

SENATE BILL REPORT

SB 6004

As Reported by Senate Committee On:
Energy, Environment & Telecommunications, February 18, 2015

Title: An act relating to the acquisition of coal displacement power.

Brief Description: Providing for the acquisition of coal displacement power.

Sponsors: Senators Braun, Honeyford and Hatfield.

Brief History:

Committee Activity: Energy, Environment & Telecommunications: 2/17/15, 2/18/15 [DPS, DNP, w/oRec].

SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TELECOMMUNICATIONS

Majority Report: That Substitute Senate Bill No. 6004 be substituted therefor, and the substitute bill 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.

Minority Report: That it be referred without recommendation.

Signed by Senator Ranker.

Staff: Kimberly Cushing (786-7421)

Background: Greenhouse Gas 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 the following:

- 1100 pounds of greenhouse gas (GHG) per megawatt hour (MWh); or
- the average available GHG output as updated by the Department of Commerce, which is currently set at 970 pounds per MWh.

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 means (1) either a new ownership interest in baseload electric generation or an upgrade to a baseload electric generation facility; or (2) a

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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.

Coal Transition Power. In 2011 the Legislature established a process for closing the Centralia Coal-Fired Generation Facility (Centralia Facility). Among other things, the legislation created an exception under the EPS for long-term purchases of the Centralia Facility's generated electricity, called coal transition power.

An investor-owned electric utility (IOU) seeking to purchase coal transition power may petition the Utilities and Transportation Commission (UTC) for approval of the purchase. The UTC must issue a final order that approves or disapproves the agreement within 180 days after a petition is filed. The UTC must approve the power purchase agreement if it determines the resource is needed by the IOU to serve its ratepayers and the resource meets the need in a cost-effective manner as determined under the lowest reasonable cost resource standards. If approved the IOU may treat the purchase as an investment entitled to earn the equity component of its authorized rate of return as if it had constructed or purchased a facility with an equivalent generation capacity.

As of this date, Puget Sound Energy (PSE) is the only electric utility to have purchased coal transition power. The UTC allowed PSE to treat the power purchase as an investment entitled to earn a portion of the premium it would receive if it had constructed a facility with an equivalent generation capacity.

Memorandum of Agreement (MOA). The 2011 legislation also required an MOA between the state and owners of the Centralia Facility. The MOA specified a number of terms, such as the facility owner providing financial assistance to the affected community. The owner of the Centralia Facility may terminate the MOA if it does not sell 500 MW of coal transition power for a term of at least eight years. In 2012 PSE agreed to purchase up to 380 MW of coal transition power over an 11-year period.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Recommended Substitute): Encouraging the Purchase of Coal Displacement Power. If a utility that previously purchased coal transition power purchases a similar quantity of other power to displace the coal transition power, it may petition the UTC to receive the same regulatory treatment of the power purchase agreement as coal transition power; it is entitled to earn the equity component of its authorized rate of return as if it had constructed or purchased a facility with an equivalent generation capacity.

Coal displacement power means (1) power provided pursuant to a power purchase agreement to an electrical company that purchased coal transition power under a power purchase agreement prior to the effective date of this section; (2) where the power purchased is intended to supply a similar quantity of load as purchased under the coal transition power agreement; and (3) where the power purchased is generated in the affected community identified in the MOA.

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: CON: The intent of the bill is appreciated, but the equity adder for coal transition power was questionable in 2011, and it would remain questionable if extended to coal displacement power. TransAlta is not a regulated utility and the law should not favor one independent power producer over others.

Persons Testifying: CON: Tim Boyd, Industrial Customers of NW Utilities.