

SENATE BILL REPORT

SB 5842

As Reported by Senate Committee On:
Energy, Environment & Telecommunications, February 19, 2015

Title: An act relating to providing a compliance path based on sound utility planning under the energy independence act.

Brief Description: Providing a compliance path based on sound utility planning under the energy independence act.

Sponsors: Senators Braun, Hatfield, Ericksen, Sheldon and Chase.

Brief History:

Committee Activity: Energy, Environment & Telecommunications: 2/17/15, 2/19/15 [DPS, DNP, w/oRec].

SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TELECOMMUNICATIONS

Majority Report: That Substitute Senate Bill No. 5842 be substituted therefor, and the substitute bill do pass.

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

Minority Report: Do not pass.

Signed by Senators McCoy, Ranking Minority Member; Cleveland.

Minority Report: That it be referred without recommendation.

Signed by Senators Habib and Ranker.

Staff: Kimberly Cushing (786-7421)

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 (Acquisition Targets) and Compliance Dates. Under I-937 each qualifying utility must use eligible renewable resources or acquire equivalent renewable energy credits (RECs), or a combination of both, to meet the following annual targets:

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- 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.

A utility that becomes a qualifying utility after December 31, 2006, must meet the acquisition targets on a timeframe comparable in length to that provided for qualifying utilities that existed on December 7, 2006.

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. Limited amounts of specified hydroelectricity are also considered eligible renewable resources.

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 generated power, including avoided emissions. RECs can be bought and sold in the marketplace, and they may be used to comply with I-937 during the year they are acquired, the previous year, or the subsequent year.

Alternative Compliance Methods Under I-937. In general a qualifying utility that fails to meet an acquisition target will still be considered in compliance with I-937 if any of the following exceptions apply:

- the failure was due to events beyond the reasonable control and anticipation of a qualified utility;
- the utility spent 4 percent of its total annual revenue needs to meet the eligible renewable resource targets – 4 percent cost cap; or
- the utility spent 1 percent of its total annual revenue requirement to meet the eligible renewable resource targets, had no increases in the demand for electricity for the previous three years, and did not sign any contracts for nonrenewable resources after December 7, 2006, the date I-937 became law – 1 percent cost cap.

Integrated Resource Plan (IRP). An IRP describes an electric utility's mix of generating resources and conservation and efficiency resources that will meet the utility's current and projected needs at the lowest reasonable cost to its ratepayers. When determining the lowest reasonable cost for resources identified in its IRP, a utility must consider state and federal policies regarding resource preference, among other factors.

All investor-owned electric utilities (IOUs) and consumer-owned electric utilities in the state with more than 25,000 customers that do not receive all their power from the Bonneville Power Administration, must develop IRPs. All other utilities in the state must file either an IRP or a less-detailed resource plan (RP).

IRPs and RPs must be updated every two years. IOUs must submit their plans to the Washington Utilities and Transportation Commission. Consumer-owned utilities must file a copy of their plans with the Department of Commerce (Commerce) every two years. Commerce prepares a statewide summary of all IRPs and RPs, which is then submitted as part of the biennial state energy report.

Coal Transition Power. In 2011 the Legislature established a process for closing the Centralia coal-fired electric generation facility. Among other things, the legislation created an exception under the emissions performance standard for long-term purchases of Centralia's generated electricity, called coal transition power.

Greenhouse Gas (GHG). Gases such as carbon dioxide, methane, nitrous oxide, and perfluorocarbons are called GHGs.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Recommended Substitute): Creating a New Alternative Compliance Method in I-937. A qualifying utility is considered in compliance with an annual acquisition target for any year of the first two years of an IRP or RP – or update – if it meets the following conditions.

First, the utility must meet one of three conditions:

- The utility's projected load will not increase from the previous year, net of conservation;
- The utility's cumulative load growth from December 7, 2006, including its projected load growth for the target year, net of conservation, is less than the amount of eligible renewable resources that would be required to meet the annual acquisition target, and its cumulative load growth is served by eligible renewable resources or RECs; 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.

Second, the utility must also meet all of the following conditions:

- The utility did not generally acquire electricity from resources other than coal transition power or renewable resources, and the electricity is not offset by RECS;
- The utility has invested at least 1 percent of its total annual retail revenue requirement that year on clean energy investments, such as demand response programs, electric vehicle charging stations, or other approved projects to reduce GHGs; and
- The utility documents its compliance as specified, including any adjustments based on actual loads.

The governing board of a consumer-owned utility has the sole authority to determine the process, timelines, and documentation for developing planning projections that are used for this new alternative compliance method.

The utility using the new alternative compliance method or the current 1 percent cost cap must resume meeting the compliance requirements on a timeframe comparable in length to what it would have been before using the compliance option.

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: This alternative compliance mechanism will allow slow-growing, or no-growth utilities to comply with the spirit of I-937. The growth projections made by I-937 are ten years old and do not comport with reality. This bill will require utilities to use recent projections subject to true-ups and corrections. The bill will bring greater diversity to the state's energy portfolio by expanding beyond a wind monoculture. Why disturb habitat and land for power that is not needed? Grays Harbor PUD did not grow last year but it was still required to spend \$8 million on eligible renewable resources it did not need. That money could have been spent on conservation efforts in the district.

CON: We support intent to reduce CO2 but it should not be done with I-937. I-937 should be amended as part of a broader package like HB 2073. The limitations on rulemaking are opposed. The carbon reductions will be difficult to verify. Flexibility after the 2020 target is a possibility.

Persons Testifying: PRO: Dave Warren, WA PUD Assn.; Ian Cope, Grays Harbor Public Utility District.

CON: Ben Serrurier, Climate Solutions; Kelly Hall, Renewable NW; Joni Bosh, NW Energy Coalition.