

HOUSE BILL REPORT

4SHB 2009

As Amended by the Senate

Title: An act relating to the energy office.

Brief Description: Eliminating the state energy office.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Casada, Huff, Campbell, Clements, Goldsmith, Elliot, Pelesky, Backlund, Reams, Smith, Delvin, Blanton and Beeksma).

Brief History:

Committee Activity:

Energy & Utilities: 1/16/96, 1/24/96 [DP3S];

Appropriations: 1/31/96, 2/3/96 [DP4S].

Floor Activity:

Passed House: 2/10/96, 80-17.

Senate Amended.

HOUSE COMMITTEE ON ENERGY & UTILITIES

Majority Report: The third substitute bill be substituted therefor and the third substitute bill do pass. Signed by 9 members: Representatives Casada, Chairman; Crouse, Vice Chairman; Hankins, Vice Chairman; Patterson, Ranking Minority Member; Poulsen, Assistant Ranking Minority Member; Chandler; Kessler; Mastin and Mitchell.

Staff: Margaret Allen (786-7110).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The fourth substitute bill be substituted therefor and the fourth substitute bill do pass. Signed by 28 members: Representatives Huff, Chairman; Clements, Vice Chairman; Pelesky, Vice Chairman; H. Sommers, Ranking Minority Member; Valle, Assistant Ranking Minority Member; Basich; Beeksma; Brumsickle; Carlson; Chappell; Cooke; Crouse; Dellwo; Dyer; Foreman; Grant; Hargrove; Hickel; Kessler; Lambert; Linville; McMorris; Poulsen; Reams; Rust; Sehlin; Sheahan and Talcott.

Minority Report: Do not pass. Signed by 2 members: Representatives Jacobsen and Wolfe.

Staff: Nancy Stevenson (786-7137).

Background: The Washington State Energy Office (WSEO) was created statutorily in 1976. Currently, WSEO performs functions related to energy policy analysis, implementation of the state energy strategy, nuclear safety and environmental monitoring, energy emergencies, renewable energy development, energy efficiency, energy codes, energy efficient transportation, and public sector energy conservation. In addition, WSEO serves as a central repository and clearinghouse for energy data and other information, including information about petroleum consumption in the state.

In fulfilling these functions, WSEO provides technical assistance to people, businesses, industries, and governmental institutions to help reduce energy costs. WSEO has the authority to obtain information that is necessary to carry out its duties from energy producers, suppliers, and consumers doing business in the state.

WSEO also provides assistance, space, and other necessary support for the activities of the state's two representatives to the Pacific Northwest Electric Power and Conservation Planning Council (the regional power planning council created by federal statute) and for the Energy Facility Site Evaluation Council (EFSEC), which is responsible for coordinating the evaluation, siting, and licensing of major non-hydroelectric energy facilities. (EFSEC also monitors the construction, operation, and eventual decommissioning of those energy facilities and enforces compliance with site certification conditions. Current EFSEC membership includes WSEO, the Office of Financial Management, and the Parks and Recreation Commission. The Military Department is not a member. The chair of EFSEC receives \$50 per day.)

In passing the Clean Air Act of 1991, the Legislature established the Commute Trip Reduction Program requiring employers of 100 employees or more to reduce the number of commute trips made by their employees, and created a statewide task force to organize the implementation of the program. WSEO coordinates the Commute Trip Reduction Task Force and provides technical assistance to local jurisdictions and employers in meeting commute trip reduction goals.

WSEO also has lead responsibility in the areas of alternative fuels and clean vehicle technologies and, along with other agencies, assists the Department of Ecology in preparing a biennial report to the Legislature on clean-fuel issues.

State law requires energy conservation practices and renewable energy systems to be employed in the design of major publicly-owned or leased facilities, and at least one renewable energy system to be considered. WSEO is responsible for developing

guidelines for fulfilling this requirement, including approving or disapproving life-cycle cost analyses. (A "life-cycle cost analysis" is an analysis of the initial cost and cost of operation of a major facility over its economic life.)

In addition, state law imposes a variety of requirements on WSEO regarding conservation and cogeneration in governmental facilities, including schools. In fulfilling its obligations, WSEO may use appropriated moneys to make loans to school districts to finance conservation projects. State agencies may use financing contracts to fund conservation projects, but WSEO determines project eligibility. WSEO is also responsible for establishing criteria for approving projects to be financed from the state energy efficiency construction account and for using moneys from the energy efficiency services account to provide energy efficiency services to state agencies and school district.

Finally, the State Building Code Council consults with WSEO in establishing requirements for indoor air quality, reviews insulation values for windows, and proposes rules. WSEO reviews the rules and makes recommendations to the council.

Department of Community, Trade and Economic Development

In 1993, the Legislature created the Department of Community, Trade and Economic Development (CTED) by merging the Department of Community Development and the Department of Trade and Economic Development. CTED is responsible, among other things, for promoting community and economic development within the state, coordinating and administering energy assistance and residential energy conservation programs, serving as central coordinator for state government in implementing the Growth Management Act, and providing emergency management services.

Washington State University Cooperative Extension

Although it apparently does not do so currently, several years ago WSEO contracted with Washington State University to provide energy extension services. Cooperative extension programs in several other states, including Oregon, provide a range of energy-related services to the general public, businesses, industry, and government. Washington State University's Cooperative Extension Program (WSU) has a non-profit orientation, but can receive funds from the state and other sources.

Department of Transportation

The Department of Transportation (DOT) is responsible for managing, financing, and constructing the state's highway and road system. In recent years increased population and increased use of single-occupancy vehicles have resulted in traffic congestion and the need for increased highway capacity. As an alternative to more highways, new programs have been initiated to reduce the demand for highway usage.

Such programs are referred to as "transportation demand management." DOT is implementing a number of transportation demand management programs and currently participates on the Commute Trip Reduction Task Force.

General Administration

In 1980 the Legislature determined that state government should undertake an aggressive program designed to reduce energy use in state buildings, facilities, equipment, and vehicles. Much of the responsibility for doing so was placed with the Department of General Administration (GA).

Summary of Bill: The statute establishing the Washington State Energy Office is repealed. WSEO duties are transferred to CTED, WSU, DOT, and GA.

Duties Transferred to CTED

Energy policy functions are transferred to CTED. Energy policy staff positions remain exempt from state civil service laws, and current WSEO policy employees are not expressly transferred. An assistant director for energy policy is to be appointed, and energy policy staff are to have no additional responsibilities.

WSEO duties regarding the state's two representatives to the Pacific Northwest Electric Power and Conservation Planning Council and regarding EFSEC are transferred to CTED. EFSEC membership is changed by eliminating WSEO, the Office of Financial Management, and the Parks and Recreation Commission, and by adding the Military Department. The compensation of the chair of EFSEC is increased to \$100 per day.

WSEO duties and authority regarding energy emergencies and shortages are transferred to CTED, but the authority to obtain information from energy producers, suppliers, and consumers doing business in the state is limited to energy supply emergencies or alerts.

CTED replaces WSEO in working with the State Building Code Council regarding indoor air quality, window insulation values, and proposed rules.

WSEO's duties in connection with nuclear waste storage and disposal facilities are repealed.

Duties Transferred to GA

WSEO duties regarding life-cycle cost analyses and regarding conservation and cogeneration in governmental facilities are transferred to GA, as are WSEO duties regarding expenditures from the energy efficiency service account.

"Public agencies" is defined and replaces the reference to "state agencies and school districts in the energy efficiency services account statute.

The statute regarding loans to school districts to finance conservation projects and state agency use of financing contracts to fund conservation projects is repealed, as are provisions regarding WSEO responsibilities concerning the energy efficiency construction account.

Duties Transferred to DOT

The WSEO role in the Commute Trip Reduction Program and Task Force is transferred to DOT.

Duties Transferred to WSU

Duties regarding alternative fuels and clean-vehicle technologies and assisting in preparation of a biennial report to the Legislature are transferred to WSU.

In addition, the following duties concerning energy education, applied research, and technology transfer programs are transferred to WSU: renewable energy, energy software, industrial energy efficiency, education and information, energy ideas clearinghouse, and telecommunications.

Technical Corrections

"Hydroelectric power" is added to the definition of "renewable energy systems."

References to the WSEO are stricken, and statutes are otherwise updated.

EFFECT OF SENATE AMENDMENT(S): Although most of the striking amendment is identical to 4SHB 2009 as passed by the House, the amendment does make the following changes:

- (1) Amends a section repealed in the House version, to allow state agencies to use third-party financing for conservation projects and to place responsibility for determining project eligibility with GA. (This creates new section 410.) To reflect this change, the striking amendment also reinserts language stricken by the House bill from RCW 39.35C.100 referring to RCW 39.35C.060.
- (2) Adds language in two places (subsections 109(1)(bb) and 201(5)) exempting staff hired by WSU to carry out its responsibilities under the bill from state civil service laws, unless otherwise designated by the university. Also, adds language directing WSU to select initial staff from current WSEO staff (subsection 201(5)).

- (3) Adds new subsection (7) to section 301, requiring DOT to report to the Legislature by December 1, 1996, on the effects of the transfer of the duties concerning the commute trip reduction program to DOT.
- (4) Adds new section 601, under a new heading "PART VI - MISCELLANEOUS." The section requires the state to offer specified services to state employees affected by the elimination of WSEO. Those services include (a) placement in the reduction-in-force transition pool; (b) placement in the Washington management services clearinghouse register for employees in the Washington management service; (c) career transition services through the Department of Personnel; (d) dislocated-worker training for employees in positions unique to the energy industry; (e) up to 30 weeks of unemployment benefits for qualifying employees; and (f) payment of \$150/month per employee for health benefits for up to one year. (The House supplemental budget currently funds health benefits for six months, whereas the Senate budget funds benefits for twelve months.) There is no null and void clause in the striking amendment.
- (5) Makes a variety of technical changes: (a) changes "state agency or school district" to "public agency" in subsection 406(5), and "the department and the state agency or school district" to "the state agency or school district and the department" in subsections 408(2)(a) and (b); (b) an apparent Code Reviser correction of existing law changes "account [fund]" to "fund" in section 503; and (c) moves a section making WSU responsible for providing information to the State Treasurer necessary to distribute geothermal funds out of the WSU section of the bill and into the CTED section of the bill, although WSU is responsible for providing the information in both versions. (Section 203 becomes Section 107 in the striking amendment.)

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 1996.

Testimony For: (Energy & Utilities) Transferring various WSEO services to WSU is a superb idea, particularly since the funding disappears over time. Other programs being retained are being placed with the appropriate agencies. However, with the uncertainty of the future of the electricity industry, it would be appropriate to consider placing the energy policy function where it will be highly visible, such as with OFM. The process of developing this year's version of the bill has been a good and open process.

(Appropriations) We support critical energy functions being continued. There are concerns about the employees who will not be transferred. Amendments are needed to assist employees with a smoother transition. Because energy office employees are in a very specialized field it is harder for them to find new employment. The functions being transferred to WSU fit the mission of the cooperative extension service and meet the needs of the business community. WSU is accepting positions that will be self-supporting. If the market supports these functions, funding will be continued. It is especially important for the policy function to continue because of the many changes occurring as a result of deregulation.

Testimony Against: (Energy & Utilities) None.

(Appropriations) None.

Testified: (Energy & Utilities) Tom Sykes, Washington Institute for Public Policy; Carole Washburn, Washington State Energy Office; Jerry O'Keefe, Office of Financial Management; Fred Adair, EFSEC; Collins Sprague, Washington Water Power; and Mike Tracy, Puget Power.

(Appropriations) Devone Smith and Mike McSorley, Washington Federation of State Employees (pro with concerns); Collins Sprague, Washington Water Power; Larry Ganders, Washington State University; Charlie Brown, Washington Natural Gas; and Gerry O'Keefe, Office of Financial Management/Governor's Office (pro).