

HOUSE BILL REPORT

ESHB 1010

As Passed House:
February 9, 2006

Title: An act relating to energy efficiency and renewable energy.

Brief Description: Concerning energy efficiency and renewable energy standards.

Sponsors: By House Committee on Technology, Energy & Communications (originally sponsored by Representatives Morris, Hudgins, Morrell, Linville, B. Sullivan, McCoy and Chase).

Brief History:

Committee Activity:

Technology, Energy & Communications: 1/18/05, 1/20/05, 2/24/05 [DPS].

Floor Activity:

Passed House: 2/9/06, 96-1.

Brief Summary of Engrossed Substitute Bill

- Requires utilities servicing more than 25,000 customers that are not full requirements customers to submit an Integrated Resource Plan (IRP) to the Utilities and Transportation Commission.
- Requires all other utilities that are not full requirements customers to submit an IRP or a Resource Plan to the Department of Community, Trade and Economic Development.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Morris, Chair; Kilmer, Vice Chair; Crouse, Ranking Minority Member; Ericks, Hudgins, P. Sullivan, Takko and Wallace.

Minority Report: Without recommendation. Signed by 2 members: Representatives Haler, Assistant Ranking Minority Member; and Sump.

Staff: Scott Richards (786-7156).

Background:

In Washington, most of the electricity sold to retail customers is generated by hydroelectric power. According to the state's 2004 fuel mix disclosure report using 2003 electricity

production data, hydroelectric power accounts for 66.6 percent of electricity sold; coal represents 17.7 percent; nuclear power supplies 4.6 percent; and natural gas 9.8 percent. Non-hydro renewable resources such as wind, landfill gas, or biomass represent 1.3 percent.

Traditionally, electric utilities have been guided in their efforts to acquire resources for meeting their customers' demand for electricity by a least cost planning analysis. In conducting least cost planning, utilities choose a mix of supply and demand side resources that minimizes the cost of services to the customer. The mix may include electricity that is generated by the utility itself, purchased on long-term contracts from other producers, or may include some electricity purchased on the short-term or spot market. It may also include conservation and energy efficiency.

The rules of the Washington Utilities and Transportation Commission (WUTC) require the investor-owned electric utilities regulated by the WUTC to develop least cost plans in consultation with the WUTC staff.

Summary of Engrossed Substitute Bill:

Utilities with more than 25,000 customers that are not full-requirements customers must develop an Integrated Resource Plan (IRP). In developing the IRP, utilities in this category must integrate into demand forecasts and resource evaluations descriptions of the mix of resources and efficiency measures that will meet current and future needs at the lowest reasonable cost to the utility and ratepayers. Lowest reasonable cost is defined as the lowest cost mix of resources determined through a detailed and consistent analysis of a wide range of commercially available sources. At a minimum, this analysis must consider resource cost, market-volatility risks, demand-side resource uncertainties, resource dispatchability, resource effect on system operation, the risks imposed on ratepayers, public policies regarding resource preference adopted by Washington or the federal government and the cost of risks associated with environmental effects including emissions of carbon dioxide.

All other utilities may elect to develop a full integrated resource plan, independently or jointly with other consumer-owned utilities, or, at a minimum, a Resource Plan. These utilities may use data submitted to federal power marketing agencies that is equivalent to the data required in either an IRP or Resource Plan. Both IRPs and Resource Plans must be updated at a minimum every three years.

Investor-owned utilities must submit their IRPs to the Utilities and Transportation Commission and the consumer-owned utilities must submit their Resource Plan or IRPs to the Department of Community, Trade and Economic Development (DCTED).

The DCTED will review all IRPs and Resource Plans and prepare an electronic report to the Legislature that aggregates the data submitted by all utilities, summarizes at a statewide level the resource choices and dates specified in the plans.

Appropriation: None.

Fiscal Note: Requested on January 14, 2005.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: Planning will help the state make sure that it has enough generation at a cost that will help the economy. This issue is an important one for the Legislature to consider.

Renewable projects are growing in the Northwest. The Western Governor's Association has passed a clean energy resolution that will bring development to the Northwest. There is still more for the state to do.

Recent integrated resource plans done by utilities show that integrated resource planning is good for ratepayers in terms of rate stability and a diverse portfolio. It is good to have risk assessment included, related to fuel price, volatility, and future environmental regulation. These elements are often overlooked, but emphasize the point that it is not all about the bottom-line for the ratepayer.

Integrated resource planning is being done. In some of these processes, if the plans assess fuel volatility and potential risk of environmental regulation, the plans result in commitment to renewable energy.

The Northwest has always done integrated resource plans. For investor-owned utilities, the commission has typically required it. For public utilities, Bonneville Power Administration (BPA) was charged with meeting all load growth. The BPA is leaving that role, and a bill requiring utilities to do integrated resource plans, it strengthens the long-term claim on the federal hydro-system. Plans take effort and are not a precise science. Rarely will the plan give one answer. But all utilities should do that.

(With concerns) A state mandated one-size fits all approach would not work for the small utilities. There are alternatives for small utilities, allowing small utilities to maintain local control and decision making, while working with the key players.

In the intent section, it could be more clearly stated about electricity supply lagging behind demand. That may be true prospectively, but is probably not true today and the intent statement should make that clear.

There should be language providing that integrated resource plans are not the basis for a cause of action against a utility.

Testimony Against: This bill discriminates between large utilities and the small and medium utilities. Practically, it seems that large utilities would not be affected by this bill. The WUTC would tell investor-owned utilities how often to update integrated resource plans (IRP), but public utilities would have to do it every two years. The bill is very prescriptive in its elements of what should be looked at in an IRP.

The assessment of risk related to fuel price is problematic. Does the language mean looking at the risks related to renewable energy, like the wind blowing or the sun shining? It is unclear what this assessment of risk is intended to refer to and it could mean many different things.

The definition of an integrated resource plan only looks at improvements in efficient use of electricity. Other elements should be included, such as improvements in generation and transmission.

Persons Testifying: (In support) Ann Granuall, Renewable Northwest Project; David Kirkpatrick, General Electric Wind Energy; Jim Harding, Seattle City Light; Sean McCliment, Washington Rural Electric Cooperative Association; Jeremy Smithson, Solar Washington; Bill LaBorde, Northwest Energy Coalition; Robert Pregulman, Washington Public Interest Research Group; Toni Potter, League of Women Voters; and Collins Sprague, Avista Corporation.

(With concerns) Jim White; Tim Boyd, Industrial Customers of Northwest Utilities; Dave Arbaugh, Chelan County Public Utility District, City of Richland, Kitsap County Public Utility District and Snohomish County Public Utility District; and Collins Sprague, Avista Corporation.

(Opposed) Dave Warren, Washington Public Utility Districts Association.

Persons Signed In To Testify But Not Testifying: None.