

# HOUSE BILL REPORT

## HB 1154

---

### As Passed Legislature

**Title:** An act relating to modifying the definition of nonpower attributes in the energy independence act.

**Brief Description:** Modifying the definition of nonpower attributes in the energy independence act.

**Sponsors:** Representatives Upthegrove and Ryu.

#### **Brief History:**

##### **Committee Activity:**

Environment: 2/5/13, 2/12/13 [DP].

##### **Floor Activity:**

Passed House: 3/6/13, 97-0.

Passed Senate: 4/15/13, 47-0.

Passed Legislature.

#### **Brief Summary of Bill**

- Allows facilities that capture and destroy methane on-site through a digester system, landfill gas collection system, or other mechanism to separate the nonpower attributes into renewable energy credits (RECs) and other types of carbon reduction credits, offsets, or similar tradable commodities.

---

### HOUSE COMMITTEE ON ENVIRONMENT

**Majority Report:** Do pass. Signed by 10 members: Representatives Upthegrove, Chair; Short, Ranking Minority Member; Pike, Assistant Ranking Minority Member; Crouse, Farrell, Fey, Kagi, Lias, Morris and Nealey.

**Minority Report:** Do not pass. Signed by 1 member: Representative Overstreet.

**Staff:** Scott Richards (786-7156).

#### **Background:**

---

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Approved by voters in 2006, the Energy Independence Act (Act), also known as Initiative 937, requires electric utilities with 25,000 or more customers to meet targets for energy conservation and for using eligible renewable resources. Utilities that must comply with the Act are called qualifying utilities.

#### Eligible Renewable Resource Targets and Compliance Dates.

Each qualifying utility must use eligible renewable resources or acquire equivalent renewable energy credits, or a combination of both, to meet the following annual targets:

- at least 3 percent of its load by January 1, 2012, and each year thereafter through December 31, 2015;
- at least 9 percent of its load by January 1, 2016, and each year thereafter through December 31, 2019; and
- at least 15 percent of its load by January 1, 2020, and each year thereafter.

#### Eligible Renewable Resource.

The term eligible renewable resource includes: wind, solar, geothermal energy, landfill and sewage gas, wave and tidal power, and certain biodiesel fuels. The following biomass is also classified as an eligible renewable resource: (1) organic by-products of pulping and the wood manufacturing process; (2) animal manure; (3) solid organic fuels from wood; (4) forest or field residues; (5) untreated wooden demolition or construction debris; (6) food waste and food processing residuals; (7) liquors derived from algae; (8) dedicated energy crops; and (9) yard waste.

The following biomass is not an eligible renewable resource: wood pieces that have been treated with chemical preservatives such as creosote, pentachlorophenol, or copper-chrome arsenic; wood from old growth forests; and municipal solid waste.

Electricity produced from an eligible renewable resource must be generated in a facility that started operating after March 31, 1999. The facility must either be located in the Pacific Northwest or the electricity from the facility must be delivered into the state on a real-time basis. Incremental electricity produced from efficiency improvements at hydropower facilities owned by qualifying utilities is also an eligible renewable resource, if the improvements were completed after March 31, 1999.

#### Renewable Energy Credit.

A renewable energy credit (REC) is a tradable certificate of proof, verified by the Western Renewable Energy Generation Information System, of at least one megawatt hour of an eligible renewable resource, where the generation facility is not powered by fresh water. The RECs can be bought and sold in the marketplace, and they may be used during the year they are acquired, the previous year, or the subsequent year.

Under the Act, a REC represents all the nonpower attributes associated with the power. 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.

### Carbon Credits.

In addition to the RECs, reductions in greenhouse gas emissions can be traded in the marketplace. When doing so, greenhouse gases are traded according to their carbon dioxide equivalent, which is a measure of a gas's global warming potential compared to carbon dioxide. Carbon benefits that come from displacing other potential fossil fuel resources through electricity generation are included in a REC; however, carbon credits related to the removal of methane from the atmosphere can be sold separately from a REC.

### **Summary of Bill:**

Facilities that capture and destroy methane on-site through a digester system, landfill gas collection system, or other mechanism are allowed to separate their nonpower attributes into renewable energy credits (RECs) and other types of carbon reduction credits, offsets, or similar tradable commodities. The carbon credits, offsets, or similar tradable commodities may be marketed and traded separately from the RECs associated with the production of electricity from the facility. The separated avoided carbon emissions may not result in or otherwise have the effect of attributing greenhouse gas emissions to the electricity.

**Appropriation:** None.

**Fiscal Note:** Available.

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

### **Staff Summary of Public Testimony:**

(In support) This is a policy change to the Energy Independence Act (Act) that has received a good deal of support over the years. Separating the carbon credits from renewable energy credits can achieve a number of benefits, like promoting the development of dairy digesters to capture methane and burn the methane as a renewable energy source. Methane is a more potent greenhouse gas than carbon dioxide. This bill is about the most technical fix that can be made to the Act. This change will help grow the biogas sector in Washington. Additionally, the change in the bill aligns Washington's law with renewable energy credit rules throughout the western United States. While the concept in the bill is generally favored by many, it tends to get lost in the negotiations surrounding Initiative 937 bills. This bill should be allowed to pass as a stand-alone bill and not get lost this session.

(Opposed) None.

**Persons Testifying:** Sheldon Zakreski, Climate Trust; Nancy Hirsh, Northwest Energy Coalition; and Dave Warren, Washington Public Utility District Association.

**Persons Signed In To Testify But Not Testifying:** None.