

SENATE BILL REPORT

SB 6323

As Reported by Senate Committee On:
Energy, Environment & Technology, January 31, 2018

Title: An act relating to extending the business and occupation tax exemption for amounts received as credits against contracts with or funds provided by the Bonneville power administration and used for low-income ratepayer assistance.

Brief Description: Extending the business and occupation tax exemption for amounts received as credits against contracts with or funds provided by the Bonneville power administration and used for low-income ratepayer assistance.

Sponsors: Senators Hobbs and Brown.

Brief History:

Committee Activity: Energy, Environment & Technology: 1/30/18, 1/31/18 [DPS-WM, DNP].

Brief Summary of First Substitute Bill

- Reinstates the business and occupation tax exemption for energy conservation and demand-side management credits and funding from the Bonneville Power Administration, if the tax savings are used for low-income ratepayer assistance and weatherization.
- Expires the new exemption on January 1, 2029.

SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TECHNOLOGY

Majority Report: That Substitute Senate Bill No. 6323 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Carlyle, Chair; Palumbo, Vice Chair; Brown, Hawkins, Hobbs, McCoy, Ranker, Sheldon and Wellman.

Minority Report: Do not pass.

Signed by Senator Ericksen, Ranking Member.

Staff: Kimberly Cushing (786-7421)

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.

Background: Bonneville Power Administration (BPA). BPA is a federal nonprofit agency that markets wholesale electrical power from 31 federal hydroelectric projects in the Columbia River Basin, one nonfederal nuclear plant, and several other small nonfederal power plants. The United States Army Corps of Engineers and the Bureau of Reclamation operate the dams. Just over one-fourth of the electric power used in the Northwest comes from BPA. BPA also operates and maintains approximately three-fourths of the high-voltage transmission in its service territory, which includes the states of Washington, Oregon, and Idaho, as well as parts of Montana, California, Nevada, Utah, and Wyoming.

BPA provides credits and funding for the costs of some or all utility energy savings through various mechanisms under specific power contracts. Legislation was passed in 2010 creating an exemption for credits or funds received by utility customers of BPA for the purpose of implementing energy conservation or demand-side management programs. This exemption expired on June 30, 2015.

Business and Occupation (B&O) Tax. The B&O tax is imposed on the gross receipts, income, or sales of a business operating in Washington. The tax rate varies depending on the classification of the business activity.

Summary of Bill (First Substitute): Credits or funds provided by BPA for the purposes of implementing energy conservation programs or demand-side management programs are exempt from B&O tax, provided that the tax savings are used for low-income ratepayer assistance or weatherization. For the uses of funds provided by BPA, utilities must give priority to measures that permanently lower energy costs for low-income ratepayers.

The exemption from the B&O tax expires January 1, 2029.

EFFECT OF CHANGES MADE BY ENERGY, ENVIRONMENT & TECHNOLOGY COMMITTEE (First Substitute):

- Allows the tax exemption to also be used for weatherization.
- Requires utilities to give priority to the uses of funds that permanently lower energy costs for low-income ratepayers.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill takes effect on July 1, 2018.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This exemption drives money into energy efficiency at the local level. One suggestion is to broaden the bill language for weatherization programs. This is tax fairness, because the utility is not gaining any more money. While this takes \$600,000 out of the state general fund, the state has never collected

this money but for the last two years. Funds can be used to positively impact low-income communities. Many low-income areas do not have energy assistance programs.

Persons Testifying: PRO: Shawn Collins, Opportunity Council; Bill Clarke, Washington Public Utilities District Association.

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