

HOUSE BILL REPORT

HB 1895

As Reported by House Committee On:
Technology, Energy & Communications
Capital Budget

Title: An act relating to statewide energy efficiency.

Brief Description: Modifying duties of the joint committee on energy supply and energy conservation.

Sponsors: Representatives Morris, Hudgins, McCoy and B. Sullivan.

Brief History:

Committee Activity:

Technology, Energy & Communications: 2/17/05, 2/24/05 [DPS];
Capital Budget: 3/4/05, 3/7/05 [DPS(TEC)].

Brief Summary of Substitute Bill

- Establishes procedures for aggregating energy conservation within state and local government, capturing the electricity saved, and providing a revenue stream to finance conservation efforts.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Morris, Chair; Kilmer, Vice Chair; Crouse, Ranking Minority Member; Ericks, Hudgins, P. Sullivan, Takko and Wallace.

Minority Report: Without recommendation. Signed by 2 members: Representatives Haler, Assistant Ranking Minority Member; and Sump.

Staff: Sarah Dylag (786-7109).

Background:

Performance-based contracting allows a facility to complete energy-saving improvements within an existing budget by financing them with money saved through reduced utility expenditures. Facilities make no up-front investments and instead finance projects through guaranteed annual energy savings.

The Joint Committee on Energy Supply (Committee) is a legislative committee of eight members that is authorized to meet (a) annually; (b) at the call of the chair to receive

information on the status of the state's or the region's energy supply; or (c) upon the call of the chair when the governor acts to terminate an energy supply alert or energy emergency. Any member of the House of Representatives or Senate is eligible to be appointed to the Committee.

Summary of Substitute Bill:

Intent

The Legislature recognizes that implementing conservation measures across all levels of government will create actual energy conservation savings, maintenance and cost savings to state and local governments, and savings to the state economy. The Legislature intends that conservation measures be implemented across all levels of government and that the savings created from implementing conservation measures be retained to produce more efficient government operation.

Conservation Projects

In addition to the Committee's existing duties, the Committee is given the authority to identify conservation measures to be implemented by all levels of state and local government utilizing performance bonding and contract financing to generate energy conservation.

To identify these projects, the Committee shall:

- review information acquired through energy audits conducted under current law or through separate energy audits of state and local-owned facilities;
- review reports from the Department of General Administration (Department) regarding requests for proposals to identify conservation measures that may be implemented by all levels of state and local government across a single electric utility's service territory, costs to implement those conservation measures, and proposed contractors to carry out conservation measures;
- review and approve contractors selected by the Department to carry out conservation measures identified by the committee; and
- request the Department to report to the Committee on the progress of the implementation of conservation measures in a single electric utility's service territory.

Administration

Administration of the implementation of the projects identified by the Committee is carried out by the Department. The Department shall:

- conduct energy audits of state and local-owned facilities, if necessary;
- provide technically qualified personnel, at a fee, to assist with contracting for implementation of conservation measures; and
- collect information regarding local government implementation of conservation measures.

Local Government Participation

Local governments may participate in the implementation of conservation projects and the Department shall track participation.

Financing

Financing for conservation measures identified by the Committee shall be carried out with bonds issued by the Washington Economic Development Finance Authority. To administer the financing the Department may:

- provide technical assistance to contractors to obtain bonds issued by Washington Economic Development Finance Authority; and
- identify an amount equal to the difference between the cost of energy consumed by state and local governments before conservation measures are implemented and the cost of energy consumed by state and local governments after conservation measures are implemented to be collected and applied towards the bonds issued by the Washington economic development finance authority.

Substitute Bill Compared to Original Bill:

The substitute bill clarifies the authority of the Joint Committee on Energy Supply and Conservation and the authority of the Department with respect to identifying and implementing conservation measures.

Clarifies that local governments may choose whether to implement the conservation measures identified by the Joint Committee on Energy Supply and Conservation.

Removes the provision related to a utility's avoided cost savings and the provision relating to eminent domain.

Appropriation: None.

Fiscal Note: Requested on March 3, 2005.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: (In support with concerns) Conservation measures save a lot of energy. This bill will allow the state to aggregate all levels of government, which will produce more savings. The aggregation of several types of conservation measures into one project will produce more savings. The cost of conservation has proven to be cheaper than the cost of new generation. Efficiency is the most cost-effective resource available.

The legislation will decrease energy consumption in public buildings and will provide cost savings to government agencies. Conservation increases the energy supply and does not create negative environmental effects. Utilities are already encouraging customers to

participate in programs such as this. Local governments are also currently working on these types of projects.

(Concerns) With regard to condemnation, it is unclear what needs to be condemned, why, and how. Condemnation also raises legal issues. The words "cost-effective" do not appear in the legislation and should be included. It may also be appropriate to specify that some combination of performance bonding and contract financing or other alternatives be pursued.

Testimony Against: None.

Persons Testifying: (In support with concerns) Bruce Folsom, Avista Utilities; Toni Potter, League of Women Voters; Bill LaBorde, Northwest Energy Coalition; Mike Tracey, Puget Sound Energy; and Victoria Lincoln, Association of Washington Cities.

(Concerns) Dave Clinton, Washington Rural Electric Cooperative Association.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill by Committee on Technology, Energy & Communications be substituted therefor and the substitute bill do pass. Signed by 29 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Jarrett, Ranking Minority Member; Hankins, Assistant Ranking Minority Member; Blake, Chase, Cox, DeBolt, Eickmeyer, Ericks, Ericksen, Flannigan, Green, Hasegawa, Holmquist, Kretz, Kristiansen, Lantz, McCune, Moeller, Morrell, Newhouse, O'Brien, Roach, Schual-Berke, Serben, Springer, Strow and Upthegrove.

Staff: Sarah Dylag (786-7109).

Summary of Recommendation of Committee On Capital Budget Compared to Recommendation of Committee On Technology, Energy & Communications:

No changes were recommended.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: (In support with concerns) Although general support for House Bill 1895 exists, there are concerns about the administrative costs and what the exact responsibilities to the Department of General Administration (Department) would entail. The Department currently conducts some performance contracting and conservation projects, but the process and financing proposed in the bill would be somewhat different. Some clarifications of the proposed responsibilities of the Department under this bill may be necessary.

Testimony Against: None.

Persons Testifying: (In support with concerns) John Lynch, Department of General Administration.

Persons Signed In To Testify But Not Testifying: None.