SENATE BILL REPORT
ESHB 1365

As Reported by Senate Committee On:
Environment, Water & Energy, March 23, 2011

Title: An act relating to distributed generation.

Brief Description: Concerning distributed generation.

Sponsors: House Committee on Environment (originally sponsored by Representatives Eddy, Warnick, Morris and Hinkle).

Brief History: Passed House: 2/26/11, 95-2.
Committee Activity: Environment, Water & Energy: 3/22/11, 3/23/11 [DPA].

SENATE COMMITTEE ON ENVIRONMENT, WATER & ENERGY

Majority Report: Do pass as amended.
Signed by Senators Rockefeller, Chair; Nelson, Vice Chair; Honeyford, Ranking Minority Member; Chase, Delvin, Holmquist Newbry and Morton.

Staff: William Bridges (786-7416)

Background: 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.

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. 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;

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- 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 (REC). A 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 I-937, 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.

Distributed Generation. Under I-937 qualifying utilities may count distributed generation at double the facilities output. Distributed generation means an eligible renewable resource where the generation facility has a generating capacity of not more than five megawatts.

Summary of Bill (Recommended Amendments): Creating a Double Multiplier for Solar Energy Systems in I-937. A new section is added to I-937 that allows a qualifying utility to count the output from a solar energy system at double the system's electrical output if at least one-half of the system is manufactured in Washington and the system (1) is located in Washington; (2) is capable of generating not more than 20 average megawatts in a calendar year; and (3) has by July 31, 2012, either an EFSEC site certification or a land-use permit from a local government. The output of such a system may not be double counted as distributed generation under I-937.

A solar energy system means any device or combination of devices or elements that rely upon direct sunlight as an energy source for use in the generation of electricity.

Finding. The Legislature finds that distributing generation from new solar energy systems broadly throughout the state advances the state energy policy.

EFFECT OF CHANGES MADE BY ENVIRONMENT, WATER & ENERGY COMMITTEE (Recommended Amendments): Strikes changes to the definition of distributed generation. Strikes the double multiplier for specified photovoltaic systems.

Creates a new section allowing a double multiplier for solar energy systems under the same conditions as the stricken photovoltaic systems. Prohibits an additional double multiplier as a distributed generation facility. Adds a finding that distributing generation from new solar energy systems broadly throughout the state advances the state energy policy.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Engrossed Substitute House Bill: PRO: Oregon has lucrative subsidies that have encouraged the construction of solar projects sized to take advantage of the double multiplier in I-937. This bill is needed to level the playing field for Washington solar projects. There is a unique opportunity for a solar project in Eastern Washington to take advantage of a one-time federal grant that expires at the end of this year. Without this bill that project will be unable to get power sale contracts, which means no financing, which means no construction, which means no federal grant, which means no project and the loss of 250 construction jobs for the next two to three years and no ongoing jobs.

CON: The double credit for distributed generation was designed to encourage the construction of small scale projects, 5 MW or less, that are close to their load. Changing the definition of distributed generation to accommodate larger projects is contrary to this intent and federal definitions.

Persons Testifying: PRO: Representative Eddy, prime sponsor; Al Aldrich, Howard Trott, Teanaway Solar Reserve; Bob Guenther, IBEW; Mark Swanson, Potelco.

CON: Danielle Dixon, NW Energy Coalition; Cliff Traisman, Renewable NW Project, WA Environmental Council, WA Conservation Voters.