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## Environment Committee

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### ESB 5575

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

**Sponsors:** Senators Hatfield, Delvin, Eide, Schoesler, Haugen, Shin, Kilmer, Hobbs, Becker, Honeyford, Conway and Sheldon.

#### Brief Summary of Engrossed Bill

- Expands the definition of biomass energy to allow for additional forms of biomass fuels to qualify as an eligible renewable resource.
- Expands the definition of eligible renewable resources to include qualified biomass energy facilities.
- Allows anaerobic digesters to separate their nonpower attributes into renewable energy credits and carbon credits.
- Prohibits the Utilities and Transportation Commission from considering this act in any proceeding concerning an electrical company's decision to acquire or construct an eligible renewable resource between January 1, 2011 and December 21, 2013.

**Hearing Date:** 3/22/11

**Staff:** Scott Richards (786-7156).

#### **Background:**

Approved by voters in 2006, the Energy Independence Act (EIA), 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.

#### 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

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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.

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.

The term eligible renewable resource includes wind; solar; geothermal energy; landfill and sewage gas; wave and tidal power; and certain biodiesel fuels. The following biomass is also classified as an eligible renewable resource: animal waste and solid organic fuels from wood, forest, or field residues and dedicated energy crops. The following biomass is not 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 of at least one megawatt hour of an eligible renewable resource where the generation facility is not powered by fresh water. Under the EIA, a REC represents all the nonpower attributes associated with the power. RECs 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.

#### 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.

#### Utilities and Transportation Commission.

The Utilities and Transportation Commission (UTC) is a three-member commission that has broad authority to regulate the rates, services, and practices of investor-owned utilities. The commission regulates these utilities under a rate of return system, where a utility is generally

allowed to charge rates that cover its costs, plus an opportunity to make a fair profit. The UTC is charged with enforcing the EIA for investor-owned utilities.

**Summary of Bill:**

Definition of Biomass Energy.

In addition to forms of biomass energy currently recognized in the EIA, the following fuels are defined as biomass energy:

- organic by-products of pulping and the wood manufacturing process;
- wooden demolition or construction debris (not including treated wood);
- yard waste;
- food waste;
- biosolids; and
- liquors derived from algae and other sources.

Certain Pre-1999 Biomass Facilities.

Qualified biomass energy may be used to meet renewable resource targets under the EIA.

Qualified biomass energy means electricity produced from a biomass energy facility that meets the following criteria: (1) commenced operation before March 31, 1999; and (2) is located in an economically distressed community on January 1, 2011.

Economically Distressed Community.

An economically distressed community is a county in Washington with a three-year average unemployment rate equal to or greater than 120 percent of the state's unemployment rate, or a county adjacent to such a county.

Separation of REC and Carbon Credits Exception for Anaerobic Digesters.

Anaerobic digesters are allowed to separate their nonpower attributes into RECs and carbon credits.

Limiting Actions by the Utilities and Transportation Commission.

The UTC is prohibited from considering this act in any proceeding concerning a company's decision to acquire or construct an eligible renewable resource during the period of January 1, 2011, through December 21, 2013. The term eligible renewable resource is defined in the EIA.

**Appropriation:** None.

**Fiscal Note:** Requested on 03/18/2011.

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