
Environment Committee

HB 2557

Brief Description: Creating an additional compliance mechanism for the energy independence act by allowing the use of alternative compliance credits.

Sponsors: Representative Morris.

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| <p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Authorizes the Housing Finance Commission to sell advanced renewable resource compliance credits to qualifying utilities under Initiative 937. |
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Hearing Date: 1/27/12

Staff: Kara Durbin (786-7133).

Background:

The Energy Independence Act.

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. Utilities that must comply with Initiative 937 are called qualifying utilities.

Energy Conservation Assessments and Targets.

Each qualifying electric utility must pursue all available conservation that is cost-effective, reliable, and feasible. By January 1, 2010, each qualifying utility must assess the conservation it can achieve through 2019, and update the assessments every two years for the next 10-year period. Beginning January 2010, each qualifying utility must meet biennial conservation targets that are consistent with its conservation assessments.

Eligible Renewable Resource Targets.

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.

Each qualifying utility must use eligible renewable resources or acquire equivalent renewable energy credits, or a combination of both, to meet the following annual targets:

- at least 3 percent of its load by January 1, 2012, and each year thereafter through December 31, 2015;
- at least 9 percent of its load by January 1, 2016, and each year thereafter through December 31, 2019; and
- at least 15 percent of its load by January 1, 2020, and each year thereafter.

Eligible Renewable Resource.

"Eligible renewable resource" includes: (1) wind; (2) solar; (3) geothermal energy; (4) landfill and sewage gas; (5) wave and tidal power; and (6) certain biomass and biodiesel fuels. Biomass is classified as an eligible renewable resource if it is derived from animal waste and solid organic fuels from wood, forest, or field residues and dedicated energy crops. Biomass derived from the following is not considered an eligible renewable resource: wood pieces that have been treated with chemical preservatives such as creosote, pentachlorophenol, or copper-chrome-arsenic; black liquor by-product from paper production; wood from old growth forests; and municipal solid waste.

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.

Renewable Energy Credit.

A renewable energy credit (REC) is a tradable certificate of proof, verified by the Western Renewable Energy Generation Information System, of at least one megawatt hour of an eligible renewable resource, where the generation facility is not powered by fresh water. Under Initiative 937, a REC represents all the nonpower attributes associated with the power. Renewable energy credits can be bought and sold in the marketplace, and they may be used during the year they are acquired, the previous year, or the subsequent year.

Sustainable Energy Trust Program.

The Housing Finance Commission was established in 1983 to act as a financial conduit that can issue revenue bonds and participate in housing programs without using public funds or lending the credit of the state or local governments.

In 2009 the Housing Finance Commission (Commission) was directed to develop and implement a Sustainable Energy Trust Program to provide financing for energy efficiency and certain renewable energy projects, if economically feasible. State law provides that State General Fund resources may not be expended to implement this program.

Summary of Bill:

The Housing Finance Commission (Commission) must develop a program through the Sustainable Energy Trust Program to offer advanced renewable resource compliance credits to qualifying utilities.

A qualifying utility may acquire advanced renewable resource compliance credits from the Sustainable Energy Trust Program at \$25 per megawatt hour of projected eligible renewable resource need. These credits may be acquired up to five years in advance of an eligible renewable resource target. A qualifying utility may not acquire more than 20 percent of its projected eligible renewable resource target requirements for any given target year.

Advanced renewable resource compliance credits may be used to satisfy any annual renewable resource target.

An Energy Independence Act Special Account is created in the state treasury. Administrative penalties assessed under the Energy Independence Act and proceeds from the sale of advanced renewable resource compliance credits must be deposited into the account. The account funds may only be used to provide grants and loans to support the development of distributed generation and energy conservation projects.

The Commission must convene a work group to investigate the creation of a program to sell energy efficiency credits to qualifying utilities for energy conservation compliance purposes.

Appropriation: None.

Fiscal Note: Requested on January 26, 2012.

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