

SENATE BILL REPORT

SB 5445

As Reported by Senate Committee On:
Environment, Energy & Technology, February 21, 2025

Title: An act relating to encouraging utility investment in local energy resilience by providing an alternative compliance pathway to meet the eligible renewable resource mandate in the energy independence act.

Brief Description: Encouraging utility investment in local energy resilience.

Sponsors: Senators Boehnke, Hasegawa and Slatter.

Brief History:

Committee Activity: Environment, Energy & Technology: 2/04/25, 2/21/25 [DPS].

Brief Summary of First Substitute Bill

- Specifies that an electric utility must use any combination of eligible renewable resources and local energy resilience projects to comply with renewable energy targets under the Energy Independence Act.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

Majority Report: That Substitute Senate Bill No. 5445 be substituted therefor, and the substitute bill do pass.

Signed by Senators Shewmake, Chair; Slatter, Vice Chair; Boehnke, Ranking Member; Dhingra, Harris, Liias, Lovelett, MacEwen, Ramos, Short and Wellman.

Staff: Kimberly Cushing (786-7421)

Background: Energy Independence Act. Approved by voters in 2006, the Energy Independence Act (EIA), also known as Initiative 937, requires electric utilities with 25,000 or more customers to meet targets for energy conservation and using eligible renewable resources. Utilities that must comply with the EIA are called qualifying utilities. Currently,

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

18 utilities are qualifying utilities.

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.

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 utility is not required to meet a renewable energy target if it spends at least 4 percent of its retail revenue requirement on the incremental cost of renewable energy and renewable energy credits. The cost cap for a utility that has no load growth is 1 percent.

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

Summary of Bill (First Substitute): A qualifying utility must use any combination of eligible renewable resources and local resilience projects to be in compliance with EIA renewable energy targets.

A local energy resilience project is an investment in the utility's service territory that includes any combination of accelerated conservation, and demand response. Accelerated conservation is defined as conservation included in a qualifying utility's most recent cost-effective conservation potential under the EIA and in excess of the biennial acquisition target under the EIA. The definition includes a formula for measuring the annual energy savings and that any accelerated conservation savings may not be included as excess conservation savings under the EIA.

EFFECT OF CHANGES MADE BY ENVIRONMENT, ENERGY & TECHNOLOGY COMMITTEE (First Substitute):

- Allows a qualifying electric utility to meet its renewable energy targets under the EIA by using any combination of eligible renewable resources and local energy resiliency projects, rather than by investing at least 2percent of its total annual retail revenue requirement in local energy resilience projects.
- Narrows the definition of local energy resilience project to mean any investment in the utility's service territory that only includes any combination of accelerated conservation and demand response.
- Removes investments in solar generation, battery storage, in-pipe generation, wind

generation, grid hardening to reduce risk to infrastructure, microgrids, and hydrogen infrastructure from the definition of local energy resilience project.

- Defines accelerated conservation as conservation included in the qualifying utility's most recent cost-effective conservation potential under the EIA and in excess of the biennial acquisition target under the EIA, and provides:
 1. a formula for measuring the annual energy savings; and
 2. that any accelerated conservation savings may not be included as excess conservation savings under the EIA.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony on Proposed Substitute: *The committee recommended a different version of the bill than what was heard.* PRO: This is an opportunity to look at these pragmatic solutions where we face the increase in electricity demand from data centers, manufacturing, and electrification on our transportation systems. We can incentivize projects in local areas with utility funds to build out renewable generation, conservation, and also resilience on the grid. Originally the renewable portfolio standard was created to provide incentives to invest in new projects. Many utilities purchase renewable energy credits to meet their CETA and EIA requirements, and often these credits are purchased from out of state projects that are already on the grid. We'd like to keep the funds for in-state project that benefit our grid and local economy. We'd like to include hydrogen storage. We are facing rapidly increasing electricity demand and utilities need to be able to make some critical investments in their local distribution systems and new carbon-free resources, demand response, and conservation. Utilities are still spending about 2 percent of their revenue requirement to comply with the renewable requirement under the EIA. This bill provides an alternative compliance option that allows utilities to shift some investment to fund local clean energy projects and grid resiliency. The approach strengthens our local utility distribution system and keeps investments within our communities with direct clean energy related projects.

CON: I-937 encourages the investment in both clean energy as well as conservation. The intent was for all utilities with more than 25,000 customers to invest in the clean energy transition with nonhydro renewables, which remains an important goal today as utilities are making unprecedented investments to meet load growth and replace retiring coal. The bill would allow utilities to forego purchasing nonhydro renewables if they spend money instead on resilience projects, which are investments the utilities must pursue anyway. We might be willing to support broad reforms to I-937 if those reforms committed utilities to doing more on conservation. It is sensible that utilities need to decarbonize; however,

utilities and hence rate payers are being burdened by the impacts of tech and data center development on regional resources. Legislation must not name utilities as responsible for bearing the brunt of this development. The bill unfortunately changes the cost effective standard that's established in the EIA and would have a direct negative impact for ratepayers because by definition, you would be investing in projects that are no longer cost-effective resources. Additionally, smaller local resources are likely to be more expensive than utility scale resources without geographic considerations.

OTHER: We are concerned about how we would implement the bill given some of the vague terms and provisions in the bill. We are not sure how to measure investment levels provided in the bill, or whether existing projects would count or if the list of eligible projects actually further the resilience of the grid. Some may be valid as local projects, even if they are more expensive than the other renewable resources that the utilities might pursue.

Persons Testifying: PRO: Senator Matt Boehnke, Prime Sponsor; Dave Warren, WA Green Hydrogen Alliance; Liz Anderson, Washington Public Utility Districts Association; Samantha Louderback, Washington Rural Electric Cooperative Association; Sheila Corson, Mason PUD #3.

CON: Charlee Thompson, NW Energy Coalition; Heather Nicholson; Brandon Houskeeper, Alliance of Western Energy Consumers.

OTHER: Glenn Blackmon, Washington State Department of Commerce.

Persons Signed In To Testify But Not Testifying: No one.