

# FINAL BILL REPORT

## ESSB 6001

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### PARTIAL VETO

C 307 L 07

Synopsis as Enacted

**Brief Description:** Mitigating the impacts of climate change.

**Sponsors:** Senate Committee on Water, Energy & Telecommunications (originally sponsored by Senators Pridemore, Poulsen, Rockefeller, Brown, Eide, Oemig, Hargrove, Marr, Fraser, Kohl-Welles, Keiser, Regala, Franklin, Fairley, Jacobsen, Shin, Haugen, Berkey, Spanel, Kline and Weinstein).

**Senate Committee on Water, Energy & Telecommunications**  
**House Committee on Technology, Energy & Communications**  
**House Committee on Appropriations**

**Background:** *Climate Change and Greenhouse Gases (GHG):* The term "climate change" refers to any significant change in measures of climate, such as temperature, which last for decades or longer. Climate change may result from natural causes or human activities.

The National Academy of Sciences, the Inter-Governmental Panel on Climate Change, and the United States' Climate Change Science Program have concluded that human activities, such as GHG production, are the likely cause of climate change during the last several decades.

*GHG Emissions Targets:* According to the Pew Center on Global Climate Change, 12 states have set GHG emissions targets, including Arizona, California, New Mexico, and Oregon. Most of the targets have been set by agencies or by executive order and typically use a 1990 baseline to measure reductions. The targets are usually characterized as "goals."

*Governor Gregoire's Executive Order Setting GHG Emissions Goals:* On February 7, 2007, the Governor issued an executive order establishing goals for GHG emissions reductions, for increasing clean energy sector jobs, and for reducing expenditures on imported fuel. The executive order also directs the Department of Ecology (DOE) and the Department of Community, Trade, and Economic Development (CTED) to lead stakeholders in a process that will consider a full range of policies and strategies to achieve the emissions goals.

*GHG Emission Performance Standards:* In 2006, the California Legislature enacted a law to prevent long-term investments in power plants with GHG emissions in excess of those produced by a combined-cycle natural gas power plant. Among other things, the law prohibits electric utilities from making or renewing contracts of five years or longer for the purchase of baseload generation that does not comply with the GHG emissions performance standards to be established by the state Public Utilities Commission and the state Energy Commission.

*Current Carbon Dioxide (CO<sub>2</sub>) Mitigation Requirements:* In 2004, the Legislature established a policy to mitigate CO<sub>2</sub> emissions from fossil-fueled thermal power plants with generating capacities of 25 megawatts or more. These power plants must mitigate 20 percent of their

CO2 emissions over a period of 30 years. This requirement applies to: (1) existing plants that increase the production of CO2 emissions by 15 percent or more; or (2) new power plants seeking a site certificate through the Energy Facility Site Evaluation Council (EFSEC) or an order of approval under the Washington Clean Air Act.

**Summary:** I. Employment and GHG Emissions Goals: *Establishing Goals to Reduce GHG Emissions:* The following goals are established for statewide GHG emissions:

- by 2020, reduce emissions to 1990 levels;
- by 2035, reduce emissions to 25 percent below 1990 levels; and
- by 2050, reduce emissions to 50 percent below 1990 levels, or 70 percent below the state's expected emissions that year.

*Establishing an Employment Goal:* By 2020, increase the number of clean energy sector jobs to 25,000 from the 8,400 jobs the state had in 2004.

*Requiring Emissions Reports:* By December 31, 2007, DOE and CTED must report to the appropriate committees of the Legislature the total GHG emissions for 1990, and totals in each major sector for 1990. By December 31 of each even-numbered year beginning in 2010, DOE and CTED must report to the Governor and the Legislature the total GHG emissions for the preceding two years, and totals in each major source sector.

*Requiring Policy Recommendations to Achieve GHG Emissions Reduction Goals:* The Governor must develop policy recommendations on how the state can achieve the specified GHG emissions reduction goals. The recommendations must include such issues as how market mechanisms would assist in achieving the goals. The recommendations must be submitted to the Legislature during the 2008 Legislative Session.

II. GHG Emissions Performance Standard: *Establishing a GHG Emissions Performance Standard:* Beginning July 1, 2008, the GHG emissions performance standard for all baseload electric generation for which electric utilities enter into long-term financial commitments on or after such date is the lower of:

- 1,100 pounds of GHG per megawatt-hour; or
- the average available GHG emissions output as updated by CTED.

In general, all baseload electric generation that begins operation after June 30, 2008, and is located in Washington, must comply with the performance standard. The following facilities are deemed to be in compliance with the performance standard:

- all baseload electric generation facilities in operation as of June 30, 2008, until they are the subject of long-term financial commitments;
- all electric generation facilities or power plants powered exclusively by renewable resources; and
- all cogeneration facilities in the state that are fueled by natural gas or waste gas in operation as of June 30, 2008, until they are the subject of a new ownership interest or are upgraded.

The following emissions produced by baseload electric generation do not count against the performance standard:

- emissions that are injected permanently in geological formations;
- emissions that are permanently sequestered by other means approved by DOE; and

- emissions sequestered or mitigated under a plan approved by the EFSEC, as specified in the act.

*Requiring Agency Action:* By June 30, 2008, DOE and EFSEC must coordinate and adopt rules to implement and enforce the GHG emissions performance standard, including the evaluation of sequestration and mitigation plans. In addition, CTED must consult with specified groups, such as the Bonneville Power Administration, and consider the effects of the standard on system reliability and the overall costs to electricity customers.

In order to update the standard, CTED must conduct a survey every five years of new combined-cycle natural gas thermal electric generation turbines commercially available and offered for sale by manufacturers and purchased in the United States. CTED must use the survey results to adopt by rule the average available GHG emissions output. The survey results must be reported to the Legislature every five years, beginning June 30, 2013.

*Enforcing the GHG Emissions Performance Standard:* Electric utilities may not enter into long-term financial commitments for baseload electric generation unless the generation complies with the performance standard. For an investor-owned utility (IOU), the Washington Utilities and Transportation Commission (WUTC) must review a long-term financial commitment in a general rate case. The WUTC must also review an IOU's proposed decision to acquire electric generation or enter into a power purchase agreement for electricity, upon application of the utility. The process for reviewing proposed decisions must be specified in rule and conducted under the Administrative Procedures Act. The WUTC must consult with DOE when verifying compliance with the performance standard. The WUTC must adopt all implementing rules by December 31, 2008.

For a consumer-owned utility, the governing board must review a long-term financial commitment in consultation with DOE, after which the State Auditor is responsible for auditing compliance with the performance standard and the Attorney General is responsible for enforcing compliance.

The WUTC or the governing board of a consumer-owned utility, whichever is appropriate, may exempt a utility from the performance standard for unanticipated electric system reliability needs, catastrophic events, or threat of significant financial harm arising from unforeseen circumstances.

*Allowing Cost Deferrals:* An IOU may defer up to 24 months the costs associated with a long-term financial commitment for baseload electric generation.

*Requiring Periodic Reviews of the GHG Emissions Performance Standard:* DOE, in consultation with CTED, EFSEC, the WUTC, and the governing boards of consumer-owned utilities, must review the GHG emissions performance standard no less than every five years or upon the implementation of a federal or state law or rule regulating CO<sub>2</sub> emissions of electric utilities, and report to the Legislature.

*Requiring a Tax Incentive Report:* By December 31, 2007, the Governor must report to the Legislature the potential benefits of creating tax incentives to encourage baseload electric facilities to upgrade their equipment to reduce CO<sub>2</sub> emissions, the nature and level of tax incentives likely to produce the greatest benefits, and the cost of providing such incentives.

*Definitions:* Various terms are defined. For example, "baseload electric generation" means electric generation from a power plant that is designed and intended to provide electricity at an annualized plant capacity factor of at least 60 percent. "Electric utility" covers investor-owned and consumer-owned utilities. "Long-term financial commitment" means: (1) either a new ownership interest in baseload electric generation or an upgrade to a baseload electric generation facility; or (2) a new or renewed contract for baseload electric generation with a term of five or more years for the provision of retail power or wholesale power to end-use customers in this state. "Renewable resources" means electricity generated from water, wind, and solar energy, among other things.

*Findings:* Various findings are made, including the vulnerability of the state to climate change, the evidence of the warming climate, and a recognition of Washington's pioneering efforts in adopting a carbon dioxide mitigation program for thermal power plants.

**Votes on Final Passage:**

Senate	35	13	
House	84	14	(House amended)
Senate	37	10	(Senate concurred)

**Effective:** July 22, 2007

**Partial Veto Summary:** An unnecessary section, Section 6, is removed.