

HOUSE BILL REPORT

HB 1211

As Reported by House Committee On:

Environment & Energy

Finance

Title: An act relating to supporting Washington's clean energy economy and transitioning to a clean, affordable, and reliable energy future.

Brief Description: Supporting Washington's clean energy economy and transitioning to a clean, affordable, and reliable energy future.

Sponsors: Representatives Tarleton, Doglio, Pollet, Stanford, Chapman, Peterson, Jinkins, Hudgins, Orwall, Wylie, Fitzgibbon, Valdez, Dolan, Sells, Ryu, Senn, Callan, Ortiz-Self, Fey, Morris, Slatter, Walen, Macri, Tharinger, Goodman, Kloba, Riccelli and Robinson; by request of Governor Inslee.

Brief History:

Committee Activity:

Environment & Energy: 1/22/19, 2/5/19 [DPS];

Finance: 2/14/19, 2/21/19 [DP2S(w/o sub ENVI)].

Brief Summary of Second Substitute Bill

- Requires all electric utilities to eliminate coal-fired resources from their allocation of electricity by December 31, 2025.
- Requires that all retail sales of electricity to Washington customers be greenhouse-gas neutral by January 1, 2030.
- Requires that nonemitting and renewable resources supply 100 percent of all retail sales of electricity to Washington customers by January 1, 2045.
- Establishes an administrative penalty of \$100 per megawatt-hour of electric generation that is not electricity from a renewable resource or nonemitting resource used to meet an electric utility's retail electric load, times certain source-specific multipliers.
- Extends the expiration date for a sales and use tax exemption for certain alternative energy machinery and equipment from January 1, 2020, to January 1, 2030.

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.

- Amends the Utilities and Transportation Commission's ratemaking authorities over investor-owned utilities.

HOUSE COMMITTEE ON ENVIRONMENT & ENERGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Fitzgibbon, Chair; Lekanoff, Vice Chair; Doglio, Fey, Peterson and Shewmake.

Minority Report: Do not pass. Signed by 3 members: Representatives Shea, Ranking Minority Member; Dye, Assistant Ranking Minority Member; Boehnke.

Minority Report: Without recommendation. Signed by 1 member: Representative DeBolt.

Staff: Nikkole Hughes (786-7156).

Background:

The Energy Independence Act.

The Energy Independence Act (EIA) was approved by voters in 2006. The EIA requires an electric utility with more than 25,000 customers to meet targets for energy conservation and to meet a certain percent of its annual load with eligible renewable resources. Utilities that must comply with the EIA are called "qualifying utilities."

Greenhouse Gas Emissions Performance Standard.

A state greenhouse gas emissions performance standard exists for all baseload electric generation for which electric utilities enter into long-term financial commitments. "Baseload electric generation" means electric generation from a power plant that is designed and intended to provide electricity at an annualized plant capacity factor of at least 60 percent. To meet the standard, electric generation must meet the lower of:

- 1,100 pounds of greenhouse gases per megawatt-hour (MWh); or
- the average available greenhouse gas emissions output as determined by the Department of Commerce (Commerce), which was recently lowered to 925 pounds per MWh from 970 pounds per MWh (WAC 194-26-020).

This standard does not apply to long-term financial commitments with the Bonneville Power Administration (BPA), electric generation facilities powered exclusively by renewable resources, or electric generation facilities powered by nuclear energy.

In order to update the standard, Commerce must conduct a survey every five years of new combined-cycle natural gas thermal electric generation turbines commercially available and offered for sale by manufacturers in the United States.

Carbon Dioxide Mitigation.

Fossil-fueled thermal power plants with a generating capacity of 25 megawatts (MW) or greater must provide mitigation for 20 percent of the carbon dioxide emissions produced by

the plant over a period of 30 years. This requirement applies to new power plants seeking site certification with the Energy Facility Site Evaluation Council or an order of approval after July 1, 2004, and to existing plants that increase the production of carbon dioxide emissions by 15 percent or more.

An applicant for a natural-gas fired power plant to be constructed in a county with a coal-fired power plant subject to the greenhouse gas emissions performance standard is exempt from the carbon dioxide mitigation requirement if the application is filed before December 31, 2025.

In-state Coal-Fired Electric Generation Facility.

The only coal-fired electric generation facility located in the state is the TransAlta coal plant in Centralia, Washington. In 2011 the state entered into a memorandum of agreement with TransAlta to transition the coal-fired units away from coal, with one unit shutting down in 2020 and the second unit by December 31, 2025.

Transition of Eligible Coal Units.

The Utilities and Transportation Commission (UTC) is authorized to, after conducting an adjudicative proceeding, allow an investor-owned utility (IOU) to place regulatory liabilities into a retirement account to cover decommissioning and remediation costs of eligible coal units that commenced operation before January 1, 1980. An "eligible coal plant" means a coal-fired electric generation facility that:

- had two or fewer generating units as of January 1, 1980, and four generating units as of January 1, 2016;
- has multiple owners; and
- serves retail customers in Washington with a portion of its load.

An "eligible coal unit" is any generating unit of an eligible coal plant.

Regulatory liabilities in a retirement account must:

- not be used for any purpose other than to fund and recover prudently incurred decommissioning and remediation costs for eligible coal units;
- not be reduced, altered, impaired, or limited from the date of UTC approval until all costs are recovered or paid in full; and
- provide that remaining funds in the retirement account be returned to the IOU's customers.

Energy Resource Plans.

Each electric utility must develop a resource plan. Utilities with 25,000 or more customers that are not fully served by the BPA must develop Integrated Resource Plans (IRPs). An IRP must, at a minimum, include:

- a range of forecasts, for at least the next 10 years, of projected customer demand;
- an assessment of commercially available conservation and efficiency resources;
- an assessment of commercially available, utility-scale renewable and nonrenewable generating technologies including a comparison of the benefits and risks of purchasing power or building new resources;
- a comparative evaluation of renewable and nonrenewable generating resources;

- an assessment of methods, commercially available technologies, or facilities for integrating renewable resources and addressing overgeneration events;
- the integration of the demand forecasts and resource evaluations into a long-range assessment describing the mix of supply side generating resources and conservation and efficiency resources that will meet current and projected needs, including mitigating overgeneration events, at the lowest reasonable cost and risk to the utility and its ratepayers; and
- a short-term plan identifying the specific actions to be taken by the utility consistent with the long-range IRP.

Utilities with fewer than 25,000 customers or that are fully served BPA customers must complete a Resource Plan. This Resource Plan must estimate loads for the next five to 10 years, enumerate the resources that will be maintained or acquired to serve those loads, and explain why those resources were chosen.

Summary of Substitute Bill:

Coal Elimination Standard.

On or before December 31, 2025, all electric utilities must eliminate coal-fired resources from their allocation of electricity. This does not include costs associated with decommissioning and remediation of these facilities. For the purposes of the Coal Elimination Standard, "coal-fired resource" does not include:

- an electric generating facility that is subject to an obligation to meet the state's Greenhouse Gas Emissions Performance Standard; or
- an electric generation facility that is included as part of certain limited duration wholesale power purchases.

The Utilities and Transportation Commission (UTC) must accelerate depreciation schedules for any coal-fired resource owned by investor-owned utilities by December 31, 2025. The UTC is authorized to accelerate the depreciation schedule for any qualified transmission line owned by an investor-owned utility when the UTC finds that the qualified transmission line is no longer used and useful and that there is no reasonable likelihood that the qualified transmission line will be utilized in the future.

Greenhouse Gas Neutral Standard.

All retail sales of electricity to Washington customers must be greenhouse gas neutral by January 1, 2030, and each year thereafter through December 31, 2044. An electric utility must demonstrate its compliance with this standard using a combination of nonemitting electric generation and renewable resources and other technologies that reduce greenhouse gas emissions. To achieve compliance, an electric utility must:

- pursue all cost-effective, reliable, and feasible conservation and efficiency resources to reduce or manage retail electric load; and
- use electricity from renewable resources and nonemitting electric generation in an amount equal to 100 percent of the utility's average annual retail electric load.

Through December 31, 2039, an electric utility may satisfy up to 20 percent of its compliance obligation with an alternative compliance option. Beginning January 1, 2040, and through December 31, 2044, a utility may only satisfy up to 10 percent of its compliance obligation with an alternative compliance option. An alternative compliance option may include any combination of the following:

- making an alternative compliance payment;
- using unbundled renewable energy credits, which must represent electricity generated in the compliance year or within the two years prior to the compliance year; or
- investing in energy transformation projects, including additional conservation and efficiency resources beyond what is otherwise required.

Investments in energy transformation projects used to satisfy an alternative compliance option must use criteria to be developed by the Department of Ecology and must demonstrate certain quality standards. Energy transformation projects must be associated with the consumption of energy in Washington and must not create a new use of fossil fuels in Washington that results in a net increase of fossil fuel usage.

In meeting annual targets established under the Greenhouse Gas Neutral Standard, an electric utility must demonstrate that it has achieved all cost-effective, reliable, and feasible conservation and efficiency resources, and demand response. In making new investments, an electric utility must, to the maximum extent feasible:

- achieve targets at the lowest reasonable cost, considering risk;
- consider acquisition of existing renewable resources; and
- in the acquisition of new sources, rely on renewable resources and energy storage.

Clean Energy Standard.

By January 1, 2045, and each year thereafter, an electric utility must supply 100 percent of its retail electric sales using nonemitting electric generation and renewable resources.

The UTC, for investor-owned utility, or the governing body, for consumer-owned utilities, may adopt more stringent targets and may periodically adjust or expedite timelines if it can be demonstrated that compliance with such targets can be achieved in a manner consistent with the following:

- maintaining and protecting the safety, reliable operation, and balancing of the electric system;
- planning to meet the standard at the lowest reasonable cost, considering risk;
- ensuring that all customers are benefiting from the transition to clean energy; and
- ensuring that no customer or class of customers are unreasonably harmed by any resulting increases in the cost of electricity.

In planning to meet projected demand, an electric utility must pursue all cost-effective, reliable, and feasible conservation and efficiency resources, reductions in demand, and demand management prior to making new investments to meet projected demand, and to the maximum extent feasible must:

- achieve targets at the lowest reasonable cost;
- consider acquisition of existing surplus renewable resources; and
- in the acquisition of newly constructed resources, rely on renewable resources, demand response, and energy storage.

Hydroelectric Generation and Purchases from the Bonneville Power Administration.

In meeting the Greenhouse Gas Neutral Standard and Clean Energy Standard, an electric utility may not use hydroelectric generation that requires new diversions, new impoundments, new bypass reaches, or expansion of existing reservoirs, unless otherwise required for the operation of a pumped storage facility. An electric utility that owns and operates hydroelectric generating facilities may make efficiency or other requirements to its existing hydroelectric generating facilities and may install hydroelectric generation in pipes, culverts, irrigation canals, and other manmade waterways.

Nothing in the requirements for meeting the Greenhouse Gas Neutral Standard and Clean Energy Standard prohibits an electric utility from purchasing power from the Bonneville Power Administration (BPA).

Market Customers.

Customers who become market customers after the effective date of this act must comply with the obligations of the Greenhouse Gas Neutral Standard and the Clean Energy Standard. A market customer that purchases electricity exclusively from carbon-free resources and eligible renewable resources, as defined under the Energy Independence Act (EIA) as of January 1, 2019, pursuant to a special contract with an investor-owned utility, is subject to the requirements of that contract and not to the Greenhouse Gas Neutral Standard or Clean Energy Standard.

Administrative Penalty and Alternative Compliance Payment.

An electric utility that fails to comply with the Coal Elimination Standard, Greenhouse Gas Neutral Standard, or Clean Energy Standard must pay an administrative penalty in the amount of \$100, times the following multipliers, for each megawatt-hour of electric generation used to meet load that is not electricity from a renewable resource or nonemitting electric generation:

- 1.5 for coal-fired resources;
- 0.84 for gas-fired peaking power plants; and
- 0.55 for gas-fired combined-cycle power plants.

Beginning in 2027, the penalty must be adjusted on a biennial basis according to the rate of change of inflation. Beginning in 2040, the UTC may by rule increase the penalty for investor-owned utilities if the UTC determines that doing so will accelerate utilities' compliance with the standards and that doing so is in the public interest.

An electric utility may opt to make a payment in the amount of the administrative penalty as an alternative compliance payment for the purpose of the Clean Energy Standard.

An electric utility may be relieved of its administrative penalty or compliance obligations if the UTC, in the case of an investor-owned utility, or the Attorney General, in the case of a consumer-owned utility, finds that the utility had no choice but to use emitting electric generation to maintain the reliability and safety of the grid, or makes other determinations regarding system reliability. In making such determinations, the relevant agencies must prioritize reliability so as to prevent any service interruption to customers.

The UTC may consider an investor-owned utility to be in compliance with the requirements of the Greenhouse Gas Neutral Standard or the Clean Energy Standard if it determines, after an adjudicative hearing, that the cost of full compliance would create a material and undue burden to be borne by retail electric customers of the utility.

Reporting Requirements.

By January 1, 2021, and at least every two years thereafter, the UTC and the Department of Commerce (Commerce) must submit a joint report to the Legislature that includes the following:

- a review of the Greenhouse Gas Neutral Standard and the Clean Energy Standard focused on technologies, forecasts, and existing transmission, and an evaluation of safety, environmental protection, affordability, and system reliability;
- an evaluation identifying the potential benefits and impacts on system reliability associated with achieving the Greenhouse Gas Neutral Standard and the Clean Energy Standard; and
- an evaluation identifying the nature of any anticipated financial costs and benefits to electric utilities, including customer rate impacts and benefits.

On or before December 31, 2026, and annually thereafter, each electric utility must report to Commerce on its progress in the preceding year in meeting the Coal Elimination Standard, Greenhouse Gas Neutral Standard, and Clean Energy Standard.

Rulemaking Authority.

The UTC may adopt rules to ensure the proper implementation and enforcement of the Coal Elimination Standard, Greenhouse Gas Neutral Standard, and Clean Energy Standard as applied to investor-owned utilities.

The Department of Commerce may adopt rules to ensure the proper implementation and enforcement of the Coal Elimination Standard, Greenhouse Gas Neutral Standard, and Clean Energy Standard are applied to consumer-owned utilities. Nothing in this authority may be construed to restrict the ratemaking authority of the governing body of a consumer-owned utility.

Rules must be adopted by January 1, 2021, and may be revised as needed.

Energy Resource Plans.

By December 31, 2020, and in each subsequent plan, an electric utility must include plans and strategies for meeting the Greenhouse Gas Neutral Standard and Clean Energy Standard in its Integrated Resource Plan or Resource Plan.

Low-income Energy Assistance.

Each electric utility must make funding available for energy assistance to low-income households by July 31, 2021.

Sales and Use Tax Exemption for Alternative Energy Machinery and Equipment.

The expiration date for a sales and use tax exemption for certain alternative energy machinery and equipment is extended from January 1, 2020, to January 1, 2031.

Beginning January 1, 2020, through December 31, 2030, the purchaser of eligible alternative energy machinery and equipment is entitled to an exemption, in the form of a remittance, in an amount equal to:

- fifty percent of the state and local sales tax paid, if the Department of Labor and Industries certifies that the project meets certain labor and procurement standards;
- seventy-five percent of the state and local sales tax paid, if the Department of Labor and Industries certifies that the project meets certain labor and procurement standards and compensates workers at prevailing wage rates; or
- one-hundred percent of the state and local sales tax paid, if the Department of Labor and Industries certifies that the project is developed under a community workforce agreement or project labor agreement.

In order to qualify for the remittance, installation of the eligible machinery and equipment must commence no earlier than January 1, 2020, and be completed by December 31, 2030.

The Department of Labor and Industries must adopt rules to implement the requirements for qualification by December 1, 2019.

Investor-owned Utility Ratemaking.

The UTC may regulate an electrical or gas company by authorizing an alternative form of regulation.

The UTC has the power upon complaint or upon its own motion to determine the fair value, for ratemaking purposes, of the property of an investor-owned utility that is used and useful for service in the state by or during the rate effective period. The valuation may include consideration of any property of the investor-owned utility acquired or constructed by or during the rate effective period, including the reasonable costs of construction work in progress, to the extent the UTC finds that such an inclusion is in the public interest and will yield fair, just, reasonable, and sufficient rates.

The UTC may provide changes to rates for up to 48 months after the rate effective date using any standard, formula, method, or theory of valuation reasonably calculated to arrive at fair, just, reasonable, and sufficient rates. The UTC must establish an appropriate process to identify, review, and approve investor-owned utility property that becomes used and useful for service in the state after the rate effective date.

State Energy Strategy.

By December 31, 2020, and at least once every eight years thereafter, Commerce must review the State Energy Strategy to align it with the requirements of the Coal Elimination Standard, Greenhouse Gas Neutral Standard, and Clean Energy Standard. The Department of Commerce must establish an Energy Strategy Advisory Committee to provide guidance for each review.

Studies and Analyses.

By December 31, 2019, the Department of Health must conduct a cumulative impact analysis to designate the communities highly impacted by fossil fuel pollution and climate change in Washington.

By January 1, 2020, Commerce must convene an Energy and Climate Policy Advisory Committee to develop recommendations to the Legislature for the coordination of existing resources, or the establishment of new ones, for the purposes of:

- examining the costs and benefits of energy-related policies, programs, functions, activities, and incentives; and
- conducting other energy-related studies and analyses as may be directed by the Legislature.

The Energy and Climate Policy Advisory Committee must consist of, at minimum, representatives of each of the state's public four-year institutions of higher education, the Pacific Northwest National Laboratory, and the Washington State Institute for Public Policy.

By December 31, 2020, the UTC and Commerce must investigate and complete a consultant study on the feasibility, need, and potential costs and benefits of participation by electric utilities in interstate organized energy markets.

By December 31, 2020, the Energy Facility Site Evaluation Council must convene a transmission corridors work group and report its findings to the Governor and the appropriate committees of the Legislature.

Definitions.

"Energy transformation project" means a project or program that provides energy-related goods or services other than the generation of electricity and that results in a reduction in fossil fuel consumption by the customers of an electric utility and in the emission of greenhouse gases attributable to that consumption.

"Nonemitting electric generation" means electricity from a generating facility or resource, including a distributed energy resource, that provides electric energy, capacity, or ancillary services to an electric utility and that does not emit greenhouse gases as a by-product of energy generation. "Nonemitting electric generation" does not include renewable resources.

"Qualified transmission line" means an overhead transmission line that is:

- designed to carry a voltage in excess of 100,000 volts;
- owned in whole or in part by an investor-owned utility; and
- primarily or exclusively used by an investor-owned utility as of the effective date of the act to transmit electricity generated by a coal-fired resource.

Substitute Bill Compared to Original Bill:

The substitute bill:

- amends the definition of "coal-fired resource" such that it does not include an electric generating facility that is included as part of a limited duration wholesale power purchase, not to exceed one month, made by an electric utility for delivery to retail electricity consumers that are located in this state for which the source of the power is not known at the time of entry into the transaction to procure the electricity;
- adds definitions for "energy assistance, "energy assistance need," and "energy burden;"

- specifies that "nonemitting electric generation" and "renewable resource" are two distinct categories of resources;
- authorizes the Utilities and Transportation Commission (UTC) to accelerate the depreciation schedule for any qualified transmission line owned by an investor-owned utility when the UTC finds the qualified transmission line is no longer used and useful and there is no reasonable likelihood that the qualified transmission line will be utilized in the future;
- specifies that the Greenhouse Gas Neutral Standard and the Clean Energy Standard do not prohibit an electric utility from purchasing power from the Bonneville Power Administration (BPA);
- requires customers who become market customers after the effective date of the Act to meet the requirements of the Greenhouse Gas Neutral Standard and the Clean Energy Standard;
- specifies that a market customer that purchases electricity exclusively from carbon-free resources and eligible renewable resources, as defined under the Energy Independence Act, pursuant to a special contract with an investor-owned utility is subject to the requirements of that contract and not to the Greenhouse Gas Neutral Standard or Clean Energy Standard;
- requires the Department of Commerce (Commerce) to adopt rules that establish how Commerce will calculate the fuel mix for the BPA for the purposes of compliance with the Coal Elimination Standard, Greenhouse Gas Neutral Standard, and Clean Energy Standard;
- establishes source-specific multipliers for the \$100 administrative penalty for each megawatt-hour of electric generation used to meet load that is not electricity from a renewable resource or nonemitting electric generation;
- authorizes the UTC to relieve an investor-owned utility of its administrative penalty obligations if it establishes certain findings regarding system reliability;
- authorizes the Attorney General to, at the recommendation of the auditor, relieve a consumer-owned utility of its administrative penalty obligations if it establishes certain findings regarding system reliability;
- clarifies that all utility activities to comply with the requirements established under the Energy Independence Act also qualify for compliance with the requirements of the Greenhouse Gas Neutral Standard and Clean Energy Standard;
- requires each electric utility to make funding available for energy assistance to low-income households by July 31, 2021;
- requires each electric utility to disclose certain information regarding energy assistance and energy assistance need in the utility's service territory beginning July 31, 2020;
- requires the UTC and the Commerce to investigate and complete a consultant study on the feasibility, need, and potential costs and benefits of participation of electric utilities in interstate organized energy markets;
- establishes a social cost of carbon for the purposes of the Act;
- authorizes the UTC to regulate an electrical or gas company under an alternative form of regulation.
- expands the definition of eligible coal plant for the purposes of remediation and decommissioning provisions to include coal plants that are owned, in whole or in part, by more than one electrical company in the state;
- adds certain labor requirements to the sales and use tax preference;

- adds one person representing independent power producers to the Energy Strategy Advisory Committee; and
 - requires the Energy Facility Site Evaluation Council to convene a transmission corridors work group and report its findings to the Governor and the appropriate committees of the Legislature by December 31, 2020.
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Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) The state needs to set a solid goal for decarbonizing the grid by 2045. The three phases of this bill are very intentional and build upon each other for an incremental pathway to electric sector decarbonization. This bill will spur the actions necessary to meet the state's greenhouse gas emissions targets. The falling prices of clean energy over the past few years have outpaced expectations. Utilities are already planning on investing in large scale solar and wind resources. Customers are demanding 100 percent clean energy. This bill is constructed to allow utilities time to plan for a clean energy transition. This bill confirms the Utilities and Transportation Commission's (UTC) authority on several regulatory points. The Energy Independence Act (EIA) has been effective in reducing greenhouse gas emissions and this bill builds on that policy. This is an electricity sector policy that transitions the state away from coal and reduces the state's reliance on natural gas. The bill addresses historic inequities in the electric distribution system and in climate change impacts. A clean grid is critical to decarbonizing our economy. Once you decarbonize the grid, you can decarbonize the transportation and buildings sector. Failure to act on climate change will be economically devastating. Ambitious clean energy targets can save billions of dollars for electric utilities, businesses, and retail electric customers. Clean energy jobs are currently the fastest growing sector in the country and on average have higher wages than fossil fuel jobs. The incentive provided in this bill will be important for the continued market penetration of rooftop solar in the state.

(Opposed) This bill amorphously defines nonemitting resources in a manner that would include nuclear plants. This is a nuclear energy subsidy bill. This bill would require subsidizing nuclear energy in order to meet baseload power and achieve the goals of the legislation.

(Other) Reliable, carbon free hydroelectric power can help meet the state's carbon reduction goals. Any effort to decarbonize the electric sector needs to be technically feasible and fair to utility customers. The Bonneville Power Administration (BPA) provides over 95 percent of its power with emission free resources. Rural electric cooperatives will be required to pay the administrative penalty because of their reliance on BPA power, over which the rural cooperatives have no authority. This bill contains critical regulatory reform provisions

regarding the UTC's ratemaking authority. There is a lot of long term transmission capacity available for electric utilities in the Northwest, which would have to be addressed in this bill. Cost and reliability are paramount and go hand-in-hand. Retail electric customers are highly sensitive to rate impacts. This bill should include more forward-looking planning tools to address resource adequacy. The compliance path for different utilities will look different from one to the other. The state needs to ensure protection of utility investments and utility workers. This bill must give regulators appropriate tools to mitigate risk. This bill doesn't go far enough in addressing the energy burden of low-income and minority communities. The bill should include a requirement for all electric utilities to provide electric rate assistance to their customers. Utility investment plans should go through an equity analysis.

Persons Testifying: (In support) Representative Tarleton, prime sponsor; Lauren McCloy, Office of the Governor; Cliff Traisman, Washington Environmental Council and Washington Conservation Voters; Jesse Piedfort, Sierra Club; Adam Maxwell, Audobon Washington; Bruce Speight, Environment Washington; Allison Arnold, Solar Installers of Washington; Joe Kendo, Washington State Labor Council; Joni Bosh, Northwest Energy Coalition; Jeff Bissonette, Union of Concerned Scientists; Vlad Gutman-Britten, Climate Solutions; Nicole Hughes, Renewable Northwest; Forrest Howk, One Energy Renewables; Greg Rock, Carbon Washington; Margaret Kitchell, Washington Physicians for Social Responsibility; Rabbi Seth Goldstein, Temple Beth Hatfiloh; Elyette Weinstein, Washington League of Women Voters; Dan Stonington, Department of Natural Resources; Mendy Droke, Seattle City Light; Anne Kroeker; Barak Gale, Climate Reality Project; Bill Adams, Saltwater Unitarian Church; Ali Lee, Climate Reality Project; Rhonda Hunter; Patricia Holm; Dave Warren, Silfab Solar Incorporated, Klickitat County Public Utility District and Douglas County Public Utility District; and Bountai Hargrove.

(Opposed) Arthur West.

(Other) Dave Arbaugh, Public Generating Pool; Marian Dacca, Tacoma Public Utilities; Kent Lopez, Washington Rural Electric Cooperative Association; Brandon Houskeeper, Puget Sound Energy; John Rothlin, Avista; Kathleen Collins, Pacific Power; David Mendoza, Front and Centered; Neil Hartman, Washington State Building and Construction Trades Council; Tim Boyd, Alliance of Western Energy Consumers; Nicolas Garcia, Washington Public Utility Districts Association; Isaac Kastama, Low Carbon Prosperity Institute, Benton County Public Utility District and Franklin County Public Utility District; Lisa Thatcher, Clark County Public Utilities; and Peter Godlewski, Association of Washington Business.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON FINANCE

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Environment & Energy. Signed by 9 members: Representatives Tarleton, Chair; Walen, Vice Chair; Chapman, Frame, Macri, Morris, Orwall, Springer and Wylie.

Minority Report: Do not pass. Signed by 3 members: Representatives Orcutt, Ranking Minority Member; Young, Assistant Ranking Minority Member; Vick.

Minority Report: Without recommendation. Signed by 1 member: Representative Stokesbary.

Staff: Richelle Geiger (786-7139).

Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Environment & Energy:

The second substitute bill clarifies that:

- renewable energy credits used for compliance with the Greenhouse Gas Neutral Standard must represent electricity in compliance year or within two years prior to the compliance year; and
- in the case of consumer-owned utility, the Office of the State Auditor audits the utility's compliance with the Greenhouse Gas Neutral Standard and the Clean Energy Standard while the Office of the Attorney General enforces that compliance.

The sales and use tax exemption expires in January 1, 2031, rather than January 1, 2030.

Technical changes and corrections are made, including but not limited to:

- removing unnecessary definitions and duplicated language;
- correcting dates; and
- correcting grammar, punctuation, and word usage.

The definition of "coal-fired resource" is amended to specify that it does not include TransAlta's Centralia Coal Plant.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available on substitute.

Effective Date of Second Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) This bill is consistent with what the scientific research indicates the state needs to do to respond to global climate change. Goals must be set high, or the necessary progress will not be made. It will better position the state to respond to issues associated with climate change in the future.

This policy will move the utility sector towards a carbon-free future without breaking the grid. This is the right path towards meeting the state's emission reduction goals. The bill enables utilities to produce clean energy solutions.

This bill encourages good faith efforts without penalizing utilities who attempt to reach the standards but fall short. Utility companies across the state are in very different places, with varying capacity to incorporate the upgrades needed to meet these standards. While strides are made towards a carbon-free future, customers still require energy to be delivered reliably.

To reach a clean energy future, environmental policy needs to be crafted to deal with each sector individually. This bill provides direction for the electric sector towards that future. This is landmark, sustainable legislation, providing a foundation for a clean energy future.

The bill aligns the financial interests of investor-owned financial utilities with what is needed to do to move towards a clean energy future. Further, solar and wind projects are capital intensive. The tax incentives are powerful tools. The lower costs on these projects will result in lower electricity costs for consumers.

Marginalized communities are expected to experience greater impacts from negative climate events. This bill is an important, equitable investment in our vulnerable populations and highly-impacted communities.

Moving towards a clean energy future, labor must be protected. These tax incentives provide opportunities to employers to create jobs. The labor provisions are a reasonable compromise to keep the legislation moving. This bill promotes the use of Washington workers while breaking new ground. The construction work agreements in the bill are a worker protection tool and improve work-site safety.

This bill positions us to incentivize maximum access to hydroelectric power, which is a resource that Washingtonians have access to, but many others do not.

(Opposed) Working towards a cleaner energy future is a shared goal. The solutions need to be workable, cost less, and provide a reliable solution.

The labor requirements have wiped out the benefit of the tax preference. Construction wages are currently higher than most other categories of wages in Washington.

(Other) Many stakeholder groups are committed to a renewable future, as well as to continued work on and improvement of the policy in this bill. The policy is going in the right direction, but still has a way to go.

Cost caps will be an important customer protection tool as efforts are made to create a clean energy future. The caps must be harmonized with compliance requirements. Many stakeholders are requesting an amendment to the language that incorporates cost caps.

The key focuses are affordability for customers, parity across the industry and reliability of the system. Variability in energy generation must be managed.

The 2045 goal will require compliance obligations that are attainable.

This bill would significantly increase customer costs. This bill would put a quick chill on the public's support for clean energy measures.

This bill has the potential to put Washington utility companies at a disadvantage against other utility companies. This bill would result in compounding compliance costs. This could financially disadvantage Washington utility companies, because financial institutions may be

less willing to allow them to carry forward the amount of debt required to meet compliance standards. Investor-owned utilities require investments and are susceptible to competitive threats.

Hydroelectricity is recognized as a renewable resource in the language. However, hydroelectricity generators are still not eligible for the tax preferences. Nonemitting resources in Washington should be used as much as possible. The Legislature should treat all clean electricity sources equally in the tax code. The tax incentive would encourage innovation among the hydroelectricity producers.

Market alignment and more renewable energy sources is necessary in the state to keep costs low for customers.

Efficient fossil fuel options should remain available.

How this bill integrates with the Energy Independence Act should be a consideration. There are some utility companies that are currently above the goals set in this bill, which could incentivize these companies to use more fossil fuels than they currently do.

Washington businesses rely on the cheap energy in Washington. There is a grave concern about how this bill may increase costs to businesses. Those businesses that pay millions of dollars in electricity bills would be hit hard. Our state's competitive edge needs to be protected.

Persons Testifying: (In support) Representative Tarleton, prime sponsor; Clifford Traisman, Washington Environmental Council and Washington Conservation Voters; Kelly Hall, Climate Solutions; Craig Engelking, NW Energy Coalition; Kevin Lynch, Avangrid Renewables; Shawn Collins, Energy Project; and Neil Hartman, Washington State Building and Construction Trades Council.

(Opposed) Nicolas Garcia, Washington Public Utility District Association; and Jerry VanderWood, Associated General Contractors.

(Other) Dave Arbaugh, Public Generating Pool; Shaun Seaman, Chelan County Public Utility District; Jane Van Dyke, Clark Public Utilities; John Rothlin, Avista; Kathleen Collins, Pacific Power; Brandon Houskeeper, Puget Sound Energy; Issac Kastama, Benton Public Utility District, Franklin Public Utility District, Low Carbon Prosperity Institute; Al Aldrich, Grant County Public Utility District; Peter Godlewski, Association of Washington Business; and Tim Boyd, Alliance of Western Energy Consumers.

Persons Signed In To Testify But Not Testifying: None.