

03/05/2018

Carbon Information

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HB 2995

By Representative Nealey

Strike everything after the enacting clause and insert the following:

"NEW SECTION. **Sec. 1.** (1)(a) A legislative task force on carbon-free, renewable, and economical energy is established, with members as provided in this subsection (1).

(i) The president of the senate must appoint two voting members from each of the two largest caucuses of the senate.

(ii) The speaker of the house of representatives must appoint two voting members from each of the two largest caucuses of the house of representatives.

(iii) The president of the senate and the speaker of the house of representatives jointly must appoint the following non-voting members representing relevant stakeholders:

(A) The governor, or the governor's designee;

(B) Three representatives of investor-owned utilities;

(C) Four representatives of consumer-owned utilities, one of which owns and operates thermal electric generation resources, one of which owns and operates hydroelectric generation resources, and one of which does not own and operate thermal electric generation resources or hydroelectric generation resources, and one that represents a rural electric cooperative. Appointed members may represent trade associations of which consumer owned utilities are a member.

(D) One representative of industrial ratepayers;

(E) One representative of the Bonneville power administration;

(F) Three representatives of organizations which advocate for clean energy technologies and greenhouse gas emissions reductions;

(G) One representative of a statewide labor organization;

(H) Public counsel or an advocate for electric utility ratepayers designated by public counsel;

(iv) The governor must appoint non-voting members in an advisory role including, but not limited to, the following:

(A) One representative of the Washington utilities and transportation commission;

(B) One representative of the department of commerce;

(C) Two representative of the two largest state institutions of higher education;

(D) One representative of the Pacific Northwest national laboratory;

(E) An expert in, or developer of, clean energy technologies;

(F) One representative of the Northwest power and planning council;

(G) One representative from the Western Electricity Coordinating Counsel;

(H) One representative with technical expertise and implementation experience in the operation of carbon markets in the Western States.

(b) The task force must choose its cochairs from among its legislative membership. The chair of the joint committee on energy supply and energy conservation shall convene the initial meeting of the task force.

(2) The task force shall recommend the appropriate carbon reduction targets for utilities based on the following timeline:

(a) January 1, 2030, and each year thereafter through December 31, 2034;

(b) January 1, 2035, and each year thereafter through December 31, 2039;

(c) January 1, 2040, and each year thereafter through December 31, 2044; and

(d) January 1, 2045, and each year thereafter.

(3) In setting these targets the task force must review the technological feasibility, timeline, cost, grid reliability and other impacts of transitioning Washington's electricity sector to carbon-free generation resources to the extent feasible and at a reasonable cost, including but not limited to the following issues:

(a) Technological feasibility, including an examination of existing carbon-free resources in the Western Energy Coordination Council, resources known to be commercially available, transmission infrastructure, the potential for storage, and replacement of baseload fossil fuel generation;

(b) Reliability, ratepayer costs, and regional market impacts, including impacts on multistate utilities, energy imbalance markets, the potential for negative pricing, and impacts on renewable energy credit markets;

(c) The unique aspects of Washington's utilities;

(d) The opportunities for transportation electrification and the electrification of other sectors as means to reduce state-wide emissions, and the effect of such electrification on a utility's retail electric load and carbon emissions;

(e) The most cost-effective and feasible mechanisms to reduce carbon emission in the electric sector;

(f) An assessment of appropriate incentives, if any, to facilitate the transition to carbon-free generation resources;

- (g) Federal and state regulatory and legal considerations;
- (h) Equitable treatment among utilities;
- (i) Equitable treatment among customers of utilities; and
- (j) Modifications to the timeline in subsection 2.

(4) Staff support for the task force must be provided by the senate committee services and the house of representatives office of program research.

(5) Legislative members of the task force are reimbursed for travel expenses in accordance with RCW 44.04.120. Nonlegislative members are not entitled to be reimbursed for travel expenses if they are elected officials or are participating on behalf of an employer, governmental entity, or other organization. Any reimbursement for other nonlegislative members is subject to chapter 43.03 RCW.

(6) The expenses of the task force must be paid jointly by the senate and the house of representatives. Task force expenditures are subject to approval by the senate facilities and operations committee and the house of representatives executive rules committee, or their successor committees.

(7) The task force must convene at least four meetings in 2018.

(8) In order for a recommendation to be included in the report, it must be supported by a majority of the task force's voting members. Minority reports or comments must be included in the report.

(9) The task force must report its findings and recommendations to the governor and the appropriate committees of the legislature, in compliance with RCW 43.01.036, by January 1, 2019.

(10) This section expires January 1, 2019."

Correct the title.

HB 2995 by Representative Nealey (Republican – Dayton, WA)

A bill to establish a legislative task force that will recommend appropriate carbon reductions at certain target dates while considering feasibilities, costs, and other impacts of transitioning Washington’s electric sector to carbon free generation resources. Report must be complete and submitted to Governor by Jan 1, 2019

Task force composition

- 8 Voting Members
 - 2 appointed by President of the Senate from two largest caucuses of the senate (4 total)
 - 2 appointed by Speaker of the House from two largest caucuses of the house (4 total)
- 15 Non-Voting Members jointly approved by the President of Senate and Speaker of House
 - The Governor or his designee
 - 3 IOUs
 - 4 COUs – 1 Thermal Owner, 1 Hydro Owner, 1 Non Gen owner, and 1 rural Co-op (can be represented by a trade association)
 - 1 Industrial Consumer or Rep
 - 1 BPA rep
 - 3 Clean Energy rep
 - 1 Union rep
 - 1 Ratepayer Advocate
- As a minimum, the Governor must appoint non-voting Members in advisory role. The Governor is free to choose others as well.
 - WUTC
 - Commerce
 - 1 from UW and 1 from WSU
 - PNWNEL
 - Clean energy expert or developer
 - NWPCC
 - WECC

Mandate

The task force shall recommend appropriate carbon reduction targets for utilities along timeline for transitioning Washington’s electric sector to carbon free generation resources. Impacts due to this transition should be considered but are not limited to the following:

- | | | |
|--|---|--|
| • Technical Feasibility | • Transportation | • Equitable treatment of Utilities |
| • Reliability | • Electrification | • Equitable treatment of Utility customers |
| • Ratepayer Costs | • Incentives to facilitate Carbon reduction | • Modifications to the timeline |
| • Regional Markets | • Federal and State regulatory and legal | |
| • Unique aspects of Washington’s Utilities | | |

Dates for Carbon Reduction Targets

- January 1, 2030, and each year thereafter through December 31, 2034;
- January 1, 2035, and each year thereafter through December 31, 2039;
- January 1, 2040, and each year thereafter through December 31, 2044; and
- January 1, 2045, and each year thereafter.

There is no mandate for a specific date by which the Utilities must be carbon-free. The process will look at what is feasible, what the costs are not only in aggregate but at individual impacts to utilities.

Talking Points on 100% Clean

Limited Stakeholder Process Risks Unintended Consequences

- There has been limited stakeholder involvement in the development of these bills.
- PGP does not believe it is appropriate to set decades of policy precedent in a few short weeks without further consideration from the policy and technical experts.
- There are significant impacts associated with these bills that have not been adequately evaluated:
 - Impact to the cost and reliability of the electric power system
 - Considerations for inherent renewable resource variability
 - Compatibility of electric sector only policies with an economy-wide approach in Washington
- PGP support a formal interim process to align state policy and incentives with a least cost strategy for carbon reductions with recommendations to be provided for the consideration of the 2019 legislature.
- PGP believes a formal interim process is the prudent approach to take during this short session, and not put in place significant new standards on this electric sector with insufficient review.

100% Clean Targets for the Electric Sector are Unnecessary, High Cost, and Put System Reliability at Risk

Unnecessary: Fossil fuels do not need to be eliminated to achieve high levels of emissions reductions in the electric sector.

- The E3 Analysis conducted for PGP demonstrates that the electric sector can achieve 80%+ below 1990 levels but maintains the need for natural gas in high demand, low renewable time periods

High Cost/No Benefit: Eliminating *new* fossil fuels from the electric sector costs \$1 billion per year. Eliminating them completely will add an additional \$1 billion per year.

- The E3 Study conducted by PGP shows that limiting natural gas does provides little emissions benefit and costs over \$1 Billion.

Jeopardizes System Reliability: Eliminating natural gas from the electric sector puts reliability at risk

- Current technologies cannot meet customer demand in all hours and all days without some contribution of natural gas during the low hydro, low wind, low solar time periods.
- The ability to operate the transmission system without thermal resources has not even been evaluated but has proven to be a complex issue in other systems.

This policy is premature, counter-productive and inequitable

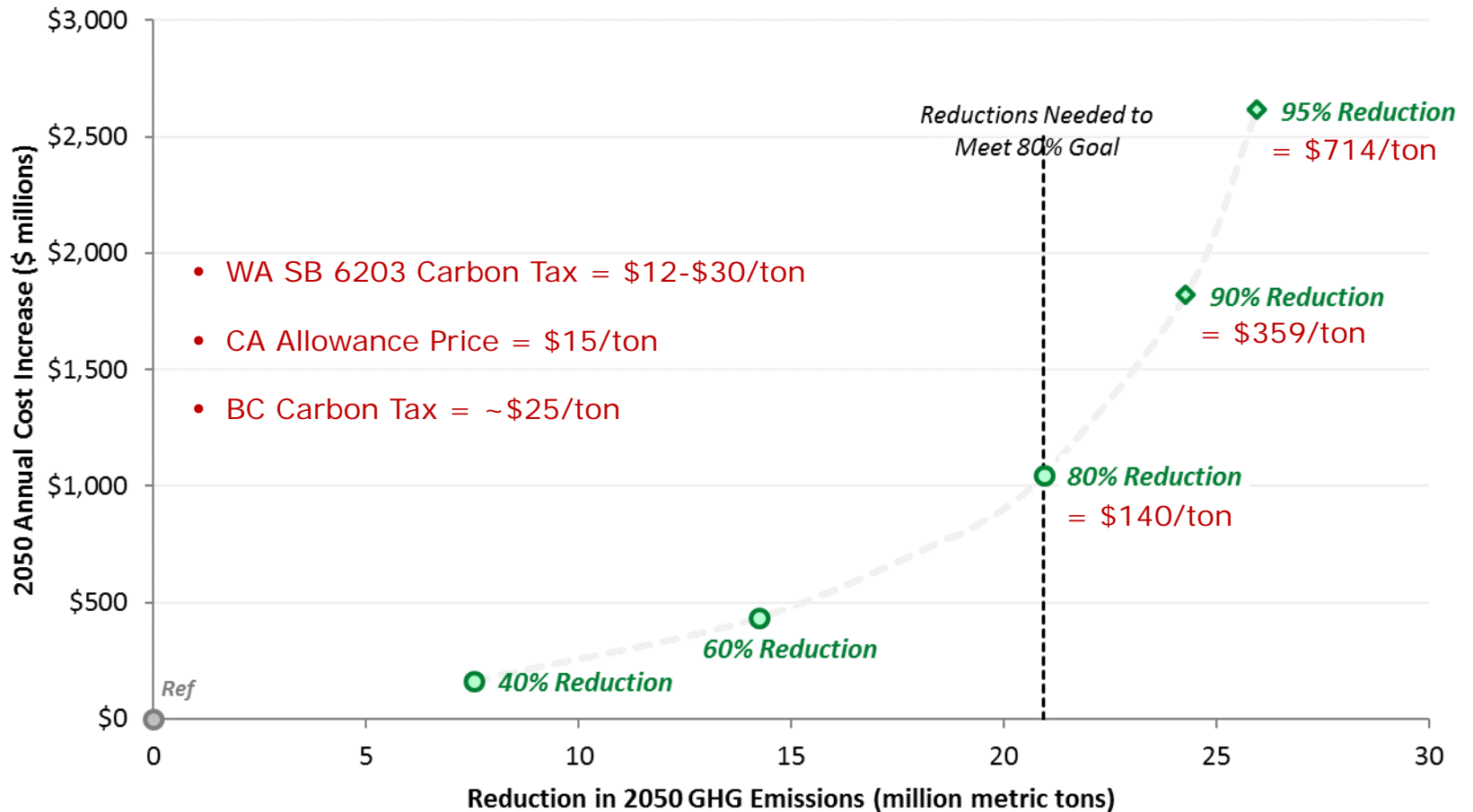
- There is limited analysis on the least-cost approach to emission reductions across all the sectors. Early analyses indicate that the electric sector may become a key component to reducing emission in the transportation and buildings sector.
- Adding unnecessary high cost to the electric sector will reduce the potential for highly cost-effective emission reductions available through electrification of other sectors.
- A 100% carbon-free requirement on the electric sector is not in line with the State's current goal of 50% below 1990 levels and it even exceeds Department of Ecology's proposed goal of 80% below 1990 levels.
- The electric sector is only 21% of Washington's overall emissions and it is not equitable to place a requirement on this sector that will not be placed on the other emitting sectors.



Cost & Emissions Impacts

Additional Low GHG cases for NW Region

100% Clean has not been proven to be reliable





Key Findings

- + Costs to reduce greenhouse gases increase exponentially beyond 80% greenhouse gas reductions**
 - This significant increase in cost produces increasingly smaller GHG reductions comparatively
- + 95% GHG reductions below 1990 levels is achievable with current technology, but still requires 6,000 MW of new natural gas for reliability**
 - Limiting new natural gas or the ability to use thermal resources has not been confirmed to be reliable, and adds at least \$1 Billion of annual cost to any scenario in 2050



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

In reply refer to: DIR-7

February 22, 2018

Rep. Kristine Lytton, Chair, House Finance Committee
P.O. Box 40600
Olympia, WA 98504

Rep. Terry Nealey, Ranking Member, House Finance Committee
P.O. Box 40600
Olympia, WA 98504

Honorable Members of the Washington House Finance Committee,

The Bonneville Power Administration (BPA) owns and operates 75 percent of the high-voltage transmission in the Pacific Northwest, including most of the high-voltage transmission lines serving Washington utilities. While we are not taking a position on these bills, we feel a responsibility to share our concerns regarding the potential grid reliability implications presented by the “100 percent clean energy” provisions in HB 2995, SHB 2283 and SSSB 6253.

As a large transmission owner and operator, BPA's work includes interconnecting new renewable resources, maintaining reliability by balancing loads that consume power with generators that produce power, complying with North American Electric Reliability Corporation safety and reliability standards, and transmitting sufficient quantities of power to retail utilities to serve customer loads. Our longstanding experience indicates that the Northwest is capable of further reducing greenhouse gas emissions in its power system. Likewise, BPA has repeatedly demonstrated its capability and commitment to helping the region achieve its clean energy goals.

However, while the electric grid in the Northwest can support further decarbonization, we also believe it is important to ensure there is sufficient dispatchable generation capacity, particularly in Western Washington, during the limited days and hours when loads peak and weather patterns or other factors may limit renewable generation. While BPA is also supportive of energy storage technology advancement, under such conditions, future energy storage projects may not have access to enough carbon-free generation to sufficiently recharge to meet loads and maintain reliability. As we take steps to further transform our industry, BPA believes it is important for policymakers and regional stakeholders to understand the generation supply implications of these policy proposals, as well as the possible impacts on transmission system operations and reliability.

Currently, the legislature is considering enacting policies that eliminate electric utilities' future access to natural gas-fired generation capacity, even if only for relatively short periods of time to maintain system reliability during periods of peak loads. We believe there is insufficient analysis available to have a fully informed perspective on the potential impacts of such a policy to the regional electricity grid.

In 2010, Washington asked ColumbiaGrid, an independent transmission planning organization, to conduct modeling analysis to evaluate the technical and reliability implications of closing the Centralia coal plant. This analysis provided the electricity industry and policymakers with an assessment of the impacts to the electricity grid of closing the plant, thereby enabling a more informed public policy decision.

We suggest that the state engage in a similar process to understand how these proposals may affect future grid operations and the potential need for additional transmission infrastructure. The analysis could include the opportunity to model and analyze scenarios that propose to reduce or eliminate the reliance of Washington utilities on natural gas generation. We also are aware of work underway at the Western Electricity Coordinating Council that could provide valuable insights into these important issues.

We appreciate your consideration of these comments. Our intent is to help the State of Washington meet its clean energy goals while also maintaining system reliability, which is a fundamental underpinning of the Northwest's economy and way of life. We are prepared to work constructively with state policymakers and other interested parties to address these questions and concerns and help the Northwest further build on its legacy of clean energy development.

Sincerely,

A handwritten signature in black ink, appearing to read "E. Mainzer". The signature is fluid and cursive, with a large initial "E" and a long, sweeping underline.

Elliot E. Mainzer
Administrator and Chief Executive Officer
Bonneville Power Administration

Copy: Washington House Finance Committee Members
Rep. Tarleton
Rep. DeBolt
Rep. Doglio

PROTECT WASHINGTON ACT BALLOT FILING STATEMENT—MARCH 2, 2018

Today, diverse constituencies across the state representing working families, communities of color, environmental and clean energy advocates, health professionals, businesses, and faith organizations have jointly filed an initiative to protect Washington's land, air, and water and move us towards a strong, healthy clean energy economy. This initiative is Washington's chance for all of us to have a share in a cleaner healthier future and build a better economy that works for everyone. It would invest in clean energy infrastructure like wind and solar, healthy forests, and clean water, creating thousands of good paying jobs across the state while cutting pollution. Today's action is a first step towards putting an initiative on the ballot in November.

Washington communities thrive when they have clean air to breathe, safe water to drink, and an economy rooted in sustainable local jobs. This is a state where diverse communities and businesses, large and small, take responsibility to care for our health and environment. From the air we breathe to worsening fires and floods, we know pollution and climate change affect us every day. Dirty energy has hurt our health and our climate for years and it's time to start cleaning up the mess.

Washington voters, communities, and businesses are demanding strong and effective action on climate pollution and today's filing starts the process for the people of Washington to act.

Signed:

Washington State Labor Council

The Nature Conservancy

Front and Centered

Washington Conservation Voters

Washington Environmental Council

Puget Sound Sage

Climate Solutions

Got Green

OneAmerica

PRESS CONTACTS:

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- Becky Kelley, President Washington Environmental Council
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Summary of the Protect Washington Act

Intent

The intent of this act is to protect Washington for our children, our grandchildren, and future generations by quickly and effectively reducing pollution and addressing its negative impacts.

Investments to Clean Up Pollution

Investments will accelerate Washington State's transition to clean energy, increase the resiliency of the state's waters and forests to the impacts of climate change, and reduce the impacts of climate change on communities.

- 70% to Clean Air and Clean Energy
 - Investments in job-creating projects and investments that yield verifiable reductions in carbon pollution, including solar, wind and other renewable energy; clean transportation options; energy efficiency; carbon sequestration in natural resources like forest, farm and marine landscapes.
 - A minimum of 15% of the account will assist low-income residents in the transition to a clean energy economy.
 - Income, benefit, retraining, and relocation support for fossil fuel workers that are affected by the transition to a clean energy economy.
- 25% to Clean Water and Healthy Forests
 - Investments to increase the resiliency of the state's waters and forests to the impacts of climate change, including:
 - Restore and protect estuaries, fisheries and marine shoreline habitats; prepare for sea level rise; address ocean acidification; reduce flood risk; increase sustainable supply of water; and improve infrastructure for treating stormwater, improve resilience to wildfires, improve forest health and reduce vulnerability to insect infestation.
- 5% to Healthy Communities
 - Investments to prepare communities for challenges caused by climate change and to ensure that the impacts of climate change are not disproportionately borne by certain populations, including: enhancing community preparedness and awareness around wildfires; fire suppression for tribal communities; relocation of tribal communities impacted by sea level rise; education programs to expand awareness of the impacts of climate change; and community capacity grants.
- Of the above, a minimum of ten percent of state expenditures must be used for projects endorsed by the governing body of a federally recognized tribe.

Fee on Pollution

A pollution reduction fee will be levied and collected on large emitters based on the carbon content of fossil fuels and electricity, including imported electricity, sold or used within this state. Beginning January 1, 2020, the fee is equal to \$15.00 per metric ton of carbon content. Beginning January 1, 2021, the fee increases by \$2.00 per year until the state's 2035 greenhouse gas reduction goal is met and the state's emissions are on a trajectory that indicates that compliance with the state's 2050 goal is likely. In order to prevent emissions and

jobs leakage out of state, fossil fuel and electricity sold to and used by energy-intensive and trade-exposed businesses will be exempt from the fee.

Pollution and Health Action Areas

In order to mitigate the effects of pollution and the health impacts of climate change on highly-impacted communities, the Department of Health shall designate pollution and health action areas. A minimum of 35 percent of state expenditures must be used for investments that provide direct, meaningful, and assured benefits to pollution and health action areas with a minimum of ten percent of state expenditures being located in these communities.

Public Oversight and Government Accountability

A Public Oversight Board will oversee the implementation of this initiative, supported by investment panels that will recommend effective, efficient investments to meet the goals of the Act. The Joint Legislative Audit and Review Committee and the Oversight board shall review and report on the timeliness, efficiency and effectiveness of implementation of the Act.