

SENATE BILL REPORT

HB 1578

As of March 14, 2017

Title: An act relating to irrigation district authority.

Brief Description: Concerning irrigation district authority.

Sponsors: Representatives Dent, Ortiz-Self, McBride, Lovick, Dye, Harris and Griffey.

Brief History: Passed House: 3/03/17, 97-0.

Committee Activity: Energy, Environment & Telecommunications: 3/14/17.

Brief Summary of Bill

- Allows irrigation districts to enter into contracts or agreements with private commercial or industrial entities that construct or operate electric power generation or transmission facilities or acquire electric power for their own use or resale.
- Provides limitations on an irrigation district's liability when entering into contracts or agreements with investor-owned utilities or private commercial or industrial entities.

SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TELECOMMUNICATIONS

Staff: Kimberly Cushing (786-7421)

Background: Irrigation districts (districts) have broad authority to provide: irrigation facilities and services; drainage systems; domestic water; electric energy generation, purchasing, and distribution; fire hydrants; sewerage systems; residential energy conservation program assistance; and street lighting. Districts are governed by an elected board of directors.

Electric Power Generation and Transmission. Districts have the authority to:

- purchase and sell electric power to residents in the district;
- acquire, construct, and lease dams, canals, plants, transmissions lines, and other power equipment to generate and transmit electrical energy to operate district pumping plants and irrigation systems and to sell to district residents for irrigation and domestic use; and

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- construct, finance, acquire, own, operate, and maintain hydroelectric facilities, alone or jointly with specified entities, with the use of their irrigation facilities and sell the electric energy generated to municipal or quasi-municipal corporations or cooperatives in the business of distributing electricity, investor-owned utilities (IOUs), and other districts.

District Contracts. Districts may contract or enter into agreements with the following entities: federal government, states, municipalities, public utility districts, other districts, joint operating agencies, rural electric cooperatives, mutual corporations or associations, or IOUs.

Summary of Bill: Contracts with Private Commercial or Industrial Entities. Districts may contract or enter into agreements with private commercial or industrial entities that:

- construct or operate electric power generation or transmission facilities; or
- acquire electric power for their own use or resale.

A district may contract with a private commercial or industrial entity for several purposes, including to:

- jointly construct, finance, acquire, own, lease, operate, improve, repair, and maintain hydroelectric facilities, irrigation water, domestic water, and drainage and sewerage works; or
- sell electric energy generated at a district's solely or jointly-owned hydroelectric facilities.

Additional Contract Powers. Districts may contract or enter into agreements to develop or own electric power generating or transmitting facilities, which may include facilities that generate power by water, solar power, thermal power, or batteries. Also, districts may enter into contracts or agreements in order to develop or own—or develop and own—water storage, pumping, and transmission facilities.

Limitations on District Liability. If a district enters into a contract or agreement to create a legal entity or an undertaking with an IOU or private commercial or industrial entity, the district is severally liable only for its own acts, not jointly or severally liable for the acts, omission, or obligations of the others.

When a district supplies money or property for planning, financing, acquisition, construction, operation, or maintenance of any common facility, it may not be credited or applied to the account of an IOU or private commercial or industrial entity. Also, a district's undivided shares in a common facility may not be charged with any debt or obligation of an IOU or private commercial or industrial entity or subject to a lien.

An action in connection with a common facility may not be binding on a district unless it is authorized or approved by the district's board.

Technical Changes. Subsections and internal references are added for clarification.

Appropriation: None.

Fiscal Note: Not requested.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: The bill amends state law to allow private sector participation in public sector hydropower construction. Districts can use the power to run pumps or sell the power and use the money for maintenance and operations. The proposed Banks Lake pumped storage project will have a 500 megawatt generating capacity. It is time to bring on more investors to spread risk and generate the capital necessary for a project of this scale. The focus of bill is to (1) provide districts the authority to partner; (2) prevent the lending of state's credit; and (3) provide liability protection to districts. The project will create jobs to build these facilities and benefit the entire northwest power grid.

Persons Testifying: PRO: Representative Tom Dent, Prime Sponsor; Mike Schwisow, Washington State Water Resources Association.

Persons Signed In To Testify But Not Testifying: No one.