

SENATE BILL REPORT

SB 5238

As Reported By Senate Committee On:
Water, Energy & Telecommunications, February 23, 2007
Ways & Means, March 5, 2007

Title: An act relating to creating a tax credit against the public utility tax for eligible light and power businesses that purchase and retire renewable energy credits from a facility that generates electricity from methane gas derived from the anaerobic decomposition of organic matter obtained from dairy cows in the state.

Brief Description: Creating a public utility tax credit for eligible light and power businesses to encourage the reduction of methane emissions.

Sponsors: Senators Poulsen, Honeyford, Kohl-Welles and Keiser.

Brief History:

Committee Activity: Water, Energy & Telecommunications: 2/14/07, 2/23/07 [DPS-WM, DNP].

Ways & Means: 3/01/07, 3/05/07 [DPS(WET)].

SENATE COMMITTEE ON WATER, ENERGY & TELECOMMUNICATIONS

Majority Report: That Substitute Senate Bill No. 5238 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Poulsen, Chair; Rockefeller, Vice Chair; Honeyford, Ranking Minority Member; Fraser, Holmquist, Marr, Morton, Oemig, Pridemore and Regala.

Minority Report: Do not pass.

Signed by Senator Delvin.

Staff: William Bridges (786-7424)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5238 as recommended by Committee on Water, Energy & Telecommunications be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Staff: Dean Carlson (786-7305)

Background: Climate Change and Greenhouse Gases: The term "climate change" refers to any significant change in measures of climate, such as temperature, which last for decades or longer. Climate change may result from natural causes or human activities.

The National Academy of Sciences, The Inter-Governmental Panel on Climate Change, and The United States' Climate Change Science Program have concluded that human activities, such as the production of greenhouse gases, are the likely cause of climate change during the last several decades.

Carbon dioxide and methane are greenhouse gases, with methane being 20 times more effective in trapping heat in the atmosphere than carbon dioxide. One source of methane is the decomposition of dairy nutrients.

Anaerobic Digestion: Anaerobic digestion is the bacterial breakdown of organic materials in the absence of oxygen. This biological process produces biogas, which is principally composed of methane and carbon dioxide. Biogas is typically produced from feedstocks such as sewage sludge, livestock manure, and wet organic materials. Anaerobic digesters are devices that use the natural process of anaerobic digestion to treat waste, produce energy, or both.

Public Utility Tax (PUT): Gross income derived from the operation of public and privately owned utilities is subject to the PUT. The rate for electric utilities is 3.873 percent.

Renewable Energy Credit (REC): To promote the use of renewable energy, such as wind and solar power, markets for tradable RECs have been created. Sometimes called "green tags," these credits are sold in the marketplace and represent the environmental attributes of the energy. Under Initiative 937, a REC represents all the "nonpower attributes associated" with a tradable certificate of proof of one megawatt-hour of an eligible renewable resource, such as "biomass energy based on animal waste." Carbon benefits that come from displacing other potential fossil fuel resources through electricity generation are included in a REC; however, carbon credits related to the removal of methane from the atmosphere can be sold separately from a REC.

Summary of Bill: The bill as referred to committee not considered.

SUMMARY OF RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Water, Energy & Telecommunications): A PUT credit up to \$80,000 per fiscal year for eligible electric utilities is created. The amount of credit is equal to the amount of REC purchases made at market price and retired in any fiscal year, where the purchases are from a facility that generates electricity from methane gas derived from the anaerobic decomposition of organic matter obtained from dairy cows in the state.

"Renewable energy credit" has the same meaning in Initiative 937. A renewable energy credit includes the carbon benefits that come from displacing other potential fossil fuel resources through electricity generation but does not include the carbon benefits related to the removal of methane from the atmosphere.

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 (Water, Energy & Telecommunications): PRO: Dairy biodigesters produce clean, renewable energy, and also remove methane from the atmosphere, which is about 21 times the potency of carbon dioxide as a greenhouse gas. They also help protect fish by controlling nutrient runoffs. As a distributed energy resource, they can help reduce pressure on constrained electricity transmission and distribution. Dairy digesters often produce electricity that is too expensive for local utilities to purchase. This bill will help give dairy farmers a stream of income to finance their projects, while the state benefits from mitigating the effects of methane. SSB 5237 and SSB 5238 appropriately distinguish between the two unique benefits that dairy biodigesters provide: removing methane that otherwise would be released into the atmosphere and generating renewable electricity that displaces the use of fossil fuels.

CON: Carbon credits should not be separated from renewable energy credits.

Persons Testifying (Water, Energy & Telecommunications): CON: Kathleen Collins, PacifiCorp.

Signed In, Unable To Testify & Submitted Written Testimony:

(Water, Energy & Telecommunications) PRO: Miguel Perez-Gibson, Northwest Energy Coalition and Climate Solutions; Jay Gordon, Washington State Dairy Federation; Dale Riner, Sno/Sky Agricultural Alliance; Collins Sprague, Avista; Marian Wineman, League of Women Voters of Washington.

Staff Summary of Public Testimony (Ways & Means): None.

Persons Testifying (Ways & Means): No one.