
Environment Committee

HB 2654

Brief Description: Modifying the energy independence act.

Sponsors: Representatives Upthegrove and Tharinger.

Brief Summary of Bill

- Allows additional sources to qualify as an eligible renewable resource under Initiative 937.
- Creates a new annual renewable resource target after December 31, 2020 of 20 percent.
- Creates an alternative compliance method for the renewable resource targets beginning in 2016 for a qualifying utility that does not need to acquire any additional power resources.
- Allows conservation achieved in excess of a qualifying utility's biennial acquisition target to be used to meet a subsequent biennial target.
- Establishes a fee to be assessed upon any biomass generating facility seeking designation as an eligible renewable resource.
- Specifies the proceeds of the biomass fee must be used to support green transportation projects.

Hearing Date: 1/24/12

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

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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 ten-year period. Beginning January 2010, each qualifying utility must meet biennial conservation targets that are consistent with its conservation assessments.

Eligible Renewable Resource Targets and Compliance Dates.

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.

Additional credit toward meeting the targets is provided for investments in distributed generation facilities and for investments in facilities that use state-approved apprenticeship programs during construction. Qualifying utilities may count distributed generation at double the facility's output and the use of apprenticeship programs at 1-2/10 times the renewable resources or renewable energy credit's base value. "Distributed generation" means an eligible renewable resource where the generation facility or any integrated cluster of such facilities has a generating capacity of not more than five megawatts.

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.

Alternative Compliance Methods.

A qualified utility that fails to meet an annual target will still be considered in compliance with Initiative 937 if any of the following exceptions apply: (1) the failure was due to events beyond the reasonable control and anticipation of a qualified utility; (2) the utility spent 4 percent of its total annual revenue needs to meet the eligible renewable resource targets; or (3) the utility spent one percent of its total annual revenue requirement to meet the eligible renewable resource targets, had no increases in the demand for electricity for the previous three years, and did not sign any contracts for nonrenewable resources.

Carbon Credits.

In addition to RECs, reductions in greenhouse gas emissions can be traded in the marketplace. When doing so, greenhouse gases are traded according to their carbon dioxide equivalent, which is a measure of a gas's global warming potential compared to carbon dioxide. Carbon benefits that come from displacing other potential fossil fuel resources through electricity generation are included in a REC; however, carbon credits related to the removal of methane from the atmosphere can be sold separately from a REC.

Summary of Bill:

Eligible Renewable Resource.

The following sources of electricity are added as eligible renewable resources under I-937:

- electricity from a facility powered by spent pulping liquors, liquors derived from algae and other sources, food waste, and yard waste;
- hydroelectric generation from facilities in the Pacific Northwest that commenced operations after March 31, 1999, where the facilities are built in existing impoundments or in water supply and wastewater systems;
- biomass electricity from facilities that commenced operation before March 31, 1999, if the facilities pay fees to the Department of Commerce (Commerce); and
- the proportionate share of a qualifying utility's incremental hydroelectricity from efficiency improvements to equipment completed after March 31, 1999, to projects located in the Pacific Northwest, where the electricity is marketed by the Bonneville Power Administration.

Biomass Generating Facilities.

Any in-state biomass electricity generating facility that commenced operation before March 31, 1999, may be designated as an eligible renewable resource if it pays a fee to Commerce. The fee

must be based on the thermal efficiency of the facility using the following formula: 100 percent minus the overall efficiency of the energy plant divided by 70 percent multiplied by the average value of a REC for the prior year, as determined by Commerce by rule.

The fees are deposited in to the Green Energy Incentive Account, which must be used for a grant program to support clean energy transportation projects. The grant program must be administered by Commerce in consultation with Innovate Washington, the Washington Department of Transportation, and regional transportation planning organizations. As part of this process, Innovate Washington must review applications, prioritize projects, and make funding recommendations to Commerce.

Post-2020 Eligible Renewable Acquisition Target.

An annual target of 20 percent is established for each qualifying utility that must be met with eligible renewable resources or RECs, or a combination of both, to satisfy any increase in its load in excess of the load to which the 15 percent target on December 31, 2020, applies.

Additional Compliance Methods.

Beginning in 2016, a qualifying utility is considered in compliance with the 2016 and 2020 targets for acquiring eligible renewable resources if the utility determines it does not need to acquire additional power resources through 2020, and the utility spends 1 percent of its annual retail revenue requirement within its service territory on specified measures, such as low-income weatherization, eligible renewable resources, renewable energy credits, conservation in excess of an adopted biennial target, or electric vehicle infrastructure. If after making its determination, the qualifying utility does in fact acquire additional power resources prior to or after 2020, then the qualifying utility must either: (1) satisfy the 2016 target of 9 percent within four years of acquiring any additional power resources and the 2020 target of 15 percent within eight years; or (2) invest 3 percent of its total annual retail revenue requirement on the incremental costs of eligible renewable resources, RECs, or a combination of both.

Compliance Dates.

The dates for complying with an eligible renewable acquisition target are moved from January 1 to December 31 of each compliance year.

Conservation Banking.

Conservation achieved in excess of a qualifying utility's biennial target may be used by the qualifying utility to meet its next biennial target.

Definition of Cogeneration.

The definition of high-efficiency cogeneration is modified to reflect a facility that is designed to have a projected overall thermal conversion efficiency of at least 70 percent. The term "overall thermal conversion efficiency" means the output of electricity plus usable heat divided by fuel input.

Carbone Capture and RECs.

Facilities that capture and destroy methane through a digester system, landfill gas collection system, or other mechanism are allowed to separate their nonpower attributes into RECs and into other types of carbon reduction credits or offsets.

Early Review Process for Eligible Renewable Resources or Conservation Measures.

Project proponents or non-investor-owned qualifying utilities may seek an advisory opinion from Washington State University Extension Energy Program (WSU Energy Program) on whether a proposed resource would qualify as an eligible renewable resource or conservation measure under Initiative 937. This advisory opinion must include a legal analysis.

Within 90 days of receiving an application, the WSU Energy Program must issue a signed advisory opinion on whether the proposed project or resource qualifies as an eligible renewable resource or conservation measure. The governing body of the applicant must either adopt or reject the advisory opinion after public notice and a hearing. An advisory opinion adopted by a governing body of a non-investor-owned qualifying utility is dispositive on that issue.

The WSU Energy Program may charge an application fee to cover the cost of reviewing applications and preparing advisory opinions.

Appropriation: None.

Fiscal Note: Requested on January 23, 2012.

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