

HOUSE BILL REPORT

HB 2637

As Reported by House Committee On:
Technology, Telecommunications & Energy
Appropriations

Title: An act relating to the joint task force on long-term energy supply.

Brief Description: Creating the joint task force on long-term energy supply.

Sponsors: Representatives Morris, Hatfield, Kessler, Anderson, Voloria, Linville, Haigh, Conway, Hunt, Schual-Berke, Wood, Simpson, Rockefeller, Jackley, Kagi and Ogden.

Brief History:

Committee Activity:

Technology, Telecommunications & Energy: 1/29/02, 2/1/02 [DPS];
Appropriations: 2/6/02, 2/7/02 [DPS(TTE)].

Brief Summary of Substitute Bill

- Establishes the Joint Task Force on Long-term Energy Supply to study energy supply issues and to review the state's energy strategy and recommend specific implementation actions.

HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS & ENERGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 18 members: Representatives Morris, Chair; Ruderman, Vice Chair; Crouse, Ranking Minority Member; Anderson, Berkey, Bush, Casada, Delvin, Esser, Hunt, Linville, Lysen, Nixon, Pflug, Reardon, Romero, Sullivan and Wood.

Staff: Pam Madson (786-7166).

Background:

Statement of state energy policy

The current statement of the state's energy policy was adopted in 1976. The policy encourages the development and use of a diverse array of energy resources emphasizing renewable resources. It seeks to ensure a sufficient supply of energy and to encourage

energy conservation and elimination of wasteful and uneconomic uses of energy. Conservation includes resource recovery and recycling. In emergency energy shortages, priority is given to activities that maintain the health, safety and welfare of the public. Energy use and development must be consistent with environmental policies.

State energy strategy

In 1991 the state energy office, predecessor to the Energy Policy Division of the Office of Trade and Economic Development, was directed to develop a state energy strategy along with an advisory committee of 20 members representing industry, government, and environmental interests. The committee issued its report in 1993, including recommendations on energy use in transportation, buildings, agriculture and industry. Recommendations also addressed energy use and protecting the environment. The former Energy Office reported biennially on the status of implementing the strategy. In the 2001 biennial report, the Energy Division indicated that "given the dramatic changes in the energy landscape since 1993," a full examination and update of the state energy strategy was warranted.

Energy supply

The Northwest region has seen a growth in demand for electricity while at the same time has not experienced much development of new generation until very recently. The Northwest Power Planning Council's prediction of an increasing possibility of power supply problems during the next few years and the region's recent experience with unprecedented high prices in the western power markets has focused attention on the need to plan for a stable, affordable supply of energy and the ability to deliver a supply of power to consumers.

Summary of Substitute Bill:

State energy policy

The statement of the state energy policy, developed in the late 1970s, is modified as follows: (1) In developing a diverse array of energy resources, conservation and new technologies are added to renewable energy resources that must be emphasized; (2) in ensuring a sufficient supply of energy, it is recognized that consideration must be given to energy needs outside the state of Washington because of the impact that need may have on Washington's energy supply; (3) while encouraging energy conservation and eliminating wasteful uses of energy and materials, energy conservation must include cost-effective energy efficiency and resource recovery that achieves at least a doubling of previous resource utilization or 80 percent efficiency; and (4) in energy shortage emergencies, critical public health, safety and welfare activities are given priority and noncritical government functions are curtailed.

Joint task force on long-term energy supply

A joint task force on long-term energy supply is established consisting of 11 members including eight legislators and three members from the executive branch appointed by the Governor to include the Governor's Office and the Department of Community, Trade and Economic Development. The joint task force may consult with a broad array of individuals and may establish advisory committees and work groups.

The joint task force is directed to review and recommend revisions of the state's energy strategy and report to the Governor and appropriate committees of the Legislature by December 31, 2002, on revisions and specific actions that can be taken to implement the state's energy strategy. Future reviews of the state's energy strategy may be performed by a similar task force appointed for that purpose.

In addition to conducting a review of the state's energy strategy, the task force, established in 2000, must also study and identify methods for the creation of new capacity in the electrical supply system in advance of critical need for electricity, identify incentives and disincentives for building new generation capacity, and identify methods to encourage demand management options and technologies.

The joint task force expires on July 1, 2003.

Substitute Bill Compared to Original Bill:

The substitute bill modifies the membership of the task force and reduces the number of members from 19 to 11. Membership consists of eight legislators and three members from the executive branch to include the Governor's office and the Department of Community, Trade and Economic Development. Rather than serve as appointed task force members, interested public and private sector representatives may be asked to serve on advisory committees or work groups. The task force is specifically directed to consider demand-side options when looking at long-term energy supply issues.

Appropriation: None.

Fiscal Note: Not Requested.

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

Testimony For: There is a recognized need to update and implement the state's energy strategy that was developed in the early 1990s. The state's strategy should be long-term comprehensive strategy. We have witnessed the impact of a volatile wholesale electricity market in the state. Price spikes send a signal that additional supply and conservation is

needed. They also create uncertainty that discourages long term investment in supply and in industries that depend on electricity. The energy crisis is currently masked by an economic downturn and industries being shut down. A change in the economy can again create another crisis. We still need to take action to avoid getting into that situation again. We need a clear energy strategy. Solutions must include both supply-side and demand-side options. The process must be a collaborative and inclusive one. There is concern that participation must include consumer interests, public interest groups, cities, counties, labor groups, independent power producers and economic development interests, in addition to those currently part of the bill.

Testimony Against: None.

Testified: (In support) Brian Carpenter, Rebound; Danielle Dixon, Northwest Energy Coalition; Collins Sprague, AVISTA Corporation; Jack Speer, ALCOA Inc.; Tim Boyd, Industrial Customers of Northwest Utilities; and Mike Tracy, Puget Sound Energy.

(With concerns) Richard A. King, IBEW Local #46 et al; and Toni Potter, League of Women Voters of Washington.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill by Committee on Technology, Telecommunications & Energy be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Sommers, Chair; Doumit, 1st Vice Chair; Fromhold, 2nd Vice Chair; Cody, Dunshee, Grant, Kagi, Kenney, Kessler, Linville, McIntire, Pflug, Ruderman, Schual-Berke, Talcott and Tokuda.

Minority Report: Do not pass. Signed by 8 members: Representatives Sehlin, Ranking Minority Member; Alexander, Buck, Clements, Cox, Lisk, Mastin and Pearson.

Staff: Linda Brooks (786-7153).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Technology, Telecommunications & Energy:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Requested on February 7, 2002.

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

Testimony For: This bill provides for a "look and see" at the state's energy strategy. The last strategy came out in 1993, and lots of things have happened since then. Structural aspects of the industry have changed. There have been federal law changes, lots of new players in the energy market, and technological changes.

Testimony Against: None.

Testified: Mike Tracy, Puget Sound Energy.