

HOUSE BILL REPORT

HB 2783

As Reported by House Committee On:
Environment

Title: An act relating to coal transition power.

Brief Description: Concerning coal transition power.

Sponsors: Representatives Upthegrove, Short and McCune.

Brief History:

Committee Activity:

Environment: 2/16/12, 2/21/12 [DPS].

Brief Summary of Substitute Bill

- Modifies the fuel mix disclosure requirements pertaining to coal transition power.

HOUSE COMMITTEE ON ENVIRONMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Upthegrove, Chair; Tharinger, Vice Chair; Short, Ranking Minority Member; Harris, Assistant Ranking Minority Member; Hansen, Jinkins, Moscoso, Nealey, Pearson, Pollet, Takko and Wylie.

Minority Report: Do not pass. Signed by 5 members: Representatives Crouse, Fitzgibbon, Morris, Shea and Taylor.

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:

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- 1,100 pounds of GHG per megawatt hour; or
- the average available GHG emissions output as updated by the Department of Commerce (Department).

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.

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 Engrossed Second Substitute Senate Bill 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 a MOA in January of 2012, and it will take effect on April 1, 2012.

Coal Transition Power.

Engrossed Second Substitute Senate Bill 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 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.

Summary of Substitute Bill:

Fuel Mix Disclosure.

Coal transition power is listed as a specific generation source that must be identified on a percentage basis as part of a fuel mix disclosure prepared by a retail electric utility. In addition, coal 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 coal transition power as either coal power or as coal transition power. Any disclosure regarding coal transition power must contain a specific footnote explaining that coal transition power is electricity provided by a coal-fired power plant in Washington that is required to shut down part of its operations in 2020 and all of its coal use in 2025.

Coal transition power has the same meaning as defined in the emissions performance standard law.

Substitute Bill Compared to Original Bill:

The substitute bill deletes the provisions of the underlying bill that: (1) modify the definition of coal transition power under the EPS; and (2) change the alternative compliance mechanism under Initiative 937 (I-937) to allow purchases of coal transition power. The substitute bill modifies the fuel mix disclosure provisions to add coal transition power as a specific generation category. The term "transition power" is replaced with the term "coal transition power." The substitute bill requires that any disclosure regarding coal transition power must contain a specific footnote explaining that coal transition power is electricity provided by a coal-fired power plant in Washington that is required to shut down part of its operations in 2020 and all of its coal use in 2025.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) The compromise last year is that the coal plant must install certain emission control equipment by 2013 and must shut down by 2025. The company agreed to spend \$55 million in the community on new technologies. That money is a bit contingent on revenue coming in, so there needs to be contracts signed to buy the transition power.

This is about securing the \$55 million in company funding to support economic development in the community, if the power can be sold. The bill removes unnecessary barriers regarding how coal transition power is reported and treated. If a utility buys coal transition power but otherwise meets the conditions of the alternative compliance mechanism, there is no reason to penalize them. Substitution power should be treated like any other power under power purchasing agreements.

These changes do not affect the fundamental bargain made last year. The coal fired facility still has to compete in the marketplace and find willing buyers. These changes are important, but do not guarantee success in the market.

The bill does not change the process by which an investor owned utility would acquire resources. This bill gives the coal facility more flexibility in what product they offer; it allows them to provide a combination of output from the plant along with other resource opportunities to fulfill the terms of the long-term contract.

(With concerns) If a utility purchased all of their power from the coal facility it could be described as other generation under the fuel mix disclosure law, or as coal transition power. This is misleading. The purpose of the report is to disclose where utilities get their resources from. Changing the I-937 off-ramp appears to provide a small incentive for coal, which seems inconsistent with the spirit of the initiative. The current fuel mix disclosure law can produce misleading results, especially if a utility is purchasing power from the BPA.

This bill would allow the plant to be shut down but then purchase power from other facilities that may result in greater emissions that effect the environment. The fuel mix disclosure provisions should be modified so that coal transition power is explained in a way that can be clearly understood by customers.

The no-load growth requirement should be modified to ensure that coal purchases are only allowed if used to replace existing fossil fuel resources. It should be off-setting some other resource that has emissions associated with it. The definition of "coal transition power" needs to be modified to ensure that the current limit on unspecified sources in the emissions performance standard applies to long-term contracts for coal transition power.

We are concerned about the competitive effect of this bill with regards to alternative compliance provision and the impact it may have on other power producers in this state.

(Opposed) None.

Persons Testifying: (In support) Representative Upthegrove, prime sponsor; Keith Phillips, Office of the Governor; Bob Guenther, International Brotherhood of Electrical Workers Local 77; Matt Steuerwalt, TransAlta Corporation; Lisa Thatcher, Clark Public Utility; and Ken Johnson, Puget Sound Energy.

(With concerns) Rose Feliciano, Seattle City Light; Robert Mack, Tacoma Public Utilities; Nancy Hirsh, Northwest Energy Coalition; Miguel Perez-Gibson; Climate Solutions; and Don Brookhyser, Tanaska Energy Company.

Persons Signed In To Testify But Not Testifying: None.