

# Energy

## Background:

Washington's economy has been built on abundant, reliable and affordable electric energy. Although Washington relies primarily on inexpensive, zero greenhouse gas emitting hydropower, it also has an abundant source of biomass that is a significant potential source of renewable energy. Washington is uniquely poised to use its sustainable managed feedstocks for renewable energy purposes.

The state once enjoyed a competitive energy advantage that allowed employers to provide family-waged jobs, meet strict environmental regulations, offset high transportation costs and remain competitive in the regional, national and global marketplace. Our competitive energy advantage began to seriously erode, however, during the 2000/2001 energy crisis. A severe drought and market manipulation contributed significantly to wholesale electricity and natural gas market conditions that exposed utilities and their customers to unprecedented costs that they are still bearing today. The significant and sustained electricity and natural gas price increases during the energy crisis led to the permanent closure or substantial downsizing of large energy consuming industries, including aluminum smelters. This illustrates the sensitivity of energy-intensive industries to higher energy prices, and must serve as a reminder to policymakers that higher energy costs have economic consequences.

In 2006, voters narrowly passed Initiative 937 (by 51.6 %), which mandated that qualifying utilities obtain 15% of their energy supply from prescriptively defined "renewable energy" by 2020. This mandate ignores the fact that more than 70% of the electricity consumed in Washington is derived from existing renewable and alternative energy resources such as hydropower, biomass and nuclear energy.

During the 2010 legislative session HB 2536 was introduced that would require electric utilities to guarantee that developers of small renewable energy projects would recover all of their costs and a profit from utility customers, even though their resources cost more than conservation, conventional resources, and utility-scale renewable energy technologies, such as wind generation. This renewable energy mandate, known as a "feed-in tariff" or "standard offer contract", would place additional costs burdens on Washington's families and businesses.

## Problem:

Renewable and alternative energy resources, including but not limited to water, wind, nuclear, solar, thermal and geothermal, and biomass all play a very important role in diversifying our state's electric energy portfolio, provided such resources are obtained and integrated at a reasonable cost. Unfortunately, recently adopted energy policies have not only failed to address rising energy costs, but have contributed to the problem. These increased costs are being passed on to the end users – Washington's families and businesses. In addition, Washington's I-937 energy mandates are more restrictive than the laws of neighboring states and place Washington at a competitive disadvantage.

## Solution:

The Legislature must level the playing field and allow Washington State to compete fairly at both the regional and national level by minimizing energy costs on Washington's families and businesses, and maximizing the opportunity to utilize Washington's abundant, renewable natural resources.

1. Amend Initiative 937 (RCW 19.285) to improve Washington's competitiveness by providing flexibility found in similar laws in Oregon and California. Expand I-937 to include acquisition of renewables to the boundaries of the Western Electricity Coordinating Council (WECC), as well as provide greater renewable energy credit (REC) banking flexibility, without a corresponding increase in the RPS. Additionally, support definitional amendments to include additional renewables such as hydropower-netting, mechanical and operational

efficiency upgrades to BPA-owned hydroelectric dams, RPS credit for excess conservation, and pulping liquor and mechanical upgrades to pre-1999 biomass facilities.

2. Support legislation fully recognizing a diversity of biomass resources, including forest biomass, which is an abundant resource and creates an opportunity to diversify and meet the state's energy needs, as well as to address forest health, wildfire, and climate change concerns.
3. Support legislation and policies that provide opportunities for the development of energy parks at current nuclear project sites in Washington State that include generation and storage of electricity and other carbon-neutral forms of energy such as solar and nuclear power, as well as biofuels and the development of smart grid applications.
4. Oppose legislation mandating distributed generation and feed-in tariffs.