

SENATE BILL REPORT

SB 5438

As Reported by Senate Committee On:
Energy, Environment & Telecommunications, February 19, 2013

Title: An act relating to using conservation achieved by a qualifying utility in excess of its biennial acquisition target under the energy independence act.

Brief Description: Using conservation achieved by a qualifying utility in excess of its biennial acquisition target under the energy independence act.

Sponsors: Senators Ericksen and Chase.

Brief History:

Committee Activity: Energy, Environment & Telecommunications: 2/12/13, 2/19/13 [DPS, DNP].

SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TELECOMMUNICATIONS

Majority Report: That Substitute Senate Bill No. 5438 be substituted therefor, and the substitute bill do pass.

Signed by Senators Ericksen, Chair; Sheldon, Vice Chair; Brown, Chase, Honeyford and Litzow.

Minority Report: Do not pass.

Signed by Senators Ranker, Ranking Member; Billig and Cleveland.

Staff: William Bridges (786-7416)

Background: **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 (Conservation 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.

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, 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.

Load means the amount of kilowatt-hours of electricity a qualifying utility delivered to its Washington retail customers in the most recently completed year.

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 (REC). An 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, an 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 Bill (Recommended Substitute): Using Excess Conservation to Meet up to 50 Percent of Subsequent Conservation Targets. Any conservation achieved by a qualifying utility in excess of its biennial acquisition target may be used to meet any subsequent target, such that no more than 50 percent of any biennial target may be met with excess conservation savings.

EFFECT OF CHANGES MADE BY ENERGY, ENVIRONMENT & TELECOMMUNICATIONS COMMITTEE (Recommended Substitute): Technical changes and a clarification that subsequent conservation targets are not to be increased by the Washington Utilities and Transportation Commission by virtue of banked conservation credits.

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 Original Bill: PRO: This bill promotes conservation in a more effective manner. Conservation is the cheapest energy resource and it keeps rates low, creates jobs, and promotes new technologies. Utilities need more flexibility when trying to achieve conservation targets. The conservation targets in I-937 are too rigid and have the unintended consequence of discouraging aggressive conservation measures. Conservation projects proceed on their own schedules that do not match the I-937 timelines. Some very large industrial customers have I-937 obligations by virtue of their contractual agreements with their utility, and these customers are very interested in aggressive conservation measures.

OTHER: The bill should be clarified so that utilities can only transfer excess conservation to the next target period. Utilities should also be required to use the more current data and methodologies.

Persons Testifying: PRO: Senator Ericksen, prime sponsor; Glenn Atwood, Seattle City Light; Steve Bicker, Tacoma Power; Eugene Rosolie, Cowlitz County Public Utility District; Tim Gibbs, Greater Grays Harbor, Inc.; John Rothlin, Avista; Anthony Chavez, Weyerhaeuser.

OTHER: Nancy Hirsh, NW Energy Coalition.