

SENATE BILL REPORT

SB 5298

As Reported by Senate Committee On:
Energy, Environment & Telecommunications, February 21, 2013

Title: An act relating to coal transition power.

Brief Description: Regarding coal transition power.

Sponsors: Senators Braun and Ericksen.

Brief History:

Committee Activity: Energy, Environment & Telecommunications: 2/06/13, 2/21/13 [DP, DNP].

SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TELECOMMUNICATIONS

Majority Report: Do pass.

Signed by Senators Ericksen, Chair; Sheldon, Vice Chair; Brown, Honeyford and Litzow.

Minority Report: Do not pass.

Signed by Senators Ranker, Ranking Member; Billig, Chase and Cleveland.

Staff: William Bridges (786-7416)

Background: Approved by voters in 2006, the Energy Independence Act, also known as Initiative 937 (I-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 I-937 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.

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.

Load means the amount of kilowatt-hours of electricity a qualifying utility delivered to is Washington retail customers in the most recently completed year.

Eligible Renewable Resource. The term eligible renewable resource means electricity generated from a resource such as wind, solar, geothermal energy, landfill and sewage gas, wave and tidal power, and certain biodiesel fuels. In addition, an eligible renewable resource must be generated in a facility that started operating after March 31, 1999, and 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. Under certain conditions, incremental electricity produced as a result of efficiency improvements to hydroelectric generation facilities may also count as an eligible renewable resource.

Renewable Energy Credit (REC). A REC 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. Under I-937, a REC represents all the nonpower attributes associated with the power. 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.

Greenhouse Gas (GHG) Emissions Performance Standard (EPS) for Electric Generation Plants. Electric utilities may not enter into a long-term financial commitment for baseload electric generation on or after July 1, 2008, unless the generating plant's emissions are the lower of:

- 1100 pounds of GHG per MWh; or
- the average available GHG emissions output as updated by the Department of Commerce.

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. Long-term financial commitment means either a new ownership interest in baseload electric generation or an upgrade to a baseload electric generation facility; or a new or renewed contract for baseload electric generation with a term of five or more years for the provision of retail power or wholesale power to end-use customers in this state.

EPS and Coal Transition Power. In 2011 the Legislature established a schedule for applying the EPS to the Centralia coal-fired electric generation facility (Centralia). In addition, the EPS was amended to allow long-term contracts for Centralia's generated electricity, called coal transition power. Furthermore, a process was created to allow an investor-owned electric utility to petition the Washington Utilities and Transportation Commission for approval of a power purchase agreement for coal transition power.

Summary of Bill: The definition of load is changed in I-937. When calculating its load, a qualifying utility does not include any coal transition power that it delivered to its retail customers in Washington.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: This bill will help provide a stable transition for the Centralia coal-powered electric generating facility by taking the risk out of buying coal transition power. This bill will provide a stable transition for the Centralia facility as envisioned by the 2011 legislation. The effect of the bill on I-937 energy acquisitions will be modest, amounting to 3 – 15 megawatts.

CON: I-937 was intended to create a new clean energy economy, and it was a model for the nation. A trade-off with coal power was never envisioned, and the bill will actually reduce investments in renewable energy. Changes to I-937 should be done in a more comprehensive fashion.

Persons Testifying: PRO: Senator Braun, prime sponsor; Tim Boyd, Industrial Customers of NW Utilities; Matt Steuerwalt, TransAlta.

CON: Miguel Perez-Gibson, Climate Solutions; Nancy Hirsh, NW Energy Coalition; Michael O'Brien, Renewable NW Project; Cliff Traisman, WA Environmental Council, WA Conservation Voters.