

SENATE BILL REPORT

SB 6421

As Reported by Senate Committee On:
Environment, Water & Energy, January 29, 2010

Title: An act relating to Washington state's energy strategy.

Brief Description: Modifying the department of commerce's duties with respect to the state's energy strategy.

Sponsors: Senator Rockefeller.

Brief History:

Committee Activity: Environment, Water & Energy: 1/20/10, 1/29/10 [DPS-WM, DNP, w/oRec].

SENATE COMMITTEE ON ENVIRONMENT, WATER & ENERGY

Majority Report: That Substitute Senate Bill No. 6421 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Rockefeller, Chair; Pridemore, Vice Chair; Fraser, Marr, Oemig and Ranker.

Minority Report: Do not pass.

Signed by Senators Honeyford, Ranking Minority Member; Morton.

Minority Report: That it be referred without recommendation.

Signed by Senator Delvin.

Staff: Jan Odano (786-7486)

Background: The Washington State Energy Office was statutorily created in 1976. Its responsibilities included energy policy analysis; implementation of the state energy strategy; responding to energy emergencies; renewable energy development, and energy efficiency. In 1996 when the Legislature repealed the State Energy Office, the energy policy functions were transferred to the Department of Community, Trade and Economic Development (CTED).

The Legislature required the first energy strategy in 1991. The Governor and the Director of the State Energy Office appointed members of an advisory committee based on guidelines

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established in the 1991 legislation. The first Energy Strategy Report was issued in January 1993.

The CTED is required to periodically review and update the state energy strategy with an advisory committee using the guidelines established in 1991. In addition, when the strategy is completed, there must be a public hearing on the recommendations of the advisory committee. The last review and update to the state energy strategy was in 2002 and was issued in February 2003.

Currently, the State Energy Policy includes that the state energy strategy provides the primary guidance for the implementation of the state's energy policy. The energy policy also includes: encouraging the development and use of energy resources emphasizing renewable energy and energy conservation; insuring that there is a sufficient supply of energy for the health and economic welfare of its citizens; developing and using energy resources consistent with the statutory environmental policies of the state; giving priority to allocating energy resources in energy emergency shortages to maintain the public health, safety, and welfare; and requiring that state government provides impartial and objective information to enhance energy policy.

Summary of Bill (Recommended Substitute): The Legislature declares that the state energy strategy goals are to: increase competitiveness by fostering a clean energy economy and jobs through business and workforce development; meet the greenhouse gas emission goals; and maintain competitive energy prices that have been an instrumental part of the state's economic success to date.

The State Energy Policy is repealed and re-enacted in a new section. The State Energy Policy must ensure that the state energy strategy provides primary guidance for implementation of the state's energy policy, applicable policies, and goals relating to energy supply and use. The State Energy Policy includes:

- pursuing all cost-effective energy efficiency and conservation as the state's preferred energy resource;
- reducing dependence on fossil fuel energy sources through improved efficiency and development of clean energy sources;
- improving efficiency of transportation energy use through advances in vehicle and system efficiencies, development of electricity, biofuels, other clean fuels, and land use policies that improve transportation choices;
- meeting the state's statutory climate change goals, targets, and other environmental requirements as the state develops and uses energy resources;
- maintaining and enhancing economic competitiveness by supporting clean energy technology innovation, access to clean energy markets worldwide, and clean energy business and workforce development; and
- building on the advantage provided by the state's clean regional electrical grid by expanding and integrating additional carbon-free generation and improving the state's transmission capacity.

By December 1, 2010, and every five years after, the Department of Commerce (Commerce) must update and revise the State Energy Strategy and Implementation Report. The strategy must examine the state's entire energy system, and provide specific recommendations for

further development of state analytical capabilities and policies, as well as implementation recommendations. The strategy may also provide recommendations for legislation necessary to implement the strategy to the Governor and the Legislature. The strategy must build upon, and be consistent with, relevant and applicable statutorily authorized energy and climate goals, policies, and programs.

Commerce must convene an advisory committee to assist in the development of the state's energy strategy and any updates to the strategy. The membership of the advisory committee is specified and must reflect a balance of interests in energy generation, distribution, and uses.

Commerce must review related documents and processes relevant to a state energy strategy including: prior state strategies, the work of the Clean Energy Leadership Council, climate advisory and action teams, the Evergreen Jobs Committee, and the Northwest Power Conservation Council.

Commerce must actively seek both in-kind and financial support from the U.S. Department of Energy and its national laboratories, other public agencies and private sector entities, foundations and other energy organizations to assist in updates of the state energy strategy. Commerce's work plan for updating the strategy must reflect the levels of activities and deliverables commensurate with the level of funding and in-kind support available from state and nonstate sources.

Commerce may not intervene in any adjudicative proceeding before the Washington Utilities and Transportation Commission. However, it may ask for permission to provide information relevant to those proceedings.

References to the Department of Trade and Economic Development are replaced with Commerce.

EFFECT OF CHANGES MADE BY ENVIRONMENT, WATER & ENERGY COMMITTEE (Recommended Substitute):

- includes that the development of the state energy strategy must build upon and be consistent with all relevant and applicable energy and climate statutorily authorized policies, goals and programs and prior state energy strategies;
- adds that Commerce may not intervene in any adjudicative proceeding before the UTC, but it may ask for permission to submit amicus briefs on matters relevant to those proceedings;
- requires Commerce to develop the updated and revised state energy strategy and any future revision with the guidance of an advisory committee;
- recognizes bio energy and natural gas as cleaner energy sources;
- removes findings that the state's dependence on fossil fuels is an economic and environmental liability;
- revises the state energy strategy goals to pursue all cost effective energy efficiency and conservation as the state's preferred energy resource;
- sets forth membership for an advisory committee; and
- removes obsolete references.

Appropriation: None.

Fiscal Note: Requested on January 17, 2010.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: PRO: A state energy strategy is very well aligned with the broader goals and mission of Commerce. We need to have a state energy policy or plan that will assist us in making wise decisions in the future. This is an attempt to update and revise the energy policy in light of the changing technology and with new legislative energy policies. There is a need for an explicit state energy policy.

CON: The bill sets the goals and policies prior to working with stakeholders. It presupposes the outcome of the statement of the policy instead of letting the stakeholder group work. It confers a lot of authority to Commerce to develop much of the strategy. The policy should reflect that the state will need to use more natural gas to meet its greenhouse gas emission goals. It is inappropriate to allow Commerce to intervene into certain processes. Commerce does not represent an economic interest in the case. Policy issues should not be interjected into a rate case on a utility by utility basis. The goals should be permissive with Commerce leading the effort while including other agencies. Commerce should come back to the Legislature with recommendations for a set of goals.

OTHER: There is a need to update the strategy. There needs to be a stronger statement for a cohesive policy on biomass based energy. There is serious risk to subsidize green jobs/industries at the expense of older industries that have been the backbone of the state for many years.

Persons Testifying: PRO: Carrie Dolwick, NW Energy Coalition; Michael Dean, McKinstry; Tony Usibelli, Daniel Malarkey, Commerce; Craig Partridge, Department of Natural Resources.

CON: Chris McCabe, Association of WA Business; Tim Boyd, Industrial Customers of NW Utilities; Collins Sprauge, Avista Corp; Kent Lopez, WA Rural Electric Coop Association.

OTHER: Llewellyn Matthews, NW Pulp and Paper Association; Dave Warren, WA PUD Association; Kathleen Collins, PacifiCorp.