

# SENATE BILL REPORT

## SB 5646

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As Reported By Senate Committee On:  
Environment, Energy & Water, February 9, 2001

**Title:** An act relating to extending eligibility for the public utility tax deduction for facilities generating energy from cogeneration.

**Brief Description:** Extending the public utility tax deduction for cogeneration.

**Sponsors:** Senators Morton, Hale, Eide, Patterson, Long, Rasmussen, Fraser, Regala, McAuliffe, Johnson, Kohl-Welles, Kline, Prentice, T. Sheldon, Franklin, Haugen, Winsley, Horn, Oke, Carlson, Shin, Kastama, Rossi, Roach, McDonald, Zarelli, Stevens, Hochstatter and Swecker; by request of Governor Locke.

**Brief History:**

**Committee Activity:** Environment, Energy & Water: 2/8/01, 2/9/01 [DP-WM].  
Ways & Means: 2/26/01.

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### SENATE COMMITTEE ON ENVIRONMENT, ENERGY & WATER

**Majority Report:** Do pass and be referred to Committee on Ways & Means.

Signed by Senators Fraser, Chair; Regala, Vice Chair; Eide, Hale, Honeyford, Jacobsen, Morton and Patterson.

**Staff:** Andrea McNamara (786-7483)

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Terry Wilson (786-7433)

**Background:** Public and privately-owned utilities, and certain other businesses that sell electricity, pay public utility taxes (PUT) on the gross receipts earned from generating and selling electricity at retail. These taxes are paid in lieu of the business and occupation (B&O) tax.

Under current law, a deduction from gross receipts is allowed for the costs of producing energy from certain renewable energy resources and certain cogeneration facilities for consumption in the state of Washington.

Cogeneration is defined in statute as the sequential generation of electrical or mechanical power and useful heat from the same primary energy source or fuel. Cogeneration plants use the excess or waste-energy that is created by various kinds of industrial processes (typically heat or steam) to produce electricity for the industry's use or for sale to other electricity customers.

The current PUT deduction applies only to facilities on which construction or installation began between June 1980 and January 1990. The deduction for cogeneration is allowed for a period not longer than 30 years after the project becomes operational. Because wholesale power sales are exempt from the PUT, the deduction is only available if the cogeneration facility produces gross revenues from the sale of electricity to retail customers.

**Summary of Bill:** The existing deduction for cogeneration facilities built between June 1980 and January 1, 1990 is available for new or expanded cogeneration facilities constructed or installed between July 1, 2001, and January 1, 2011.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For (Environment, Energy & Water):** Cogeneration projects are an excellent way to promote energy efficiency, especially when outdated technologies can be replaced with newer ones. It is estimated that 100-500 megawatts of additional capacity could be brought on line through new cogeneration projects. Co-gen is also a great economic development tool for rural areas of the state, where agricultural and other biomass waste products provide an abundant source of fuel for cogenerating facilities. All efforts to increase the state's electricity generating capacity should be supported.

**Testimony Against (Environment, Energy & Water):** None.

**Testified (Environment, Energy & Water):** PRO: Senator Morton, prime sponsor; David Danner, Governor's Office; Kristen Sawin, AWB.

**Testimony For (Ways & Means):** This is an incentive for the creation of more energy which is drastically needed. Cogeneration uses waste heat for cooling and heating to provide more efficient use of electricity. The definition of cogeneration for the current deduction would include combined cycle combustion turbines which are used in the new generating plants. Since that definition would apply, the bill would apply to new generating plants. The NW Energy Coalition does not support a tax break for new generating plants. OFM and OTED support the bill with the House amendment that redefines cogeneration.

**Testimony Against (Ways & Means):** None.

**Testified (Ways & Means):** PRO: Senator Morton, prime sponsor; Danielle Dixon, NW Energy Coalition; Jim Hedrick, OFM; Tony Usibelli, OTED.