

HOUSE BILL REPORT

HB 1443

As Reported by House Committee On:
Technology, Telecommunications & Energy
Finance

Title: An act relating to public utility tax credits for home energy assistance programs for low-income households.

Brief Description: Authorizing public utility tax credits for home energy assistance programs for low-income households.

Sponsors: Representatives Wood, Crouse, Poulsen, Ogden, Edmonds, Linville, Kagi, Van Luven, Hatfield, Kenney, Cooper, O'Brien, Conway, Lovick, Roach, Bush, Morell, Veloria, Berkey, Miloscia, McIntire, Esser, Rockefeller, McDermott and Kessler.

Brief History:

Committee Activity:

Technology, Telecommunications & Energy: 2/2/01, 2/16/01 [DPS];
Finance: 2/28/01, 3/8/01 [DP2S(w/o sub TTE)].

Brief Summary of Second Substitute Bill

- Provides a credit against the Public Utility Tax (PUT) for utilities that offer new billing discounts to low-income customers beginning July 1, 2001, and for utilities that make contributions to agencies that administer the federal low-income energy assistance program.
- Establishes an aggregate limit for the credit of \$2.5 million to be distributed to utilities based on a formula.
- Provides an additional credit against the PUT for the purpose of providing energy assistance to low-income customers, based on additional PUT taxes paid as a result of recent increase in utility retail rates.

HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS & ENERGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 18 members: Representatives Crouse, Republican Co-Chair; Poulsen,

Democratic Co-Chair; Ruderman, Democratic Vice Chair; Anderson, Berkey, Bush, B. Chandler, Cooper, DeBolt, Delvin, Esser, Hunt, Linville, Mielke, Pflug, Reardon, Simpson and Wood.

Staff: Pam Madson (786-7166).

Background:

Assistance to low-income energy customers is provided through a federal block-grant program that allocates funds to the states. The program, known as LIHEAP (Low-Income Home Energy Assistance Program), is administered by the Department of Community, Trade and Economic Development (DCTED).

The LIHEAP grants are distributed to qualifying households through a service network of 24 nonprofit community organizations and three local governments. The grants are used to pay a portion of winter heating costs for low-income customers. Qualifying customers are those who are at or below 125 percent of the federal poverty level. Fifteen percent of the federal grant is available for weatherization programs.

Federal funds budgeted for the LIHEAP program, excluding any emergency funds provided, have ranged from a high in the mid 1980s of over \$40 million to a low in the last few years of around \$20 million. In the wake of rising energy costs for natural gas and electricity, the budgeted amount for 2001 increased to \$28.1 million. The federal program has emergency funds that can be distributed to states. Washington has received \$11 million in emergency funds for this winter heating season.

Some utilities offer reduced rates or discounted charges to low-income customers. Seattle City Light, Snohomish Public Utility District (PUD) and Tacoma Power are some of the larger utilities to offer reduced rates or charges. Pacific Power and Light recently obtained approval from the Washington Utilities and Transportation Commission to initiate a pilot project to offer assistance to low income households.

Public and privately-owned utilities and certain other businesses are subject to the state PUT. The PUT is applied to the gross receipts of the business. For gas distribution businesses, the applicable tax rate, including permanent surtaxes, is 3.852 percent. For light and power businesses, the rate is 3.873 percent. Revenues are deposited to the state general fund.

Summary of Substitute Bill:

A credit is available against the PUT due from gas and electric utilities for billing discounts offered to qualifying low-income customers. A utility may begin using the credit in fiscal year 2002 (begins July 1, 2001) based on billing discounts provided after

July 1, 2001.

To qualify for the credit, amount of billing discounts must be at least 125 percent greater than discounts given by the utility in 2000. The utility must apply for the credit each year by July 1 and the credit is available for the fiscal year beginning July 1. Any credit that is not used in a fiscal year lapses for that utility and may be reapportioned to other qualifying utilities.

The amount of the credit for each utility is equal to one-half the discount given to its low-income customers in a fiscal year. A low-income customer is one who qualifies for a grant under the federal LIHEAP.

The maximum total credit available state-wide each year is \$2.5 million. Each utility is also limited to a maximum credit amount based on its proportional share of energy assistance grants received by its low-income customers. The total credit available to a utility is its maximum available credit plus any portion of unused credits that are reapportioned to it.

The determination of each gas and electric utility's available credit is determined and published by June 1 of each year. The utility must apply for the credit by July 1 and by August 1 each utility that applies for the credit is notified of its total available credit that may be used in that fiscal year.

Substitute Bill Compared to Original Bill:

The substitute bill includes contributions made by utilities to the community agencies that implement the federal LIHEAP as qualifying contributions available for the PUT credit. It clarifies that a qualifying contribution from a utility does not include its customers' voluntary contributions made to assist other customers. It also clarifies that a utility that did not offer billing discounts in 2000 may qualify for the tax credit beginning with the year in which billing discounts are given. To qualify in subsequent years, the billing discount must be 125 percent of the previous years' billing discounts.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: (Original bill) The bill provides for \$2.5 million in credits for assistance to low-income households through billing discounts. Even though it is a step in the right direction, it is not enough to solve the problem. Some small co-ops have

high rates and very low-income customers. Higher rates and no additional assistance will leave some co-ops with high levels of disconnect notices. An improvement to the bill would allow utilities that have steep rate increases to keep some of the additional tax revenue generated by the high rates. There is a concern that some utilities may not qualify because they did not have a billing discount program in 2000. This was not the intent and clarification will be proposed. A federal program provides funds to help pay low-income households' heating costs. Funds must go to the lowest income households with the highest energy costs. Federal funding has been declining, however, this year available funds have increased. The number of households in this state under the poverty level is growing. Many are eligible but the funds do not cover more than 17 percent of the state's eligible population. The program needs more flexibility to allow credit for utility contributions to low-income assistance as well as billing discounts. As prices go up, low-income households struggle even more to pay their bills. We should make sure that as many households as possible are served by funds generated under this program. Both electric and gas utilities should be encouraged to invest more in low-income energy assistance. Work is still being done on the bill to perfect it's provisions with all interested parties.

Testimony Against: None.

Testified: Danielle Dixon, Northwest Energy Coalition; Collins Sprague, Avista Corporation; Donna Ewing, League of Women Voters; Jim Hedrick, Governor's Office; Aaron Jones, Washington Rural Electric Cooperatives Association; and Victoria Lincoln, Association of Washington Cities.

(With concerns) Larry Stuckart, Washington State Association of Community Action Agencies.

(Information only) Anne Solwick, Washington State Department of Revenue; and Will Graham, Office of Community Development.

HOUSE COMMITTEE ON FINANCE

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Technology, Telecommunications & Energy. Signed by 10 members: Representatives Cairnes, Republican Co-Chair; Morris, Democratic Co-Chair; Berkey, Democratic Vice Chair; Roach, Republican Vice Chair; Carrell, Conway, Pennington, Santos, Van Luven and Veloria.

Staff: Mark Matteson (786-7145).

Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Technology, Telecommunications & Energy:

A public utility tax credit is provided to light and power and gas distribution businesses equal to 25 percent of any taxes owed on the portion of a business' income attributable to an increase in residential rates of 30 percent or more after January 1, 2001. The savings due to the credit must be used to provide assistance to low-income households for the purpose of reducing electricity or gas costs. The credit may not be used before July 1, 2001.

Appropriation: None.

Fiscal Note: Available for substitute bill; requested for second substitute bill March 12, 2001.

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

Testimony For: This bill is one way that we can provide aid to people that really need it in an expeditious manner. With the volatility in today's energy market, low-income persons are particularly hurt. Community action centers indicate that there is \$40 million to \$50 million of unmet need. Historically, the Low-Income Home Energy Assistance Program (LIHEAP) has funded only 17 percent of needs.

Several of amendments are suggested: the definition of "billing discount" should be loosened to allow the utilities more flexibility in providing relief to low-income persons. Within the definition of "qualifying contribution," it should be made clear that funds forwarded to a qualifying organization must be used toward low-income energy assistance. Also, a reallocation of all unused funds toward low-income assistance should be done.

Testimony Against: None.

Testified: Representative Wood, prime sponsor; Collins K. Sprague, Avista Corporation; Danielle Dixon, Northwest Energy Coalition; Dave Danner, Governor's Office; Bob Swanson, Washington State Association for Community Action; and Aaron Jones, Washington Rural Electric Cooperative Association.