

# SENATE BILL REPORT

## SB 5884

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As of March 6, 2018

**Title:** An act relating to fiscal matters.

**Brief Description:** Relating to fiscal matters.

**Sponsors:** Senator Ranker.

**Brief History:**

**Committee Activity:** Ways & Means: 3/06/18.

### Brief Summary of Bill

- Requires all electric utilities to eliminate from electric rates all costs associated with coal-fired generation by January 1, 2030.
- Requires all electric utilities and market customers to reduce the total number of megawatt hours (MWh) from fossil fuel generating resources with specific target dates for achieving progress.
- Provides a sales and use tax in the form of a remittance, for machinery and equipment used directly in generating electricity using certain alternative or renewable energy resources.
- Creates a Joint Select Committee on Washington's Clean Energy Transition to review the timeline, technological and policy changes, and costs and benefits associated with a statewide transition to 100 percent fossil fuel free electricity and report its findings and recommendations to the Legislature by November 15, 2019.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Kimberly Cushing (786-7421)

**Background:** Initiative 937 (I-937). I-937, also called the Energy Independence Act, requires electric utilities with 25,000 or more customers to meet targets for energy conservation and for using eligible renewable resources.

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Greenhouse Gas 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 greenhouse gas (GHG) per MWh; or
- the average available GHG output as updated by the Department of Commerce (Commerce), which is currently set at 970 pounds per MWh.

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 (1) either a new ownership interest in baseload electric generation or an upgrade to a baseload electric generation facility; or (2) 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. In addition the EPS was amended to allow long-term contracts for Centralia's generated electricity, called coal transition power. A process was created to allow electric investor-owned utilities (IOUs) to petition the Utilities and Transportation Commission (UTC) for approval of a power purchase agreement for coal transition power.

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

**Summary of Bill (Proposed Substitute):** Coal-Fired Generation. By January 1, 2030, all COUs and IOUs must eliminate from electric rates all costs associated with coal-fired generation. These costs do not include those associated with decommissioning and remediation of a coal-fired electric generation facility. The UTC may accelerate depreciation schedules for such facilities owned by IOUs.

Electricity Needs. All electric utilities and market customers must demonstrate they have reduced their total number of megawatt hours from fossil fuel generating resources compared to a 2017 baseline used to serve the utility's load by the following annual targets:

- at least 25 percent reduction from 2017 levels by January 1, 2030 - December 31, 2034;
- at least 50 percent reduction from 2017 levels by January 1, 2035 - December 31, 2039;
- at least 75 percent reduction from 2017 levels by January 1, 2040 - December 31, 2044; and
- 100 percent reduction by December 31, 2045.

After January 1, 2045, utilities may continue to rely on de minimis quantities of electricity generated with fossil fuels, not to exceed 1 percent of their annual load, if needed to ensure reliability.

To achieve the targets, electric utilities and market customers must demonstrate that they have achieved all feasible conservation measures or investments, 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; and in the

construction of new resources maximize the creation of family wage jobs and rely on renewable resources and storage.

Studies on Barriers for Low-Income Customers. By January 1, 2019, Commerce, with input from relevant state agencies and the public, must complete four specific studies on barriers for low-income customers. By January 1, 2025, Commerce must complete a study determining projected and current worker hours in construction manufacturing, operations, and maintenance, created as a result of compliance with this act. Three years prior to each fossil fuel reduction target, the UTC and Commerce must jointly report on whether requirements are expected to be met by each utility and, if not, identify obstacles and provide recommendations.

Rulemaking. The UTC, in the case of IOUs, and Commerce, in the case of COUs, shall adopt rules by 2025 to implement the targets in this act. The rules shall include provisions sufficient to achieve successful implementation of this act, penalties that ensure compliance, temporary flexibility mechanisms to ensure reliable electric service, and appropriate mechanisms for monitoring fossil fuel use.

Sales and Use Tax Exemptions. A sales and use tax exemption is provided in the form of a remittance, for machinery and equipment used directly in generating electricity using certain alternative or renewable energy resources beginning January 1, 2019, and until December 31, 2029. The exemptions are capped at \$250,000 per year.

Joint Select Committee on Washington's Clean Energy Transition (Joint Committee). A Joint Committee is created and the House and Senate must each appoint one member and one alternate from each of their largest two caucuses. The Joint Committee must review the timeline, technological and policy changes, and costs and benefits associated with a statewide transition to 100 percent fossil fuel free electricity and report its findings and recommendations to the Legislature by November 15, 2019.

**Appropriation:** None.

**Fiscal Note:** Requested on March 6, 2018.

**Creates Committee/Commission/Task Force that includes Legislative members:** Yes.

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