

HOUSE BILL REPORT

ESSB 5575

As Passed House:
February 28, 2012

Title: An act relating to promoting and sustaining investment and employment in economically distressed communities dependent on agricultural or natural resource industries by recognizing certain biomass energy facilities constructed before March 31, 1999, as an eligible renewable resource.

Brief Description: Recognizing certain biomass energy facilities as an eligible renewable resource.

Sponsors: Senate Committee on Agriculture, Water & Rural Economic Development (originally sponsored by Senators Hatfield, Delvin, Eide, Schoesler, Haugen, Shin, Kilmer, Hobbs, Becker, Honeyford, Conway and Sheldon).

Brief History:

Committee Activity:

Environment: 3/22/11, 2/17/12, 2/21/12 [DP].

Floor Activity:

Passed House: 2/28/12, 89-9.

Brief Summary of Engrossed Substitute Bill

- Defines qualified biomass energy and modifies the definition of biomass energy.
- Allows qualified biomass energy to be used to satisfy an eligible renewable resource target under Initiative 937, if the qualifying utility owns the qualified biomass energy facility or is directly interconnected to it.
- Specifies how renewable energy credits associated with qualified biomass energy may be used, transferred, or sold.

HOUSE COMMITTEE ON ENVIRONMENT

Majority Report: Do pass. Signed by 16 members: Representatives Upthegrove, Chair; Tharinger, Vice Chair; Short, Ranking Minority Member; Harris, Assistant Ranking Minority

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.

Member; Crouse, Fitzgibbon, Hansen, Jinkins, Morris, Moscoso, Nealey, Pearson, Shea, Takko, Taylor and Wylie.

Minority Report: Without recommendation. Signed by 1 member: Representative Pollet.

Staff: Kara Durbin (786-7133).

Background:

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.

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 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.

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 I-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.

Summary of Bill:

Biomass Energy.

The definition of "biomass energy" is modified under I-937 to include the following biomass fuels:

- organic by-products of pulping and the wood manufacturing process;
- untreated wooden demolition or construction debris;
- yard waste and food processing residuals;
- liquor derived from algae; and
- qualified biomass energy.

Qualified biomass energy means electricity produced from a biomass energy facility that: (1) commenced operation before March 31, 1999; (2) contributes to the qualifying utility's load; and (3) is owned either by: (a) a qualifying utility; or (b) an industrial facility that is directly interconnected with electricity facilities that are owned by a qualifying utility and capable of carrying electricity at transmission voltage.

Qualified Biomass Energy Energy Facilities.

Beginning January 1, 2016, only a qualifying utility that owns or is directly interconnected to a qualified biomass energy facility may use qualified biomass energy to meet its I-937 compliance target.

A qualifying utility may no longer use electricity and associated renewable energy credits from a qualified biomass energy facility if the associated pulping or wood manufacturing facility ceases operation other than for purposes of maintenance or upgrade.

An industrial facility that hosts a qualified biomass energy facility may only transfer or sell renewable energy credits associated with its facility to the qualifying utility with which it is directly interconnected. The qualifying utility may only use an amount of renewable energy credits from qualified biomass energy to meet an I-937 target that is equivalent to the proportionate amount of the load created by the industrial facility. A qualifying utility that owns a qualified biomass energy facility may not transfer or sell renewable energy credits from qualified biomass energy to another person, entity, or qualifying utility.

Findings.

Various findings are made concerning the environmental benefits of biomass, the declining economic health of the wood products industry, and the need to recognize qualified biomass energy as an eligible renewable resource.

Appropriation: None.

Fiscal Note: Available.

Effective Date: 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 pulp and paper mill industry has been facing economic challenges due in part to the rising cost of electricity. The ability to generate renewable energy credits and generate eligible renewable energy is critical to the survival of this industry.

This bill will recognize carbon neutral energy under I-937 and save customers money. This gives existing biomass plants added economic value, ensures viability of the plant in the future, and helps maintain economic stability in the community. This bill will not have a negative effect on other utilities.

Under this bill, biomass facilities built before 1999 do not count until the 2016 compliance period. The biomass energy can only be used by the utility that directly serves the industrial facility. This limited scope results in less of an impact on the development of new renewable energy projects.

This bill is important for the forestry industry, which needs economic stability in these tough times. The local tax bases need these jobs and this helps. This bill appropriately recognizes food residuals and yard waste as biomass under I-937.

(In support with amendment) This bill is important to the pulp and paper mill industry and their communities.

(Neutral) This bill has been part of broader discussions about changes to I-937. The scope of this bill is narrower than last year's bill. It is important that this change does not go into effect until 2016, and that it is limited to the qualifying utility to which the facility is interconnected.

(Opposed) Including legacy biomass facilities may slow investment in newer renewable technologies, which is counter to the original purpose of the initiative.

Persons Testifying: (In support) Senator Hatfield, prime sponsor; Collins Sprague, Avista Corporation; Anthony Chavez, Weyerhaeuser; Steve Gano, Longview Fiber; Bill Stauffacher, American Forest and Paper Association; Dan Coyne, Simpson and Northwest Food

Processors; Robert Buchan, Cosmo Specialty Fibers; Bob Guenther, International Brotherhood of Electrical Workers Local 77; and Jerry Smedes, Emerald Services.

(In support with amendment) Sean O'Sullivan, Association of Western Pulp and Paper Workers.

(Neutral) Clifford Traisman, Washington Environmental Council, Washington Conservation Voters, and Renewable Northwest Project; Brad Boswell, Renewable Northwest Project; Nancy Hirsh, Northwest Energy Coalition; and Miguel Perez-Gibson, Climate Solutions.

(Opposed) Mary Moore, League of Women Voters.

Persons Signed In To Testify But Not Testifying: None.