

SENATE BILL REPORT

ESB 5575

As Reported by Senate Committee On:
Agriculture & Rural Economic Development, February 7, 2011
Agriculture, Water & Rural Economic Development, January 23, 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: 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].

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)

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)

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.

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 REC; however, carbon credits related to the removal of methane from the atmosphere can be sold separately from REC.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Recommended Substitute): Supplementing 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;
- wooden demolition or construction debris (not including treated wood);
- yard waste;
- food waste;
- biosolids;
- liquors derived from algae and other sources;
- food processing residues; and
- qualified biomass energy.

Qualified biomass energy means electricity produced from a biomass energy facility that commenced operation before March 31, 1999.

Creating Qualified RECs. In addition to RECs, qualified RECs are created to allow certain qualifying utilities to meet their compliance obligations under I-937. A qualified REC is a certificate of proof of at least one MWh of qualified biomass energy that is generated by a qualifying utility or an industrial facility that is served by a qualifying utility. A qualified REC includes all of the nonpower attributes associated with that one MWh, and the certificate is verified by the Washington State University Extension Energy Program. Qualified RECs may be used during the year they are acquired, the previous year, or the subsequent year.

Limitations on Qualified RECs and Biomass Energy. A qualified REC may be used only by a qualifying utility that owns a qualified biomass energy facility or that is interconnected with an industrial facility that hosts a qualified biomass energy facility. A qualifying utility that produces or receives a qualified renewable energy credit may not transfer or sell the credit to another person or entity unless a transfer is necessary in order to prove compliance under I-937. Qualified biomass energy may not be sold as an eligible renewable resource unless it is bundled with an eligible renewable resource that is not qualified biomass energy.

Findings. Findings are changed to emphasize the environmental benefits of biomass and the declining economic health of the wood products industry. A finding is also added to explain the limitations on qualified renewable energy credits generated by qualified biomass energy facilities.

EFFECT OF CHANGES MADE BY AGRICULTURE, WATER & RURAL ECONOMIC DEVELOPMENT COMMITTEE (Recommended Substitute): The Department of Commerce is replaced by the Washington State University extension energy program as the entity that verifies qualified renewable energy credits. The provision allowing anaerobic digesters to separate their nonpower attributes into renewable energy credits and avoided emissions of carbon dioxide and other greenhouse gases is removed. It is

clarified that qualified biomass energy may not be sold as an eligible renewable resource unless it is bundled with an eligible renewable resource that is not 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 Proposed 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.