

HOUSE BILL REPORT

HB 1032

As Reported by House Committee On:
Technology, Energy & Communications

Title: An act relating to creating a sustainable energy trust.

Brief Description: Creating a sustainable energy trust.

Sponsors: Representatives Morris, Hudgins, Anderson, Wallace, Moeller, B. Sullivan and Chase.

Brief History:

Committee Activity:

Technology, Energy & Communications: 1/31/07, 2/16/07 [DPS].

Brief Summary of Substitute Bill

- Allows electric and natural gas utilities (utilities) to collect a monthly system benefits charge from customers.
- Allows utilities to establish a Sustainable Energy Trust to fund the development of sustainable energy resources of 5 megawatts or less, or smart energy technologies that are connected to the distribution system of an electric utility.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Morris, Chair; McCoy, Vice Chair; Crouse, Ranking Minority Member; McCune, Assistant Ranking Minority Member; Eddy, Ericksen, Hankins, Hudgins, Hurst, Takko and VanDeWege.

Staff: Scott Richards (786-7156).

Background:

Public Benefit Funds

Public Benefit Funds are typically state-level programs developed through the electric utility restructuring process as a measure to assure support for renewable energy resources, energy

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efficiency initiatives, and low-income support programs. Such a fund is most commonly supported through a charge to all customers on electricity consumption.

System Benefits Charge

Typically, a system benefits charge is generated by levying a small surcharge on all consumers of electricity, often based on the amount of energy consumed. However, funds can receive money in lump sums either as a result of a settlement of a utility merger or sale of generation assets.

Fund Administration

About half of the states with system benefit charges rely principally upon the individual utilities to administer the programs, while the other half feature some type of non-utility administration, relying on either public or quasi-public agencies or independent non-profit organizations.

Summary of Substitute Bill:

System Benefits Charge

Electric and natural gas utilities may choose to collect a monthly system benefits charge from all retail electricity or natural gas customers served by the utility. The purpose of the system benefits charge is to foster the growth, development, and commercialization of sustainable energy resources of 5 megawatts or less, or smart energy technologies that are connected to the distribution system of an electric utility.

"Sustainable energy resources" is defined as solar energy, wind, ocean thermal energy, wave or tidal energy, fuel cells, landfill gas and low emission advanced biomass conversion technologies, high-efficiency cogeneration with an efficiency level above 70 percent and other emerging energy technologies that significantly reduce pollution from existing technologies and have significant potential for commercialization.

"Smart energy" is defined as the use of technology to allow electrical networks to operate efficiently and to link small-scale sustainable energy resources to the grid.

Sustainable Energy Trust Proposal

A consumer-owned utility is required to submit to its governing board for approval a Sustainable Energy Trust proposal before collecting a system benefits charge. An investor-owned utility is required to submit to the Washington Utilities and Transportation Commission (WUTC) for approval a Sustainable Energy Trust proposal before collecting a system benefits charge.

A Sustainable Energy Trust proposal must contain a list of proposed sustainable energy resource or smart energy technology projects; a project management plan for each proposed project containing technical milestones and stage-gates; the cost of each project; the amount required to be collected through a system benefits charge to develop each project; and the estimated time frame for collecting the system benefits charge.

Upon approval of a Sustainable Energy Trust proposal, a consumer-owned or an investor-owned utility may collect a system benefits charge for a time approved by the governing board or the WUTC, respectively. The system benefits charge will be up to and no more than \$1.90 per customer per month.

Funds collected from the system benefits charge shall be used by an electric or natural gas utility to develop sustainable energy resource or smart energy technology projects as approved by a governing board or the WUTC.

All funds collected from the system benefits charge must be deposited in a Sustainable Energy Trust Fund account established and maintained by the utility and separate from other accounts. Interest accrued to the account must be re-invested into the Sustainable Energy Trust Fund account and spent on sustainable energy resource or smart energy technology projects. No more than 5 percent of funds may be used by an utility for administrative purposes.

Beginning on November 1, 2007, each electric or natural gas consumer-owned utility whose governing board has approved the collection of a system benefits charge shall submit the approved sustainable energy trust proposal to the Department of Community, Trade and Economic Development (DCTED). The DCTED shall utilize the information in the biennial energy report.

Substitute Bill Compared to Original Bill:

The original bill establishes a Sustainable Energy Trust to fund distributive generation projects, through a system benefits charge, below one megawatt connected to the distribution transmission of an electric utility. The original bill requires all electric and natural gas companies to collect a monthly system benefits charge from all retail electric customers within its area for 10 years.

The substitute bill permits electric and natural gas utilities to choose to collect a monthly system benefits charge from all retail electricity or natural gas customers served by the utility to foster the growth, development, and commercialization of sustainable energy resources of 5 megawatts or less, or smart energy technologies that are connected to the distribution system of an electric utility.

In the original bill, the monthly charge on each account ranges from \$.05 per month for residential electric and natural gas customers to \$37.50 per month for nonresidential electric and natural gas customers. The substitute bill allows a participating utility to charge a system benefits charge up to and no more than \$1.90 per customer per month.

The original bill requires all system benefit charges collected to be deposited in the Sustainable Energy Trust Fund maintained by the State Treasurer. In the substitute bill all funds collected from the system benefits charge are deposited in a Sustainable Energy Trust account established and maintained by the utility and separate from other accounts.

In the original bill the DCTED is solely responsible to authorize expenditures from the fund. In the substitute bill participating utilities are authorized to develop sustainable energy resource or smart energy technology projects as approved by a governing board or the WUTC.

The establishment of an Sustainable Energy Grant Program by the DCTED is eliminated in the substitute bill.

In the substitute bill the definitions for distributed generation and renewable energy are eliminated.

Appropriation: None.

Fiscal Note: Requested on proposed substitute February 15, 2007.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) The Technology, Energy and Communications Committee has been trying for years to break down barriers and provide opportunities for new energy technologies to be put into the field. People often forget that the newest energy technology is the most expensive today but is the cheapest 10 years from now. For example, the Columbia hydropower system is a bargain today even though it made no market sense to build when it was proposed. This bill is a take on how to create a system where a utility that knows their system the best can look at technologies that may work best with their system. Short of having a statewide system benefits charge like other states, this is our chance to take our place amongst these other leading states.

(Concerns) The Utilities and Transportation Commission (WUTC) will need some guidance on how to evaluate proposals. The WUTC will need rulemaking powers in order to implement the bill and may need to panel a group of experts to evaluate Sustainable Energy Trust proposals. The system benefits charge is a reasonable investment to make to develop these technologies. There may be a need to differentiate between customers and how much they pay. The bill is not clear if thermal power is included in this bill.

(Opposed) This bill is a tax paid by rate payers. It is likely to demand WUTC rate hearings. Criteria is needed to spell out how the WUTC will approve these systems. It is worth mentioning that consumer-owned utilities can, on their own, enact a system benefits charge.

Persons Testifying: (In support) Representative Morris, prime sponsor.

(Concerns) Dave Danner, Washington Utilities and Transportation Commission; and Miguel Perez-Gibson, Northwest Energy Coalition.

(Opposed) Tim Boyd, Industrial Customers of Northwest Utilities.

Persons Signed In To Testify But Not Testifying: None.