

SENATE BILL REPORT

SB 5430

As Reported by Senate Committee On:
Energy, Environment & Telecommunications, February 4, 2015

Title: An act relating to amending the energy independence act.

Brief Description: Amending the energy independence act.

Sponsors: Senators Ericksen, Brown and Hewitt.

Brief History:

Committee Activity: Energy, Environment & Telecommunications: 1/29/15, 2/04/15 [DPS, DNP].

SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TELECOMMUNICATIONS

Majority Report: That Substitute Senate Bill No. 5430 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 and Habib.

Staff: William Bridges (786-7416)

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.

Energy Conservation Assessments and Targets. Each qualifying electric utility must pursue all available conservation that is cost effective, reliable, and feasible. Cost-effectiveness is determined by using methodologies consistent with those developed by the Pacific Northwest Electric Power and Conservation Planning Council (Power Council).

By January 1, 2010, each qualifying utility must assess the conservation it can achieve through 2019, and update the assessments every two years for the next ten-year period. Beginning January 2010, each qualifying utility must meet biennial conservation targets that are consistent with its conservation assessments.

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Excess Conservation. In general, cost-effective conservation achieved by a qualifying utility in excess of its biennial acquisition target may be used to meet the immediately subsequent two biennial acquisition targets; however, no more than 20 percent of any biennial target may be met with excess conservation savings. There are special conservation provisions for certain large facilities.

Renewable Energy Credit (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 power. RECs can be bought and sold in the marketplace, and they may be used during the year they are acquired, the previous year, or the subsequent year.

Eligible Renewable Resource Targets (Acquisition Targets) and Compliance Dates. Each qualifying utility must use eligible renewable resources or acquire equivalent RECs, 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.

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.

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 federal Bonneville Power Administration (BPA) is not an eligible renewable resource because BPA is not a qualifying utility under I-937.

Other Types of Hydroelectricity as an Eligible Renewable Resource. Hydroelectric generation from the following types of projects is an eligible renewable resources if the projects were completed after March 31, 1999: irrigation pipes, irrigation canals, water pipes whose primary purpose is for conveyance of water for domestic use, and wastewater pipes located in Washington where the generation does not result in new water diversions or impoundments.

Residential Exchange Program (REP). Under the federal Northwest Power Act, the 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 REP now operates under a legal settlement involving BPA and numerous regional utilities. The REP settlement generally requires BPA to transfer to participating IOUs their proportional share of environmental attributes associated with the federal power.

Long on Resources. In general, an electric utility is long on resources if it has sufficient power to meet its current and forecasted needs.

Alternative Compliance Methods. In general a qualifying utility that fails to meet an annual target to acquire eligible renewable resources 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; 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.

Summary of Bill (Recommended Substitute): Adding Excess Conservation as an Eligible Renewable Resource Under I-937. Conservation above that which is considered cost effective under Power Council methodologies is an eligible renewable resource.

Adding Federal Incremental Hydroelectricity as an Eligible Renewable Resource Under I-937. Beginning January 1, 2016, a qualifying utility may use that 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 BPA where the additional generation does not result in new water diversions or impoundments, as an eligible renewable resource to comply with I-937. A qualifying utility may not transfer or sell this incremental electricity to another qualifying utility for compliance purposes under I-937.

Adding Incremental Hydroelectricity RECs Allocated by REP as an Eligible Renewable Resource Under I-937. Beginning January 1, 2016, a qualifying utility may use the environmental attributes of incremental hydroelectricity, including RECs, allocated to IOUs pursuant to the REP as an eligible renewable resource to comply with I-937. RECs allocated under the REP may not be transferred or sold to another qualifying utility for compliance under I-937. The definition of REC is amended to recognize freshwater RECs allocated under the REP.

Creating a New Alternative Compliance Method in I-937. A qualifying utility is considered in compliance with an annual acquisition target if the utility's load can be met by electricity from the following: (1) resources owned or under contract by January 1, 2010; (2) eligible renewable resources acquired after that date; and (3) noneligible resources and equivalent RECs acquired after that date.

EFFECT OF CHANGES MADE BY ENERGY, ENVIRONMENT & TELECOMMUNICATIONS COMMITTEE (Recommended Substitute): Removes definitions of long on power and slow growing. Clarifies that a qualifying utility must be

considered in compliance with an annual acquisition target if the utility has enough resources or RECS to meet its load.

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 on Original Bill: PRO: This bill represents a comprehensive approach to amending I-937, by recognizing excess conservation, federal incremental hydropower, and utilities that are not growing or are slow growing. Qualifying utilities that own their own dams can already take advantage of incremental hydro, but any qualifying utility that receives power from BPA cannot claim incremental power from the federal system even though their ratepayers pay for it. This bill aligns compliance with need and provides flexibility to grow into I-937. Benton PUD spent millions of dollars and had to raise its rates 3 percent to buy RECs in order to comply with I-937.

CON: The bill will reduce investment in new renewables. A comprehensive approach is in the works that will deal with the issues raised in this bill. Other options are already available to slow-growing or no-growing utilities in I-937. Adding more eligible renewable resources without raising the targets and blending conservation and eligible renewable resources all undermine the purpose of I-937.

Persons Testifying: PRO: Senator Brown; Deb Bone-Harris, Franklin PUD.

CON: Joni Bosh, NW Energy Coalition; Kelly Hall, Renewable NW; Rebecca Johnson, Climate Solutions.