Initiative Measure 937

Proposed by Initiative Petition

Official Ballot Title:

Initiative Measure No. 937 concerns energy resource use by certain electric utilities.

This measure would require certain electric utilities with 25,000 or more customers to meet certain targets for energy conservation and use of renewable energy resources, as defined, including energy credits, or pay penalties.

Should this measure be enacted into law?

Yes [ ] No [ ]

Note: The ballot title and explanatory statement were written by the Attorney General as required by law. The Fiscal Impact Statement was written by the Office of Financial Management. View complete text of Initiative Measure 937: PDF

Fiscal Impact Statement

Fiscal Impact Statement for Initiative 937
Initiative 937 would cost state government $2.34 million in administrative costs over 14 years or an average of $167,000 per year. The offices of the Attorney General, Auditor, Utilities and Transportation Commission, and the departments of Community Trade and Economic Development, and Labor and Industries each would have a role in monitoring or assisting compliance. The initiative's fiscal impact on Washington's local governments cannot be determined due to variables ranging from future fuel costs to changes in demand for electricity. For the same reason, the impact of electricity costs for state and local governments cannot be determined.

Assumptions for Fiscal Analysis of Initiative 937

- The initiative requires the 17 largest electric utilities, which includes both public and private entities, in Washington to have 15 percent of their power supply generated from renewable resources by 2020; interim targets are also established. The utilities must also set and meet energy conservation targets starting in 2010.

- The Attorney General, State Auditor, Utilities and Transportation Commission, and the departments of Community Trade and Economic Development, and Labor and Industries each would require additional funds to implement the initiative. These funds would pay for: enforcement activity by state agencies to ensure resource targets were being met; rule making; legal advice; additional audits; and development of required apprenticeship programs for the renewable energy field.

- Local utility cost and revenue impacts are a function of fuel mix, load growth, and future fuel costs and cannot be estimated at this time.

Explanatory Statement

The law as it presently exists:

Electricity is supplied in Washington by both privately-owned companies (investor-owned utilities) and by publicly-owned utilities (utilities owned by cities, public utility districts, and certain other local government units). Some of these utilities operate their own facilities for generating electricity (typically hydroelectric dams or coal- or gas-fired generators). Some of these utilities purchase some or all of their electrical power from other utilities, from private producers or sellers of power, or from regional governmental entities such as the Bonneville Power Administration.

The state Utilities and Transportation Commission (UTC) regulates the rates and practices of investor-owned electric utilities serving customers in this state. Under existing law, the UTC is required to adopt and implement policies to provide financial incentives for energy efficiency programs, and may authorize utilities to issue conservation bonds for the construction, acquisition, and operation of conservation assets. Each investor-owned electric utility has conservation service tariffs that charge rates sufficient to recover from its customers the utility's cost of conservation investment.

The UTC does not regulate publicly-owned electric utilities that serve customers in this state. These utilities are directly responsible to the voters in their service territories for their rates, services, and policies. Under existing law, cities operating electric utilities may issue bonds or otherwise borrow money for energy conservation purposes, and are required to develop conservation plans to assist the public in conserving energy. Public utility districts are subject to similar energy conservation planning requirements, and are also authorized to assist citizens by financing the acquisition and installation of materials and equipment for energy conservation purposes.

The effect of the proposed measure, if it becomes law:

Under existing law, electric utilities in this state are not obligated to meet any specific numeric targets for either energy conservation or use of renewable resources to produce power. The proposed measure would impose targets for energy conservation and use of eligible renewable resources on all electric utilities that serve more than 25,000 customers in this state.

Energy conservation. By January 1, 2010, each such electric utility would be required to identify its "achievable cost-effective conservation potential" through 2019, and to update this assessment at least every two years. "Conservation" would mean "reduction in electric power consumption resulting from increases in the efficiency of energy use, production or distribution." Each utility would be required to set an annual target consisting of a certain share of this achievable cost-effective conservation potential, and to meet that share of conservation. In determining whether a utility meets its annual conservation target, the utility could include the reduction in electric energy sold to retail customers which own and use a high-efficiency cogeneration facility to meet some of their own power needs.

Renewable resources. Each utility would also be required to meet specific targets for using eligible renewable resources to produce electricity, stated as a percentage of the utility's load. "Load" refers to the total amount of electricity the utility sold that year to its retail customers. Examples of eligible renewable resources include wind farms, solar panels, and geothermal plants. With limited exceptions, use of fresh water by hydroelectric dams and plants is not included as an eligible renewable resource.

Each utility would have to use renewable resources to serve at least three percent (3%) of its load by 2012 through 2015; nine percent (9%) of load by 2016 through 2019, and fifteen percent (15%) of load by 2020 and thereafter. A utility could comply with its annual renewable resource target by using the requisite amount of eligible renewable resources, by purchasing enough eligible renewable resource credits (or a combination of each), or by investing at least four percent (4%) of its total annual retail revenue requirement in renewable resources.

Cost recovery, penalties, reporting and enforcement. An investor-owned utility would be entitled to recover from its customers all costs the utility prudently incurred to comply with the measure. Similarly, each publicly-owned utility would be expected to recover its cost of compliance from its customers.

If a utility fails to comply with either the energy conservation or the renewable energy targets, it would have to pay a penalty in the amount of $50 for each megawatt-hour of shortfall. This penalty amount would be adjusted annually for inflation. Penalty payments would go into a special account, and could only be used for the purchase of renewable energy credits or for energy conservation projects at state and local government facilities or publicly-owned educational institutions.

In each year beginning in June 2012, each utility would be required to report to the state Department of Community, Trade, and Economic Development (CTED) on the utility's progress in the preceding year in meeting the targets. The investor-owned utilities would supply the same information to the UTC. Each utility would be required to make these reports available to its customers.

The UTC would be authorized to implement and enforce the measure as to investor-owned utilities, and to adopt rules accordingly. For publicly-owned utilities, CTED would be authorized to adopt procedural rules and documentation requirements; the state auditor would be responsible for auditing compliance with the measure; and the Attorney General's Office would be responsible for enforcement.

Statement For Initiative Measure 937

INITIATIVE 937 PROVIDES A CLEANER, MORE AFFORDABLE ENERGY FUTURE

As Washington's demand for energy grows, we can choose where we get our electricity.

We can either burn more fossil fuels like coal that pollute the air. Or we can use more clean, affordable renewable energy like wind and solar power – produced here in the Northwest.

I-937 is the cleaner, more affordable energy choice:

• *15% renewable energy*. It requires the largest electric utilities to get 15% of their electricity from *new* renewable energy by 2020.

• *Energy conservation.* It requires utilities to help consumers and businesses save money through energy conservation.

INITIATIVE 937 SAVES ENERGY AND SAVES US MONEY

I-937 gives us cheaper, renewable alternatives like wind and solar. According to Puget Sound Energy, just two Washington wind farms are projected to save consumers $170 million. Renewable energy strengthens family farms by paying up to $5,000/year per wind turbine.

I-937 also saves money by requiring utilities to offer energy efficiency programs, like cash rebates for energy efficient appliances, home weatherization, and lighting, heating and cooling systems for businesses.

INITIATIVE 937 IS A COMMON SENSE, PROVEN APPROACH

I-937 is an approach that's already working in 20 states. I-937 lets us take hold of our energy future and reduce our dependence on fossil fuels.

INITIATIVE 937 WILL GIVE US CLEANER AIR

Pollution from fossil fuels contributes to thousands of cases of lung disease and asthma each year. Renewable energy helps protect our families' health by keeping our air clean.

Join the broad coalition including Union of Concerned Scientists, Washington Public Utility District Association, and Physicians for Social Responsibility choosing a clean energy future. *Vote yes! on I-937.*

For more information, visit www.yeson937.org or call 206.283.3335.

Rebuttal of Statement Against

Don't be misled by corporate polluters. I-937 opponents run the Washington Research Council; don't trust its study.

I-937 will save us energy and money – through conservation and cheaper, cleaner energy.

Twenty states have adopted this approach, with proven cost savings – in just two years, Colorado consumers have saved
$14 million.

I-937 protects consumers and reduces dependence on fossil fuels.

Yes on I-937! For cleaner air and more affordable energy.

Voters Pamphlet Argument Prepared by:

NINA CARTER, Executive Director, Audubon Washington; GREGORY REDDING, M.D., President-elect, American Lung Association of Washington and Idaho; BARBARA SEITLE, President, League of Women Voters of Washington; BOB POWERS, family farmers, Bickleton, Washington (Klickitat County); MICHAEL O'SULLIVAN, Government Relations, American Cancer Society, Great West Division; ART BOULTON, President, Washington State Alliance of Retired Americans.

Statement Against Initiative Measure 937

I-937 WILL INCREASE ELECTRIC RATES AND UTILITY TAXES FOR HOMES AND BUSINESSES.

Alternative energy projects are being built now, but when required by law energy will be more costly for everyone. The non-partisan Washington Research Council estimates that I-937 will cost at least $185 million per year and could cost twice that much. Vote *no* on higher energy costs.

Alternative energy projects are heavily subsidized by a federal tax cut that ends next year. If it is not renewed by Congress, the cost for alternative energy could increase an extra 40%.

Higher energy costs put family-wage manufacturing and high-tech jobs at risk and hurt hospitals, family farms and small businesses.

Lower-income households and senior citizens on fixed incomes will be disproportionately impacted by higher energy bills.

I-937 DOES NOT TREAT LOW-COST HYDROPOWER AS "RENEWABLE ENERGY" WHILE OTHER STATES DO.

I-937 will cause low-cost hydropower to be sold to California while local utilities buy higher cost alternative energy for our homes and businesses.

FINES ON UTILITIES FOR NOT HAVING ENOUGH "RENEWABLE ENERGY" WILL BE PAID BY HOMES AND BUSINESSES.

Mandates and fines proposed by I-937 are not the way to promote alternative energy. We are paying too much for our energy bills now.

ALTERNATIVE ENERGY PROJECTS ONLY OPERATE SPORADICALLY AND MANY COMMUNITIES WON'T ALLOW THEM.

Wind and sunshine are irregular energy sources. Hydropower or thermal plants are needed to supply steady power for homes and businesses. But hydropower resources are being cut to protect fish and may not be available to supplement alternative energy.

I-937 does not require utilities to build alternative energy projects in Washington. Kittitas and Benton counties have rejected wind power proposals due to public opposition. Other states may financially benefit from these mandated projects, while we pay the cost.

Vote No and visit www.NOonI-937.com .

Rebuttal of Statement For

Puget Sound Energy and other utilities are already building wind projects, but only when they make economic sense. I-937 will make non-hydropower renewable energy even more expensive. The Northwest Power and Conservation Council reports the cost of new wind projects has "risen substantially," because of mandates in other states.

There is nothing affordable about I-937. $185 to $370 million per year in additional energy costs to our households and businesses is too much. Vote no.

Voters Pamphlet Argument Prepared by:

DON BRUNELL, President, Association of Washington Business; KRISTINE M. MIKKELSEN, CEO, Inland Power and Light Company; LINDA LANHAM, Aerospace Futures Alliance of Washington; ROBERT HEMSLEY, former G.A. representative, Western Pulp/Paper Workers Association; DARRYLL OLSEN, Ph.D., board representative, Columbia Snake River Irrigators Association; JUDY COOVERT, small business co-owner, Printcom, Inc.
