, may not be realized without incentives to public and private energy utilities.
43 The legislature therefore finds and declares that actions and incentives by state
44 government to promote conservation and the use of renewable resources would be of

1 great benefit to the citizens of this state by encouraging efficient energy use and a reliable
2 supply of energy based upon renewable energy resources. (RCW 80.28.024)

3
4 In establishing rates for each gas and electric company regulated by this chapter, the
5 commission shall adopt policies to encourage meeting or reducing energy demand
6 through cogeneration as defined in RCW 82.35.020, measures which improve the
7 efficiency of energy end use, and new projects which produce or generate energy from
8 renewable resources, such as solar energy, wind energy, hydroelectric energy, geothermal
9 energy, wood, wood waste, municipal wastes, agricultural products and wastes, and end-
10 use waste heat. These policies shall include but are not limited to allowing a return on
11 investment in measures to improve the efficiency of energy end use, cogeneration, or
12 projects which produce or generate energy from renewable resources which return is
13 established by adding an increment of two percent to the rate of return on common equity
14 permitted on the company's other investment. ... (RCW 80.28.025(1))

15
16 Upon request by an electrical or gas company, the commission may approve a tariff
17 schedule that contains rates or charges for energy conservation measures, services, or
18 payments provided to individual property owners or customers... (RCW 80.28.065(1))

19
20 (1) The commission shall adopt a policy allowing an incentive rate of return on
21 investment (a) for payments made under RCW [19.27A.035](#) and (b) for programs that
22 improve the efficiency of energy end use if priority is given to senior citizens and low-
23 income citizens in the course of carrying out such programs. ...

24 (2) The commission shall consider and may adopt a policy allowing an incentive rate of
25 return on investment in additional programs to improve the efficiency of energy end use
26 or other incentive policies to encourage utility investment in such programs.

27 (3) The commission shall consider and may adopt other policies to protect a company
28 from a reduction of short-term earnings that may be a direct result of utility programs to
29 increase the efficiency of energy use. These policies may include allowing a periodic rate
30 adjustment for investments in end use efficiency or allowing changes in price structure
31 designed to produce additional new revenue. (RCW 80.28.260)

32
33 The legislature finds that the use of renewable energy resources generated from local
34 sources such as solar and wind power benefit our state by reducing the load on the state's
35 electric energy grid, by providing nonpolluting sources of electricity generation, and by
36 the creation of jobs for local industries that develop and sell renewable energy products
37 and technologies.

38 The legislature finds that Washington state has become a national and
39 international leader in the technologies related to the solar electric markets. The state can
40 support these industries by providing incentives for the purchase of locally made
41 renewable energy products. Locally made renewable technologies benefit and protect the
42 state's environment. The legislature also finds that the state's economy can be enhanced
43 through the creation of incentives to develop additional renewable energy industries in
44 the state. ... (RCW 82.16.110, Findings – Intent – 2005 c 300)

1 (1) The legislature finds that Washington state currently derives many benefits from its
2 renewable energy and energy efficiency sectors. These sectors are an important source of
3 employment and income for a significant number of Washington residents, currently
4 generating close to one billion dollars in annual revenue and employing over three
5 thousand eight hundred people. Equally important, energy efficiency and renewable
6 energy businesses add to the region's quality of life by employing technologies that can
7 reduce some of the harmful effects of the reliance on fossil fuels. Washington state
8 possesses all the necessary elements to do much more to develop these sectors and to
9 become a national leader in the research, development, manufacturing, and marketing of
10 clean energy technologies and services.

11 (2) It is therefore declared to be the policy of the state that its public agencies and
12 institutions of higher learning maximize their efforts collectively and cooperatively with
13 the private sector to establish the state as a leader in clean energy research, development,
14 manufacturing, and marketing. To this end, all state agencies are directed to employ their
15 existing authorities and responsibilities to:

16 (a) Work with local organizations and energy companies to facilitate the development
17 and implementation of workable renewable energy and energy efficiency projects;

18 (b) Actively promote policies that support energy efficiency and renewable energy
19 development;

20 (c) Encourage utilities and customer groups to invest in new renewables and products
21 and services that promote energy efficiency; and

22 (d) Assist in the development of stronger markets for renewables and products and
23 services that promote energy efficiency. ... (RCW 28B.20.298)

24 (1) The legislature finds that improving energy efficiency is key to achieving the state's
25 goals to reduce greenhouse gas emissions to 1990 levels by 2020. The legislature further
26 finds that increased energy efficiency saves Washington businesses money, which in turn
27 helps the state and local economy, as energy bill savings can be spent on local goods and
28 services. ... (New section in RCW 82.04, added by HB 3362 in 2008 session)

29 (2) It is the policy of the state of Washington that:

30 (a) State government is committed to achieving significant gains in energy efficiency.
31 Conventional conservation programs will be reviewed and updated in light of experience
32 gained since their commencement;

33 (b) State government must play a leading role in demonstrating updated and new
34 energy efficiency technologies. New programs or measures made possible by
35 technological advances, such as demand-side response measures and energy management
36 systems, shall be treated in the same manner as conventional conservation programs and
37 will be integrated into the state's energy efficiency programs. [RCW 39.35.010, Findings,
38 c 214 § 14.]

39
40

1 The legislature finds that it is in the public interest to:

2 (1) Encourage private investment in renewable energy resources;

3 (2) Stimulate the economic growth of this state; and

4 (3) Enhance the continued diversification of the energy resources used in this state.

5 (RCW 80.60.005)

6
7 State Law Highlights: Low-Income Energy Services

8
9 The legislature finds and declares that weatherization of the residences of low-income
10 households will help conserve energy resources in this state and can reduce the need to
11 obtain energy from more costly conventional energy resources. The legislature also finds
12 that rising energy costs have made it difficult for low-income citizens of the state to
13 afford adequate fuel for residential space heat. Weatherization of residences will lower
14 energy consumption, making space heat more affordable for persons in low-income
15 households. It will also reduce the uncollectible accounts of fuel suppliers resulting from
16 low-income customers not being able to pay fuel bills.

17 The program implementing the policy of this chapter is necessary to support the poor
18 and infirm and also to benefit the health, safety, and general welfare of all citizens of the
19 state. (RCW 70.164.010)

20
21 Upon request by an electrical or gas company, the commission may approve rates,
22 charges, services, and/or physical facilities at a discount for low-income senior customers
23 and low-income customers. Expenses and lost revenues as a result of these discounts
24 shall be included in the company's cost of service and recovered in rates to other
25 customers. (RCW 80.28.068)

26
27 *RCW 82.16.0497 provides a tax credit for electric and gas utilities for qualifying*
28 *contributions for low-income energy assistance.*

29
30 State Law Highlights: Greenhouse Gas Emissions Reductions

31
32 (1) The legislature finds that:

33 (a) Washington is especially vulnerable to climate change because of the state's
34 dependence on snow pack for summer stream flows and because the expected rise in sea
35 levels threatens our coastal communities. Extreme weather, a warming Pacific Northwest,
36 reduced snow pack, and sea level rise are four major ways that climate change is
37 disrupting Washington's economy, environment, and communities;

38 (b) Washington's greenhouse gases emissions are continuing to increase, despite
39 international scientific consensus that worldwide emissions must be reduced significantly
40 below current levels to avert catastrophic climate change; ...

41 (f) While these actions are significant, there is a need to assess the trend of greenhouse
42 gases emissions statewide over the next several decades, and to take sufficient actions so
43 that Washington meets its responsibility to contribute to the global actions needed to
44 reduce the impacts and the pace of global warming; ...

1 (g) Actions to reduce greenhouse gases emissions will spur technology development
2 and increase efficiency, thus resulting in benefits to Washington's economy and
3 businesses; and ...

4 (3) The legislature intends by this chapter to establish statutory goals for the statewide
5 reduction in greenhouse gases emissions and to adopt the recommendations provided by
6 the Washington climate change challenge stakeholder group, which is charged with
7 designing and recommending a comprehensive set of policies to the legislature and the
8 governor on how to achieve the goals. The legislature further intends by this chapter to
9 authorize immediate actions in the electric power generation sector for the reduction of
10 greenhouse gases emissions.

11 (4) The legislature finds that: ...

12 (b) It is vital to ensure all electric utilities internalize the significant and
13 underrecognized cost of emissions and to reduce Washington consumers' exposure to
14 costs associated with future regulation of these emissions, which is consistent with the
15 objectives of integrated resource planning by electric utilities under chapter 19.280 RCW;
16 ... (RCW 80.80.005)

17
18 (1) The legislature finds that Washington has long been a national and international leader
19 on energy conservation and environmental stewardship, including air quality protection,
20 renewable energy development and generation, emission standards for fossil-fuel based
21 energy generation, energy efficiency programs, natural resource conservation, vehicle
22 emission standards, and the use of biofuels. Washington is also unique among most states
23 in that in addition to its commitment to reduce emissions of greenhouse gases, it has
24 established goals to grow the clean energy sector and reduce the state's expenditures on
25 imported fuels.

26 (2) The legislature further finds that Washington should continue its leadership on
27 climate change policy by creating accountability for achieving the emission reductions
28 established in section 3 of this act, participating in the design of a regional multisector
29 market-based system to help achieve those emission reductions, assessing other market
30 strategies to reduce emissions of greenhouse gases, and ensuring the state has a well
31 trained workforce for our clean energy future.

32 (3) It is the intent of the legislature that the state will: (a) Limit and reduce
33 emissions of greenhouse gas consistent with the emission reductions established in section
34 3 of this act; (b) minimize the potential to export pollution, jobs, and economic
35 opportunities; and (c) reduce emissions at the lowest cost to Washington's economy,
36 consumers, and businesses. (Sec. 1 of E2SHB 2815, passed by the 2008 Legislature)

37
38 *RCW 80.70 establishes a requirement for new fossil fuel power plants sited in*
39 *Washington to offset a portion of their greenhouse gas emissions.*

40
41 *RCW 80.80.040 establishes an emissions performance standard for power plants sited in*
42 *Washington state and those that are within utility long-term financial commitments.*

1

2 *RCW 80.80.020 establishes greenhouse gas emissions reduction and clean energy*
3 *economy goals for Washington.*

4

5 *RCW 19.280.020(11) requires utility integrated resource plans to consider “the cost of*
6 *risks associated with environmental effects including emissions of carbon dioxide.”*

7