

HOUSE BILL REPORT

2ESHB 1365

As Passed House:
December 12, 2011

Title: An act relating to distributed generation.

Brief Description: Modifying the definition of "distributed generation" for the purposes of chapter 19.285 RCW, the energy independence act.

Sponsors: House Committee on Environment (originally sponsored by Representatives Eddy, Warnick, Morris and Hinkle).

Brief History:

Committee Activity:

Environment: 2/17/11 [DPS].

Floor Activity:

Passed House: 2/26/11, 95-2.

First Special Session

Floor Activity:

Passed House: 5/24/11, 91-3.

Second Special Session

Floor Activity:

Passed House: 12/12/11, 80-9.

Brief Summary of Second Engrossed Substitute Bill

- Allows a qualifying utility, for purposes of complying with the Energy Independence Act, to count the output from a solar energy system at double the system's electrical output.

HOUSE COMMITTEE ON ENVIRONMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Upthegrove, Chair; Rolfes, Vice Chair; Tharinger, Vice Chair; Short, Ranking Minority Member; Harris, Assistant Ranking Minority Member; Crouse, Jacks, Jinkins, Morris, Moscoso, Nealey, Pearson, Takko and Taylor.

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.

Minority Report: Without recommendation. Signed by 1 member: Representative Fitzgibbon.

Staff: Scott Richards (786-7156).

Background:

Energy Independence Act.

Approved by voters in 2006, the Energy Independence Act, also known as Initiative 937, requires electric utilities with 25,000 or more customers to meet targets for energy conservation and for using eligible renewable resources.

Energy Conservation Assessments and Targets.

Each qualifying electric utility must pursue all available conservation that is cost-effective, reliable, and feasible. By January 1, 2010, each qualifying utility must assess the conservation it can achieve through 2019, and update the assessments every two years for the next 10-year period. Beginning January 2010, each qualifying utility must meet biennial conservation targets that are consistent with its conservation assessments.

Eligible Renewable Resource Targets.

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 includes: wind; solar; geothermal energy; landfill and sewage gas; wave and tidal power; and certain biodiesel fuels. The following biomass is also classified as an eligible renewable resource: animal waste and solid organic fuels from wood, forest, or field residues; and dedicated energy crops. The following biomass is not an eligible renewable resource: wood pieces that have been treated with chemical preservatives such as creosote, pentachlorophenol, or copper-chrome-arsenic; black liquor by-product from paper production; wood from old growth forests; and municipal solid waste.

Electricity produced from an eligible renewable resource must be generated in a facility that started operating after March 31, 1999. 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 electricity produced from efficiency improvements at hydropower facilities owned by qualifying utilities is also an eligible renewable resource, if the improvements were completed after March 31, 1999.

Renewable Energy Credit.

A renewable energy credit (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 the Energy Independence Act, a REC represents all the nonpower 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.

Distributed Generation.

Under the Energy Independence Act, a qualifying utility may count distributed generation at double the facilities output. Distributed generation means an eligible renewable resource where the generation facility has a generating capacity of not more than five megawatts.

Summary of Second Engrossed Substitute Bill:

Double Multiplier for Solar Energy Systems.

A qualifying utility is allowed to count the output from a solar energy system at double the system's electrical output if at least one-half of the system is manufactured in Washington, and the system: (1) is located in Washington; (2) is capable of generating not more than 20 average megawatts in a calendar year; and (3) has by July 31, 2012, either an Energy Facility Site Evaluation Council site certification or a land-use permit from a local government. The output of a solar energy system may not be double counted as distributed generation under the Energy Independence Act.

A solar energy system means any device or combination of devices or elements that rely upon direct sunlight as an energy source for use in the generation of electricity.

Finding.

The Legislature finds that distributing generation from new solar energy systems broadly throughout the state advances the state energy policy.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill represents a change in law that will allow a major solar project to go forward in Eastern Washington. It is a time sensitive issue because a federal tax credit is scheduled to expire at the end of this year. The proposed 75 megawatt Teanaway Solar Reserve project needs the bill. There are potentially 250 construction jobs and 30 permanent jobs at stake. This would be one of the largest solar projects in the United States. If state policymakers want other diverse types of renewables, besides large scale wind projects, then we need the policies found in the bill. Currently, the Energy Independence Act would allow the Teanaway Solar Reserve project to receive one renewable energy credit for each megawatt-hour it produces. The bill would allow the Teanaway Solar Reserve project to receive twice the renewable energy credits for each megawatt-hour produced by the facility. These additional credits will allow this project to be marketable for a power purchase agreement with an electric utility. This bill is good for employment in Kittitas County. A number of these jobs will be union jobs.

(Opposed) This is not the right time to adjust Initiative 937. This definition of distributed generation was established to help small scale generation, not this size of a project. Rather than modifying the definition of distributed generation, it would be worth considering perhaps a 1 percent solar power carve out within Initiative 937.

Persons Testifying: (In support) Representative Eddy, prime sponsor; Al Adrich and Howard Trott, Teanaway Solar Reserve; Mark Swanson, Potelco; and Bob Gunther, International Brotherhood of Electrical Workers 77.

(Opposed) Clifford Traisman, Renewable Northwest Project, Washington Environmental Council and Washington Conservation Voters; Danielle Dixon, Northwest Energy Coalition; Miguel Perez-Gibson, Climate Solutions; and Gerald Steel, Washington Growthwatch.

Persons Signed In To Testify But Not Testifying: None.