

SENATE BILL REPORT

SB 5245

AS REPORTED BY COMMITTEE ON WAYS & MEANS, APRIL 15, 1991

Brief Description: Directing the development of a state energy strategy and authorizing the implementation of conservation savings and sales by state agencies.

SPONSORS: Senators Thorsness, Sutherland, Williams, Jesernig, Stratton, Bauer and Conner; by request of Governor Gardner.

SENATE COMMITTEE ON ENERGY & UTILITIES

Majority Report: That Substitute Senate Bill No. 5245 be substituted therefor, and the substitute bill do pass.

Signed by Senators Thorsness, Chairman; Jesernig, Nelson, Stratton, Sutherland and Williams.

Staff: Phil Moeller (786-7445)

Hearing Dates: February 7, 1991; February 14; February 21, 1991; February 22, 1991; March 1, 1991

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended to Substitute Senate Bill No. 5245 as recommended by Committee on Energy & Utilities.

Signed by Senators McDonald, Chairman; Bailey, Bluechel, Cantu, Hayner, Johnson, Matson, Newhouse, Owen, Saling, West, and Williams.

Staff: Michael Groesch (786-7715)

Hearing Dates: April 12, 1991; April 15, 1991

BACKGROUND:

Energy usage within Washington consists of many different fuels and energy sources. Although there exist many separate efforts to plan for the future regarding different energy sources, no centralized effort exists to plan for the future of energy usage in context of the overall mix.

Within state government, both the Department of General Administration (GA) and the Washington State Energy Office (WSEO) have duties related to energy consumption in state-owned facilities.

The region will soon need to develop additional sources of electricity generation. Many energy policy planners believe a great potential exists for cogeneration, when at least two forms of energy (such as electricity and heat) are generated from the same fuel source. Cogeneration is most effectively

applied to larger facilities, including industrial plants, large schools and institutional facilities.

SUMMARY:

The Washington State Energy Office (WSEO) is directed to develop a state energy strategy. In developing the strategy, the WSEO is to consult with other state agencies, the Northwest Power Planning Council, the Bonneville Power Administration, public and investor-owned utilities, the Legislature, other relevant groups, and the public. The energy strategy is to provide a framework in which energy decisions can be evaluated. Guidelines are provided in which to consider the strategy. A final report is due to the Governor and the Legislature by December 1, 1992.

State agencies and school districts are directed to pursue and maintain efficient operation of their facilities related to energy consumption. The WSEO is directed to assist public entities in this effort.

The WSEO is directed to coordinate the sale, exchange or transmission of energy generated or saved at state agencies or school districts. With the consent of the state agency or host institution, the WSEO may develop programs allowing for conservation or energy development at state facilities.

The WSEO may make loans to school districts using the proceeds of capital budget bonds, and is directed to determine eligibility for such projects.

The energy efficiency account is created in the state treasury, to be managed by the WSEO. Funds in the account may be used on projects related to energy efficiency. Sources of funds for the account include general obligation bonds, project revenue bonds, repayment of loans financed through the capital budget, and other appropriate sources.

The energy services account is created in the state treasury. The WSEO is directed to use the funds in the account to provide energy efficiency services to public entities.

Public entities may retain a portion of savings or revenues from energy efficiency or generation projects. On conservation projects, a state host institution may retain all net conservation savings and half of net revenues received from a utility. On generation projects, the host institution may retain half of net savings in reduced energy costs and 20 percent of net revenues generated by the project.

The WSEO is to develop guidelines for administering the act and may impose fees on public agencies for reviewing life-cycle cost analysis reports on specific projects.

EFFECT OF PROPOSED SUBSTITUTE:

A striking amendment was adopted.

In addition to the summary above, it is clarified that local utilities shall have the initial opportunity to participate in cogeneration projects and are not limited in approaching a host institution regarding a cogeneration project. Schedules for utility participation are specified with provisions for an independent review process if an agreement cannot be reached between the WSEO, the host institution, and the local utility. The WSEO is required to annually notify a local utility of the targeted conservation projects located within the utility's service area.

Clarifications are added for WSEO involvement in areas where utilities may be eligible to participate in Bonneville Power Administration conservation programs. Negative financial impacts on nongrowing utilities must be considered when the WSEO determines project eligibility. An appeal process is specified for a decision relating to any party to a potential transaction involving generation or conservation projects.

On generation projects, state institutions of higher education may retain 50 percent of net revenue.

Reports by the WSEO on the progress of the act are required every 90 days. Annual reports from the office of the Superintendent of Public Instruction are required pertaining to the effects of the act on school districts throughout the state.

SUMMARY OF PROPOSED WAYS & MEANS AMENDMENT:

A striking amendment was adopted.

In addition to the summaries above, clarifications are added to the role of WSEO, state agencies and school districts, and local utilities when conservation or cogeneration projects are proposed.

The "Energy Efficiency Account" is renamed the "Energy Efficiency Construction Account," and the "Energy Services Account" is renamed the "Energy Efficiency Services Account."

WSEO is required to extensively report on activities authorized in this legislation, on an annual basis, until the year 2006.

Appropriation: none

Revenue: yes

Fiscal Note: available

TESTIMONY FOR (Energy & Utilities):

A state energy strategy is needed so as to plan for the energy needs of the state. A state energy partnership is needed so that the state taxpayers receive the maximum energy value for public facilities.

TESTIMONY AGAINST (Energy & Utilities):

This legislation greatly expands the role of the Energy Office and may eventually lead to having the state in the utility business.

TESTIFIED (Energy & Utilities): Jerry Wilson, Riverside School District (pro); Kris Van Gorkom, Washington Association of School Administrators (pro); Dick Watson, WSEO (pro); Dan Silver, Governor's office (pro); Peter Downey, WDOT (pro); Amy Bell WSEO (pro); Jan Fisher, ARCO (pro); Jeff Parsons, National Audubon Society (pro); Bob Olsen, Mason County PUD #3 (pro); John Fotheringham, Washington Association of School Administrators (pro); Aaron Jones, WRECA; Ron Newbry, Pacificorp; Mike Tracy, Puget Power (con); Collins Sprague, WA Water Power (con); Dave Arbaugh, Washington PUD Association; Pat Kegan, WSEO (pro); Henry Yates, Seattle City Light (con); Larry Seale, OFM (pro)

TESTIMONY FOR (Ways & Means):

This version of the bill contains sufficient safeguards so as to ensure the state does not enter the utility business. It is widely supported.

TESTIMONY AGAINST (Ways & Means): None

TESTIFIED (Ways & Means): Senator Thorsness; Dick Watson, WSEO (pro)