SENATE BILL REPORT
SB 5659

As Reported By Senate Committee On:
Water, Energy & Environment, February 22, 2005

Title: An act relating to renewable energy tax credits.

Brief Description: Authorizing renewable energy tax credits.

Sponsors: Senators Pridemore, Morton, Hewitt, Poulsen, Honeyford, Mulliken, Fraser, Rockefeller, Regala, Sheldon, Keiser, Kline, Rasmussen, Oke and Kohl-Welles.

Brief History:
Committee Activity: Water, Energy & Environment: 2/15/05, 2/22/05 [DPS-WM].
Ways & Means: 1/26/06.

SENATE COMMITTEE ON WATER, ENERGY & ENVIRONMENT

Majority Report: That Substitute Senate Bill No. 5659 be substituted therefor, and be referred to Committee on Ways & Means.
Signed by Senators Poulsen, Chair; Rockefeller, Vice Chair; Morton, Ranking Minority Member; Fraser, Hewitt, Honeyford and Regala.

Staff: William Bridges (786-7424)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: Gross income derived from the operation of public and privately owned utilities is subject to the state public utility tax (PUT). The rate for electrical utilities is 3.873 percent. PUT revenues from electric utilities are deposited in the state general fund.

There are several PUT credits for electrical utilities: (1) a credit for certain electricity sales to direct service industrial businesses; (2) a credit for one-half contributions made to rural electric utility economic development projects; and (3) a credit for the provision of billing discounts to low-income customers.

Electricity produced by wind, solar, and other similar means is usually known as "renewable energy." Renewable energy is generally more expensive to generate than other forms of electricity.

Summary of Second Substitute Bill: Beginning July 1, 2007, a light and power business may take a credit against the public utility tax for the purchase of or the generation of a renewable resource for distribution and sale in Washington.

The credit is equal to .003 dollars per kilowatt hour of renewable resources generated by a renewable resource generating facility located in Washington State and distributed by a light and power business to retail customers in Washington.

Beginning July 1, 2007 through June 30, 2012 a $2 million annual base credit is established for all light and power businesses in the state, effectively establishing an annual cap. Each annual base credit extends for a period not to exceed 10 years. Each base credit must be prorated for and allocated to each light and power business based upon each business's pro rata share of the retail sales of kilowatt hours of electricity. The annual allocated amount of each annual base credit must not change during the ten-year life of the base credit.

In any fiscal year, a light and power business not claiming its allocated base credit allowed may transfer all or a portion of its allocated share, by mutual agreement, provided that the transferee is a light and power business that generates or purchases and distributes to it customers a qualified renewable resource. No later than thirty business days after the effective date of the transfer, both the transferor and the transferee must notify the department of the transfer. Both the transferor and the transferee must allocate all benefits received from the transferred credit to their respective ratepayers.

A light and power business may not receive a credit when the business or renewable resource generating facility also receives credit or funding for those same renewable resources from another state.

On or before June 1st of each year beginning in 2007, the Department of Community, Trade, and Economic Development (CTED) must publish the allocated base credit for each light and power business for the next fiscal year.

On or before December 1, 2008, and every two years thereafter, CTED must report to the Legislature the amount of incentives provided for renewable resources, the amount of renewable resources produced by each type of renewable resource generation facility, the name and location of each generating facility, and the participating light and power businesses.

Second Substitute Bill Compared to Substitute Bill: Most of the provisions to the credit program have changed.
Appropriation: None.

Fiscal Note: Requested on January 23, 2006.

Committee/Commission/Task Force Created: No.

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

Testimony For: The Washington PUD Association, the Renewable NW Project, and the NW Energy Coalition spent the summer negotiating the language for this renewable incentive bill. Washington is growing out of its hydro power base and it will need more energy. This bill will encourage the generation of renewable energy sources to meed the state's growing economy and population. The bill will provide long term price stability. It will also stimulate economic development, particularly in rural areas, through construction jobs, generator operating jobs, and higher property tax revenues. The bill will also enhance energy security while providing environmental benefits.

Testimony Against: None.

Who Testified: PRO: Dave Warren, Wash. PUD Assn.; Ann Gravatt, Renewable NW Project; Bill LaBorde, NW Energy Coalition.