

SENATE BILL REPORT

2SHB 2645

As Reported By Senate Committee On:
Water, Energy & Environment, February 21, 2006
Ways & Means, February 24, 2006

Title: An act relating to a public utility tax credit for gas distribution businesses that invest in energy efficiency measures for certain food processing and other businesses.

Brief Description: Providing a limited public utility tax credit for gas distribution businesses.

Sponsors: House Committee on Finance (originally sponsored by Representatives Kilmer, Crouse, P. Sullivan, Morris and Dunn; by request of Department of Community, Trade, and Economic Development).

Brief History: Passed House: 2/10/06, 93-5.

Committee Activity: Water, Energy & Environment: 2/16/06; 2/21/06 [DP-WM].
Ways & Means: 2/24/06 [DP].

SENATE COMMITTEE ON WATER, ENERGY & ENVIRONMENT

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

Signed by Senators Poulsen, Chair; Rockefeller, Vice Chair; Morton, Ranking Minority Member; Delvin, Fraser, Honeyford, Mulliken, Pridemore and Regala.

Staff: William Bridges (786-7424)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Parlette, Pflug, Pridemore, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Thibaudeau.

Staff: Terry Wilson (786-7433)

Background: Gross income derived from the operation of public and privately owned utilities is subject to the public utility tax (PUT). The rate for natural gas utilities is 3.852 percent.

The Department of Community, Trade and Economic Development estimates the cost of natural gas has increased 25 percent during the current winter for in-state commercial businesses and food processors.

Summary of Bill: PUT credit is created to encourage energy efficiency. A PUT credit is provided for natural gas utilities that pay qualifying businesses and food processors an incentive to purchase cost-effective energy efficiency measures, such as high-efficiency water

heaters and furnace tune-ups. Utility incentives are limited to no more than 25 percent of the incremental cost of the equipment or service, or \$15,000, whichever is less. For qualifying energy-efficient equipment, the incremental cost is the difference between the higher cost of the equipment and the cost of conventional equipment. For a qualifying energy-efficient service, the incremental cost is the entire cost of the service.

The PUT credit is capped at \$1.5 million statewide and is only available for fiscal year 2007. The Department of Revenue will proportionally determine the credit available to each utility based on each utility's in-state retail sales in fiscal year 2004. Credits earned may not be carried forward or backward. All unused credits expire.

Definitions. Terms are defined, including "qualifying customer," which means an in-state manufacturing, industrial, or other commercial business that is a retail natural gas customer, and does not include any governmental entity, nonprofit organization, or business operated out of a personal residence or that has no physical location. "Qualifying energy efficiency measure" includes equipment purchased by a "food processing business," such as high-efficiency blanching equipment.

Findings. Among other things, the Legislature finds that rising natural gas costs are creating an economic hardship for Washington's small business and food processors, that natural gas utilities are uniquely well positioned to help small business and food processors improve the efficiency of their natural gas use, and that the state of Washington can assist these efficiency efforts by providing small PUT credits for the installation of high-efficiency equipment.

Expiration date. The PUT credit expires on July 1, 2007.

Appropriation: None.

Fiscal Note: Preliminary note available.

Committee/Commission/Task Force Created: No.

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

Testimony For (Water, Energy & Environment): Avista supports the bill because it will enhance funding for energy assistance measures for businesses that are susceptible to higher energy costs. The bill has not been funded in the proposed operating budget.

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

Who Testified (Water, Energy & Environment): PRO: Tony Usibelli, CTED.

Signed in, Unable to Testify & Submitted Written Testimony: Collins Sprague, Avista Corp.

Testimony For (Ways & Means from SB 6380): This is a one-year tax incentive to natural gas utilities to offer to their business customers. It applies to the incremental cost. It is aimed at small business and food processors who have seen a major increase in their costs.

Testimony Against (Ways & Means from SB 6380): None.

Who Testified (Ways & Means from SB 6380): PRO: Tony Usibelli, CTED.