SENATE BILL REPORT
SB 6058

As of January 15, 2014

Title: An act relating to allowing incremental electricity produced as a result of efficiency improvements to hydroelectric generation projects whose energy output is marketed by the Bonneville power administration to qualify as an eligible renewable resource under the energy independence act.

Brief Description: Allowing incremental electricity produced as a result of efficiency improvements to hydroelectric generation projects whose energy output is marketed by the Bonneville power administration to qualify as an eligible renewable resource under the energy independence act.

Sponsors: Senators Brown, Dansel, Benton, Rivers, Schoesler, Padden, Bailey, Becker and Honeyford.

Brief History:
Committee Activity: Energy, Environment & Telecommunications: 1/16/14.

SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TELECOMMUNICATIONS

Staff: William Bridges (786-7416)

Background: Approved by voters in 2006, the Energy Independence Act, also known as Initiative 937 (I-937), requires qualifying electric utilities to meet targets for energy conservation and for using eligible renewable resources.

Qualifying Utilities. Under I-937, qualifying utilities are electric utilities with 25,000 or more customers in the state.

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.

Eligible Renewable Resource. The term eligible renewable resource means electricity generated from a resource such as wind, solar, specified biomass, wave and tidal power, and certain biodiesel fuels. In addition, an eligible renewable resource must generally be produced 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.

Incremental Hydroelectricity as an Eligible Renewable Resource. Incremental electricity produced as a result of efficiency improvements to the following hydroelectric generation facilities may also count as an eligible renewable resource if the improvements do not result in new water diversions or impoundments, and the improvements are completed after March 31, 1999:

- hydroelectric generation projects owned by a qualifying utility and located in the Pacific Northwest; and
- hydroelectric generation in irrigation pipes and canals located in the Pacific Northwest.

Incremental electricity marketed by the federal Bonneville Power Administration (BPA) is not an eligible renewable resource because BPA is not a qualifying utility under I-937.

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 freshwater. Under I-937, a REC represents all the non-power 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.

Residential Exchange Program (REP). Under the federal Northwest Power Act, the REP provides residential and small-farm customers of participating investor-owned utilities (IOUs) in the Pacific Northwest access to low-cost power from the Federal Columbia River Power System in the form of credits on their power bills. The program now operates under a legal settlement involving BPA and numerous regional utilities. The REP settlement generally requires BPA to transfer to participating IOUs their proportional share of environmental attributes associated with the federal power.

Summary of Bill: Adding Federal Incremental Hydroelectricity as an Eligible Renewable Resource Under I-937. Beginning January 1, 2016, a qualifying utility may use that portion of incremental electricity produced as a result of efficiency improvements completed after March 31, 1999, attributable to a qualifying utility's share of the electricity output to hydroelectric generation projects whose energy output is marketed by BPA where the additional generation does not result in new water diversions or impoundments, as an eligible renewable resource to comply with I-937. A qualifying utility may not transfer or sell this incremental electricity to another qualifying utility for compliance purposes under I-937.

Adding RECs Allocated by the REP as an Eligible Renewable Resource Under I-937. Beginning January 1, 2016, a qualifying utility may use the environmental attributes, including RECs, allocated to IOUs pursuant to the REP as an eligible renewable resource to comply with I-937. RECs allocated under the REP may not be transferred or sold to another

qualifying utility for compliance under I-937. The definition of REC is amended to recognize freshwater RECs allocated under the REP.

Appropriation: None.

Fiscal Note: Not requested.

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: Stakeholders met over the summer and found common ground. This bill is the work of great collaboration. BPA is spending millions in ratepayer money to upgrade its infrastructure, but the ratepayers are not receiving all the benefits. Legislators need to consider the effect energy policies have on low-income households because they are greatly affected by utility rate increases. Inexpensive power is a competitive advantage that can be used to build new economies in economically depressed areas, and recognizing federal incremental hydropower will help keep that power inexpensive. Recognizing federal incremental power encourages greater efficiencies. I-937 needs to be consistent on recognizing all incremental power regardless of the source. The restriction on the sale of RECs should be removed. The bill would only add about 50 average megawatts (aMW) of federal incremental power for utilities to use, which is modest compared to the 75 aMW of non-federal incremental hydropower already claimed for the 2012 target.

CON: An examination of the 2012 utility filings required by I-937 show that the initiative is not responsible for any rate increases. Washington has the third lowest electric rates in the country, so it already has a competitive advantage. I-937 was intended to diversify the state's resources, which will not happen if new resources are being added without any increases in the renewable targets. Changes to I-937 must be part of a greater comprehensive discussion.

OTHER: A technical change to the definition of REC is recommended.

Persons Testifying: PRO: Tim Boyd, Industrial Customers of NW Utilities; David Arbaugh, Snohomish PUD; Fred Rettenmund, Inland Power and Light; Chris Robinson, Tacoma Power, Power Section Manager; Ray Grinberg, Peninsula Light; Fred Mitchell, Michael Howe, Clallam County PUD; Austin Neilson, Tri-City Regional Chamber of Commerce; Tim Gibbs, Greater Grays Harbor, Inc.; Steve Simmons, Citizens for POWER; George Caan, Washington PUD Assn.; Mike Howe, Clallam PUD; Christine Brewer, Avista.

CON: Nancy Hirsh, NW Energy Coalition; Miguel Perez-Gibson, Climate Solutions.

OTHER: Lauren McCloy, Utilities and Transportation Commission; Tony Usibelli, WA Dept. of Commerce.