

SENATE BILL REPORT

SB 5232

As of January 8, 2018

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, Palumbo, Walsh, Dandel, Takko, Chase and Sheldon.

Brief History:

Committee Activity: Energy, Environment & Telecommunications: 1/26/17, 2/01/17 [DP, DNP].

Energy, Environment & Technology: 1/10/18.

Brief Summary of Bill

- Adds federal incremental hydroelectricity as an eligible renewable resource under Initiative 937 (I-937).
- Allows investor-owned utilities to use renewable energy credits (REC) generated from federal incremental hydroelectricity under an agreement with the Bonneville Power Administration (BPA) as an eligible renewable resource under I-937.

SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TELECOMMUNICATIONS

Majority Report: Do pass.

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

Minority Report: Do not pass.

Signed by Senators Carlyle, Ranking Minority Member; Ranker and Wellman.

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.

Staff: Kimberly Cushing (786-7421)

SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TECHNOLOGY

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Background: Approved by voters in 2006, the Energy Independence Act, also known as 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.

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.

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 may count as an eligible renewable resource if:

- it is produced as a result of efficiency improvements to hydroelectric generation projects owned by a qualifying utility located in the Pacific Northwest;
- the improvements do not result in new water diversions or impoundments; and
- the improvements are completed after March 31, 1999.

Incremental electricity marketed by 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 resource 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.

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 freshwater. Under I-937, a 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 various 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: The bill as referred to committee not considered.

Summary of Bill (Proposed Substitute): Adding Federal Incremental Hydroelectricity as an Eligible Renewable Resource Under I-937. Beginning January 1, 2019, a qualifying utility may use incremental electricity produced as a result of efficiency improvements to hydroelectric generation projects whose energy output is marketed by BPA as an eligible renewable resource to comply with I-937, if the improvements are completed after March 31, 1999, and the additional generation does not result in new water diversions or impoundments. The qualifying utility may only use the portion of incremental electricity attributable to its share of the electricity output.

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 the REP as an Eligible Renewable Resource Under I-937. Beginning January 1, 2019, 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 the REP.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony (Energy, Environment & Telecommunications): *Testimony from 2017 Regular Session.* PRO: I-937 does not recognize hydro efficiencies marketed by BPA, unlike other hydroelectric improvements. This bill seeks to create parity

and make an equivalent playing field. Because I-937 does not recognize BPA efficiency improvements, some utilities spend more to comply with the law. This change would not erode the intent of I-937. Incremental hydro is a highly beneficial resource that is clean, carbon-free, reliable, and supports good jobs. Utilities will not stop purchasing RECs because of the bill. Customers are very pragmatic and have a desire to increase renewables in the state. However, it is difficult to explain that if the utility owned the dam and made investments, it would count, but if utilities invest in BPA dams, it would not count. The savings would help low-income customers.

CON: The goal of I-937 was to diversify renewable resources beyond hydro. However, to support utilities' existing ownership, an agreement was made that utilities that made improvements to their own dams would count under I-937. The BPA efficiency improvements are not insignificant, but this concept should be rolled into a more comprehensive package for modifying I-937 post-2020.

Persons Testifying (Energy, Environment & Telecommunications): PRO: Senator Sharon Brown, Prime Sponsor; John Francisco, Inland Power & Light; Diana Carlen, Tacoma Public Utilities; Lori Sanders, Benton PUD.

CON: Nancy Hirsh, NW Energy Coalition.

Persons Signed In To Testify But Not Testifying (Energy, Environment & Telecommunications): No one.