

HOUSE BILL REPORT

HB 2064

As Reported by House Committee On:
Technology & Economic Development

Title: An act relating to providing compliance options for qualifying utilities.

Brief Description: Providing compliance options for qualifying utilities.

Sponsors: Representatives Morris, Pollet and Tarleton.

Brief History:

Committee Activity:

Technology & Economic Development: 2/17/15, 2/19/15 [DPS].

Brief Summary of Substitute Bill

- Establishes new alternative compliance pathways to meet an annual renewable energy target under the Energy Independence Act.

HOUSE COMMITTEE ON TECHNOLOGY & ECONOMIC DEVELOPMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Morris, Chair; Tarleton, Vice Chair; Smith, Ranking Minority Member; DeBolt, Assistant Ranking Minority Member; Harmsworth, Magendanz, Nealey, Ryu, Santos, Wylie and Young.

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

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

Staff: Nikkole Hughes (786-7156).

Background:

The Energy Independence Act.

The Energy Independence Act, also known as Initiative 937 or I-937, was approved by voters in 2006. Initiative 937 requires an electric utility with 25,000 or more customers in the state

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.

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 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.

Alternative Compliance Pathways.

A qualifying utility may alternatively be considered in compliance with an annual target under certain circumstances, including if:

- the utility's weather-adjusted load for the previous three years on average did not increase over that time period;
- the utility invested at least 1 percent of its total annual retail revenue requirement that year in eligible renewable resources, renewable energy credits, or a combination of both; and
- events beyond the reasonable control of the utility prevented it from meeting the renewable energy target.

Eligible Renewable Resource.

"Eligible renewable resource" includes electricity from a generation facility, powered by a renewable resource other than freshwater, which commences operation after March 31, 1999, where the facility is located in the Pacific Northwest or the electricity from the facility is delivered into the state on a real-time basis.

Electricity from a generation facility power by freshwater, except for incremental hydroelectricity and hydroelectricity from certain irrigation and municipal pipes, is not considered an eligible renewable resource.

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 power by freshwater. Under I-937, a REC represents all the nonpower attributes associated with the power. Renewable energy credits can be bought and sold in the marketplace to comply with annual renewable energy targets, and they may be used during the year they are acquired, the previous year, or the subsequent year.

Electric Utility Resource Planning.

All electric utilities with more than 25,000 customers in the state must develop an Integrated Resource Plan (IRP). All other utilities in the state, including full requirements customers that receive all their power from the Bonneville Power administration, must file either an IRP or a less detailed resource plan. At a minimum, progress reports reflecting changing conditions and the progress of an IRP must be produced every two years. An updated IRP must be developed at least every four years, and a resource plan must be updated at a minimum interval of two years.

Department of Commerce.

The Department of Commerce is required to adopt rules only in regards to process, timelines, and documentation to ensure the implementation of I-937 as it applies to consumer-owned utilities.

Summary of Substitute Bill:

New Alternative Compliance Pathways.

A qualifying utility may be considered in compliance with an annual renewable energy target if, for any year of the first two years under an Integrated Resource Plan (IRP) or resource plan, the utility meets certain conditions:

- the load to be served by the utility is not projected to increase from the previous year, net of conservation;
- the cumulative load growth from December 7, 2006, including the projected load growth for the target year, net of conservation, is served by eligible renewable resources or renewable energy credits and is projected to be less than the amount of eligible renewable resources that would otherwise be required to meet an annual target; or
- the utility has projected sufficient resources owned or under contract as of January 1, 2010, to serve its projected load, net of conservation, for the target year.

A qualifying utility may also be considered in compliance with an annual renewable energy target if, for any year of the first two years under IRP or resource plan, the utility:

- did not otherwise commence or renew ownership or make incremental purchases of electricity from resources other than coal transition power and renewable resources; and
- has invested at least 1 percent of its total annual retail revenue requirement in certain clean energy investments, including electric vehicle charging stations and demand response programs.

A utility must document compliance with a new alternative compliance pathway by June 30 after the completion of the target year for which it is to be utilized.

The governing board of a consumer-owned utility utilizing planning projects to meet a new alternative compliance pathway has sole authority to determine the process, timelines, and

documentation for developing planning projects under its electric utility resource planning process.

Department of Commerce.

The Department of Commerce may not adopt rules concerning a consumer-owned utility's development of planning projects to meet a new alternative compliance pathway.

Substitute Bill Compared to Original Bill:

The substitute bill makes technical changes to the underlying bill.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: 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 bill provides an I-937 compliance pathway for slow-growing utilities or utilities that have contracts that were signed prior to 2010. It also provides a method for supporting clean energy goals while still meeting the needs of the communities in which electric utilities operate.

(With concerns) This bill does not address how the Utilities and Transportation Commission would enforce new alternative compliance pathways. The bill removes current rulemaking authority that the Commerce has with regards to consumer-owned utilities under I-937.

(Opposed) This bill weakens the demand for new renewables and goes against the intent of I-937. This bill is too broad in the carbon emission reductions it allows. Language in the bill weakens transparency and accountability provisions that were included in I-937.

Persons Testifying: (In support) Dave Warren, Washington Public Utility District Association; and Ian Cope, Grays Harbor Public Utility District.

(With concerns) Lauren McCloy, Washington Utility and Transportation Commission; Tony Usibelli, Department of Commerce; and Joni Bosh, Northwest Energy Coalition.

(Opposed) Ben Serrurier, Climate Solutions; and Kelly Hall, Renewable Northwest.

Persons Signed In To Testify But Not Testifying: None.