

SENATE BILL REPORT

SB 5297

As of February 7, 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: Energy, Environment & Telecommunications: 2/06/13.

SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TELECOMMUNICATIONS

Staff: William Bridges (786-7416)

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.

Eligible Renewable Resource Targets and Compliance Dates. 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 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.

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.

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.

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 with I-937 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 I-937 became law.

Greenhouse Gas (GHG) Emissions Performance Standard (EPS) 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:

- 1100 pounds of 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 mean 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.

EPS and Coal Transition Power. In 2011 the Legislature established a schedule for applying the 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: Amending an Alternative Compliance Method in I-937 to Allow the Use of Coal Transition Power. In general, a qualifying utility that fails to meet an annual target in I-937 for acquiring eligible renewable resources will still be considered in compliance with I-937 if: 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, other than coal transition power, after December 7, 2006, the date I-937 became law.

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: PRO: This bill will help provide a stable transition for the Centralia coal-powered electric generating facility in accordance with the 2011 legislation concerning the future of the facility. TransAlta is Canada's largest renewable energy company, and its Centralia facility is the largest source of tax revenue in Lewis County. The Centralia facility employs 300 people with an average annual pay of \$85,000 in a county with an average annual pay of \$30,000. Lewis County needs to keep this facility operating and this bill may help it attract more buyers for its power. The facility needs to operate to maintain the reliability and stability of the electricity grid.

CON: I-937 was designed to promote investments in renewable power, not coal power. This bill would allow utilities to buy coal power and still remain compliant with I-937, which is contrary to the intent of I-937.

Persons Testifying: PRO: Senator Braun, prime sponsor; Tim Boyd, Industrial Customers of NW Utilities; Matt Steuerwalt, TransAlta.

CON: Michael O'Brien, Renewable NW Project.