

# SENATE BILL REPORT

## SB 6253

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As Reported by Senate Committee On:  
Energy, Environment & Technology, February 1, 2018  
Ways & Means, February 6, 2018

**Title:** An act relating to establishing a clean, efficient, renewable energy standard.

**Brief Description:** Establishing a clean, efficient, renewable energy standard.

**Sponsors:** Senators Ranker, Carlyle, Palumbo, Keiser, Lias, Frockt, Kuderer, Chase, Hunt and Saldaña.

**Brief History:**

**Committee Activity:** Energy, Environment & Technology: 1/23/18, 2/01/18 [DPS-WM, DNP].

Ways & Means: 2/05/18, 2/06/18 [DP2S, DNP, w/oRec].

**Brief Summary of Second Substitute Bill**

- Requires all electric utilities and market customers to reduce the total number of megawatt hours (MWh) from fossil fuel generating resources with specific target dates for achieving progress and establishes fines for non-compliance.
- Requires all electric utilities to eliminate from electric rates all costs associated with coal-fired generation by January 1, 2030.

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### SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TECHNOLOGY

**Majority Report:** That Substitute Senate Bill No. 6253 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Carlyle, Chair; Palumbo, Vice Chair; Hobbs, McCoy, Ranker, Sheldon and Wellman.

**Minority Report:** Do not pass.

Signed by Senators Ericksen, Ranking Member; Brown and Hawkins.

**Staff:** Kimberly Cushing (786-7421)

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*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.*

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## SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Second Substitute Senate Bill No. 6253 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair; Billig, Carlyle, Conway, Darneille, Hasegawa, Hunt, Keiser, Mullet, Palumbo, Pedersen, Ranker and Van De Wege.

**Minority Report:** Do not pass.

Signed by Senators Braun, Ranking Member; Bailey, Becker, Brown, Schoesler, Wagoner and Warnick.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Rivers.

**Staff:** Claire Goodwin (786-7736)

**Background:** Initiative 937 (I-937). I-937, also called the Energy Independence Act, requires electric utilities with 25,000 or more customers to meet targets for energy conservation and for using eligible renewable resources.

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:

- 1100 pounds of greenhouse gas (GHG) per MWh; or
- the average available GHG output as updated by the Department of Commerce (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 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.

EPS and Coal Transition Power. In 2011, the Legislature established a schedule for applying the EPS to the Centralia coal-fired electric generation facility. In addition the EPS was amended to allow long-term contracts for Centralia's generated electricity, called coal transition power. Furthermore, a process was created to allow electric investor-owned utilities (IOUs) to petition the Utilities and Transportation Commission (UTC) for approval of a power purchase agreement for coal transition power.

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

**Summary of Bill (Second Substitute):** Washington as a Leader in Clean Energy. Declares that Washington State should continue to be a leader in clean energy development by putting utilities on a path to generating electricity without the use of fossil fuels.

Electricity Needs. All consumer-owned utilities (COUs), investor-owned utilities (IOUs), and market customers shall reduce the total number of MWh from fossil fuel generating resources with the following targets:

- at least 25 percent reduction from 2017 levels by January 1, 2030;
- at least 50 percent reduction from 2017 levels by January 1, 2035;
- at least 75 percent reduction from 2017 levels by January 1, 2040; and
- a 100 percent reduction by December 31, 2045.

Coal-Fired Generation. By January 1, 2030, all COUs and IOUs must eliminate from electric rates all costs associated with coal-fired generation. These costs do not include those associated with decommissioning and remediation of a coal-fired electric generation facility. The UTC may accelerate depreciation schedules for such facilities owned by IOUs.

Penalties. Any COU, IOU, or market customer that fails to comply with the requirements for electricity within the specified target dates must pay \$50 for each MWh of electricity from an ineligible generation resource beginning in 2030, \$75 for each MWh beginning in 2040, and \$100 for each MWh beginning in 2045. The penalty escalates by 2 percent every year thereafter. Penalties are adjusted annually by inflation. Penalties are called pollution mitigation charges.

For IOUs, the Utilities and Transportation Commission (UTC) shall determine compliance and assess charges. For COUs, Commerce is responsible for assessing charges. For COUs and market customers, the state auditor shall determine compliance and the attorney general is responsible for enforcing compliance.

Annual Progress Reporting. By June 1, 2020, and annually thereafter, each electric utility and market customer shall report to Commerce on progress towards the reduction in the total number of MWh from fossil fuel generating resources. The IOUs will also submit progress reports to the UTC. All IOUs and COUs shall also make reports available to customers and each market customer shall make its progress reports available to the attorney general.

Using Penalty Moneys. Commerce may use the funds collected from the pollution mitigation charge to assist electric utilities and market customers in eliminating future charges through no more than one-third of the revenue being expending on projects that reduce energy spending by low-income electricity customers and the remaining funds being expended for projects that assist electric utilities and market customers in meeting the carbon reduction requirements as set forth in the bill. These projects may consist of smart grid and grid modernization projects, and research and deployment of renewable resources with capacity factors above fifty percent.

Studies on Barriers for Low-Income Customers. By January 1, 2019, Commerce, with input from relevant state agencies and the public, must complete the following four studies on the barriers for low-income customers to: access solar photovoltaic energy generation and other renewable energy and contracting opportunities for local small business in disadvantaged communities; energy efficiency and weatherization investments; zero emissions and near-zero emission transportation options; and the impacts of this act on utility rates as it affects individuals from varying income levels, ethnic backgrounds, and racial backgrounds.

Rulemaking The UTC, in the case of IOUs, and Commerce, in the case of COUs, shall adopt rules to implement this act.

**EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Second Substitute):**

- Adds the definitions for emission and renewable resources.
- Adds language that electric utilities and market customers shall rely on renewable resources or clean resources when avoiding the pollution mitigation charge.
- Changes the upper-bound threshold for the definition of low-income from 8 percent of median household income to 80 percent of median household income.
- Adds that the Department of Commerce is required to conduct a study on the impacts of this act on utility rates as it affects individuals from varying income levels, ethnic backgrounds, and racial backgrounds.

**EFFECT OF CHANGES MADE BY ENERGY, ENVIRONMENT & TECHNOLOGY COMMITTEE (First Substitute):**

- Eliminates the requirement for all utilities and market customers to meet new electricity needs with distributed-energy resources and carbon-free resources.
- Removes the definition of new electricity needs.
- Allows the use of specific resources, such as BPA Tier 1 system resources, short-term spot market purchases, renewal or extension of current contract that do not increase energy or capacity, and increased MWh from a facility already owned by a market customer post December 31, 2045.
- Removes the inflator on the penalty for noncompliance with 2045 requirements.
- Removes reporting requirements related to new electricity needs.

**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 on Original Bill (Energy, Environment & Technology):** *The committee recommended a different version of the bill than what was heard.* PRO: Citizens recognize we must take action on climate change and move to a carbon-free future. As we rely more and more on electricity as we electrify transportation we need to eliminate carbon emissions. A carbon-free grid is the first step. Fossil fuel prices are projected to rise. Birds are indicators of problems in the environment and more than half of birds are at risk of extinction. The bill provides a 30-year runway. The study is incredibly important to learn about barriers for low-income people. This approach allows carbon-free technologies to progressively displace resources that produce climate altering emissions. This is a good way to expand renewables, which creates jobs, creates energy independence, and keeps the air and water clean. An integrated mix of all clean resources includes nuclear.

OTHER: Carbon-free resources should not include nuclear. Nuclear power is a dirty process, expensive, and unsafe. GHG emissions are associated with parts of the nuclear life cycle. Uranium mining is dangerous. We need to include BPA Tier 1 product beyond 2045. This pathway does not provide for accountability, there is no direction for capping costs, and no benchmarks to get to 2045 goals. We need to consider technical achievability and costeffectiveness. For a utility that is 92 percent carbon free, it is very expensive to get the last 8 percent.

CON: A zero-carbon goal is laudable, but not realistic. To get close is expensive if new technology comes along. Grid reliability has to be major concern. We need baseload power to replace coal. Natural gas is transitional fuel. Under this bill, natural gas is phased out early. This will be costly to utilities and ratepayers. Hydro is not dangerous like nuclear energy. We are never going to get to a 100 percent carbon free society.

**Persons Testifying (Energy, Environment & Technology):** PRO: Senator Kevin Ranker, Prime Sponsor; Jorgen Rasmussen, Solar Acres Farm; Vlad Gutman-Britten, Climate Solutions; Gail Gatton, Audubon Washington; Peter Dykstra, Trust for Public Land; Barb Wilson, Vulcan; Zach Stednick, citizen; Matthew Hepner, IBEW; Joe Kendo, WSLC; Rebecca Canright; John Patterson, citizen.

CON: Tim Boyd, Industrial Customers of NW Utilities; Elyette Weinstein, Washington League of Women Voters; Leslie March, No Nukes Northwest; Arthur West, citizen.

OTHER: Malcolm Chaddock, Veterans For Peace; Mimi German, No Nukes Northwest; Kent Lopez, General Manager, Washington Rural Electric Cooperative Association; Amy Wheelless, NW Energy Coalition; Laura Skelton, Washington Physicians for Social Responsibility; Helen Wheatley, Heart of America Northwest; Jesse Piedfort, Director, Sierra Club, Washington State Chapter; Mike Paoli, Chief Communication Officer, Energy Northwest; Jo Deutsch, TechNet; Cathryn Chudy, Oregon Conservancy Foundation; Isaac Kastama, Benton and Franklin PUD; Lon Freeman, citizen.

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

**Staff Summary of Public Testimony on Proposed Second Substitute (Ways & Means):** *The committee recommended a different version of the bill than what was heard.* PRO: The bill sets the state on a pathway to becoming 100 percent green. The pollution mitigation charges would only be applied to the increment. The Energy Independence Act is good for economic growth. Washington has the drive to get to a carbon-free grid. Climate change is the leading cause of bird deaths. Seventy-five percent of Washington's energy comes from renewable sources. This bill will create jobs in rural communities and apprenticeship and training opportunities. This bill hits the sweet spot between jobs and environmentalism and will create real family-wage jobs.

CON: This bill would create an incentive to build new nuclear power-plants. It allows nuclear to be considered a carbon-free resource.

OTHER: I agree with the nuclear concerns as well. Washington should not be considering trading one environmental harm for multiple future harms. It is not clear how the penalties will interact with any carbon pricing framework.

**Persons Testifying (Ways & Means):** PRO: Senator Kevin Ranker, Prime Sponsor; Vlad Gutman-Britten, Climate Solutions; Neil Beaver, Washington Audubon; Amanda Jahshan, Renewable Northwest; Matthew Hepner, International Brotherhood of Electrical Workers; Joe Kendo, Washington State Labor Council, AFL-CIO.

CON: Bruce Wishart, Sierra Club.

OTHER: Joni Bosh, NW Energy Coalition.

**Persons Signed In To Testify But Not Testifying (Ways & Means):** No one.