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MEMORANDUM

TO: Power Committee

FROM: Howard Schwartz

SUBJECT: Report on Energy in the 2006 Washington Legislature

According to many newspaper commentators, the 2006 Washington legislature was much more active and productive than expected. Energy was no exception. Almost 100 energy bills were introduced. Few, of course, passed, but a number of significant ones did. These were almost all part of Governor Gregoire's energy package which was put together by a team of executive branch officials and staff including Power Council, CTED Energy Policy office, Utilities and Transportation Commission, Energy Facility Siting Council, Department of Agriculture, Department of Ecology and others. The Governor's Policy Brief announcing and explaining the package is attached.

As of this writing all of the bills in the Governor's package are alive. The bills are summarized in the attached power point. We won't know the final outcome until the legislature adjourns on Thursday, March 9. The final version of the power point will be available for the Power Committee meeting on March 14.

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Energy in the 2006 Washington Legislature

Howard Schwartz,
WA State Staff, NWPCC
Power Committee, 3/14/06

Governor Gregoire's Package

“My energy agenda is designed to break our dependence on foreign oil and create new markets for fuel-producing crops grown in Washington.”

Governor Chris Gregoire

December 13, 2005

Session Overview

- The Governor's agenda dominated the session
- Bi-partisan support of Governor's agenda with large stakeholder input
- Biofuels efforts dominated the session
- Several electricity bills of interest

Elements of the Gov's Package

- Grow farm and energy markets with biofuels [Mainly Motor Fuels]
- Provide help for consumers, schools and business [Electricity and Gas]
- Promote investments in renewable energy [Electricity]
- Tackle climate issues

Biofuels

- **2% Mandate (HB 2738) requires that by Nov. 2008**
 - 2% of all diesel sold in Washington be biodiesel
 - 2% of all gasoline sold in Washington be ethanol
- **Support of Biofuels Infrastructure (HB2939)**
 - \$23 million revolving loan program for seed crushers and aerobic digesters
 - Also includes funding for PUD Purchase of Grays Harbor Paper cogeneration facility (\$6 million of the \$25 million)

Assistance to Consumers I

- Appropriations to
 - Provide Cash assistance to schools for higher-than-expected energy bills
 - Weatherization programs

Assistance to Consumers II

- Additional funding for Utility Bill Assistance
 - (HB 2370) Transfers funds from UTC penalty fund to CTED Low-Income Energy Assistance fund. Unanimously passed and signed the first day of session.
 - (HB 2644) Increases amount of Public Utility Excise tax that can be applied to bill assistance.
- (HB 2645) Allows an Excise Tax credit for gas companies to finance conservation for small business (DID NOT PASS)

Electricity and Renewable Energy

- Require Stronger Long-term Planning by Utilities (HB1010)
 - All large utilities must do IRPs, smaller ones, “IRP lite;” CTED will coordinate data collection with regional entities (PNUCC, Council, etc.)
- Raise net-metering limit to 100 kW, 0.25% of utility peak (HB2352)
- Establish State Authority for Transmission Siting (HB1020) To pre-empt FERC’s EPACT pre-emption.
- Promote Wind (and other Renewables) Development Through Expedited Siting (HB2402)

Global Warming

- Appropriation to Dept. of Ecology for Greenhouse Gas Inventory and Study of Economic Impacts of Climate Change

Designed as Background Data for 2007 legislative initiatives

Other Bills

■ Passed

- Extension of tax relief for aluminum smelters (HB 2348)
- Technical Revision of Product Efficiency Standards (SB 6580)
- Appropriations for:
 - » Bioenergy education
- Tax credit for solar water heating

■ Did not pass

- Various efficiency and renewables mandates for state offices and fleets

(This slide was revised on 3/21/06)

Session themes

- Governor leadership
- Democratic party control: support for low income, conservation, renewables
- Convergence of Interests/ Extensive Stakeholder involvement
- Bi-partisanship/ most bills passed by large margins (most controversial were biofuels bills)

Session Themes II

■ Effects of EPACT

- IRP (1010)
- Transmission Siting (1020)
- Net Metering (2352)
- Product Efficiency Standards Revisions (6580)

Convergence with Council Plan

- The IRP bill should make it more likely that utilities will acquire conservation and renewable resources comparable to what is in Council Plan
- Renewables development will be slightly enhanced by siting reforms and generation incentives

And now.... The RPS Initiative

- Five years of failure to get it through legislature
- Sponsored by NWECC, RNW, Sierra Club, etc.
- Signature campaign beginning to get it on November Ballot
- PUD's have come out in support
- State Agencies, by law, are neutral

Initiative Provisions

- Targets that Large Utilities must meet:
 - 15% renewables by 2020
 - Upgrades at utility owned hydro count
 - Capture cost-effective conservation determined through Council-type analysis
- Penalties
 - \$50/mwh for failure to achieve conservation or renewable targets
 - Enforcement by UTC and State Auditor