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E2SSB 5769 - H COMM AMD By Committee on Environment

NOT ADOPTED 04/11/2011

Strike everything after the enacting clause and insert the 1 2 following:

"NEW SECTION. Sec. 101. (1) The legislature finds that generating electricity from the combustion of coal produces pollutants that are harmful to human health and safety and the environment. While the emission of many of these pollutants continues to be addressed through application of federal and state air quality laws, the emission of greenhouse gases resulting from the combustion of coal has not been addressed.

- (2) The legislature finds that coal-fired electricity generation is one of the largest sources of greenhouse gas emissions in the state, and is the largest source of such emissions from the generation of electricity in the state.
- The legislature finds coal-fired electric generation may provide baseload power that is necessary in the near-term for the stability and reliability of the electrical transmission grid and that contributes to the availability of affordable power in the state. legislature further finds that efforts to transition power to other fuels requires a reasonable period of time to ensure grid stability and to maintain affordable electricity resources.
- The legislature finds that coal-fired baseload electric generation facilities are a significant contributor to family-wage jobs and economic health in parts of the state and that transition of these facilities must address the economic future and the preservation of jobs in affected communities.
- (5) Therefore, it is the purpose of this act to provide for the reduction of greenhouse gas emissions from large coal-fired baseload electric power generation facilities, to effect an orderly transition to cleaner fuels in a manner that ensures reliability of the state's electrical grid, to ensure appropriate cleanup and site restoration

- 1 upon decommissioning of any of these facilities in the state, and to
- 2 provide assistance to host communities planning for new economic
- 3 development and mitigating the economic impacts of the closure of these
- 4 facilities.

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- 5 **Sec. 102.** RCW 80.80.010 and 2009 c 565 s 54 and 2009 c 448 s 1 are each reenacted and amended to read as follows:
- 7 The definitions in this section apply throughout this chapter 8 unless the context clearly requires otherwise.
- 9 (1) "Attorney general" means the Washington state office of the 10 attorney general.
 - (2) "Auditor" means: (a) The Washington state auditor's office or its designee for consumer-owned utilities under its jurisdiction; or (b) an independent auditor selected by a consumer-owned utility that is not under the jurisdiction of the state auditor.
 - (3) "Average available greenhouse gas emissions output" means the level of greenhouse gas emissions as surveyed and determined by the energy policy division of the department of commerce under RCW 80.80.050.
 - (4) "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 sixty percent.
 - (5) "Cogeneration facility" means a power plant in which the heat or steam is also used for industrial or commercial heating or cooling purposes and that meets federal energy regulatory commission standards for qualifying facilities under the public utility regulatory policies act of 1978 (16 U.S.C. Sec. 824a-3), as amended.
 - (6) "Combined-cycle natural gas thermal electric generation facility" means a power plant that employs a combination of one or more gas turbines and steam turbines in which electricity is produced in the steam turbine from otherwise lost waste heat exiting from one or more of the gas turbines.
- 32 (7) "Commission" means the Washington utilities and transportation 33 commission.
- 34 (8) "Consumer-owned utility" means a municipal utility formed under 35 Title 35 RCW, a public utility district formed under Title 54 RCW, an 36 irrigation district formed under chapter 87.03 RCW, a cooperative 37 formed under chapter 23.86 RCW, a mutual corporation or association

- formed under chapter 24.06 RCW, or port district within which an 1 2 industrial district has been established as authorized by Title 53 RCW,
- that is engaged in the business of distributing electricity to more 3 4 than one retail electric customer in the state.
- 5 (9) "Department" means the department of ecology.
- (10) "Distributed generation" means electric generation connected 6 to the distribution level of the transmission and distribution grid, 7 8 which is usually located at or near the intended place of use.
- (11) "Electric utility" means an electrical company or a consumer-9 10 owned utility.
- (12) "Electrical company" means a company owned by investors that 11 12 meets the definition of RCW 80.04.010.
- 13 (13) "Governing board" means the board of directors or legislative 14 authority of a consumer-owned utility.
- (14) "Greenhouse ((qases)) gas" includes carbon dioxide, methane, 15 oxide, hydrofluorocarbons, perfluorocarbons, 16 nitrous sulfur 17 hexafluoride.
 - (15) "Long-term financial commitment" means:

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- (a) Either a new ownership interest in baseload electric generation or an upgrade to a baseload electric generation facility; or
 - (b) 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.
 - (16) "Plant capacity factor" means the ratio of the electricity produced during a given time period, measured in kilowatt-hours, to the electricity the unit could have produced if it had been operated at its rated capacity during that period, expressed in kilowatt-hours.
 - (17) "Power plant" means a facility for the generation of electricity that is permitted as a single plant by a jurisdiction inside or outside the state.
 - (18) "Upgrade" means any modification made for the primary purpose of increasing the electric generation capacity of a baseload electric generation facility. "Upgrade" does not include routine or necessary maintenance, installation of emission control equipment, installation, replacement, or modification of equipment that improves the heat rate of the facility, or installation, replacement, or modification of equipment for the primary purpose of maintaining reliable generation

output capability that does not increase the heat input or fuel usage 1 2 as specified in existing generation air quality permits as of July 22, 3 2007, but may result in incidental increases in generation capacity.

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- (19) "Coal transition power" means the output of a coal-fired electric generation facility that is subject to an obligation to meet the standards contained in RCW 80.80.040(3)(c).
- 7 (20) "Memorandum of agreement" or "memorandum" means a binding and enforceable contract entered into pursuant to section 106 of this act 8 between the governor on behalf of the state and an owner of a baseload 9 electric generation facility in the state that produces coal transition 10 11 power.
- 12 Sec. 103. RCW 80.80.040 and 2009 c 448 s 2 are each amended to 13 read as follows:
 - (1) Beginning July 1, 2008, the greenhouse gas 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:
- (a) One thousand one hundred pounds of greenhouse gases per 18 megawatt-hour; or 19
- 20 (b) The average available greenhouse gas emissions output as 21 determined under RCW 80.80.050.
- 22 (2) This chapter does not apply to long-term financial commitments 23 with the Bonneville power administration.
 - (3)(a) Except as provided in (c) of this subsection, all baseload electric generation facilities in operation as of June 30, 2008, are deemed to be in compliance with the greenhouse gas emissions performance standard established under this section until the facilities are the subject of long-term financial commitments.
- 29 (b) All baseload electric generation that commences operation after June 30, 2008, and is located in Washington, must comply with the 30 31 greenhouse gas emissions performance standard established in subsection 32 (1) of this section.
- (c)(i) A coal-fired baseload electric generation facility in 33 34 Washington that emitted more than one million tons of greenhouse gases 35 in calendar year 2005 must comply with the lower of the following greenhouse gas emissions performance standard such that one generating 36

- boiler is in compliance by December 31, 2020, and any other generating boiler is in compliance by December 31, 2025:
- 3 (A) One thousand one hundred pounds of greenhouse gases per 4 megawatt-hour; or

- (B) The average available greenhouse gas emissions output as determined under RCW 80.80.050.
- (ii) This subsection (3)(c) does not apply to a coal-fired baseload electric generating facility in the event the department determines as a requirement of state or federal law or regulation that selective catalytic reduction technology must be installed on any of its boilers.
- (4) All electric generation facilities or power plants powered exclusively by renewable resources, as defined in RCW 19.280.020, are deemed to be in compliance with the greenhouse gas emissions performance standard established under this section.
- (5) All cogeneration facilities in the state that are fueled by natural gas or waste gas or a combination of the two fuels, and that are in operation as of June 30, 2008, are deemed to be in compliance with the greenhouse gas emissions performance standard established under this section until the facilities are the subject of a new ownership interest or are upgraded.
- (6) In determining the rate of emissions of greenhouse gases for baseload electric generation, the total emissions associated with producing electricity shall be included.
- (7) In no case shall a long-term financial commitment be determined to be in compliance with the greenhouse gas emissions performance standard if the commitment includes more than twelve percent of electricity from unspecified sources.
- (8) For a long-term financial commitment with multiple power plants, each specified power plant must be treated individually for the purpose of determining the annualized plant capacity factor and net emissions, and each power plant must comply with subsection (1) of this section, except as provided in subsections (3) through (5) of this section.
- (9) The department shall establish an output-based methodology to ensure that the calculation of emissions of greenhouse gases for a cogeneration facility recognizes the total usable energy output of the process, and includes all greenhouse gases emitted by the facility in the production of both electrical and thermal energy. In developing

and implementing the greenhouse gas emissions performance standard, the department shall consider and act in a manner consistent with any rules adopted pursuant to the public utilities regulatory policy act of 1978 (16 U.S.C. Sec. 824a-3), as amended.

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- (10) The following greenhouse gas emissions produced by baseload electric generation owned or contracted through a long-term financial commitment shall not be counted as emissions of the power plant in determining compliance with the greenhouse gas emissions performance standard:
- (a) Those emissions that are injected permanently in geological formations;
- (b) Those emissions that are permanently sequestered by other means approved by the department; and
- (c) Those emissions sequestered or mitigated as approved under subsection (16) of this section.
- (11) In adopting and implementing the greenhouse gas emissions performance standard, the department of ((community, trade, and economic development)) commerce energy policy division, in consultation with the commission, the department, the Bonneville power administration, the western electricity ((coordination [coordinating])) coordinating council, the energy facility site evaluation council, electric utilities, public interest representatives, and consumer representatives, shall consider the effects of the greenhouse gas emissions performance standard on system reliability and overall costs to electricity customers.
- (12) In developing and implementing the greenhouse gas emissions performance standard, the department shall, with assistance of the commission, the department of ((community, trade, and economic development)) commerce energy policy division, and electric utilities, and to the extent practicable, address long-term purchases of electricity from unspecified sources in a manner consistent with this chapter.
- 33 (13) The directors of the energy facility site evaluation council 34 and the department shall each adopt rules under chapter 34.05 RCW in 35 coordination with each other to implement and enforce the greenhouse 36 gas emissions performance standard. The rules necessary to implement 37 this section shall be adopted by June 30, 2008.

(14) In adopting the rules for implementing this section, the energy facility site evaluation council and the department shall include criteria to be applied in evaluating the carbon sequestration plan, for baseload electric generation that will rely on subsection (10) of this section to demonstrate compliance, but that will commence sequestration after the date that electricity is first produced. The rules shall include but not be limited to:

- (a) Provisions for financial assurances, as a condition of plant operation, sufficient to ensure successful implementation of the carbon sequestration plan, including construction and operation of necessary equipment, and any other significant costs;
- (b) Provisions for geological or other approved sequestration commencing within five years of plant operation, including full and sufficient technical documentation to support the planned sequestration;
- (c) Provisions for monitoring the effectiveness of the implementation of the sequestration plan;
 - (d) Penalties for failure to achieve implementation of the plan on schedule;
 - (e) Provisions for an owner to purchase emissions reductions in the event of the failure of a sequestration plan under subsection (16) of this section; and
- 23 (f) Provisions for public notice and comment on the carbon 24 sequestration plan.
 - (15)(a) Except as provided in (b) of this subsection, as part of its role enforcing the greenhouse gas emissions performance standard, the department shall determine whether sequestration or a plan for sequestration will provide safe, reliable, and permanent protection against the greenhouse gases entering the atmosphere from the power plant and all ancillary facilities.
 - (b) For facilities under its jurisdiction, the energy facility site evaluation council shall contract for review of sequestration or the carbon sequestration plan with the department consistent with the conditions under (a) of this subsection, consider the adequacy of sequestration or the plan in its adjudicative proceedings conducted under RCW 80.50.090(3), and incorporate specific findings regarding adequacy in its recommendation to the governor under RCW 80.50.100.

- (16) A project under consideration by the energy facility site 1 2 evaluation council by July 22, 2007, is required to include all of the requirements of subsection (14) of this section in its carbon 3 sequestration plan submitted as part of the energy facility site 4 evaluation council process. A project under consideration by the 5 energy facility site evaluation council by July 22, 2007, that receives 6 7 final site certification agreement approval under chapter 80.50 RCW 8 shall make a good faith effort to implement the sequestration plan. 9 the project owner determines that implementation is not feasible, the project owner shall submit documentation of that determination to the 10 energy facility site evaluation council. The documentation shall 11 12 demonstrate the steps taken to implement the sequestration plan and 13 evidence of the technological and economic barriers to successful implementation. The project owner shall then provide to the energy 14 facility site evaluation council notification that they shall implement 15 the plan that requires the project owner to meet the greenhouse gas 16 17 emissions performance standard by purchasing verifiable greenhouse gas emissions reductions from an electric ((generating)) generation 18 19 facility located within the western interconnection, where the reduction would not have occurred otherwise or absent this contractual 20 21 agreement, such that the sum of the emissions reductions purchased and 22 the facility's emissions meets the standard for the life of the 23 facility.
 - Sec. 104. RCW 80.80.060 and 2009 c 448 s 3 and 2009 c 147 s 1 are each reenacted and amended to read as follows:

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- (1) No electrical company may enter into a long-term financial commitment unless the baseload electric generation supplied under such a long-term financial commitment complies with the greenhouse ((gases [gas])) gas emissions performance standard established under RCW 80.80.040.
- (2) In order to enforce the requirements of this chapter, the commission shall review in a general rate case or as provided in subsection (5) of this section any long-term financial commitment entered into by an electrical company after June 30, 2008, to determine whether the baseload electric generation to be supplied under that long-term financial commitment complies with the greenhouse ((gases)

1 [gas])) <u>gas</u> emissions performance standard established under RCW 2 80.80.040.

- (3) In determining whether a long-term financial commitment is for baseload electric generation, the commission shall consider the design of the power plant and its intended use, based upon the electricity purchase contract, if any, permits necessary for the operation of the power plant, and any other matter the commission determines is relevant under the circumstances.
- (4) Upon application by an electric utility, the commission may provide a case-by-case exemption from the greenhouse ((gases [gas])) gas emissions performance standard to address: (a) Unanticipated electric system reliability needs; (b) extraordinary cost impacts on utility ratepayers; or (c) catastrophic events or threat of significant financial harm that may arise from unforeseen circumstances.
- (5) Upon application by an electrical company, the commission shall determine whether the company's proposed decision to acquire electric generation or enter into a power purchase agreement for electricity complies with the greenhouse ((gases [gas])) gas emissions performance standard established under RCW 80.80.040. The commission shall not decide in a proceeding under this subsection (5) issues involving the actual costs to construct and operate the selected resource, cost recovery, or other issues reserved by the commission for decision in a general rate case or other proceeding for recovery of the resource or contract costs.
- (6) An electrical company may account for and defer for later consideration by the commission costs incurred in connection with a long-term financial commitment, including operating and maintenance costs, depreciation, taxes, and cost of invested capital. The deferral begins with the date on which the power plant begins commercial operation or the effective date of the power purchase agreement and continues for a period not to exceed twenty-four months; provided that if during such period the company files a general rate case or other proceeding for the recovery of such costs, deferral ends on the effective date of the final decision by the commission in such proceeding. Creation of such a deferral account does not by itself determine the actual costs of the long-term financial commitment, whether recovery of any or all of these costs is appropriate, or other issues to be decided by the commission in a general rate case or other

proceeding for recovery of these costs. For the purpose of this subsection (6) only, the term "long-term financial commitment" also includes an electric company's ownership or power purchase agreement with a term of five or more years associated with an eligible renewable resource as defined in RCW 19.285.030.

- (7) The commission shall consult with the department to apply the procedures adopted by the department to verify the emissions of greenhouse gases from baseload electric generation under RCW 80.80.040. The department shall report to the commission whether baseload electric generation will comply with the greenhouse ((gases [gas])) gas emissions performance standard for the duration of the period the baseload electric generation is supplied to the electrical company.
- (8) The commission shall adopt rules for the enforcement of this section with respect to electrical companies and adopt procedural rules for approving costs incurred by an electrical company under subsection (4) of this section.
- (9) This section does not apply to a long-term financial commitment for the purchase of coal transition power with termination dates consistent with the applicable dates in RCW 80.80.040(3)(c).
- (10) The commission shall adopt rules necessary to implement this section by December 31, 2008.
- **Sec. 105.** RCW 80.80.070 and 2007 c 307 s 9 are each amended to 23 read as follows:
 - (1) No consumer-owned utility may enter into a long-term financial commitment unless the baseload electric generation supplied under such a long-term financial commitment complies with the greenhouse ((gases)) gas emissions performance standard established under RCW 80.80.040.
 - (2) The governing board shall review and make a determination on any long-term financial commitment by the utility, pursuant to this chapter and after consultation with the department, to determine whether the baseload electric generation to be supplied under that long-term financial commitment complies with the greenhouse ((gases)) gas emissions performance standard established under RCW 80.80.040. No consumer-owned utility may enter into a long-term financial commitment unless the baseload electric generation to be supplied under that long-term financial commitment complies with the greenhouse ((gases)) gas emissions performance standard established under RCW 80.80.040.

(3) In confirming that a long-term financial commitment is for baseload electric generation, the governing board shall consider the design of the power plant and the intended use of the power plant based upon the electricity purchase contract, if any, permits necessary for the operation of the power plant, and any other matter the governing board determines is relevant under the circumstances.

- (4) The governing board may provide a case-by-case exemption from the greenhouse ((gases)) gas emissions performance standard to address:

 (a) Unanticipated electric system reliability needs; or (b) catastrophic events or threat of significant financial harm that may arise from unforeseen circumstances.
- (5) The governing board shall apply the procedures adopted by the department to verify the emissions of greenhouse gases from baseload electric generation under RCW 80.80.040, and may request assistance from the department in doing so.
- (6) For consumer-owned utilities, the auditor is responsible for auditing compliance with this chapter and rules adopted under this chapter that apply to those utilities and the attorney general is responsible for enforcing that compliance.
- 20 (7) This section does not apply to long-term financial commitments
 21 for the purchase of coal transition power with termination dates
 22 consistent with the applicable dates in RCW 80.80.040(3)(c).
- NEW SECTION. Sec. 106. A new section is added to chapter 80.80 RCW to read as follows:
 - (1) By January 1, 2012, the governor on behalf of the state shall enter into a memorandum of agreement that takes effect on April 1, 2012, with the owners of a coal-fired baseload facility in Washington that emitted more than one million tons of greenhouse gases in calendar year 2005. The memorandum of agreement entered into by the governor may only contain provisions authorized in this section, except as provided under section 108 of this act.
 - (2) The memorandum of agreement must:
- 33 (a) Incorporate by reference RCW 80.80.040, 80.80.060, and 80.80.070 as of the effective date of this section;
- 35 (b) Incorporate binding commitments to install selective 36 noncatalytic reduction pollution control technology in any coal-fired

- generating boilers by January 1, 2013, after discussing the proper use of ammonia in this technology.
 - (3)(a) The memorandum of agreement must include provisions by which the facility owner will provide financial assistance:
 - (i) To the affected community for economic development and energy efficiency and weatherization; and
 - (ii) For energy technologies with the potential to create considerable energy, economic development, and air quality, haze, or other environmental benefits.
 - (b) Except as described in (c) of this subsection, the financial assistance in (a)(i) of this subsection must be in the amount of thirty million dollars and the financial assistance in (a)(ii) of this subsection must be in the amount of twenty-five million dollars, with investments beginning January 1, 2012, and consisting of equal annual investments through December 31, 2023, or until the full amount has been provided. Only funds for energy efficiency and weatherization may be spent prior to December 31, 2015.
 - (c) If the tax exemptions provided under RCW 82.08.811 or 82.12.811 are repealed, any remaining financial assistance required by this section is no longer required.
 - (4) The memorandum of agreement must:

- (a) Specify that the investments in subsection (3) of this section be held in independent accounts at an appropriate financial institution; and
 - (b) Identify individuals to approve expenditures from the accounts. Individuals must have relevant expertise and must include members representing the Lewis county economic development council, local elected officials, employees at the facility, and the facility owner.
 - (5) The memorandum of agreement must include a provision that allows for the termination of the memorandum of agreement in the event the department determines as a requirement of state or federal law or regulation that selective catalytic reduction technology must be installed on any of its boilers.
- (6) The memorandum of agreement must include enforcement provisions to ensure implementation of the agreement by the parties.
- 36 (7) If the memorandum of agreement is not signed by January 1, 2012, the governor must impose requirements consistent with the provisions in subsection (2)(b) of this section.

NEW SECTION. Sec. 107. A new section is added to chapter 80.80 RCW to read as follows:

No state agency or political subdivision of the state may adopt or 3 impose a greenhouse gas emission performance standard, or other 4 5 operating or financial requirement or limitation relating to greenhouse gas emissions, on a coal-fired electric generation facility located in 6 7 Washington in operation on or before the effective date of this section 8 or upon an electric utility's long-term purchase of coal transition power, that is inconsistent with or in addition to the provisions of 9 10 RCW 80.80.040 or the memorandum of agreement entered into under section 106 of this act. 11

NEW SECTION. Sec. 108. A new section is added to chapter 80.80 RCW to read as follows:

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- (1) A memorandum of agreement entered into pursuant to section 106 of this act may include provisions to assist in the financing of emissions reductions that exceed those required by RCW 80.80.040(3)(c) by providing for the recognition of such reductions in applicable state policies and programs relating to greenhouse gas emissions, and by encouraging and advocating for the recognition of the reductions in all established and emerging emission reduction frameworks at the regional, national, or international level.
- 22 (2) The governor may recommend actions to the legislature to 23 strengthen implementation of an agreement or a proposed agreement 24 relating to recognition of investments in emissions reductions 25 described in subsection (1) of this section.
- 26 **Sec. 109.** RCW 80.50.100 and 1989 c 175 s 174 are each amended to read as follows:
- (1)(a) The council shall report to the governor its recommendations as to the approval or rejection of an application for certification within twelve months of receipt by the council of such an application, or such later time as is mutually agreed by the council and the applicant.
- 33 (b) In the case of an application filed prior to December 31, 2025, 34 for certification of an energy facility proposed for construction, 35 modification, or expansion for the purpose of providing generating 36 facilities that meet the requirements of RCW 80.80.040 and are located

- in a county with a coal-fired electric generating facility subject to RCW 80.80.040(3)(c), the council shall expedite the processing of the application pursuant to RCW 80.50.075 and shall report its recommendations to the governor within one hundred eighty days of receipt by the council of such an application, or a later time as is mutually agreed by the council and the applicant.
 - (2) If the council recommends approval of an application for certification, it shall also submit a draft certification agreement with the report. The council shall include conditions in the draft certification agreement to implement the provisions of this chapter, including, but not limited to, conditions to protect state or local governmental or community interests affected by the construction or operation of the energy facility, and conditions designed to recognize the purpose of laws or ordinances, or rules or regulations promulgated thereunder, that are preempted or superseded pursuant to RCW 80.50.110 as now or hereafter amended.
- 17 $((\frac{(2)}{2}))$ (3)(a) Within sixty days of receipt of the council's report the governor shall take one of the following actions:
- 19 $((\frac{a}{a}))$ <u>(i)</u> Approve the application and execute the draft 20 certification agreement; or
- 21 $((\frac{b}{b}))$ (ii) Reject the application; or

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- (((c))) (iii) Direct the council to reconsider certain aspects of the draft certification agreement.
 - (b) The council shall reconsider such aspects of the draft certification agreement by reviewing the existing record of the application or, as necessary, by reopening the adjudicative proceeding for the purposes of receiving additional evidence. Such reconsideration shall be conducted expeditiously. The council shall resubmit the draft certification to the governor incorporating any amendments deemed necessary upon reconsideration. Within sixty days of receipt of such draft certification agreement, the governor shall either approve the application and execute the certification agreement or reject the application. The certification agreement shall be binding upon execution by the governor and the applicant.
 - $((\frac{3}{3}))$ (4) The rejection of an application for certification by the governor shall be final as to that application but shall not preclude submission of a subsequent application for the same site on the basis of changed conditions or new information.

- NEW SECTION. Sec. 201. (1) A facility subject to closure under 1 either RCW 80.80.040(3)(c) or a memorandum of agreement under section 2 106 of this act, or both, must provide the department of ecology with 3 a plan for the closure and postclosure of the facility at least twenty-4 four months prior to closure of the first boiler. This plan must be 5 consistent with the rules established by the energy facility site 6 7 evaluation council for site restoration and preservation applicable to 8 facilities subject to a site certification agreement under chapter 80.50 RCW and include but not be limited to: 9
 - (a) A detailed estimate of the cost to implement the plan based on the cost of hiring a third party to conduct all activities;

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- (b) Demonstrating financial assurance to fund the closure and postclosure of the facility and providing methods by which this assurance may be demonstrated;
- (c) Methods for estimating closure costs, including full site reclamation under all applicable federal and state clean-up standards; and
 - (d) A decommissioning and site restoration plan that addresses restoring physical topography, cleanup of all hazardous substances on the site, potential future uses of the site following restoration, and coordination with local and community plans for economic development in the vicinity of the site.
 - (2) All cost estimates in the plan must be in current dollars and may not include a net present value adjustment or offsets for salvage value of wastes or other property.
- 26 (3) Adoption of the plan and significant revisions to the plan must 27 be approved by the department of ecology.
 - NEW SECTION. Sec. 202. (1) A facility subject to closure under either RCW 80.80.040(3)(c) or a memorandum of agreement under section 106 of this act, or both, must guarantee funds are available to perform all activities specified in the decommissioning plan developed under section 201 of this act. The amount must equal the cost estimates specified in the decommissioning plan and must be updated annually for inflation. All guarantees under this section must be assumed by any successor owner, parent company, or holding company.
 - (2) The guarantee required under subsection (1) of this section may

be accomplished by letter of credit, surety bond, or other means acceptable to the department of ecology.

- (3) The issuing institution of the letter of credit must be an entity that has the authority to issue letters of credit and whose letter of credit operations are regulated by a federal or state agency. The surety company issuing a surety bond must, at a minimum, be an entity listed as an acceptable surety on federal bonds in circular 570, published by the United States department of the treasury.
- (4) A qualifying facility that uses a letter of credit to satisfy the requirements of this act must also establish a standby trust fund as a means to hold any funds issued from the letter of credit. Under the terms of the letter of credit, all amounts paid pursuant to a draft from the department of ecology must be deposited by the issuing institution directly into the standby trust fund in accordance with instructions from the department of ecology. This standby trust fund must be approved by the department of ecology.
- (5) The letter of credit must be irrevocable and issued for a period of at least one year. The letter of credit must provide that the expiration date will be automatically extended for a period of at least one year unless, at least one hundred twenty days before the current expiration date, the issuing institution notifies both the qualifying facility and the department of ecology of a decision not to extend the expiration date. Under the terms of the letter of credit, the one hundred twenty days will begin on the date when both the qualifying plant and the department of ecology have received the notice, as evidenced by certified mail return receipts or by overnight courier delivery receipts.
- (6) If the qualifying facility does not establish an alternative method of guaranteeing decommissioning funds are available within ninety days after receipt by both the qualifying facility plant and the department of ecology of a notice from the issuing institution that it has decided not to extend the letter of credit beyond the current expiration date, the department of ecology must draw on the letter of credit. The department of ecology must approve any replacement or substitute guarantee method before the expiration of the ninety-day period.
- 37 (7) If a qualifying facility elects to use a letter of credit as 38 the sole method for guaranteeing decommissioning funds are available,

the face value of the letter of credit must meet or exceed the current inflation-adjusted cost estimate. If a qualifying facility elects to use a surety bond as the sole method for guaranteeing decommissioning funds are available, the penal sum of the surety bond must meet or exceed the current inflation-adjusted cost estimate.

- (8) A qualifying facility must adjust the decommissioning costs and financial guarantees annually for inflation and may use an amendment to increase the face value of a letter of credit each year to account for this inflation. A qualifying facility is not required to obtain a new letter of credit to cover annual inflation adjustments.
- NEW SECTION. Sec. 203. Sections 201 and 202 of this act constitute a new chapter in Title 80 RCW.
- **Sec. 301.** RCW 43.160.076 and 2008 c 327 s 8 are each amended to 14 read as follows:
 - (1) Except as authorized to the contrary under subsection (2) of this section, from all funds available to the board for financial assistance in a biennium under this chapter, the board shall approve at least seventy-five percent of the first twenty million dollars of funds available and at least fifty percent of any additional funds for financial assistance for projects in rural counties.
 - (2) If at any time during the last six months of a biennium the board finds that the actual and anticipated applications for qualified projects in rural counties are clearly insufficient to use up the allocations under subsection (1) of this section, then the board shall estimate the amount of the insufficiency and during the remainder of the biennium may use that amount of the allocation for financial assistance to projects not located in rural counties.
 - (3) The board shall solicit qualifying projects to plan, design, and construct public facilities needed to attract new industrial and commercial activities in areas impacted by the closure or potential closure of large coal-fired electric generation facilities, which for the purposes of this section means a facility that emitted more than one million tons of greenhouse gases in calendar year 2005. The projects should be consistent with any applicable plans for major industrial activity on lands formerly used or designated for surface coal mining and supporting uses under RCW 36.70A.368. When the board

- receives timely and eligible project applications from a political subdivision of the state for financial assistance for such projects,
- 3 the board from available funds shall give priority to such projects at 4 the following funding levels:
- 5 (a) For the 2011-2013 biennium, at least two hundred fifty thousand dollars;
- 7 (b) For the 2013-2015 biennium, at least two hundred fifty thousand 8 dollars;
- 9 (c) For the 2015-2017 biennium, at least one million dollars;
- 10 (d) For the 2017-2019 biennium, at least one million dollars;
- 11 (e) For the 2019-2021 biennium, at least two million dollars; and
- 12 (f) For the 2021-2023 biennium, at least two million dollars.

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NEW SECTION. Sec. 302. A new section is added to chapter 43.155
RCW to read as follows:

The board shall solicit qualifying projects to plan, design, and construct public works projects needed to attract new industrial and commercial activities in areas impacted by the closure or potential closure of large coal-fired electric generation facilities, which for the purposes of this section means a facility that emitted more than one million tons of greenhouse gases in calendar year 2005. The projects should be consistent with any applicable plans for major industrial activity on lands formerly used or designated for surface coal mining and supporting uses under RCW 36.70A.368. When the board receives timely and eligible project applications from a political subdivision of the state for financial assistance for such projects, the board from available funds shall give a priority to such projects at the following funding levels:

- 28 (1) For the 2011-2013 biennium, at least two hundred fifty thousand 29 dollars;
- 30 (2) For the 2013-2015 biennium, at least two hundred fifty thousand 31 dollars;
 - (3) For the 2015-2017 biennium, at least one million dollars;
- 33 (4) For the 2017-2019 biennium, at least one million dollars;
- 34 (5) For the 2019-2021 biennium, at least two million dollars; and
- 35 (6) For the 2021-2023 biennium, at least two million dollars.

NEW SECTION. Sec. 303. A new section is added to chapter 80.04 RCW to read as follows:

The legislature finds that an electrical company's acquisition of coal transition power helps to achieve the state's greenhouse gas emission reduction goals by effecting an orderly transition to cleaner fuels and supports the state's public policy.

NEW SECTION. Sec. 304. A new section is added to chapter 80.04
RCW to read as follows:

- (1) On the petition of an electrical company, the commission shall approve or disapprove a power purchase agreement for acquisition of coal transition power, as defined in RCW 80.80.010, and the recovery of related acquisition costs. No agreement for an electrical company's acquisition of coal transition power takes effect until it is approved by the commission.
- (2) Any power purchase agreement for the acquisition of coal transition power pursuant to this section must provide for modification of the power purchase agreement to the satisfaction of the parties thereto in the event that a new or revised emission or performance standard or other new or revised operational or financial requirement or limitation directly or indirectly addressing greenhouse gas emissions is imposed by state or federal law, rules, or regulatory requirements. Such a modification to a power purchase agreement agreed to by the parties must be reviewed and considered for approval by the commission, considering the circumstances existing at the time of such a review, under procedures and standards set forth in this section. In the event the parties cannot agree to modification of the power purchase agreement, either party to the agreement has the right to terminate the agreement if it is adversely affected by this new standard, requirement, or limitation.
- (3) When a petition is filed, the commission shall provide notice to the public and potentially affected parties and set the petition for hearing as an adjudicative proceeding under chapter 34.05 RCW. Any party may request that the commission expedite the hearing of that petition. The hearing of such a petition is not considered a general rate case. The electrical company must file supporting testimony and exhibits together with the power purchase agreement for coal transition power. Information provided by the facility owner to the purchasing

electrical company for evaluating the costs and benefits associated with acquisition of coal transition power must be made available to other parties to the petition under a protective order entered by the commission. An administrative law judge of the commission may enter an initial order including findings of fact and conclusions of law, as provided in RCW 80.01.060(3). The commission shall issue a final order that approves or disapproves the power purchase agreement for acquisition of coal transition power within one hundred eighty days after an electrical company files the petition.

- (4) The commission must approve a power purchase agreement for acquisition of coal transition power pursuant to this section only if the commission determines that, considering the circumstances existing at the time of such a review: The terms of such an agreement provide adequate protection to ratepayers and the electrical company during the term of such an agreement or in the event of early termination; the resource is needed by the electrical company to serve its ratepayers and the resource meets the need in a cost-effective manner as determined under the lowest reasonable cost resource standards under chapter 19.280 RCW, including the cost of the power purchase agreement plus the equity component as determined in this section. As part of these determinations, the commission shall consider, among other factors, the long-term economic risks and benefits to the electrical company and its ratepayers of such a long-term purchase.
- (5) If the commission has not issued a final order within one hundred eighty days from the date the petition is filed, or if the commission disapproves the petition, the power purchase agreement for acquisition of coal transition power is null and void. In the event the commission approves the agreement upon conditions other than those set forth in the petition, the electrical company has the right to reject the agreement.
- (6)(a) Upon commission approval of an electrical company's power purchase agreement for acquisition of coal transition power in accordance with this section, the electrical company is allowed to earn the equity component of its authorized rate of return in the same manner as if it had purchased or built an equivalent plant and to recover the cost of the coal transition power under the power purchase agreement. Any power purchase agreement for acquisition of coal

transition power that earns a return on equity may not be included in an imputed debt calculation for setting customer rates.

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- (b) For purposes of determining the equity value, the cost of an equivalent plant is the least cost purchased or self-built electric generation plant with equivalent capacity. In determining the least cost plant, the commission may rely on the electrical company's most recent filed integrated resource plan. The cost of an equivalent plant, in dollars per kilowatt, must be determined in the original process of commission approval for each power purchase agreement for coal transition power.
- (c) The equivalent plant cost determined in the approval process must be amortized over the life of the power purchase agreement for acquisition of coal transition power to determine the recovery of the equity value.
- (d) The recovery of the equity component must be determined and approved in the review process set forth in this section. The approved equity value must be in addition to the approved cost of the power purchase agreement.
- (7) Authorizing recovery of costs under a power purchase agreement for acquisition of coal transition power does not prohibit the commission from authorizing recovery of an electrical company's acquisition of capacity resources for the purpose of integrating intermittent power or following load.
- (8) Neither this act nor the commission's approval of a power purchase agreement for acquisition of coal transition power that includes the ability to earn the equity component of an electrical company's authorized rate of return establishes any precedent for an electrical company to receive an equity return on any other power purchase agreement or other power contract.
- 30 (9) For purposes of this section, "power purchase agreement" means a long-term financial commitment as defined in RCW 80.80.010(15)(b). 31
 - (10) This section expires December 31, 2025.
- **Sec. 305.** RCW 19.280.030 and 2006 c 195 s 3 are each amended to 33 34 read as follows:
- 35 Each electric utility must develop a plan consistent with this 36 section.

(1) Utilities with more than twenty-five thousand customers that 2 are not full requirements customers shall develop or update an integrated resource plan by September 1, 2008. At a minimum, progress 3 reports reflecting changing conditions and the progress of the 4 integrated resource plan must be produced every two years thereafter. 5 An updated integrated resource plan must be developed at least every 7 four years subsequent to the 2008 integrated resource plan. The 8 integrated resource plan, at a minimum, must include:

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- 9 (a) A range of forecasts, for at least the next ten years, of projected customer demand which takes into account econometric data and 10 customer usage; 11
 - (b) An assessment of commercially available conservation and efficiency resources. Such assessment may include, as appropriate, high efficiency cogeneration, demand response and load management programs, and currently employed and new policies and programs needed to obtain the conservation and efficiency resources;
 - (c) An assessment of commercially available, utility scale renewable and nonrenewable generating technologies including a comparison of the benefits and risks of purchasing power or building new resources;
 - (d) A comparative evaluation of renewable and nonrenewable generating resources, including transmission and distribution delivery costs, and conservation and efficiency resources using reasonable cost as a criterion;
 - The 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 resources that will meet current and projected needs at the lowest reasonable cost and risk to the utility and its ratepayers; and
 - (f) A short-term plan identifying the specific actions to be taken by the utility consistent with the long-range integrated resource plan.
 - (2) All other utilities may elect to develop a full integrated resource plan as set forth in subsection (1) of this section or, at a minimum, shall develop a resource plan that:
 - (a) Estimates loads for the next five and ten years;
- 36 (b) Enumerates the resources that will be maintained and/or 37 acquired to serve those loads; and

- (c) Explains why the resources in (b) of this subsection were 1 2 chosen and, if the resources chosen are not renewable resources or conservation and efficiency resources, why such a decision was made. 3
 - (3) An electric utility that is required to develop a resource plan under this section must complete its initial plan by September 1, 2008.
- (4) Resource plans developed under this section must be updated on 6 7 a regular basis, at a minimum on intervals of two years.
- 8 (5) Plans shall not be a basis to bring legal action against electric utilities. 9
- 10 (6) Each electric utility shall publish its final plan either as part of an annual report or as a separate document available to the 11 12 public. The report may be in an electronic form.
- 13 NEW SECTION. Sec. 306. A new section is added to chapter 80.70 RCW to read as follows: 14
- (1) An applicant for a natural gas-fired generation plant to be 15 16 constructed in a county with a coal-fired electric generation facility subject to RCW 80.80.040(3)(c) is exempt from this chapter if the 17 application is filed before December 31, 2025. 18
- (2) For the purposes of this section, an applicant means the owner 19 20 a coal-fired electric generation facility subject to of RCW 21 80.80.040(3)(c).
- (3) This section expires December 31, 2025, or when the station-22 23 generating capability of all natural gas-fired generation plants 24 approved under this section equals the station-generating capability 25 from a coal-fired electric generation facility subject to RCW 26 80.80.040(3)(c).
- NEW SECTION. Sec. 307. If any provision of this act or its 27 application to any person or circumstance is held invalid, the 28 remainder of the act or the application of the provision to other 29 30 persons or circumstances is not affected."
- 31 Correct the title.

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EFFECT: Greenhouse Gas Emissions Performance Standard

Removes parts of the intent section relating to the specific types of pollutants emitted from the combustion of coal; visual impacts due to the combustion of coal; the damage by-products from coal combustion causes to native America petroglyphs and pictographs and to fishing, gathering, and grazing; a previous legislative finding that greenhouse gas emissions contributes to climate change; and the planning and funding needed to ensure closure and postclosure activities that restore a site that once contained a coal-fired baseload generation facility.

Modifies the definition of coal transition power by removing the requirement that a facility must be located in Washington and by specifying the output of a coal-fired electric generation facility is subject to an obligation to meet the state's greenhouse gas emissions performance standard relating to a coal-fired electric generation facility.

Memorandum of Agreement

Specifies that the memorandum of agreement entered into by the governor with the owners of a coal-fired baseload facility by January 1, 2012, does not take effect until April 1, 2012.

Requires the memorandum of agreement entered into by the governor with the owners of a coal-fired baseload facility may only contain provisions that are specified in the act.

Makes the correction that the Lewis economic development council is the Lewis county economic development council.

Adds that the memorandum of agreement must include a provision that allows for its termination if the department of ecology determines as a requirement of state law or regulation that selective catalytic reduction technology must be installed on any boiler of an applicable coal-fired baseload facility.

Specifies that the governor is not limited to only early emission reductions in recommending actions to the legislature to strengthen implementation of an agreement or a proposed agreement relating to recognition of investments in emissions reductions.

Prohibitions on Additional State and Local Government Greenhouse Gas Standards, Requirements, or Limitations

Provides that the prohibition on additional state and local greenhouse gas emissions standards, requirements, and limitations only applies to a coal-fired electric generation facility located in Washington that is in operation on or before the effective date of the act.

Closure and Postclosure of a Coal-fired Electric Generation Facility

Removes intent section relating to the closure and postclosure requirements of a very large coal-fired baseload electric generation facility.

Specifies that a coal-fired generation facility subject to the greenhouse gas emissions performance standard must provide department of ecology with a plan for the closure and postclosure of the facility at least twenty-four months prior to closure of the first boiler.

Guarantee of Funds to Implement Decommissioning Plan

Requires a surety company issuing a surety bond that guarantees funds are available to perform activities in a coal-fired generation facility decommissioning plan to be, at a minimum, an entity listed as an acceptable surety on federal bonds in circular 570 of the United States department of the treasury.

Specifies that if a qualifying facility elects to use a surety bond as the sole method of guaranteeing decommissioning funds are available, the penal sum of the surety bond must meet or exceed the current inflation-adjusted cost estimate.

Assistance to Local Communities

Removes section that makes the statement that it is in the public interest to assist local communities in which very large energy generating facilities may be closed, in order to plan for future economic uses of the site and in the community surrounding the site.

Power Purchase Agreements for Acquisition of Coal Transition Power

Moves the legislative findings section pertaining to how electrical company's acquisition of coal transition power helps to achieve the state's greenhouse gas emissions reduction goals from chapter 80.80 RCW relating to the state's greenhouse gas emissions performance standard to chapter 80.04 RCW relating to the utilities and transportation commission.

Requires the utilities and transportation commission (commission) when reviewing and approving power purchase agreements for coal transition power, to ensure that each agreement, including in the event of termination, leaves the ratepayers of an electrical company no worse off economically than they would have been without this act.

Specifies that any power purchase agreement for the acquisition of coal transition power must provide for modification of the power purchase agreement to the satisfaction of the parties in the event that a new or revised greenhouse gas emission standards, requirements, or limitation directly or indirectly addressing greenhouse gas emissions is imposed by state or federal law, rules, or regulatory requirements.

Provides that any modification to a power purchase agreement agreed to by the parties must be reviewed and considered for approval by the commission under procedures and standards set forth in the act.

the event the parties cannot Specifies that in modification of the power purchase agreement, either party to the agreement has the right to terminate the agreement if it is adversely affected by new greenhouse gas emissions standards, requirements, or limitations.

Requires the commission when it receives a petition for the approval of the acquisition of coal transition power to hear the petition as an adjudicative proceeding under the administrative procedure act.

Allows any party to request that the commission expedite the hearing of that petition.

Specifies that the electrical company must file supporting testimony and exhibits together with the power purchase agreement for coal transition power.

Requires information provided by the facility owner to the purchasing electrical company for evaluating the costs and benefits associated with acquisition of coal transition power must be made available to other parties to the petition under a protective order entered by the commission.

Requires the commission when approving a power purchase agreement to include among other factors the cost of the power purchase agreement plus the equity component and the long-term economic risks and benefits to the electrical company and its ratepayers of a long-term purchase.

Provides that any power purchase agreement for acquisition of coal transition power that earns a return on equity may not be included in an imputed debt calculation for setting customer rates.

Clarifies that for the purposes of determining the equity value, the cost of an equivalent plant is the least cost purchased or selfbuilt electric generation with equivalent capacity.

Provides that in determining the least cost plant, the commission may rely on the electrical company's most recent filed integrated resource plan.

Specifies that the cost of an equivalent plant, in dollars per kilowatt, must be determined in the original process of commission approval for each power purchase agreement for coal transition power.

Provides that the recovery of the equity component and of the cost of the coal transition power under the power purchase agreement must be determined and approved in the process set forth in applicable sections of this act.

Removes provisions relating to the acquisition of flexible capacity resources.

Specifies that by authorizing recovery of costs under a power purchase agreement for acquisition of coal transition power does not prohibit the commission from authorizing recovery of an electrical company's acquisition of capacity resources for the purpose of integrating intermittent power or following load.

Clarifies that neither this legislation nor the commission's approval of a power purchase agreement for the acquisition of coal transition power that includes the ability to earn the equity component of an electrical company's authorized rate of return establishes any precedent for an electrical company to receive an equity return on any other power purchase agreement or other power contract.

Defines power purchase agreement to have the same meaning as longterm financial commitment as the term is defined under the greenhouse gas emissions performance standard statute.

Expires, December 31, 2025, the authorization that allows an electrical company to petition the commission to approve a power purchase agreement and that allows the commission to process a petition to approve a power purchase agreement under terms provided in the act.

Integrated Resource Plans

Removes provision requiring an electric utility, when analyzing lowest reasonable cost resources as part of an integrated resource plan, to consider public policies adopted by the state to reduce greenhouse gases from thermal electric generation facilities in the long term through the temporary exemption of these facilities from the state's greenhouse emissions performance standard.

Removes as a requirement of an integrated resource plan that an assessment of commercially available, utility scale generating technologies must include a comparison of the benefits and risk of purchasing power from existing resources.

Carbon Dioxide Mitigation

Defines an applicant eligible to receive an exemption from carbon dioxide mitigation requirements as the owner of a coal-fired electric generation facility subject to the greenhouse gas emissions performance standard.

Provides that carbon dioxide mitigation exemption expires December 31, 2025, or when the station-generating capability of all natural gasfired generation plants approved equals the station-generating capability from a coal-fired electric generation facility subject to the greenhouse gas emission performance standard.

Civil Liability

Removes section that specifies that no civil liability may be imposed by any court on the state, its officers, employees, instrumentalities, or subdivisions under sections of this act containing intent language.

--- END ---