

Appendix D: Western Governors' Association

Policy Resolution 06-10

June 11, 2006

Sedona, Arizona

Clean and Diversified Energy for the West

A. BACKGROUND

1. Traditional resources such as oil, natural gas, coal and hydropower have played and will continue to play a significant role in meeting future energy needs. At the same time, resources such as energy efficiency, solar, wind, geothermal, biomass and advanced coal technologies are relatively untapped but hugely promising. Together, the combination of these resources provides the foundation for a clean, diversified and secure energy future for the West.

2. The Western Governors' Association launched its Clean and Diversified Energy Initiative in a June 2004 resolution (04-13) that set out the objective of "identifying ways to increase the contribution of renewable energy, energy efficiency, and clean energy technologies within the context of the overall energy needs of the West." This resolution identified the need for new clean and diversified energy sources for transportation, buildings, electricity, and other needs, and outlined four important goals:
 - i. additional development of 30,000 megawatts of clean energy by 2015 from resources such as energy efficiency, solar, wind, geothermal, biomass, clean coal technologies, and advanced natural gas technologies;
 - ii. a 20% increase in energy efficiency by 2020;
 - iii. an ability to meet the transmission needs of the West for the next 25 years; and
 - iv. better position the Western energy system to respond to new environmental challenges, including potential limitations on emissions.

3. The Western Governors' Association recognizes that a clean and diversified energy system will:
 - ◆ Protect the Western economy from energy shortages and price spikes that are harmful to businesses and consumers and disruptive to investment;
 - ◆ Augment our pursuit of a national energy policy that will result in a diverse energy portfolio;
 - ◆ Accommodate the energy needs of a growing, mobile Western population;
 - ◆ Better position the Western energy system to respond to new local, regional and environmental challenges; and
 - ◆ Take advantage of the development of new technologies that will lower the cost of renewable energy and reduce the cost of controlling emissions from the West's vast fossil fuel resource base.

4. Western states have a variety of energy efficiency and clean energy policies and programs in place. For example, eight states have established renewable energy standards, twice the number in place when the resolution launching the Clean and Diversified Energy Initiative was passed. Nine states manage funds to promote energy efficiency.
5. Western Governors agreed to collaborate and offer their support for regional and subregional initiatives being undertaken among Western states to:
 - i. Improve the balance and overall adequacy of all energy resources in a manner which will strengthen economic growth, promote energy price stability, mitigate environmental impact, maximize reliability and result in an abundance of diversified resource supplies; and
 - ii. Promote the integration of traditional and new energy resource technologies.
6. The Western Governors' Association formed the Clean and Diversified Energy Advisory Committee (CDEAC) to identify technically and financially viable policy mechanisms, stressing non-mandatory, incentive-based approaches, to meet the goals. In turn, the CDEAC created a series of task forces to specifically consider options related to solar, wind, biomass, geothermal, advanced coal, advanced natural gas, energy efficiency and transmission.
7. The CDEAC and the technology task forces met over the intervening period to:
 - ◆ Review and consider the feasibility of the clean and diversified energy goals;
 - ◆ Examine the deliverability and adequacy of energy resources, including an assessment of promising new resources and technologies;
 - ◆ Examine the obstacles to both intrastate and interstate transmission siting and construction in order to access clean energy resources;
 - ◆ Consider price, reliability, and the mitigation of environmental impacts of all recommendations;
 - ◆ Develop energy efficiency recommendations that take into account all types of energy used in buildings, not just electricity; and
 - ◆ Address both technical and policy issues.
8. The CDEAC submitted its report to the Western Governors in May, 2006 with a series of recommendations designed to meet the goals of the governors' initiative. The CDEAC report identified strategies and policy options for resources such as solar, wind, geothermal, biomass, advanced coal technologies, and advanced natural gas technologies that can far exceed the target of 30,000 MW by 2015. It also identified cost-effective energy efficiency that can reduce annual load growth in the West from around 2% to 0.5% while saving customers and businesses billions of dollars a year.

B. GOVERNORS' POLICY STATEMENT

1. The Western Governors acknowledge and recognize the positive contribution of more than 250 CDEAC process participants who dedicated time, resources and energy to this comprehensive project, as well as those who provided financial support. The CDEAC's work has been productive, collaborative and influential. The Western Governors accept the CDEAC report with commendation to the many individuals, organizations and staff that made it a success.
2. Western Governors agree to draw upon the full range of recommendations contained in the CDEAC report as a basis on which to advocate for energy policy changes at the federal and regional levels and their respective states, where appropriate.
3. Western Governors are supportive of federal energy policies that:
 - ◆ Provide for a long-term (10 year) extension of the production tax credit for all renewable energy technologies, with complementary policies for consumer-owned utilities and tribes;
 - ◆ Provide tax credits for energy efficiency investments
 - ◆ Raise the cap on the residential investment tax credit to \$10,000 for renewable energy or distributed generation systems;
 - ◆ Support improvements in national appliance efficiency standards;
 - ◆ Encourage adequate funding for state programs, including energy efficiency, clean generation and storage technology research, development and demonstration;
 - ◆ Encourage federal agencies to collaborate with Western states and regional organizations on facility siting and infrastructure planning, consistent with sound, sustainable environmental practices;
 - ◆ Extend the federal IGCC tax credit for five years and provide a tax credit program for carbon capture and sequestration for at least five years;
 - ◆ Support increased federal support and tax incentives for the construction of multiple pilot facilities that demonstrate IGCC, in the Western United States in high altitude areas using western coal; and
 - ◆ Encourage proactive, transparent, stakeholder-driven regional transmission expansion planning, defer to existing regional and sub-regional processes that meet such standards, and reform imbalance penalties to allow for greater use of the existing transmission system.
4. Western Governors find that a strong and resilient transmission and distribution grid is critical to electricity affordability and reliability. Grid expansion must also be undertaken in an environmentally responsible manner. We encourage regulators, policymakers, utilities, transmission operators and other stakeholders to consider the recommendations identified within the CDEAC report in order to eliminate barriers to greater utilization of clean energy resources across the west.

5. Western Governors agree to collaborate in advancing regional and sub-regional policies for major interstate clean energy projects and programs, and to promote implementation of the Western Regional Energy Generation Information System to facilitate development of regional markets
6. Western Governors support reforms in the U.S. Federal Energy Regulatory Commission's Open Access Transmission Tariff to implement the recommendations of the CDEAC that promote (a) regional transmission planning expansion and (b) expanded use of the existing transmission grid by reforming imbalance penalties.
7. Western Governors recognize that a combination of state, regional and federal policy action will be required to advance a clean and diversified energy system and deliver the reliability, cost and environmental benefits to Western energy consumers. Accordingly, Western Governors support the promotion and distribution of the CDEAC report in advancing such action.

C. GOVERNORS' MANAGEMENT DIRECTIVE

1. The Western Governors direct the WGA staff to work toward federal adoption of the policies supported in this resolution. The adoption and implementation of clean energy policies remains a high priority for Western states.
2. The Western Governors' Association will assist, as available and appropriate, with the development of regional or interstate policies and projects that are consistent with this resolution.
3. The Western Governors direct the WGA staff to consider options to ensure continued broad stakeholder involvement into energy policy discussions regarding energy efficiency and conservation, supply and energy use, including the development of funding mechanisms to continue the work.
4. The Western Governors direct Western Governors' Association to identify mechanisms to assist the Governors in enacting policies that achieve clean and diversified energy goals and report back to the governors not later than the winter 2006 meeting. These mechanisms should include:
 - ◆ Act as a clearinghouse by collecting and disseminating information on adopted policies and programs;
 - ◆ Measurement and reporting of progress against energy efficiency and clean energy generation goals; and
 - ◆ Regularly collaborate with existing regional policy organizations, WGA affiliates such as the Western Interstate Energy Board, the Western Regional Air Partnership, and other entities to develop and implement regional clean energy policies.