

# SENATE BILL REPORT

## HB 2926

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As Reported By Senate Committee On:  
Energy, Technology & Telecommunications, February 22, 2000

**Title:** An act relating to coal tax exemptions.

**Brief Description:** Repealing certain coal tax exemptions.

**Sponsors:** Representatives DeBolt, Crouse, Alexander, Thomas, Kessler, Murray, Bush and Wolfe.

**Brief History:**

**Committee Activity:** Energy, Technology & Telecommunications: 2/22/2000 [DP].

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### SENATE COMMITTEE ON ENERGY, TECHNOLOGY & TELECOMMUNICATIONS

**Majority Report:** Do pass.

Signed by Senators Brown, Chair; Goings, Vice Chair; Fairley, Fraser, Hochstatter and Roach.

**Staff:** Andrea McNamara (786-7483)

**Background:** In 1997, the Legislature enacted a tax incentive package to assist the owners of the Centralia Steam Plant and adjacent coal mine in updating their air pollution control equipment and sustaining the operations of the plant and mine, which together employ approximately 675 workers. The steam plant is the sole customer of the coal mine.

One element of the tax incentive package was an exemption from sales and use tax on the purchase of coal used at the thermal electric generating facility. The exemption is contingent on two qualifying requirements: (1) facility owners must demonstrate reasonable progress in installing air pollution control technologies ("scrubbers") and meeting air pollution abatement targets; and (2) at least 70 percent of the coal used at the steam plant must be from a coal mine in Lewis County or a contiguous county.

In 1999, the Centralia plant was put up for sale by its eight owners, all regional utilities. If the sale is approved by regulators, the successful bidder has announced its intentions to complete installation of the scrubbers and maintain the current work force, contingent upon being able to take advantage of the tax incentives.

In December 1999, three companies that produce and transport coal from Wyoming and Montana filed a lawsuit against the state Department of Revenue challenging the constitutionality of the original 1997 law enacting the tax exemptions. They claim the 70 percent local coal preference requirement for the sales and use tax exemption violates the interstate commerce clause of the U.S. Constitution and puts their lower-sulfur coal at a competitive disadvantage.

Concerns have been raised that the presence of the lawsuit creates a level of uncertainty that could cloud the sale of the plant.

**Summary of Bill:** The requirement that at least 70 percent of the coal consumed at a thermal electric generation facility be produced by a local mine in order for the facility to qualify for a tax exemption is repealed.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** This bill is essential to preserve the incentives passed by the Legislature in 1997 that are designed to preserve the jobs and reduce the environmental impacts at the mine and steam plant.

**Testimony Against:** None.

**Testified:** PRO: Representative Richard DeBolt, prime sponsor; Larry Archer, Operating Engineers, Local #612; Allan Darr, Washington State Building & Construction Trades Council.