

SENATE BILL REPORT

SB 6718

As Reported By Senate Committee On:
Environment, Energy & Water, February 8, 2002
Ways & Means, February 12, 2002

Title: An act relating to state government as a leader in clean energy consumption.

Brief Description: Making state government a leader in clean energy consumption.

Sponsors: Senators Fraser, Finkbeiner, Regala, Keiser, Jacobsen, Poulsen and Franklin.

Brief History:

Committee Activity: Environment, Energy & Water: 2/5/02, 2/8/02 [DPS-WM, DNP].
Ways & Means: 2/11/02, 2/12/02 [DP2S, DNP].

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & WATER

Majority Report: That Substitute Senate Bill No. 6718 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Fraser, Chair; Regala, Vice Chair; Eide, Jacobsen and Keiser.

Minority Report: Do not pass.

Signed by Senators Hale, Honeyford, McDonald and Morton.

Staff: Andrea McNamara (786-7483)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 6718 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Brown, Chair; Regala, Vice Chair; Fairley, Vice Chair; Fraser, Kline, Kohl-Welles, Poulsen, Rasmussen, B. Sheldon, Snyder, Spanel, Thibaudeau and Winsley.

Minority Report: Do not pass.

Signed by Senators Hewitt, Honeyford, Parlette and Rossi.

Staff: Erin Hannan (786-7708)

Background: According to the Washington State University Cooperative Extension Energy Program, net greenhouse gas emissions in Washington State are projected to increase from 1990 to 2010 at a rate substantially higher than the state's population growth during the same time frame. The most significant change in net emissions is attributable to the state's energy use, with the electric utility sector projected to show the largest percentage increase in its net

emissions and the transportation sector projected to show the largest absolute increase in carbon dioxide emissions.

The state has an official Energy Strategy, developed in 1991 and adopted by the Legislature in 1994 as the primary guidance for implementing the state's energy policy. The Energy Strategy covers five main topic areas, including transportation challenges; energy for buildings, farms, and industry; protecting our environment; siting energy facilities; and public awareness and education. The Department of Community, Trade, and Economic Development (CTED) is responsible for preparing a biennial report to the Governor and the Legislature in which progress toward implementing the state's Energy Strategy is reported.

Last year, the Legislature enacted a requirement that all electric utilities offer their customers, by January 1, 2002, a voluntary option to purchase electricity from qualified alternative energy resources which include renewable power sources that produce little or no greenhouse gas emissions (such as solar, wind, biomass, certain hydropower, and fuel cell generating facilities).

Some public and private entities are voluntarily exploring ways to reduce or offset some or all of the net greenhouse gas emissions attributable to their operations. Their efforts include energy conservation and efficiency measures, use of cleaner energy sources, the purchase of emissions credits, and investments in emissions mitigation programs and technologies.

Summary of Second Substitute Bill: Legislative findings are made focusing on why state government should be a leader in promoting and utilizing clean energy, and its intent is stated to adopt a strategy for no net increase in emissions of greenhouse gases attributable to state government energy consumption.

For the purposes of the bill, "state government" is defined to include executive branch agencies that are managed by Governor-appointed executives and state higher education institutions.

The state's energy policy must include adoption of a strategy to meet state government's energy needs with no net increase in emissions of greenhouse gases.

The powers and duties of the Department of Community, Trade, and Economic Development (CTED) are expanded to include developing recommendations for consideration by the Governor and Legislature to allow state government to meet its energy needs with no net increase in emissions of greenhouse gases.

The Department of General Administration (GA) must make all reasonable efforts to ensure that a portion of state government's electricity consumption be from qualified alternative energy resources and/or conservation and efficiency measures implemented after January 1, 2002, according to the following timeline: (1) at least 2 percent by July, 2003; (2) at least 4 percent by July, 2005; (3) at least 6 percent by July, 2007; (4) at least 8 percent by July, 2009; and (5) at least 10 percent by July, 2011. "Reasonable efforts" are defined and GA may incorporate any costs into its revolving fund charge to state agencies, which is subject to appropriation. Purchases of qualified alternative energy resources are subject to approval by the Office of Financial Management (OFM) under specified conditions.

GA, with the assistance of the Department of Ecology, must pursue opportunities to sell, trade, or receive other fair value for any emissions reductions credits attributable to state government's shift to consumption of clean energy.

The next biennial energy report that is due from CTED in December 2002, must contain several specified information items, including the following: (1) current and likely future greenhouse gas emissions attributable to state government; (2) identification and analysis of specific strategies and options to meet a no net emissions standard, including a list of suggested strategies and options to analyze; (3) feasibility of and strategies to include other (non-executive branch) state agencies such as K-12 schools; and (4) implementation progress report on electricity portfolio purchase requirements contained in the bill.

Second Substitute Bill Compared to Substitute Bill: The substitute changes the term "no net emissions" to "no net increase in emissions." It adds a definition of "energy conservation measures" for the purposes of what can be counted toward meeting the targets of conservation and renewable resources. GA's directive to ensure that a portion of state government's electricity consumption be from conservation and renewable resources is clarified to making "all reasonable efforts." Funding for the costs associated with the directive is clarified. The substitute makes the purchase of qualified alternative resources subject to the approval of OFM if such purchases will exceed the cost of existing utility service by 5 percent. The substitute clarifies that GA is not required to create a state emissions credit trading program and removes the requirement for GA to provide certain data to CTED for the Biennial Energy Report.

Substitute Bill Compared to Original Bill: The substitute changes the term "no net emissions" to "no net increase in emissions." It adds a definition of "energy conservation measures" for the purposes of what can be counted toward meeting the targets of conservation and renewable resources. GA's directive to ensure that a portion of state government's electricity consumption be from conservation and renewable resources is clarified to making "all reasonable efforts." The substitute makes the purchase of qualified alternative resources subject to the approval of OFM if such purchases will exceed the cost of existing utility service by 5 percent. The substitute clarifies that GA is not required to create a state emissions credit trading program and removes the requirement for GA to provide certain data to CTED for the Biennial Energy Report.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For (Environment, Energy & Water): State action to address greenhouse gas emissions is critical until a national strategy is adopted. This bill would make Washington a leader and a model without having a regulatory impact on the private sector. "Greening" state government is a good way to jump start new utility green tariff programs by increasing the demand for cleaner energy.

Testimony Against (Environment, Energy & Water): (Original bill) This bill is not fiscally responsible in the current budget situation because it will mandate state agencies to purchase

more expensive electricity. The bill is not needed because agencies can already take advantage of conservation and renewable resource alternatives if and when they choose to and can afford to.

Testified (Environment, Energy & Water): PRO: Senator Karen Fraser, prime sponsor; Danielle Dixon, NW Energy Coalition; Heather Rhoads-Weaver, NW Seed; CON: Kristin Sawin, AWB; CONCERNS: Dave Arbaugh, Calpine Corp. OTHER: Collins Sprague, Avista.

Testimony For (Ways & Means): This bill enables Washington State government to be a leader in clean energy consumption. The bill supports clean air in Washington and the impacts to overall global climate change.

Testimony Against (Ways & Means): The bill is unnecessary because the Legislature authorized green tariffs last year. There is no market analysis of renewable versus standard tariffs and their respective costs to the state. Renewable tariffs are generally more expensive and the fiscal note does not reflect this.

Testified (Ways & Means): Senator Karen Fraser, prime sponsor (pro); Craig Engleking, Sierra Club (pro); Kristen Sawin, AWB (con).