To amend the Public Utility Regulatory Policies Act of 1978 to establish a renewable electricity standard, and for other purposes.

A BILL
To amend the Public Utility Regulatory Policies Act of 1978 to establish a renewable electricity standard, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. RENEWABLE ELECTRICITY STANDARD.

(a) In General.—Title VI of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2601 et seq.) is amended by adding at the end the following:

“SEC. 610. RENEWABLE ELECTRICITY STANDARD.

“(a) DEFINITIONS.—In this section:
“(1) **BASE QUANTITY OF ELECTRICITY.**—

“(A) **IN GENERAL.**—The term ‘base quantity of electricity’ means the total quantity of electric energy sold by a retail electric supplier, expressed in terms of kilowatt hours, to electric customers for purposes other than resale during the most recent calendar year for which information is available.

“(B) **EXCLUSIONS.**—The term ‘base quantity of electricity’ does not include—

“(i) electric energy that is not incremental hydropower generated by a hydroelectric facility; and

“(ii) electricity generated through the incineration of municipal solid waste.

“(2) **BIOMASS.**—

“(A) **IN GENERAL.**—The term ‘biomass’ means—

“(i) cellulosic (plant fiber) organic materials from a plant that is planted for the purpose of being used to produce energy;

“(ii) nonhazardous plant or algal matter that is derived from—
“(I) an agricultural crop, crop byproduct, or residue resource; or

“(II) waste, such as landscape or right-of-way trimmings (but not including municipal solid waste, recyclable postconsumer waste paper, painted, treated, or pressurized wood, wood contaminated with plastic, or metals);

“(iii) animal waste or animal byproducts; and

“(iv) landfill methane.

“(B) NATIONAL FOREST LAND AND CERTAIN OTHER PUBLIC LAND.—In the case of organic material removed from National Forest System land or from public land administered by the Secretary of the Interior, the term ‘biomass’ means only organic material from—

“(i) ecological forest restoration;

“(ii) precommercial thinnings;

“(iii) brush;

“(iv) mill residues; or

“(v) slash.

“(C) EXCLUSION OF CERTAIN FEDERAL LAND.—Notwithstanding subparagraph (B), the term ‘biomass’ does not include material or
matter that would otherwise qualify as biomass if the material or matter is located on the following Federal land:

“(i) Federal land containing old growth forest or late successional forest unless the Secretary of the Interior or the Secretary of Agriculture determines that the removal of organic material from the land—

“(I) is appropriate for the applicable forest type; and

“(II) maximizes the retention of—

“(aa) late-successional and large and old growth trees;

“(bb) late-successional and old growth forest structure; and

“(cc) late-successional and old growth forest composition.

“(ii) Federal land on which the removal of vegetation is prohibited, including components of the National Wilderness Preservation System.

“(iii) Wilderness study areas.

“(iv) Inventoried roadless areas.
“(v) Components of the National Landscape Conservation System.

“(vi) National Monuments.

“(3) EXISTING FACILITY.—The term ‘existing facility’ means a facility for the generation of electric energy from a renewable energy resource that is not an eligible facility.

“(4) INCREMENTAL HYDROPOWER.—The term ‘incremental hydropower’ means additional generation that is achieved from increased efficiency or additions of capacity made on or after—

“(A) the date of enactment of this section; or

“(B) the effective date of an existing applicable State renewable portfolio standard program at a hydroelectric facility that was placed in service before that date.

“(5) INDIAN LAND.—The term ‘Indian land’ means—

“(A) any land within the limits of any Indian reservation, pueblo, or rancheria;

“(B) any land not within the limits of any Indian reservation, pueblo, or rancheria title to which was on the date of enactment of this section held by—
“(i) the United States for the benefit of any Indian tribe or individual; or

“(ii) any Indian tribe or individual subject to restriction by the United States against alienation;

“(C) any dependent Indian community; or

“(D) any land conveyed to any Alaska Native corporation under the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq.).

“(6) INDIAN TRIBE.—The term ‘Indian tribe’ means any Indian tribe, band, nation, or other organized group or community, including any Alaskan Native village or regional or village corporation as defined in or established pursuant to the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq.), that is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians.

“(7) RENEWABLE ENERGY.—The term ‘renewable energy’ means electric energy generated by a renewable energy resource.

“(8) RENEWABLE ENERGY RESOURCE.—The term ‘renewable energy resource’ means solar, wind,
ocean, tidal, geothermal energy, biomass, landfill
gas, incremental hydropower, or hydrokinetic energy.

“(9) Repowering or cofiring increment.—
The term ‘repowering or cofiring increment’
means—

“(A) the additional generation from a
modification that is placed in service on or after
the date of enactment of this section, to expand
electricity production at a facility used to gen-
erate electric energy from a renewable energy
resource;

“(B) the additional generation above the
average generation during the 3-year period
ending on the date of enactment of this section
at a facility used to generate electric energy
from a renewable energy resource or to cofire
biomass that was placed in service before the
date of enactment of this section; or

“(C) the portion of the electric generation
from a facility placed in service on or after the
date of enactment of this section, or a modifica-
tion to a facility placed in service before the
date of enactment of this section made on or
after January 1, 2001, associated with cofiring
biomass.
“(10) Retail electric supplier.—

“(A) In general.—The term ‘retail electric supplier’ means a person that sells electric energy to electric consumers (other than consumers in Hawaii) that sold not less than 1,000,000 megawatt hours of electric energy to electric consumers for purposes other than resale during the preceding calendar year.

“(B) Inclusion.—The term ‘retail electric supplier’ includes a person that sells electric energy to electric consumers that, in combination with the sales of any affiliate organized after the date of enactment of this section, sells not less than 1,000,000 megawatt hours of electric energy to consumers for purposes other than resale.

“(C) Sales to parent companies or affiliates.—For purposes of this paragraph, sales by any person to a parent company or to other affiliates of the person shall not be treated as sales to electric consumers.

“(D) Governmental agencies.—

“(i) In general.—Except as provided in clause (ii), the term ‘retail electric supplier’ does not include—
“(I) the United States, a State, any political subdivision of a State, or any agency, authority, or instrumentality of the United States, State, or political subdivision; or

“(II) a rural electric cooperative.

“(ii) INCLUSION.—The term ‘retail electric supplier’ includes an entity that is a political subdivision of a State, or an agency, authority, or instrumentality of the United States, a State, a political subdivision of a State, a rural electric cooperative that sells electric energy to electric consumers, or any other entity that sells electric energy to electric consumers that would not otherwise qualify as a retail electric supplier if the entity notifies the Secretary that the entity voluntarily agrees to participate in the Federal renewable electricity standard program.

“(b) COMPLIANCE.—For calendar year 2013 and each calendar year thereafter, each retail electric supplier shall meet the requirements of subsection (c) by submitting to the Secretary, not later than April 1 of the following calendar year, 1 or more of the following:
“(1) Federal renewable energy credits issued under subsection (e).

“(2) Certification of the renewable energy generated and electricity savings pursuant to the funds associated with State compliance payments as specified in subsection (e)(4)(G).

“(3) Alternative compliance payments pursuant to subsection (h).

“(c) REQUIRED ANNUAL PERCENTAGE.—For each of calendar years 2013 through 2039, the required annual percentage of the base quantity of electricity of a retail electric supplier that shall be generated from renewable energy resources, or otherwise credited towards the percentage requirement pursuant to subsection (d), shall be the applicable percentage specified in the following table:

<table>
<thead>
<tr>
<th>Calendar Years</th>
<th>Required Amount percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>6.0</td>
</tr>
<tr>
<td>2014</td>
<td>8.5</td>
</tr>
<tr>
<td>2015</td>
<td>8.5</td>
</tr>
<tr>
<td>2016</td>
<td>11.0</td>
</tr>
<tr>
<td>2017</td>
<td>11.0</td>
</tr>
<tr>
<td>2018</td>
<td>14.0</td>
</tr>
<tr>
<td>2019</td>
<td>14.0</td>
</tr>
<tr>
<td>2020</td>
<td>17.5</td>
</tr>
<tr>
<td>2021</td>
<td>17.5</td>
</tr>
<tr>
<td>2022</td>
<td>21.0</td>
</tr>
<tr>
<td>2023</td>
<td>21.0</td>
</tr>
<tr>
<td>2024</td>
<td>23.0</td>
</tr>
<tr>
<td>2025 and thereafter through 2039</td>
<td>25.0.</td>
</tr>
</tbody>
</table>

“(d) RENEWABLE ENERGY CREDITS.—

“(1) IN GENERAL.—A retail electric supplier may satisfy the requirements of subsection (b)(1)
through the submission of Federal renewable energy credits—

(A) issued to the retail electric supplier under subsection (e);

(B) obtained by purchase or exchange under subsection (f); or

(C) borrowed under subsection (g).

(2) Federal renewable energy credits.—A Federal renewable energy credit may be counted toward compliance with subsection (b)(1) only once.

(e) Issuance of Federal renewable energy credits.—

(1) In general.—Not later than 1 year after the date of enactment of this section, the Secretary shall establish by rule a program—

(A) to verify and issue Federal renewable energy credits to generators of renewable energy;

(B) to track the sale, exchange, and retirement of the credits; and

(C) to enforce the requirements of this section.

(2) Existing non-federal tracking systems.—To the maximum extent practicable, in es-
establishing the program, the Secretary shall rely on existing and emerging State or regional tracking systems that issue and track non-Federal renewable energy credits.

“(3) APPLICATION.—

“(A) IN GENERAL.—An entity that generates electric energy through the use of a renewable energy resource may apply to the Secretary for the issuance of renewable energy credits.

“(B) ELIGIBILITY.—To be eligible for the issuance of the credits, the applicant shall demonstrate to the Secretary that—

“(i) the electric energy will be transmitted onto the grid; or

“(ii) in the case of a generation offset, the electric energy offset would have otherwise been consumed onsite.

“(C) CONTENTS.—The application shall indicate—

“(i) the type of renewable energy resource that is used to produce the electricity;

“(ii) the location at which the electric energy will be produced; and
“(iii) any other information the Secretary determines appropriate.

“(4) QUANTITY OF FEDERAL RENEWABLE ENERGY CREDITS.—

“(A) IN GENERAL.—Except as otherwise provided in this paragraph, the Secretary shall issue to a generator of electric energy 1 Federal renewable energy credit for each kilowatt hour of electric energy generated by the use of a renewable energy resource at an eligible facility.

“(B) INCREMENTAL HYDROPOWER.—

“(i) IN GENERAL.—For purpose of compliance with this section, Federal renewable energy credits for incremental hydropower shall be based on the increase in average annual generation resulting from the efficiency improvements or capacity additions.

“(ii) WATER FLOW INFORMATION.—The incremental generation shall be calculated using the same water flow information that is—

“(I) used to determine a historic average annual generation baseline for the hydroelectric facility; and
“(II) certified by the Secretary or
the Federal Energy Regulatory Com-
mission.

“(iii) Operational changes.—The
calculation of the Federal renewable energy
credits for incremental hydropower shall
not be based on any operational changes at
the hydroelectric facility that is not di-
rectly associated with the efficiency im-
provements or capacity additions.

“(C) Indian land.—

“(i) In general.—The Secretary
shall issue 2 renewable energy credits for
each kilowatt hour of electric energy gen-
erated and supplied to the grid in a cal-
endar year through the use of a renewable
energy resource at an eligible facility lo-
cated on Indian land.

“(ii) Biomass.—For purposes of this
paragraph, renewable energy generated by
biomass cofired with other fuels is eligible
for 2 credits only if the biomass was grown
on the land.

“(D) On-site eligible facilities.—
“(i) IN GENERAL.—In the case of electric energy generated by a renewable energy resource at an on-site eligible facility that is not larger than 1 megawatt in capacity and is used to offset all or part of the requirements of a customer for electric energy, the Secretary shall issue 3 renewable energy credits to the customer for each kilowatt hour generated.

“(ii) INDIAN LAND.—In the case of an on-site eligible facility on Indian land, the Secretary shall issue not more than 3 credits per kilowatt hour.

“(E) COMBINATION OF RENEWABLE AND NONRENEWABLE ENERGY RESOURCES.—If both a renewable energy resource and a nonrenewable energy resource are used to generate the electric energy, the Secretary shall issue the Federal renewable energy credits based on the proportion of the renewable energy resources used.

“(F) RETAIL ELECTRIC SUPPLIERS.—If a generator has sold electric energy generated through the use of a renewable energy resource to a retail electric supplier under a contract for
power from an existing facility and the contract has not determined ownership of the Federal renewable energy credits associated with the generation, the Secretary shall issue the Federal renewable energy credits to the retail electric supplier for the duration of the contract.

“(G) Compliance with state renewable portfolio standard programs.—Payments made by a retail electricity supplier, directly or indirectly, to a State for compliance with a State renewable portfolio standard program, or for an alternative compliance mechanism, shall be valued at 1 credit per kilowatt hour for the purpose of subsection (b)(2) based on the quantity of electric energy generation from renewable resources that results from the payments.

“(f) Renewable Energy Credit Trading.—

“(1) In general.—A Federal renewable energy credit may be sold, transferred, or exchanged by the entity to whom the credit is issued or by any other entity that acquires the Federal renewable energy credit, other than renewable energy credits from existing facilities.
“(2) Carryover.—A Federal renewable energy credit for any year that is not submitted to satisfy the minimum renewable generation requirement of subsection (e) for that year may be carried forward for use pursuant to subsection (b)(1) within the next 3 years.

“(3) Delegation.—The Secretary may delegate to an appropriate market-making entity the administration of a national tradeable renewable energy credit market for purposes of creating a transparent national market for the sale or trade of renewable energy credits.

“(g) Renewable Energy Credit Borrowing.—

“(1) In general.—Not later than December 31, 2014, a retail electric supplier that has reason to believe the retail electric supplier will not be able to fully comply with subsection (b) may—

“(A) submit a plan to the Secretary demonstrating that the retail electric supplier will earn sufficient Federal renewable energy credits within the next 3 calendar years that, when taken into account, will enable the retail electric supplier to meet the requirements of subsection (b) for calendar year 2014 and the subsequent calendar years involved; and
“(B) on the approval of the plan by the Secretary, apply Federal renewable energy credits that the plan demonstrates will be earned within the next 3 calendar years to meet the requirements of subsection (b) for each calendar year involved.

“(2) REPAYMENT.—The retail electric supplier shall repay all of the borrowed Federal renewable energy credits by submitting an equivalent number of Federal renewable energy credits, in addition to the credits otherwise required under subsection (b), by calendar year 2022 or any earlier deadlines specified in the approved plan.

“(h) ALTERNATIVE COMPLIANCE PAYMENTS.—As a means of compliance under subsection (b)(4), the Secretary shall accept payment equal to the lesser of—

“(1) 200 percent of the average market value of Federal renewable energy credits and Federal energy efficiency credits for the applicable compliance period; or

“(2) 3 cents per kilowatt hour (as adjusted on January 1 of each year following calendar year 2006 based on the implicit price deflator for the gross national product).
“(i) INFORMATION COLLECTION.—The Secretary may collect the information necessary to verify and audit—

“(1)(A) the annual renewable energy generation of any retail electric supplier; and

“(B) Federal renewable energy credits submitted by a retail electric supplier pursuant to subsection (b)(1);

“(2) the validity of Federal renewable energy credits submitted for compliance by a retail electric supplier to the Secretary; and

“(3) the quantity of electricity sales of all retail electric suppliers.

“(j) ENVIRONMENTAL SAVINGS CLAUSE.—Incremental hydropower shall be subject to all applicable environmental laws and licensing and regulatory requirements.

“(k) STATE PROGRAMS.—

“(1) IN GENERAL.—Nothing in this section diminishes any authority of a State or political subdivision of a State—

“(A) to adopt or enforce any law (including regulations) respecting renewable energy, including programs that exceed the required quantity of renewable energy under this section; or
“(B) to regulate the acquisition and disposition of Federal renewable energy credits by retail electric suppliers.

“(2) COMPLIANCE WITH SECTION.—No law or regulation referred to in paragraph (1)(A) shall relieve any person of any requirement otherwise applicable under this section.

“(3) COORDINATION WITH STATE PROGRAM.—The Secretary, in consultation with States that have in effect renewable energy programs, shall—

“(A) preserve the integrity of the State programs, including programs that exceed the required quantity of renewable energy under this section; and

“(B) facilitate coordination between the Federal program and State programs.

“(4) EXISTING RENEWABLE ENERGY PROGRAMS.—In the regulations establishing the program under this section, the Secretary shall incorporate common elements of existing renewable energy programs, including State programs, to ensure administrative ease, market transparency and effective enforcement.

“(5) MINIMIZATION OF ADMINISTRATIVE BURDENS AND COSTS.—In carrying out this section, the
Secretary shall work with the States to minimize administrative burdens and costs to retail electric suppliers.

“(l) RECOVERY OF COSTS.—An electric utility that has sales of electric energy that are subject to rate regulation (including any utility with rates that are regulated by the Commission and any State regulated electric utility) shall not be denied the opportunity to recover the full amount of the prudently incurred incremental cost of renewable energy obtained to comply with the requirements of subsection (b).

“(m) PROGRAM REVIEW.—

“(1) IN GENERAL.—The Secretary shall enter into an arrangement with the National Academy of Sciences under which the Academy shall conduct a comprehensive evaluation of all aspects of the program established under this section.

“(2) EVALUATION.—The study shall include an evaluation of—

“(A) the effectiveness of the program in increasing the market penetration and lowering the cost of the eligible renewable energy technologies;

“(B) the opportunities for any additional technologies and sources of renewable energy
emerging since the date of enactment of this section;

“(C) the impact on the regional diversity and reliability of supply sources, including the power quality benefits of distributed generation;

“(D) the regional resource development relative to renewable potential and reasons for any investment in renewable resources; and

“(E) the net cost/benefit of the renewable electricity standard to the national and State economies, including—

“(i) retail power costs;

“(ii) the economic development benefits of investment;

“(iii) avoided costs related to environmental and congestion mitigation investments that would otherwise have been required;

“(iv) the impact on natural gas demand and price; and

“(v) the effectiveness of green marketing programs at reducing the cost of renewable resources.

“(3) REPORT.—Not later than January 1, 2018, the Secretary shall transmit to Congress a re-
port describing the results of the evaluation and any recommendations for modifications and improvements to the program.

“(n) STATE RENEWABLE ENERGY ACCOUNT.—

“(1) IN GENERAL.—There is established in the Treasury a State renewable energy account.

“(2) DEPOSITS.—All money collected by the Secretary from the alternative compliance payments under subsection (h) shall be deposited into the State renewable energy account established under paragraph (1).

“(3) GRANTS.—

“(A) IN GENERAL.—Proceeds deposited in the State renewable energy account shall be used by the Secretary, subject to annual appropriations, for a program to provide grants—

“(i) to the State agency responsible for administering a fund to promote renewable energy generation for customers of the State or an alternative agency designated by the State; or

“(ii) if no agency described in clause (i), to the State agency developing State energy conservation plans under section

“(B) Use.—The grants shall be used for the purpose of—

“(i) promoting renewable energy production; and

“(ii) providing energy assistance and weatherization services to low-income consumers.

“(C) Criteria.—The Secretary may issue guidelines and criteria for grants awarded under this paragraph.

“(D) State-Approved Funding Mechanisms.—At least 75 percent of the funds provided to each State for each fiscal year shall be used to promote renewable energy production through grants, production incentives, or other State-approved funding mechanisms.

“(E) Allocation.—The funds shall be allocated to the States on the basis of retail electric sales subject to the renewable electricity standard under this section or through voluntary participation.

“(F) Records.—State agencies receiving grants under this paragraph shall maintain
such records and evidence of compliance as the
Secretary may require.”.

(b) Table of Contents Amendment.—The table
of contents of the Public Utility Regulatory Policies Act
of 1978 (16 U.S.C. prec. 2601) is amended by adding at
the end of the items relating to title VI the following:

“Sec. 609. Rural and remote communities electrification grants.
“Sec. 610. Renewable electricity standard.”.