

HOUSE BILL REPORT

HB 1352

As Reported by House Committee On:
Technology & Economic Development

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: Representatives Nealey, Wylie, Short, Blake, Van De Wege, Magendanz and Condotta.

Brief History:

Committee Activity:

Technology & Economic Development: 1/27/15, 2/17/15 [DP].

Brief Summary of Bill

- Allows incremental electricity produced as a result of efficiency improvements to hydroelectric generation projects whose energy output is marketed by the Bonneville Power Administration (BPA) to qualify as an eligible renewable resource under the Energy Independence Act (I-937).
- Allows renewable energy credits allocated through the BPA's Residential Exchange Program to qualify as an eligible renewable resource under I-937.

HOUSE COMMITTEE ON TECHNOLOGY & ECONOMIC DEVELOPMENT

Majority Report: Do pass. Signed by 10 members: Representatives Morris, Chair; Tarleton, Vice Chair; Smith, Ranking Minority Member; DeBolt, Assistant Ranking Minority Member; Harmsworth, Magendanz, Nealey, Santos, Wylie and Young.

Minority Report: Do not pass. Signed by 3 members: Representatives Fey, Hudgins and Ryu.

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.

Staff: Nikkole Hughes (786-7156).

Background:

The Energy Independence Act.

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

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 on 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.

For a renewable resource to be considered an eligible renewable resource under I-937, the electricity must be produced by a renewable resource such as wind, solar, geothermal energy, landfill gas, wave or tidal power, hydroelectricity from certain irrigation or municipal pipes, gas from sewage treatment facilities, certain biomass, and certain biofuels. Additionally, the electricity produced from a renewable resource must be generated in a facility that started operating after March 31, 1999, and 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 hydroelectric generation projects owned by a qualifying utility and located in the Pacific Northwest 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.

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

Renewable Energy Credit.

A renewable energy credit (REC) is a tradable certificate of proof, verified by the Western Renewable Energy Generation Information System (WREGIS), of at least 1 megawatt-hour of an eligible renewable resource, where the generation facility is not powered 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.

Bonneville Power Administration.

The BPA is a federal nonprofit agency that markets wholesale electrical power from 31 federal hydroelectric projects in the Columbia River Basin, one nonfederal nuclear plant, and several other small nonfederal power plants. The dams are operated by the U.S. Army Corps of Engineers and the Bureau of Reclamation. About one-third of the electric power used in the Northwest comes from the BPA.

Residential Exchange Program.

Under the federal Northwest Power Act, the Residential Exchange Program (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 the BPA and numerous regional utilities. The REP settlement generally requires the BPA to transfer to participating IOUs their proportional share of environmental attributes associated with the federal power. All three IOUs in Washington currently participate in the REP.

Summary of Bill:

Federal Incremental Hydroelectric Generation.

Beginning January 1, 2016, a qualifying utility may use as an eligible renewable resource the 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 from hydroelectric generation projects whose energy output is marketed by the Bonneville Power Administration (BPA). The additional generation cannot result in new water diversions or impoundments. A qualifying utility may not transfer or sell these eligible renewable resources to another utility for compliance purposes under the Energy Independence Act (I-937).

Renewable Energy Credits Allocated through the Residential Exchange Program.

Beginning January 1, 2016, a qualifying utility may use as an eligible renewable resource the environmental attributes, including renewable energy credits (REC), transferred to investor-owned utilities pursuant to the BPA's Residential Exchange Program (REP). Renewable energy credits allocated under the REP may not be transferred or sold to another qualifying utility for compliance under I-937. The definition of a REC is modified to recognize freshwater RECs allocated under the REP.

Appropriation: None.

Fiscal Note: Available.

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 is meant to address inequities in the Energy Independence Act (I-937). The purpose of this bill is to level the playing field. Utilities currently do not earn credit when efficiency improvements are made to hydroelectric projects marketed by the Bonneville Power Administration (BPA). This bill provides common sense and equitable change. Prudent practice includes the recognition of federal incremental efficiency improvements. This bill is a fair, simple modification that will save consumers money.

(Neutral) There is a balancing act in guaranteeing fairness for utilities who are dependent on the BPA for their power. There should be a technical amendment to correct the definition of renewable energy credit.

(Opposed) A central purpose of I-937 was to diversify Washington's renewable energy portfolio. A change of this nature needs to be part of a broader legislative package to achieve new resource development. Making piecemeal changes is not the best way to address equity issues under I-937.

Persons Testifying: (In support) Representative Nealey, prime sponsor; John Francisco, Inland Power and Light; Diana Carlen, Tacoma Power; Austin Neilson, Tri-City Regional Chamber of Commerce; Karen Miller, Benton Public Utility District; and Tim Boyd, Industrial Customers of the Northwest and Utilities.

(Neutral) Tony Usibelli, Department of Commerce.

(Opposed) Joni Bosh, Northwest Energy Coalition; and Kelly Hall, Renewable Northwest.

Persons Signed In To Testify But Not Testifying: None.