

SENATE BILL REPORT

SB 6154

As of January 16, 2014

Title: An act relating to measures that will provide energy assistance for low-income families within the framework of the energy independence act.

Brief Description: Concerning measures that will provide energy assistance for low-income families within the framework of the energy independence act.

Sponsors: Senators Chase and Kline.

Brief History:

Committee Activity: Energy, Environment & Telecommunications:

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 qualifying electric utilities to meet targets for energy conservation and for using eligible renewable resources.

Qualifying Utilities. Under I-937 qualifying utilities are electric utilities with 25,000 or more customers in the state.

Energy Conservation Assessments and Targets (Conservation Targets). Each qualifying utility must pursue all available conservation that is cost effective, reliable, and feasible. 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. Each qualifying utility must meet biennial conservation targets that are consistent with its conservation assessments. Under I-937 qualifying utilities must use methodologies consistent with the Pacific Northwest Electric Power and Conservation Planning Council's (Power Council) most recent power plan when calculating their achievable cost-effective conservation potential.

Power Council. The Power Council was established in the federal Northwest Power Act of 1980. The governors of Washington, Oregon, Idaho, and Montana each appoint two members to the Power Council. Among its duties, the Power Council must develop a power plan at least every five years to meet the region's electricity needs. At the time I-937 was

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approved, the Power Council was operating under the Fifth Power Plan. It adopted its Sixth Power Plan in February 2010.

Eligible Renewable Resource Targets and Compliance Dates (Renewable Acquisition 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.

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, specified biomass, wave and tidal power, and certain biodiesel fuels. In addition, an eligible renewable resource must generally be produced 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.

Incremental Hydroelectricity as an Eligible Renewable Resource. Incremental electricity produced as a result of efficiency improvements to the following hydroelectric generation facilities may also count as an eligible renewable resource if the improvements do not result in new water diversions or impoundments, and the improvements are completed after March 31, 1999:

- hydroelectric generation projects owned by a qualifying utility and located in the Pacific Northwest; and
- hydroelectric generation in irrigation pipes and canals located in the Pacific Northwest.

Incremental electricity marketed by the federal Bonneville Power Administration (BPA) is not an eligible renewable resource because BPA is not a qualifying utility under I-937.

Multipliers for the Renewable Acquisition Targets. Under I-937 qualifying utilities may count distributed generation at double the facilities output. Distributed generation means an eligible renewable resource where the generation facility has a generating capacity of not more than five megawatts. In addition, if apprenticeship labor was used to build an eligible renewable facility, the facility's output may be counted 1.2 times its base value under certain circumstances.

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. A REC 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—4 percent cost-cap; 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.

Summary of Bill: Adding Eligible Renewable Resources. The following are added as eligible renewable resources under I-937:

Federal Incremental Hydroelectricity. A qualifying utility may use that portion of incremental electricity produced as a result of efficiency improvements completed after March 31, 1999, attributable to a qualifying utility's share of the electricity output to hydroelectric generation projects whose energy output is marketed by BPA where the additional generation does not result in new water diversions or impoundments.

Hydroelectric Generation from Specified Pipes. A qualifying utility may use hydroelectricity generated from a project completed after March 31, 1999, where the generation facility is located in irrigation pipes, irrigation canals, water pipes whose primary purpose is for conveyance of water for domestic use, and wastewater pipes located in Washington where the generation does not result in new water diversions or impoundments.

Excess Conservation. A qualifying utility may use up to 50 percent of conservation in excess of a biennial target.

Investments in Low-Income Energy Assistance. A qualifying utility may choose to make investments in low-income energy assistance instead of investing in RECs, if the amount of the investment does not exceed the amount equal to:

- 1 percent of the cost of meeting its load in any target year through December 31, 2015;
- 3 percent of the cost of meeting its load in any target year from January 1, 2016, through December 31, 2019; and
- 5 percent of the cost of meeting its load in any target year beginning January 1, 2020, and thereafter.

Updating the Methodology for Calculating Cost-Effective Conservation. The Department of Commerce must update by rule the methodologies used to identify cost-effective conservation. The department may consider methodologies developed by the Power Council in its most recent power plans.

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 toward any of the next three biennial targets, such that no more than 50 percent of any biennial target may be met with excess conservation savings. Any excess conservation used under this provision may not generally be applied toward a renewable acquisition target.

Creating a Conservation Multiplier. A qualifying utility may count conservation investments in residential living units occupied by low-income families or individuals at 1.2 times that of other conservation investments. Any investment made under this provision may not generally be applied toward a renewable acquisition target.

Using Conservation as an Alternative Compliance Method. A qualifying utility that makes low-income conservation investments may count those investments toward the 4 percent cost cap if: (1) the investments exceed the utility's average annual amount of these investments in calendar years 2009 through 2013; and (2) the utility did not count any of the investments toward the conservation or renewable acquisition targets.

Findings: Various findings are made, such as the effectiveness of I-937 in promoting renewable energy. The Legislature also recognizes that lower-income families spend a greater proportion of their income on electricity and home heating.

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.