

# SENATE BILL REPORT

## SB 5989

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As Reported by Senate Committee On:  
Environment, Water & Energy, February 13, 2009

**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:** Senator Sheldon.

**Brief History:**

**Committee Activity:** Environment, Water & Energy: 2/13/09 [DP].

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### SENATE COMMITTEE ON ENVIRONMENT, WATER & ENERGY

**Majority Report:** Do pass.

Signed by Senators Rockefeller, Chair; Pridemore, Vice Chair; Honeyford, Ranking Minority Member; Delvin, Hatfield, Holmquist, Morton and Sheldon.

**Staff:** William Bridges (786-7416)

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

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*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.*

Review of Long-Term Financial Commitments by Investor-Owned Utilities (IOUs). In order to enforce the emissions performance standard, the Washington Utilities and Transportation Commission (WUTC) must determine if the baseload power supplied under a long-term financial commitment complies with the EPS. WUTC is also authorized to decide at this time if, among other things, the company 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. The EPS permits an IOU 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 WUTC.

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

Under the Initiative, "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:** Simplifying the Review of Long-Term Financial Commitments by IOUs. The provision concerning the review of long-term financial commitments for baseload generation is simplified. When an IOU submits a long-term financial commitment to the WUTC for review, the WUTC is only required to determine if the proposed baseload resource complies with the EPS. All other issues, such as the need for and appropriateness of the resource, will be determined in a subsequent rate case.

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

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: The bill does not change the emissions performance standard nor does it guarantee rate recovery. The WUTC must still review a deferred-cost request in a rate case. Stakeholders and the WUTC have developed the language in the bill, which clarifies the process for considering renewable energy under the EPS.

**Persons Testifying:** PRO: Tim Boyd, Industrial Customers of NW Utilities; Kathleen Collins, PacifiCorp; Ken Johnson, PSE.