
**Technology & Economic Development
Committee**

HB 2506

Brief Description: Concerning the development of a state plan to implement federal regulations on electric generation facilities.

Sponsors: Representatives Young, Tarleton, Smith, Morris and Harmsworth.

Brief Summary of Bill

- Requires the Department of Ecology (ECY) to select a mass-based compliance option in developing, adopting, and implementing a state plan to comply with the federal Clean Power Plan.
- Establishes certain requirements that must be met by a mass-based compliance option.

Hearing Date: 1/20/16

Staff: Nikkole Hughes (786-7156).

Background:

Federal Clean Power Plan.

On August 3, 2015, the U.S. Environmental Protection Agency (EPA) released its Clean Power Plan final rule. In the rule, the EPA established:

- carbon dioxide emission performance rates representing the best system of emission reduction (BSER) for fossil fuel-fired electric utility steam generating units and stationary national gas combustion turbines;

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- state-specific carbon dioxide goals reflecting the carbon dioxide emissions performance rates; and
- guidelines for developing and submitting state plans to implement the carbon dioxide emission performance rates, either directly by means of source-specific emission standards or other requirements, or indirectly through measures that achieve equivalent carbon dioxide reductions from the same groups of electric generating units (EGUs).

State Goals Under the Clean Power Plan.

States may decide to meet a specific state goal as an equivalent quantitative expression of the BSER. The EPA established interim and final state-specific carbon dioxide goals in three different forms from which a state may choose:

- a rate-based goal measured in pounds of carbon dioxide per megawatt-hour;
- a mass-based goal measured in short tons of carbon dioxide; or
- a mass-based goal with a new source complement measured in short tons of carbon dioxide.

Under the Clean Power Plan, Washington must meet either the rate-based goal of 983 pounds of carbon dioxide per megawatt-hour by 2030 or the mass-based goal of 10,739,172 short tons of carbon dioxide by 2030.

State Plans to Implement the Clean Power Plan.

Each state with EGUs covered by the Clean Power Plan must develop, adopt, and submit a state plan that implements the BSER. The EPA's final guidelines for state plans outlines two plan types from which a state may choose:

- an Emission Standards Plan, under which a state places federally enforceable emission standards on affected EGUs that fully meet either the carbon dioxide emission performance rates or the state goal; or
- a State Measures Plan, under which a state that chooses to pursue a mass-based goal implements measures that are not federally enforceable emission standards but that result in the affected EGUs meeting emission requirements, and under which the state includes a backstop provision that imposes federally enforceable emission standards on the affected EGUs.

States are required to submit a final plan, or an initial submittal with an extension request, by September 6, 2016. Final complete state plans must be submitted no later than September 6, 2018. If a state does not submit a plan or extension request, or if the plan is not approved by the EPA, then the EPA has authority under the Clean Air Act Section 111(d) to establish a federal compliance plan for the state.

Trading and Other Multi-State Arrangements Under the Clean Power Plan.

The Clean Power Plan enables states to collaborate with each other by submitting multi-state plans or by linking plans through common administrative provisions (i.e. "trading ready"). Trading ready mechanisms allow states or affected EGUs to use creditable, out-of-state reductions to meet their goal without the need for up-front interstate agreements.

Department of Ecology.

As the state agency with delegated authority to implement federal programs, including programs under the federal Clean Air Act, the Department of Ecology (ECY) is the lead agency in preparing the state's implementation plan under the Clean Power Plan. The ECY is also responsible for enforcing the state greenhouse gas emissions performance standard. The state greenhouse gas emissions performance standard prohibits Washington utilities from investing in or making long-term financial commitment to sources of electricity whose generation exceeds 1,100 pounds of greenhouse gases per megawatt hour, or a separate standard for natural gas generation as determined by the Department of Commerce.

Summary of Bill:

The ECY must select a mass-based compliance option in for the state's implementation plan under the Clean Power Plan. This mass-based compliance option must:

- maintain state flexibility to achieve compliance using market-based tools;
- avoid redundant or burdensome regulation on affected EGUs by taking into consideration the state greenhouse gas emissions performance standard; and
- include participation in a regional or multi-state program or in interstate allowance auctions (i.e. "trading ready").

State participation in a regional or multi-state program or in interstate allowance auctions must be such that:

- the state's opportunity to realize benefit is maximized at the least cost to affected EGUs;
- the current diversification of the state's electric generation sources is not diminished; and
- the state plan prioritizes the investment of any benefit that may accrue to the state in strategies to reduce the power bills of low-income families and ratepayers.

Appropriation: None.

Fiscal Note: Requested on January 14, 2016.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.