
SUBSTITUTE SENATE BILL 6004

State of Washington

64th Legislature

2015 Regular Session

By Senate Energy, Environment & Telecommunications (originally sponsored by Senators Braun, Honeyford, and Hatfield)

READ FIRST TIME 02/19/15.

1 AN ACT Relating to the acquisition of coal displacement power;
2 adding a new section to chapter 80.04 RCW; and creating a new
3 section.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** It is the intent of the legislature to
6 provide sufficient certainty and fairness in the electric generation
7 market to expedite transition from coal transition power that was
8 purchased under arrangements that allowed the citizens of the state
9 to benefit from closure of a coal-fired generation plant. To
10 accomplish that objective, the legislature intends to allow
11 electrical companies that participated previously in the retirement
12 of a coal-fired generation plant within Washington state by
13 purchasing coal transition power to receive the same rate of return
14 on power purchase agreements that will displace the coal transition
15 power purchase agreements.

16 NEW SECTION. **Sec. 2.** A new section is added to chapter 80.04
17 RCW to read as follows:

18 The following provisions are applicable to any regulatory filing
19 before the commission by an electrical company that has entered into
20 an agreement for coal displacement power:

1 (1) The commission must approve a power purchase agreement for
2 acquisition of coal displacement power pursuant to this section only
3 if the commission determines that, considering the circumstances
4 existing at the time of such a review: The terms of such an agreement
5 provide adequate protection to ratepayers and the electrical company
6 during the term of such an agreement or in the event of early
7 termination; and the resource is needed by the electrical company to
8 serve its ratepayers and the resource meets the need in a cost-
9 effective manner as determined under the lowest reasonable cost
10 resource standards under chapter 19.280 RCW, including the cost of
11 the power purchase agreement plus the equity component as determined
12 in this section. As part of these determinations, the commission
13 shall consider, among other factors, the long-term economic risks and
14 benefits to the electrical company and its ratepayers of such a long-
15 term purchase.

16 (2)(a) Upon commission approval of an electrical company's power
17 purchase agreement for acquisition of coal displacement power in
18 accordance with this section, the electrical company is allowed to
19 earn the equity component of its authorized rate of return in the
20 same manner as if it had purchased or built an equivalent plant and
21 to recover the cost of the coal displacement power under the power
22 purchase agreement. Any power purchase agreement for coal
23 displacement power that earns a return on equity may not be included
24 in an imputed debt calculation for setting customer rates.

25 (b) For purposes of determining the equity value, the cost of an
26 equivalent plant is the least cost purchased or self-built electric
27 generation plant with equivalent capacity. In determining the least
28 cost plant, the commission may rely on the electrical company's most
29 recent filed integrated resource plan. The cost of an equivalent
30 plant, in dollars per kilowatt, must be determined in the original
31 process of commission approval for each power purchase agreement for
32 coal displacement power.

33 (c) The equivalent plant cost determined in the approval process
34 must be amortized over the life of the power purchase agreement for
35 acquisition of coal displacement power to determine the recovery of
36 the equity value.

37 (d) The recovery of the equity component must be determined and
38 approved in the review process set forth in this section. The
39 approved equity value must be in addition to the approved cost of the
40 power purchase agreement.

1 (3) Authorizing recovery of costs under a power purchase
2 agreement for acquisition of coal displacement power does not
3 prohibit the commission from authorizing recovery of an electrical
4 company's acquisition of capacity resources for the purpose of
5 integrating intermittent power or following load.

6 (4) For the purposes of this section, "coal displacement power"
7 means: (a) Power provided pursuant to a power purchase agreement to
8 an electrical company that purchased coal transition power under a
9 power purchase agreement prior to the effective date of this section;
10 (b) where the power purchased is intended to supply a similar
11 quantity of load as purchased under the coal transition power
12 agreement; and (c) where the power purchased is generated in the
13 affected community under RCW 80.80.100.

14 (5) Neither this act nor the commission's approval of a power
15 purchase agreement for acquisition of coal displacement power that
16 includes the ability to earn the equity component of an electrical
17 company's authorized rate of return establishes any precedent for an
18 electrical company to receive an equity return on any other power
19 purchase agreement or other power contract.

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