HOUSE BILL REPORT
SB 5989

As Passed House:
April 8, 2009

Title: An act relating to the greenhouse gas emissions performance standard under chapter 80.80 RCW.

Brief Description: Regarding the greenhouse gas emissions performance standard under chapter 80.80 RCW.

Sponsors: Senator Sheldon.

Brief History:
Committee Activity:
Technology, Energy & Communications: 3/16/09, 3/26/09 [DP].
Floor Activity
Passed House: 4/8/09, 98-0.

Brief Summary of Bill

- Specifies that the Utilities and Transportation Commission, in reviewing long-term financial agreements entered into by investor-owned utilities, must solely determine whether the proposed baseload generation resource complies with the greenhouse gas emissions performance standard.
- Specifies for investor-owned utilities that a long-term financial commitment includes ownership or a power purchase agreement of at least five years associated with an eligible renewable resource under the Energy Independence Act.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: Do pass. Signed by 14 members: Representatives McCoy, Chair; Crouse, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Carlyle, Condotta, Eddy, Finn, Hasegawa, Herrera, Hudgins, Jacks, McCune, Takko and Van De Wege.

Staff: Scott Richards (786-7156)

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.

Background:

Greenhouse Gas Emissions Performance Standard for Electric Generation Plants.
In 2007 the Legislature established a greenhouse gas (GHG) emissions performance standard (EPS) for electric generation. Under the law, electric utilities may not enter into long-term financial commitments for baseload electric generation on or after July 1, 2008, unless the generating plant's emissions are the lower of:

- 1,100 pounds of GHG emissions per megawatt-hour; or
- the average available GHG emissions output as updated by the Department of Community, Trade and Economic Development.

"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 or wholesale power to end-use customers in the state.

Review of Long-Term Financial Commitments by Investor-Owned Utilities.
In order to enforce the EPS, the Utilities and Transportation Commission (UTC) must determine if the baseload power supplied under a long-term financial commitment complies with the EPS. The UTC is also authorized to decide at that time if, among other things, the company needs the resource and whether the resource is appropriate, taking into consideration such factors as a company's forecasted load. A review of a long-term financial commitment must be conducted under the Administrative Procedures Act.

Cost Deferrals for Investor-Owned Utilities.
Investor-owned utilities (IOUs) may defer up to 24 months the costs associated with a long-term financial commitment for baseload electric generation. Recovery of deferred costs is subject to approval by the UTC.

Eligible Renewable Resources under Initiative 937.
Approved by voters in 2006, the Energy Independence Act (Initiative 937) requires electric utilities with 25,000 or more customers to meet targets for energy conservation and use of eligible renewable resources.

Under Initiative 937, "eligible renewable resource" includes: (1) wind; (2) solar; (3) geothermal energy; (4) landfill and sewage gas; (5) wave and tidal power; and (6) certain biomass and biodiesel fuels.

Electricity produced from an eligible renewable resource must be generated in a facility that started operating after March 31, 1999. 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 electricity produced from efficiency improvements at hydropower facilities owned by qualifying utilities is also an eligible renewable resource, if the improvements were completed after March 31, 1999.

Summary of Bill:

The UTC Review of Long-Term Financial Commitments by IOUs.
When an IOU submits a long-term financial commitment to the UTC for review, the UTC is only required to determine if the proposed baseload resource complies with the EPS. All other issues, such as the need for and appropriateness of the resource, will be determined in a subsequent rate case.

Changing Definitions for the Cost-Deferral Process.
For the purposes of the cost-deferral process, the definition of "long-term financial commitment" includes an IOU's ownership or power purchase agreement of at least five years associated with an eligible renewable resource under Initiative 937.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: 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 does not change the EPS. It clarifies language around an accounting mechanism that IOUs use to track costs associated with project purchase or development. The changes in this bill guarantee that the costs associated with compliance of the GHG emissions performance standard will be considered the next time an IOU goes before the UTC during its next general rate case. The bill also provides the opportunity for IOUs to use deferred accounting for clean, renewable energy resources as well.

(Opposed) None.

Persons Testifying: Ken Johnson, Puget Sound Energy; Kathleen Collins, PacifiCorp; and Tim Boyd, Industrial Customers of Northwest Utilities.

Persons Signed In To Testify But Not Testifying: None.