

SENATE BILL REPORT

SB 5575

As Reported by Senate Committee On:
Energy, Environment & Telecommunications, February 18, 2015

Title: An act relating to providing sales and use tax exemptions to encourage coal-fired electric generation plants to convert to natural gas-fired plants.

Brief Description: Providing sales and use tax exemptions to encourage coal-fired electric generation plants to convert to natural gas-fired plants.

Sponsors: Senators Braun, Honeyford and Hatfield.

Brief History:

Committee Activity: Energy, Environment & Telecommunications: 2/12/15, 2/18/15 [DP-WM, DNP, w/oRec].

SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TELECOMMUNICATIONS

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

Signed by Senators Erickson, Chair; Sheldon, Vice Chair; Braun, Brown and Honeyford.

Minority Report: Do not pass.

Signed by Senators McCoy, Ranking Minority Member; Cleveland and Habib.

Minority Report: That it be referred without recommendation.

Signed by Senator Ranker.

Staff: Jeff Olsen (786-7428)

Background: Emission Performance Standards (EPS) were adopted for electric generation plants to meet greenhouse gas emission standards adopted in Washington in 2008. In 2009 the Governor issued an executive order directing the Department of Ecology (Ecology) to work with the existing coal-fired plant within Washington to establish an agreed order to apply the EPS to the facility by no later than December 31, 2025. The agreed order must include a schedule of major decisionmaking and resource investment milestones. In 2011 the Legislature established a schedule for applying the EPS to the Centralia coal-fired electric generation facility.

State and local sales and use taxes are levied on the sale of tangible personal property and certain services. Exemptions from sales and use taxes have been established to create jobs

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and encourage investments in Washington, including, for example, the exemptions for manufacturing machinery and equipment and investments in aerospace manufacturing facilities.

Summary of Bill: The construction of new structures or renovation of existing structures for the purpose of converting a coal-fired electric generation facility into a natural gas-fired electric generation facility are exempt from state sales and use tax. The exemption includes the labor and services to construct the facility and the machinery and equipment that is required for the conversion. A tax preference performance statement is provided and the exemption expires July 1, 2025.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: The legislation passed in 2011 calling for a stable transition for the coal plant in Centralia has not resulted in a small impact on the community. There has been an enormous decline in the value of the plant, which has impacted property taxes and critical local services such as fire protection. The bill encourages investments in a natural gas-fired plant to retain jobs in an area that is currently experiencing high unemployment. TransAlta has been a strong member of the community, assisting with the response to the 2007 flood, and supporting community fundraising efforts. TransAlta is assisting with the development of an industrial park and wants to continue to generate power in the area in 2025 and beyond.

Persons Testifying: PRO: Senator Braun, prime sponsor; Bob Guenther, International Brotherhood of Electrical Workers; Arny Davis, Lewis County Treasurer; Debbie Campbell, United Way of Lewis County, Executive Director; Edna Fund, Lewis County Commissioner; Matt Matayoshi, Lewis County Economic Development Council, Executive Director.