

SENATE BILL REPORT

SB 6380

As Reported By Senate Committee On:
Water, Energy & Environment, January 18, 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: Senators Poulsen, Morton, Fraser, Finkbeiner, Rockefeller, Rasmussen and Fairley; by request of Department of Community, Trade, and Economic Development.

Brief History:

Committee Activity: Water, Energy & Environment: 1/17/06, 1/18/06 [DP-WM].
Ways & Means: 1/26/06.

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 and Pridemore.

Staff: William Bridges (786-7424)

SENATE COMMITTEE ON WAYS & MEANS

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. 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 Substitute Bill: A public utility tax credit is provided for natural gas utilities for payments to qualifying businesses to acquire cost-effective energy efficiency equipment or services. Qualifying businesses are business customers of gas distribution businesses or are food processors that pay gas distribution businesses a transportation fee for natural gas bought out-of-state. Nonprofit organizations, government agencies, tribal governments, and businesses operated out of personal residences do not qualify.

Qualifying equipment or services that may be purchased under the program is equipment or services that exceed the minimum energy efficiency standards allowable in programs offered by or approved for gas distribution utilities. These include: high-efficiency boilers; high-efficiency water heaters; high-efficiency furnaces; high-efficiency blanching; control

equipment that improves the efficiency of heating, ventilation and air conditioning equipment, boilers, or water heaters; repair or replacement services for energy efficient equipment; and boiler and furnace tune-up services.

The payments to businesses 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 total amount of credits statewide is limited to \$1.5 million. The Department of Revenue must determine the credit available to each utility based on each utility's proportion of in-state revenues for fiscal year 2004.

The public utility tax credit is only available for fiscal year 2007. Credits earned may not be carried forward or backward. All unused credits expire.

Substitute Bill Compared to Original Bill: The substitute bill limits the amount that a gas distribution business may pay a qualifying business under the incentive program, with respect to equipment, to the lesser of the incremental cost of high-efficiency energy equipment (relative to the cost of conventional equipment) or \$15,000.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For (Water, Energy & Environment): The bill will provide conservation assistance for small businesses that are suffering from the current spike in natural gas prices.

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

Who Testified (Water, Energy & Environment): PRO: Collins Sprague, Avista Corp.; Tony Usibelli, CTED.

Testimony For (Ways & Means): 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): None.

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