
Environment Committee

HB 2783

Brief Description: Concerning coal transition power.

Sponsors: Representatives Upthegrove, Short and McCune.

Brief Summary of Bill

- Modifies the definition of "coal transition power" used in the Greenhouse Gases Emission Performance Standard.
- Modifies the fuel mix disclosure requirements pertaining to coal transition power.
- Allows a qualifying utility that purchases coal transition power and meets certain conditions to use an existing alternative compliance method under Initiative 937.

Hearing Date: 2/16/12

Staff: Kara Durbin (786-7133).

Background:

Greenhouse Gases Emissions Performance Standard for Electric Generation Plants.

Electric utilities may not enter into a long-term financial commitment for baseload electric generation on or after July 1, 2008, unless the generating plant's greenhouse gases (GHG) 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 Commerce.

A coal-fired baseload electric generation facility in Washington that emitted more than 1 million tons of GHG in any calendar year prior to 2008 must meet the lower of these two emission standards such that one generating boiler is in compliance by December 31, 2020, and any other generating boilers are in compliance by December 31, 2025.

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.

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. A 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.

Memorandum of Agreement Concerning a Qualifying Coal-Fired Electric Generation Facility.

In 2011 the Legislature passed E2SSB 5769, which, among other things, required the Governor to enter into a memorandum of agreement (MOA) on behalf of the state with the owners of a qualifying coal-fired baseload electric generation facility that would significantly reduce GHG emissions from the facility and provide for replacement capacity by 2025. The Governor and the owners of the Centralia coal-fired electric generation facility signed an MOA in January of 2012, and it will take effect on April 1, 2012.

Coal Transition Power.

E2SSB 5769 also amended the emissions performance standard (EPS) to allow long-term contracts to be entered into for power generated by a qualifying coal-fired electric generation facility, which is called coal transition power. In addition, a process was created to allow an investor-owned electric utility to petition the Utilities and Transportation Commission for approval of a power purchase agreement for coal transition power.

Fuel Mix Disclosure.

Each retail electric utility in the state must disclose its actual or imputed annual fuel mix used to generate electricity. The disclosure must provide the percentage attributable to each of the following generation sources: coal; hydroelectric; natural gas; nuclear; or other. Utilities may separately report a subcategory of natural gas generation to identify high efficiency cogeneration.

If a source categorized as other is more than 2 percent of a utility's total mix, then it must identify the component sources, such as the following examples: biomass; geothermal; landfill gas; oil; solar; waste incineration; or wind.

Utilities that do not declare their actual sources must report the fuel mix to the Northwest Power Pool, called the net system power mix. In 2009 the net system power mix contained about 43 percent coal and 35 percent hydropower, among other resources. Utilities that purchase electricity from the Bonneville Power Administration (BPA) may disclose the source as the BPA system mix.

The Department of Commerce compiles fuel mix data from all retail electric utilities in the state, calculates the net system power mix, and publishes an annual fuel mix report.

The Energy Independence Act.

Approved by voters in 2006, the Energy Independence Act, also known as Initiative 937 (I-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 I-937 are called qualifying utilities.

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.

A qualified utility that fails to meet an annual target will still be considered in compliance with I-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 1 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 non-renewable resources.

Summary of Bill:

Definition of Coal Transition Power.

The definition of "coal transition power" is modified. Coal transition power means the output of a coal-fired electric generation facility that is subject to the EPS and is sold under a long-term financial commitment that includes a combination of unit output and power acquired from a specified or unspecified source that is needed to fulfill contractual obligations when unit output from the coal-fired electric generation facility is reduced or curtailed.

Fuel Mix Disclosure.

A definition of "transition power" is added to the statutes related to fuel mix disclosure. "Transition power" has the same meaning as "coal transition power."

Transition power is added to the list of component sources that must be identified on a percentage basis, if it is part of a source categorized by a utility as "other" that amounts to more than 2 percent of the utility's total fuel mix.

A retail electric utility may choose to report transition power as either coal power or as transition power.

Alternative Compliance under Initiative 937.

A qualifying utility that purchases coal transition power is considered in compliance with satisfying an annual renewable resource target under I-937 if the utility: (1) spent at least 1 percent of its total annual revenue requirement to meet the eligible renewable resource targets; (2) had no increases in its weather-adjusted load for the previous three years; and (3) did not commence or renew ownership or incremental purchases of electricity from resources other than

coal transition power or renewable resources, other than on a daily spot price basis, and the electricity is not offset by equivalent renewable energy credits.

Appropriation: None.

Fiscal Note: Requested on February 13, 2012.

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