

# SENATE BILL REPORT

## ESSB 5575

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As Passed Senate, February 11, 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:** Agriculture & Rural Economic Development: 2/07/11 [DP].  
Agriculture, Water & Rural Economic Development: 1/17/12, 1/23/12 [DPS].  
Passed Senate: 3/03/11, 28-19; 2/11/12, 45-1.

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### SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

**Majority Report:** Do pass.

Signed by Senators Hatfield, Chair; Shin, Vice Chair; Becker, Delvin, Haugen, Hobbs, Honeyford and Schoesler.

**Staff:** William Bridges (786-7416)

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### SENATE COMMITTEE ON AGRICULTURE, WATER & RURAL ECONOMIC DEVELOPMENT

**Majority Report:** That Substitute Senate Bill No. 5575 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hatfield, Chair; Shin, Vice Chair; Honeyford, Ranking Minority Member; Becker, Haugen, Hobbs and Schoesler.

**Staff:** William Bridges (786-7416)

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*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.*

**Background:** 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 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 (REC). REC is a tradable certificate of proof, verified by the Western Renewable Energy Generation Information System, of at least one megawatt hour (MWh) of an eligible renewable resource where the generation facility is not powered by fresh water. Under I-937, 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.

**Summary of Engrossed Substitute Bill:** Changing the Definition of Eligible Renewable Resource. The following biomass fuels are added as eligible renewable resources under I-937:

- organic by-products of pulping and the wood manufacturing process;

- untreated wooden demolition or construction debris;
- yard waste and food processing residues;
- animal manure (replacing the term animal waste);
- liquors 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.

Allowing the Limited Use of Qualified Biomass Energy to meet I-937 Targets. 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 industrial 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 associated with 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 limited use of qualified biomass energy.

**Appropriation:** None.

**Fiscal Note:** Available.

**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 Substitute (Agriculture, Water & Rural Economic Development):** PRO: In the past few years, the state has gone from 12 wood product mills to ten, with thousands of jobs lost. In a very competitive global marketplace, the remaining mills are burdened by purchases of expensive renewable power from wind and solar. Weyerhaeuser is the second largest employer in Cowlitz County and it has a contractual obligation to supply the Cowlitz PUD with half of its renewable energy requirements. This bill will help Weyerhaeuser remain competitive and help the PUD to

control its rising renewable energy costs. This bill will help preserve good-paying, permanent jobs and maintain a carbon neutral source of baseload generation. The bill is designed to prevent the undermining of the REC market.

CON: Burning black liquor and other biomass is unhealthy and dangerous for the young and elderly. Preserving I-937 is one of the top three priorities of the environmental community. Allowing biomass energy from incremental improvements to legacy facilities may be possible but only in a comprehensive I-937 bill. Legacy biomass facilities were not included in I-937 because the Initiative was designed to build upon the state's existing renewable resource base. Burning biomass will contribute to climate change.

OTHER: Any jobs created or preserved must be sustainable. Stack emission controls work.

**Persons Testifying (Agriculture, Water & Rural Economic Development):** PRO: Steve Gano, Longview Fibre; Bill Stauffacher, American Forest and Paper Association; Collins Sprague, Avista Corp.; Anthony Chavez, Weyerhaeuser.

CON: Tom Davis, Miguel Perez-Gibson, Climate Solutions; Clifford Traisman, WA Environmental Council, WA Conservation Voters, Renewable NW Project; Connie Simpson, League of Women Voters.

OTHER: Bob Guenther, International Brotherhood of Electrical Workers 77.