
HOUSE BILL 1893

State of Washington 60th Legislature 2007 Regular Session

By Representatives Chase, Morris, B. Sullivan, Hunt, Morrell, Hudgins, Dunshee, Eickmeyer, O'Brien and Kenney

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1 AN ACT Relating to establishing greenhouse gases emission
2 performance standards; and adding a new chapter to Title 80 RCW.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** The legislature finds that the state has
5 taken significant strides towards implementing an environmentally and
6 economically sound energy policy through increasing reliance on energy
7 efficiency, conservation, and renewable energy resources in order to
8 promote a sustainable energy future that ensures an adequate and
9 reliable energy supply at reasonable and stable prices. To the extent
10 energy efficiency and renewable resources are unable to satisfy
11 increasing energy and capacity needs, the state must rely on clean and
12 efficient fossil fuel fired generation. The legislature encourages the
13 development of cost-effective, highly efficient, and environmentally
14 sound supply resources to provide reliability. The legislature finds
15 that federal regulation of emissions of greenhouse gases is likely to
16 occur in the near future. It is vital to ensure all electricity
17 load-serving entities internalize the significant and underrecognized
18 cost of greenhouse gas emissions and to reduce Washington's exposure to
19 costs associated with future federal regulation of these emissions.

1 The establishment of a policy to reduce emissions of greenhouse gases,
2 including an emissions performance standard for all procurement of
3 electricity by load-serving entities, is a logical and necessary step.
4 A greenhouse gases emission performance standard for new long-term
5 financial commitments to electrical generating resources will reduce
6 potential financial risk to Washington consumers for future pollution
7 control costs. The legislature intends to establish a greenhouse gases
8 emission performance standard for utility procurement of baseload
9 generation that is set no lower than levels achieved by a new combined-
10 cycle natural gas turbine.

11 NEW SECTION. **Sec. 2.** The definitions in this section apply
12 throughout this chapter unless the context clearly requires otherwise.

13 (1) "Baseload generation" means electricity generation from a power
14 plant that is designed and intended to provide electricity at an
15 annualized plant capacity factor of at least sixty percent.

16 (2) "Combined-cycle natural gas," with respect to a power plant,
17 means the power plant employs a combination of one or more gas turbines
18 and steam turbines in which electricity is produced in the steam
19 turbine from otherwise lost waste heat exiting from one or more of the
20 gas turbines.

21 (3) "Commission" means the utilities and transportation commission.

22 (4) "Consumer-owned utility" means a municipal electric utility
23 formed under Title 35 RCW, a public utility district formed under Title
24 54 RCW, an irrigation district formed under chapter 87.03 RCW, a
25 cooperative formed under chapter 23.86 RCW, or a mutual corporation or
26 association formed under chapter 24.06 RCW, that is engaged in the
27 business of distributing electricity to more than one retail electric
28 customer in the state.

29 (5) "Department" means the department of community, trade, and
30 economic development.

31 (6) "Greenhouse gases" include all of the following gases: Carbon
32 dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons,
33 and sulfur hexafluoride.

34 (7) "Investor-owned utility" means a company owned by investors
35 that meets the definition of RCW 80.04.010 and is engaged in
36 distributing electricity to more than one retail electric customer in
37 the state.

1 (8) "Load-serving entity" means every consumer-owned and
2 investor-owned utility serving end-use customers in the state.

3 (9) "Long-term financial commitment" means either a new ownership
4 investment in baseload generation or a new or renewed contract with a
5 term of five or more years, which includes procurement of baseload
6 generation.

7 (10) "Output-based methodology" means a greenhouse gases emission
8 performance standard that is expressed in pounds of greenhouse gases
9 emitted per megawatt hour and factoring in the useful thermal energy
10 employed for purposes other than the generation of electricity.

11 (11) "Plant capacity factor" means the ratio of the electricity
12 produced during a given time period, measured in kilowatt hours, to the
13 electricity the unit could have produced if it had been operated at its
14 rated capacity during that period, expressed in kilowatt hours.

15 (12) "Power plant" means a facility for the generation of
16 electricity, and includes one or more generating units at the same
17 location.

18 (13) "Zero- or low-carbon generating resource" means an electrical
19 generating resource that will generate electricity while producing
20 emissions of greenhouse gases at a rate substantially below the
21 greenhouse gases emission performance standard, as determined by the
22 commission.

23 NEW SECTION. **Sec. 3.** (1) No load-serving entity may enter into a
24 long-term financial commitment unless any baseload generation supplied
25 under the long-term financial commitment complies with the greenhouse
26 gases emission performance standard established by the commission,
27 under section 5 of this act, for an investor-owned utility, or by the
28 department, under section 6 of this act, for a consumer-owned utility.

29 (2)(a) The commission shall adopt rules to enforce the requirements
30 of this section for investor-owned utilities. The commission shall
31 adopt procedures, for all investor-owned utilities, to verify the
32 emissions of greenhouse gases from any baseload generation supplied
33 under a contract subject to the greenhouse gases emission performance
34 standard to ensure compliance with the standard.

35 (b) In determining whether a long-term financial commitment is for
36 baseload generation, the commission shall consider the design of the
37 power plant and the intended use of the power plant, as determined by

1 the commission based upon the electricity purchase contract, any
2 certification received from the department, any other permit or
3 certificate necessary for the operation of the power plant, and any
4 other matter the commission determines is relevant under the
5 circumstances.

6 (3) A long-term financial commitment entered into through a
7 contract approved by the commission, for electricity generated by a
8 zero- or low-carbon generating resource that is contracted for, on
9 behalf of consumers of this state on a cost-of-service basis, shall be
10 recoverable in rates. The commission may, after a hearing, approve an
11 increase from one-half to one percent in the return on investment by
12 the third party entering into the contract with an investor-owned
13 utility with respect to investment in zero- or low-carbon generation
14 resources.

15 NEW SECTION. **Sec. 4.** (1) The department shall adopt rules for the
16 enforcement of this chapter with respect to a consumer-owned utility.

17 (2) The department may, in order to ensure compliance with the
18 greenhouse gases emission performance standard by consumer-owned
19 utilities, apply the procedures adopted by the commission to verify the
20 emissions of greenhouse gases from baseload generation.

21 (3) In determining whether a long-term financial commitment is for
22 baseload generation, the department shall consider the design of the
23 power plant and the intended use of the power plant, as determined by
24 the department based upon the electricity purchase contract, any
25 certification received from the department, any other permit for the
26 operation of the power plant, any procurement approval decision for the
27 load-serving entity, and any other matter the department determines is
28 relevant under the circumstances.

29 NEW SECTION. **Sec. 5.** (1) On or before February 1, 2008, the
30 commission, through a rule-making proceeding, and in consultation with
31 the department and the department of ecology, shall establish a
32 greenhouse gases emission performance standard for all baseload
33 generation of load-serving entities, at a rate of emissions of
34 greenhouse gases that is no higher than the rate of emissions of
35 greenhouse gases for combined-cycle natural gas baseload generation.
36 Enforcement of the greenhouse gases emission performance standard must

1 begin immediately upon the establishment of the standard. All
2 combined-cycle natural gas power plants that are in operation, or have
3 final permit decision to operate as of June 30, 2008, are deemed to be
4 in compliance with the greenhouse gases emission performance standard.

5 (2) In determining the rate of emissions of greenhouse gases for
6 baseload generation, the commission shall include the net emissions
7 resulting from the production of electricity by the baseload
8 generation.

9 (3) The commission shall establish an output-based methodology to
10 ensure that the calculation of emissions of greenhouse gases for
11 cogeneration recognizes the total usable energy output of the process,
12 and includes all greenhouse gases emitted by the facility in the
13 production of both electrical and thermal energy.

14 (4) In calculating the emissions of greenhouse gases by facilities
15 generating electricity from biomass, biogas, or landfill gas energy,
16 the commission shall consider net emissions from the process of
17 growing, processing, and generating the electricity from the fuel
18 source.

19 (5) Carbon dioxide that is injected in geological formations, so as
20 to prevent releases into the atmosphere, in compliance with applicable
21 laws, rules, and regulations may not be counted as emissions of the
22 power plant in determining compliance with the greenhouse gases
23 emission performance standard.

24 (6) In adopting and implementing the greenhouse gases emission
25 performance standard, the commission, in consultation with the
26 department shall consider the effects of the standard on system
27 reliability and overall costs to electricity customers.

28 (7) In developing and implementing the greenhouse gases emission
29 performance standard, the commission shall address long-term purchases
30 of electricity from unspecified sources in a manner consistent with
31 this chapter.

32 NEW SECTION. **Sec. 6.** (1) On or before June 30, 2008, the
33 department, at a duly noticed public hearing and in consultation with
34 the commission and the department of ecology, shall establish a
35 greenhouse gases emission performance standard for all baseload
36 generation of consumer-owned utilities at a rate of emissions of
37 greenhouse gases that is no higher than the rate of emissions of

1 greenhouse gases for combined-cycle natural gas baseload generation.
2 The greenhouse gases emission performance standard established by the
3 department for consumer-owned utilities must be consistent with the
4 standard adopted by the commission for investor-owned utilities.
5 Enforcement of the greenhouse gases emission performance standard must
6 begin immediately upon the establishment of the standard. All
7 combined-cycle natural gas power plants that are in operation, or that
8 have a final permit decision to operate as of June 30, 2008, are deemed
9 to be in compliance with the greenhouse gases emission performance
10 standard.

11 (2) In determining the rate of emissions of greenhouse gases for
12 baseload generation, the department shall include the net emissions
13 resulting from the production of electricity by the baseload
14 generation.

15 (3) The department shall establish an output-based methodology to
16 ensure that the calculation of emissions of greenhouse gases for
17 cogeneration recognizes the total usable energy output of the process,
18 and includes all greenhouse gas emitted by the facility in the
19 production of both electrical and thermal energy.

20 (4) In calculating the emissions of greenhouse gases by facilities
21 generating electricity from biomass, biogas, or landfill gas energy,
22 the department shall consider net emissions from the process of
23 growing, processing, and generating the electricity from the fuel
24 source.

25 (5) Carbon dioxide that is captured from the emissions of a power
26 plant and that is permanently disposed of in geological formations in
27 compliance with applicable laws, rules, and regulations, shall not be
28 counted as emissions from the power plant.

29 (6) In developing and implementing the greenhouse gases emission
30 performance standard, the department shall address long-term purchases
31 of electricity from unspecified sources in a manner consistent with
32 this chapter.

33 NEW SECTION. **Sec. 7.** The department, in a duly noticed public
34 hearing and in consultation with the commission and the department of
35 ecology, shall reevaluate and continue, modify, or replace the
36 greenhouse gases emission performance standard when an enforceable

1 greenhouse gases emission limit is established and in operation, that
2 is applicable to consumer-owned utilities.

3 NEW SECTION. **Sec. 8.** The commission, through a rule-making
4 proceeding and in consultation with the department and the department
5 of ecology, shall reevaluate and continue, modify, or replace the
6 greenhouse gases emission performance standard when an enforceable
7 greenhouse gases emission limit is established and in operation, that
8 is applicable to load-serving entities.

9 NEW SECTION. **Sec. 9.** Sections 1 through 8 of this act constitute
10 a new chapter in Title 80 RCW.

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