

SENATE BILL REPORT

SB 5588

As Reported by Senate Committee On:
Environment, Energy & Technology, February 7, 2019

Title: An act relating to authorizing the production, distribution, and sale of renewable hydrogen.

Brief Description: Authorizing the production, distribution, and sale of renewable hydrogen.

Sponsors: Senators Hawkins, Palumbo, Ericksen, Van De Wege, Fortunato, Short, Billig, Hobbs, Braun, Takko, Warnick, Sheldon, Wagoner, Hunt, Das, Zeiger, Wellman, King, Nguyen, Hasegawa, Kuderer, Bailey, Rivers, Holy, Wilson, L., Padden, Walsh, Dhingra, Frockt, Keiser, Liias, O'Ban and Wilson, C..

Brief History:

Committee Activity: Environment, Energy & Technology: 2/06/19, 2/07/19 [DPS].

Brief Summary of First Substitute Bill

- Authorizes public utility districts to produce, use, and sell renewable hydrogen.
- Defines renewable hydrogen.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

Majority Report: That Substitute Senate Bill No. 5588 be substituted therefor, and the substitute bill do pass.

Signed by Senators Carlyle, Chair; Palumbo, Vice Chair; Ericksen, Ranking Member; Fortunato, Assistant Ranking Member, Environment; Brown, Das, Hobbs, Liias, McCoy, Nguyen, Rivers, Short and Wellman.

Staff: Kimberly Cushing (786-7421)

Background: Public Utility Districts. Formed in 1931 by Initiative 1, Public Utility Districts (PUDs) are municipal corporations authorized to provide electricity, water and sewer services, and wholesale telecommunications. There are 28 operating PUDs in Washington, 23 of which provide electricity, 19 provide water or wastewater services, and 13

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provide wholesale broadband telecommunications services. PUDs are not generally subject to the jurisdiction of the Utilities and Transportation Commission (UTC).

In 2007 the Legislature granted PUDs the authority to produce and distribute biodiesel, ethanol, and ethanol blend fuels. PUDs were also authorized to enter into crop purchase contracts for dedicated energy crops for the purpose of generating electricity or producing biodiesel from Washington feedstocks.

In 2015 the Legislature granted PUDs the authority to produce and use renewable natural gas (RNG) for internal operations. Additionally, PUDs may generally sell RNG delivered into a gas transmission pipeline located in the state, or in pressurized containers under specified conditions.

Summary of Bill (First Substitute): PUDs are authorized to produce and use renewable hydrogen (RH) for internal operations. PUDs may generally sell RH delivered into a gas transmission pipeline located in the state, or in pressurized containers under specified conditions.

Additionally, PUDs may sell RH at wholesale or to an end-use customer in pressurized containers directly from RH production facilities to facilities for a manufacturing process, where RH is used as a nonutility-related input.

RH is defined as hydrogen produced using renewable resources both as the source for the hydrogen and the source for the energy input into the production process.

Renewable resource is defined as water; wind; solar energy; geothermal energy; RNG; RH; wave, ocean or tidal power; biodiesel fuel; or biomass energy.

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

- Aligns the PUDs authority to produce, utilize, and sell RH with existing authority to produce, utilize, and sell RNG.
- Adds that PUDs may sell RH at wholesale or to an end-use customer in pressurized containers directly from RH production facilities to facilities that use RH as a nonutility-related input for a manufacturing process.
- Clarifies the definition of RH.

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: *The committee recommended a different version of the bill than what was heard.* PRO: This bill gives PUDs the authority to

produce hydrogen. This is especially important for clean energy. Renewable hydrogen can be used as clean transportation fuel. During the springtime when the snow is melting the sun is shining and the wind is blowing those are all contributing to the renewable resources in our state but electricity prices go below production costs and in a lot of cases PUDs have to pay people to take our electricity when there is a huge oversupply in the industry. We would propose to use that excess electricity to make hydrogen and produce another renewable fuel for the state. Hydrogen is an energy carrier so it can be used to store energy for use later as transportation fuels, to augment natural gas for chemical production, food processing, or electronics manufacturing. Hydropower is clean, low-cost, renewable power. How do you make a renewable energy resource more renewable? It is certainly not by buying additional renewable resources. So our challenge, and one which this bill addresses, is taking a renewable resource such as hydro power and then using it to actually provide resources to reduce carbon. Production of hydrogen is a great use of renewable resources, is cost-effective, reduces carbon, and is an investment that actually helps us make progress. This is a huge opportunity for northwest utilities, and a benefit to ratepayers. This is critical to the path of de-carbonizing.

OTHER: The underlying bill raised questions about who can do what, where, and when. However, we are working on a substitute should address these issues.

Persons Testifying: PRO: Senator Brad Hawkins, Prime Sponsor; Ken Dragoon, Renewable Hydrogen Alliance; George Caan, Washington PUD Association; Molly Simpson, Douglas PUD; Gary Ivory, Douglas PUD.

OTHER: Mike Hoover, Avista.

Persons Signed In To Testify But Not Testifying: No one.