HOUSE BILL REPORT
SB 5297

As Passed House:
April 17, 2013

Title: An act relating to coal transition power.

Brief Description: Concerning coal transition power.

Sponsors: Senators Braun, Ericksen and Carrell.

Brief History:
Committee Activity:
Environment: 3/21/13, 4/3/13 [DP].
Floor Activity:
Passed House: 4/17/13, 83-14.

Brief Summary of Bill

- Modifies an alternative compliance mechanism under the Energy Independence Act to include purchases of coal transition power.

HOUSE COMMITTEE ON ENVIRONMENT

Majority Report: Do pass. Signed by 8 members: Representatives Upthegrove, Chair; Short, Ranking Minority Member; Pike, Assistant Ranking Minority Member; Crouse, Morris, Nealey, Overstreet and Tharinger.

Minority Report: Do not pass. Signed by 5 members: Representatives McCoy, Vice Chair; Farrell, Fey, Kagi and Liias.

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. Utilities that must comply with the EIA are called qualifying utilities.

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.

Eligible Renewable Resource Targets and Compliance Dates.
Each qualifying utility must use eligible renewable resources or acquire equivalent renewable energy credits (RECs), 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 means electricity generated from a resource such as wind, solar, geothermal energy, landfill and sewage gas, wave and tidal power, and certain biodiesel fuels. In addition, an eligible renewable resource must be generated in a facility that started operating after March 31, 1999, and 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. Under certain conditions, incremental electricity produced as a result of efficiency improvements to hydroelectric generation facilities may also count as an eligible renewable resource.

Renewable Energy Credit.
A REC is a tradable certificate of proof of at least one megawatt hour (MWh) 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. The 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.

Alternative Compliance Methods.
In general, a qualifying utility that fails to meet an annual target to acquire eligible renewable resources will still be considered in compliance if any of the following exceptions apply: the failure was due to events beyond the reasonable control and anticipation of a qualified utility; the utility spent 4 percent of its total annual revenue needs to meet the eligible renewable resource targets; or, the utility spent 1 percent of its total annual revenue requirement to meet the eligible renewable resource targets, had no increases in the demand for electricity for the previous three years, and did not sign any contracts for nonrenewable resources after December 7, 2006, the date the EIA became law.

Greenhouse Gas Emissions Performance Standard for Electric Generation Plants.
Electric utilities may not enter into a long-term financial commitment for baseload electric generation on or after July 1, 2008, unless the generating plant's emissions are the lower of:

- 1,100 pounds of greenhouse gas (GHG) per MWh; or
- the average available GHG emissions output as updated by the Department of Commerce.

Baseload electric generation means electric generation from a power plant that is designed and intended to provide electricity at an annualized plant capacity factor of at least 60 percent. Long-term financial commitment means either a new ownership interest in baseload electric generation or an upgrade to a baseload electric generation facility; or, a new or

renewed contract for baseload electric generation with a term of five or more years for the provision of retail power or wholesale power to end-use customers in this state.

Emissions Performance Standard and Coal Transition Power.
In 2011 the Legislature established a schedule for applying the Emissions Performance Standard (EPS) to the Centralia coal-fired electric generation facility (Centralia). In addition, the EPS was amended to allow long-term contracts for Centralia's generated electricity, called coal transition power. Furthermore, a process was created to allow an investor-owned electric utility to petition the Washington Utilities and Transportation Commission for approval of a power purchase agreement for coal transition power.

Summary of Bill:

Alternative Compliance Mechanism Using Coal Transition Power.
A qualifying utility that fails to meet an annual target for acquiring eligible renewable resources will still be considered in compliance if the utility: (1) spent 1 percent of its total annual revenue requirement to meet the eligible renewable resource targets; (2) had no increases in the demand for electricity for the previous three years: and (3) did not sign any contracts for nonrenewable resources, other than coal transition power, after December 7, 2006, the date the Energy Independence Act became law.

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 bill helps preserve 300 jobs in the twentieth Legislative District and it helps ensure the stable transition from coal power to cleaner forms of energy. Negotiators of the 2011 agreement to close the state's only coal-fired power plant could not foresee the many market forces that came into play since that agreement. It makes a small change to an alternative compliance mechanism in the Energy Independence Act (EIA). It allows utilities that are experiencing no electrical load growth to use coal transition power. The bill is important to power plant workers and the community where these workers live. The bill moves us forward with a systematic shut down of the Centralia coal-fired power plant in 2025. The bill does not make coal transition power an eligible renewable resource. The bill will help secure the necessary 500 megawatt of sales that is required to unlock the $55 million of community development transition funds.

(Opposed) Since passage of the EIA there has been $8 billion of new investment in renewable energy resources in Washington. The bill would change the off-ramp provisions and allow coal power to be used to count towards compliance with the EIA. By allowing this change, it will allow existing coal resources to supplant the need for new investment in renewable resources.

Persons Testifying: (In support) Senator Braun, prime sponsor; Bob Guenther, International Brotherhood of Electrical Workers 77; and Matt Steuerwalt, TransAlta.

(Opposed) Varner Seaman, Renewable Northwest Project.

Persons Signed In To Testify But Not Testifying: None.