

SENATE BILL REPORT

SB 5094

As Passed Senate, February 16, 2016

Title: An act relating to allowing incremental electricity produced as a result of efficiency improvements to hydroelectric generation projects whose energy output is marketed by the Bonneville power administration to qualify as an eligible renewable resource under the energy independence act.

Brief Description: Allowing incremental electricity produced as a result of efficiency improvements to hydroelectric generation projects whose energy output is marketed by the Bonneville power administration to qualify as an eligible renewable resource under the energy independence act.

Sponsors: Senators Brown, Hewitt, Sheldon and Hatfield.

Brief History:

Committee Activity: Energy, Environment & Telecommunications: 1/29/15, 2/04/15 [DP, DNP].

Passed Senate: 3/06/15, 29-20; 2/16/16, 30-18.

SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TELECOMMUNICATIONS

Majority Report: Do pass.

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

Minority Report: Do not pass.

Signed by Senators McCoy, Ranking Minority Member; Cleveland and Habib.

Staff: Kimberly Cushing (786-7421)

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:

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- 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.

Incremental Hydroelectricity as an Eligible Renewable Resource. Incremental electricity produced as a result of efficiency improvements to hydroelectric generation projects owned by a qualifying utility and located in the Pacific Northwest 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.

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.

Other Types of Hydroelectricity as an Eligible Renewable Resource. Hydroelectric generation from the following types of projects is an eligible renewable resources if the projects were completed after March 31, 1999: 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.

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 non-power 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.

Residential Exchange Program (REP). Under the federal Northwest Power Act, the REP provides residential and small-farm customers of participating investor-owned utilities (IOUs) in the Pacific Northwest access to low-cost power from the Federal Columbia River Power System in the form of credits on their power bills. The program now operates under a legal settlement involving BPA and numerous regional utilities. The REP settlement generally requires BPA to transfer to participating IOUs their proportional share of environmental attributes associated with the federal power.

Summary of Bill: Adding Federal Incremental Hydroelectricity as an Eligible Renewable Resource Under I-937. Beginning January 1, 2016, 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 from hydroelectric generation projects whose energy output is marketed by BPA where the

additional generation does not result in new water diversions or impoundments, as an eligible renewable resource to comply with I-937. A qualifying utility may not transfer or sell this incremental electricity to another qualifying utility for compliance purposes under I-937.

Adding Incremental Hydroelectricity RECs Allocated by REP as an Eligible Renewable Resource Under I-937. Beginning January 1, 2016, a qualifying utility may use the environmental attributes of incremental hydroelectricity, including RECs, allocated to IOUs pursuant to the REP as an eligible renewable resource to comply with I-937. RECs allocated under the REP may not be transferred or sold to another qualifying utility for compliance under I-937. The definition of REC is amended to recognize freshwater RECs allocated under REP.

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: Qualifying utilities that own their own dams can already take advantage of incremental hydro, but any qualifying utility that receives power from BPA cannot claim incremental power from the federal system even though their ratepayers pay for it. This is a common-sense, equitable approach that will allow Inland Power ratepayers to save \$200,000 per year on purchasing RECs they do not need. The amount of federal incremental hydro is very small and the benefit to utilities would be modest; the real issue is equity. Hydropower is a strategic asset for Washington so why wouldn't the state want to promote more economically stable, and environmentally balanced hydropower? Forty percent of Tacoma's ratepayers make \$40,000 per year or below and 15 percent are below the federal poverty level, so the utility is very sensitive to the price of power. Recognizing federal incremental power would allow Tacoma to meet 4 percent of its 2020 target and save ratepayers \$3.2 to \$9.6 million over the next 15 years.

CON: The state's energy portfolio is already 70 percent hydro, so adding more hydro will not satisfy the purpose of I-937 by promoting diversity of resources. Change to the initiative needs to be part of a comprehensive, balanced approach. The targets in I-937 are modest and already take into account hydropower.

OTHER: Commerce will offer technical changes to the definition of REC. This bill deals with the issue of balancing the interests of BPA customers with the possible impacts on the development of new eligible renewable resources. The bill will unlikely change the behavior of BPA because it will do incremental upgrades regardless of whether this bill passes or not.

Persons Testifying: PRO: Senator Brown, prime sponsor; John Francisco, Inland Power and Light, Chief of Energy Resources; Deb Bone-Harris, Franklin PUD; Constantine Papadakis, Tollhouse Energy; Cam LeHouillier, IRP Manager, Tacoma Power; John Rothlin, Avista.

CON: Joni Bosh, NW Energy Coalition; Kelly Hall, Renewable NW ; Rebecca Johnson, Climate Solutions.

OTHER: Tony Usibelli, WA Dept. of Commerce, State Energy Office.

Persons Signed in to Testify But Not Testifying: No one.