HOUSE BILL REPORT
ESHB 1010

As Passed Legislature

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.
Senate Amended.
Passed Senate: 3/2/06, 47-0.
House Refused to Concur.
Senate Receded.
Senate Amended.
Passed Senate: 3/7/06, 46-0.
House Concurred.
Passed House: 3/8/06, 98-0.
Passed Legislature.

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:

Integrated Resource Planning.
Many energy utilities develop long-term strategies, called "integrated resource plans" (IRPs) or "least cost plans" to select reliable and cost-effective resources for the planning horizon. The process typically involves public participation.The Washington Utilities and Transportation Commission (WUTC) requires each regulated energy utility to develop "integrated resource plans," which describe the mix of supply resources and conservation that will meet the utility's current and future needs at the lowest reasonable cost to the utility and its ratepayers. The long-term forecast period under an IRP must be at least 10 years.At least two municipal utilities and one public utility district in the state use integrated resource plans: Seattle Public Utilities, Tacoma Public Utilities, and Snohomish PUD.

Summary of Engrossed Substitute Bill:

All investor-owned and consumer-owned utilities in the state, with more than 25,000 customers, must develop detailed integrated resource plans (IRPs) by September 1, 2008. All other utilities in the state, including those that essentially receive all their power from the Bonneville Power Administration, called "full requirements customers," must file either an IRP or a less detailed "resource plans" (RPs) by the same date. The governing body of a consumer-owned utility must encourage public participation when developing either plan.

Content of Integrated Resource Plans
An IRP must describe the mix of generating resources and conservation and efficiency resources that will meet current and projected needs at the lowest reasonable cost to the utility and its ratepayers. The plans must contain a number of elements, including (1) demand forecasts for at least the next 10 years, (2) assessments of commercially available conservation and efficiency resources, (3) assessments of commercially available utility scale renewable and nonrenewable generating technologies, (4) comparative evaluation of renewable and nonrenewable generating resources, (5) integration of the demand forecasts and resource evaluations into a long-range assessment describing the mix of supply side generating resources and conservation and efficiency resource, and (6) a short-term plan identifying the specific actions to be taken by the utility consistent with long-range integrated resource plan.

Content of Resource Plans
A RP must (1) estimate loads for the next five and 10 years, (2) enumerate the resources that will be maintained and/or acquired to serve those loads, and (3) explain, if the resources chosen are not renewable resources or conservation and efficiency resources, why such a decision was made. In developing RPs, consumer-owned utilities are encouraged to use information provided to and by other state, regional, national, and international entities.

Consumer-owned utilities are also encouraged to use determinations required under the federal Energy Policy Act of 2005. An RP must be updated at least every two years.

Reporting Requirements
Investor-owned utilities must submit their plans to the Washington Utilities and Transportation Commission (UTC). After the initial reporting date for IRPs, updated IRP must be produced every four years and progress reports every two years. Consumer-owned utilities must submit their plans to the Department of Community, Trade and Economic Development (CTED) every two years after the initial reporting date of September 1, 2008. A statewide summary of all plans must be prepared by CTED, which must submit the summary as part of the biennial state energy report.

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.