
**Technology, Energy & Communications
Committee**

HB 1854

Brief Description: Modifying provisions of the greenhouse gas emissions standards under chapter 80.80 RCW.

Sponsors: Representatives Morris and Chase.

Brief Summary of Bill

- Requires the Department of Ecology, through rulemaking, to allow no more than 12 percent of delivered electricity from unspecified resources over the life of a long-term financial commitment.
- Specifies that electric generation facilities or power plants powered by renewable resources are in compliance with the greenhouse gases (GHG) emissions performance standard, provided that the renewable energy credits have not been sold separately for electricity produced by these facilities and plants.
- Allows electric utilities regulated by the Utilities and Transportation Commission to defer for later consideration certain costs related to meeting the GHG emissions performance standard.

Hearing Date: 2/11/09

Staff: Scott Richards (786-7156)

Background:

Greenhouse Gases (GHG) Emissions Performance Standard.

The GHG emissions performance standard for all baseload electric generation for which electric utilities enter into long-term financial commitments is the lower of:

- 1,100 pounds of GHG per megawatt-hour; or

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- the average available GHG emissions output as updated by the Department of Community, Trade and Economic Development (CTED).

A long-term financial commitment is: (a) either a new ownership interest in or an upgrade to a baseload electric generation; or (b) a new or renewed contract for baseload electric generation with a term of five or more years.

All baseload electric generation that begins operation after June 30, 2008, and is located in Washington, must comply with the performance standard. The following facilities are deemed to be in compliance with the performance standard:

- all baseload electric generation facilities in operation as of June 30, 2008, until they are the subject of long-term financial commitments;
- all electric generation facilities or power plants powered exclusively by renewable resources; and
- all cogeneration facilities in the state that are fueled by natural gas or waste gas in operation as of June 30, 2008, until they are the subject of a new ownership interest or are upgraded.

The following emissions produced by baseload electric generation do not count against the performance standard:

- emissions that are injected permanently in geological formations;
- emissions that are permanently sequestered by other means approved by the Department of Ecology (DOE); and
- emissions sequestered or mitigated under a plan approved by the Energy Facility Site Evaluation Council (EFSEC).

Unspecified Sources.

In June 2008 the EFSEC and the DOE adopted rules in coordination with each other to implement and enforce the GHG emissions performance standard. In developing and implementing the GHG emissions performance standard, the DOE was required, to the extent practicable, to address long-term purchases of electricity from unspecified sources. Electricity from unspecified sources is electricity that is to be delivered in Washington under a long-term financial commitment entered into by an electric utility, and whose sources or origins of generation and expected average annual deliveries cannot be ascertained with reasonable certainty. The DOE adopted by rule a time-weighted average formula that assigns the default emission value of an average pulverized coal plant to an unspecified source of power.

Electrical Companies Regulated by the Utilities and Transportation Commission (UTC).

Electrical companies regulated by the UTC may account for and defer for later consideration by the UTC costs incurred in connection with the long-term financial commitment, including operating and maintenance costs, depreciation, taxes, and cost of invested capital.

Definitions.

"Renewable energy credit" is a tradable certificate of proof of at least one megawatt-hour of an eligible renewable resource where the generation facility is not powered by fresh water. The certificate must include all of the non-power attributes associated with that one megawatt-hour of

electricity, and the certificate is verified by a renewable energy credit tracking system selected by the Department of Community, Trade and Economic Development.

"Renewable resources" means electricity generation facilities fueled by: (a) water; (b) wind; (c) solar energy; (d) geothermal energy; (e) landfill gas; (f) biomass energy utilizing animal waste, solid organic fuels from wood, forest, or field residues or dedicated energy crops that do not include wood pieces that have been treated with chemical preservatives such as creosote, pentachlorophenol, or copper-chrome-arsenic; (g) byproducts of pulping or wood manufacturing processes, including but not limited to bark, wood chips, sawdust, and lignin in spent pulping liquors; (h) ocean thermal, wave, or tidal power; or (i) gas from sewage treatment facilities.

"Non-power attributes" means 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.

"Power plant" means a facility for the generation of electricity that is permitted as a single plant by the Energy Facility Site Evaluation Council or a local jurisdiction.

Summary of Bill:

Unspecified Sources.

The Department of Ecology (DOE) is required to update the rules to the greenhouse gases (GHG) emissions performance standard by December 31, 2009. In updating the rules, the DOE must allow no more than 12 percent of delivered electricity from unspecified resources over the life of a long-term financial commitment.

Renewable Energy Credits.

All electric generation facilities or power plants powered exclusively by renewable resources are deemed to be in compliance with the GHG emissions performance standard, provided that the renewable energy credits have not been sold separately for that electricity. A renewable energy credit is specified to mean a tradable certificate of proof of at least one megawatt-hour of a renewable resource where the certificate includes all of the non-power attributes associated with that one megawatt-hour of electricity.

Electrical Companies Regulated by the Utilities and Transportation Commission (UTC).

An electrical company regulated by the UTC may account for and defer for up to 24 months consideration of all costs incurred in connection with the construction or acquisition of any facility, including operating and maintenance costs, depreciation, taxes, and cost of invested capital for. During the deferral period, the electrical company must file either a general rate case or other proceeding for the recovery of these costs. The deferral period ends on the effective date of the final decision by the UTC of a general rate case or other proceeding. Creation of such a deferral account does not by itself determine the actual costs of the facility, whether recovery of any or all of these costs is appropriate, or other issues to be decided by the UTC in a general rate case or other proceeding for recovery of these costs.

For the purposes of accounting for and deferring costs incurred in construction or acquisition of a facility, the term "facility" means an electric generation plant, or a power purchase agreement with a term of five years or greater that is associated with the output of an electric generation plant, with GHG emissions that are the lower of: (a) 1,100 pounds of GHG per megawatt- hour; or (b) the average available GHG emissions output.

Definition.

"Power plant" means a facility for the generation of electricity that includes one or more generating units at the same location.

Appropriation: None.

Fiscal Note: Requested on February 5, 2009.

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