HOUSE BILL REPORT
HB 2129

As Amended by the Senate

Title: An act relating to the greenhouse gas emissions performance standard under chapter 80.80 RCW.

Brief Description: Regarding the greenhouse gas emissions performance standard under chapter 80.80 RCW.

Sponsors: Representative Eddy.

Brief History:
Committee Activity:
Technology, Energy & Communications: 2/18/09, 2/19/09 [DP].
Floor Activity
Passed House: 3/4/09, 95-0.
Senate Amended.
Passed Senate: 4/9/09, 45-0.

Brief Summary of Bill

- Specifies that the Utilities and Transportation Commission, in reviewing long-term financial agreements entered into by investor-owned utilities, must solely determine whether the proposed baseload generation resource complies with the greenhouse gas emissions performance standard.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: Do pass. Signed by 15 members: Representatives McCoy, Chair; Crouse, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Carlyle, Condotta, Eddy, Finn, Hasegawa, Herrera, Hudgins, Jacks, McCune, Morris, Takko and Van De Wege.

Staff: Scott Richards (786-7156)

Background:

Greenhouse Gas (GHG) Emissions Performance Standard for Electric Generation Plants.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

In 2007 the Legislature established a GHG emissions performance standard (EPS) for electric generation. Under the law, electric utilities may not enter into long-term financial commitments for baseload electric generation on or after July 1, 2008, unless the generating plant's emissions are the lower of:

- 1,100 pounds of GHG per megawatt-hour; or
- the average available GHG emissions output as updated by the Department of Community, Trade and Economic Development.

"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. "Long-term financial commitment" means either: (1) 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.

Review of Long-Term Financial Commitments by the Utilities and Transportation Commission.
In order to enforce the emissions performance standard, the Utilities and Transportation Commission (UTC) must determine if the baseload power supplied under a long-term financial commitment complies with the EPS. The UTC is also authorized to decide at this time if, among other things, the investor-owned utility (IOU) needs the resource and whether the resource is appropriate, taking into consideration such factors as a company's forecasted load. A review of a long-term financial commitment must be conducted under the Administrative Procedures Act.

Cost Deferrals for IOUs.
An IOU is allowed to defer up to 24 months the costs associated with a long-term financial commitment for baseload electric generation. Recovery of deferred costs is subject to approval by the UTC.

Eligible Renewable Resources Under the Energy Independence Act (Initiative 937).
Approved by voters in 2006, Initiative 937 requires electric utilities with 25,000 or more customers to meet targets for energy conservation and for using eligible renewable resources.

Under Initiative 937, "eligible renewable resource" includes wind, solar, geothermal energy, landfill and sewage gas, wave and tidal power, and certain biomass and biodiesel fuels. Electricity produced from an eligible renewable resource must be generated in a facility that started operating after March 31, 1999. The facility must either be located in the Pacific Northwest or the electricity from the facility must be delivered into the state on a real-time basis. Incremental electricity produced from efficiency improvements at hydropower facilities owned by qualifying utilities is also an eligible renewable resource, if the improvements were completed after March 31, 1999.

Summary of Bill:

Review of Long-Term Financial Commitments by the UTC.

The provision concerning the review by the UTC of long-term financial commitments for baseload generation is modified. When an IOU submits a long-term financial commitment to the UTC for review, the UTC is required solely to determine if the proposed baseload resource complies with the emissions performance standard. All other issues, such as the need for and appropriateness of the resource, will be determined in a subsequent rate case.

<u>Changing Definitions for the Cost-Deferral Process</u>.
For the purposes of the cost-deferral process, the definition of "long-term financial commitment" also includes an IOU's ownership or power purchase agreement of at least five years associated with an eligible renewable resource under Initiative 937.

EFFECT OF SENATE AMENDMENT(S):

<u>Changes the definition of "power plant," which currently means a single plant sited by the Energy Facility Site Evaluation Council or a local jurisdiction, to mean a facility for the generation of electricity that is permitted as a single plant by a jurisdiction inside or outside the state.</u>

<u>Exempts long-term financial commitments with the Bonneville Power Administration from the emissions performance standard.</u>

<u>Specifies that no more than 12 percent of emissions in a long-term financial commitment may be from unspecified sources of power.</u>

<u>Clarifies that in a long-term financial commitment with multiple power plants, the emissions of each power plant must comply with the emissions performance standard, except for commitments already deemed to be in compliance under current law: Baseload generation facilities in operation as of June 30, 2008, facilities powered exclusively by renewable resources, and certain cogeneration facilities using natural or waste gas.</u>

<u>Allows the Utilities and Transportation Commission and the governing boards of consumer-owned utilities to provide case-by-case exemptions for extraordinary cost impacts on utility ratepayers.</u>

<u>Makes technical changes.</u>

Appropriation: None.

Fiscal Note: Not requested.

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

Staff Summary of Public Testimony:

(In support) The bill provides clarity to a regulatory account mechanism enacted in Engrossed Substitute Senate Bill 6001 during the 2007 legislative session. The mechanism is used by IOUs to track costs associated with projects that meet the state's greenhouse gas emissions performance standard. The changes do not guarantee recovery of costs for a utility. The changes guarantee that the costs will be considered during a utility's next rate case before the UTC.

(Opposed) None.

Persons Testifying: Ken Johnson, Puget Sound Energy; Kathleen Collins, PacifiCorp; and Tim Boyd, Industrial Customers of Northwest Utilities.

Persons Signed In To Testify But Not Testifying: None.