

# SENATE BILL REPORT

## SB 6501

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As Reported By Senate Committee On:  
Water, Energy & Environment, February 2, 2006  
Ways & Means, February 7, 2006

**Title:** An act relating to the creation of the Washington bioenergy loan program.

**Brief Description:** Creating the Washington bioenergy loan program.

**Sponsors:** Senators Rockefeller, Poulsen, Morton, Honeyford, Fraser, Regala, Kohl-Welles, Rasmussen, Kline and Keiser; by request of Governor Gregoire.

**Brief History:**

**Committee Activity:** Water, Energy & Environment: 1/24/06, 2/2/06 [DPS-WM].  
Ways & Means: 2/6/06, 2/7/06 [DPS(WEE), w/oRec].

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### SENATE COMMITTEE ON WATER, ENERGY & ENVIRONMENT

**Majority Report:** That Substitute Senate Bill No. 6501 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; Morton, Ranking Minority Member; Delvin, Fraser, Honeyford, Mulliken, Pridemore and Regala.

**Staff:** William Bridges (786-7424)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 6501 as recommended by Committee on Water, Energy & Environment be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Doumit, Vice Chair, Operating Budget; Brandland, Fairley, Kohl-Welles, Parlette, Pflug, Pridemore, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Thibaudeau.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Zarelli, Ranking Minority Member.

**Staff:** Steve Jones (786-7440)

**Background:** According to a 2002 study by the National Renewable Energy Laboratory, there are at least 21 active loan programs in 18 states that provide low-cost financing for renewable fuels. Some programs are funded by revolving loan funds that were established with petroleum-overcharge settlements, while others are funded through annual appropriations, the sale of bonds, or air-quality noncompliance penalty fees. Total funding for state loan programs range from \$200,000 to \$200 million per year.

**Summary of Substitute Bill:** A Bioenergy Assistance Program is established within the Department of Agriculture. Political subdivisions and private entities, including economic development councils, may participate in the program. The maximum assistance amount is \$5 million per application. Eligible projects include the purchase of equipment to convert farm products or wastes into electricity or gaseous or liquid fuels, and the construction of facilities used to store or distribute such products.

Assistance Criteria. An application may be approved only if the director of the Department of Agriculture finds the following:

- The project converts farm products or wastes directly into electricity or into gaseous or liquid fuels;
- The project demonstrates technical feasibility and probable business success;
- The project produces long-term economic benefits to the state or one its regions or communities;
- The project does not require continuing state support;
- The assistance will result in new jobs, job retention, or higher incomes for the citizens of the state;
- The assistance is accompanied by private investment;
- The state is provided an option to purchase a portion of the fuel or feedstock to be produced;
- The project will increase the energy independence or diversity for the state;
- The project, other than distribution and storage projects, will use feedstocks produced in the state;
- Any product will meet accepted national or state standards; and
- The application provides for adequate reporting and audits.

Agreements. The director must enter into agreements with approved applicants to fix the terms and rates of the assistance, to minimize the costs to the applicants, and to encourage the establishment of a viable bioenergy industry. The agreements must include provisions to protect the state's investment.

Application Process. The director may establish policies and procedures as necessary in order to process, review, and approve applications. The director must consult with those agencies having expertise in this area, including Washington State University, the University of Washington, the Department of Ecology, the Department of Agriculture, and the Washington State Conservation Commission.

Washington Bioenergy Assistance Account. The account is created in the State Treasury. Receipts from appropriations made to the account, as well as loan payments of principal and interest from loans made under the program, must be deposited in the account. Monies in the account can only be spent after appropriation. The department's administrative costs may not exceed three percent of the annual funds available for this program.

Reports to Legislature. The director shall report to the Governor and to the Legislature on the status of the loan program by December 1, 2006; December 1, 2007; and December 1, 2009.

Public Disclosure. Financial, commercial, and proprietary information in the program applications is exempt from public disclosure.

Findings. Among other things, the Legislature finds that dependence on petroleum-based fuels increases energy costs for citizens in the state, that biodiesel results in significantly less air pollution than traditional diesel, and that improper disposal of organic waste from farms can have a significant impact on water quality.

**Substitute Bill Compared to Original Bill:** "Bioenergy Loan Program" is renamed the "Bioenergy Assistance Program." Leases or other forms of financial or technical assistance are approved forms of assistance. The construction of distribution and storage facilities for fuels produced from farm products or wastes are included as eligible projects. Political subdivisions are allowed to participate in the program. The conditions for approval of an application are expanded to include the following: (1) providing the state the right of first refusal to purchase a portion of the fuel or feedstock that is produced; (2) increasing energy independence or diversity for the state; (3) using feed stocks produced in the state, except for distribution or storage projects; and (4) requiring any product to meet accepted national or state standards. The administrating agency is changed from CTED to the Department of Agriculture. The Agriculture director is authorized to enter into agreements with approved applicants, which must include provisions to protect the state's investment.

**Appropriation:** None.

**Fiscal Note:** Available on original bill.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill takes effect on July 1, 2006.

**Testimony For:** The bill focuses on the supply side of the bio fuels equation and complements those bills that focus on demand. The bill is about energy independence and diversity for Washington, and it supports the agricultural sectors of rural Washington. The bill addresses the lack of capital that is affecting the nascent bio fuels industry. The bill provides the following substantial public benefits to the state: (1) keeps money in the state; (2) enhances the environment; (3) kick starts a 21st Century industry; (4) contributes to a unified vision of Washington with reliable energy supplies; and (5) provides energy security and certainty to counter the volatile petroleum market. The bill will help farmers replace markets lost overseas. This bill is the product of a broad coalition of farmers, environmentalists, and urban and rural communities. The loan program focuses on jump starting the private sector.

**Testimony Against:** None.

**Testimony Other:** The use of "Washington-grown workers" should be a consideration in any incentive program. Loan criteria should also address the distribution side of the bio fuels equation, such as storage issues. The loan program should include public agencies as participants.

**Who Testified:** PRO: Sen. Rockefeller, prime sponsor; Jim Armstrong, Spokane Conservation District; Fred Fleming, Farmer, Reardan, WA; Jeff Stephens, Wash. Bio Diesel; Matt Steuerwalt, Governor's Office; John Stuhlmiller, Wash. State Farm Bureau; Cliff Traisman, Wash. Env. Council.

OTHER: Charlie Brown, Wash. Oil Marketers Assn.; Pete Crow, Wash. Assn. of Pipefitters;  
Jim Peterson, Petrocard Co.