

HOUSE BILL REPORT

HB 1221

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

Title: An act relating to energy facility financing.

Brief Description: Modifying the definition of major public energy project.

Sponsors: Representatives Delvin, Cooper, Hankins, Grant, Crouse, Dunshee, Hatfield and Pennington.

Brief History:

Committee Activity:

Technology, Telecommunications & Energy: 1/29/02, 2/6/02 [DPS].

Brief Summary of Substitute Bill

- Eliminates the requirement for a public vote to authorize public financing for major public energy facilities except for nuclear power plants and any other plant that would increase the applicant's total production capacity to more than 110 percent of the projected demand of consumers within the applicant's service area over a 10 year period following completion of the project.

HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS & ENERGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Morris, Chair; Crouse, Ranking Minority Member; Anderson, Berkey, Bush, Casada, DeBolt, Delvin, Hunt, Linville, Pflug, Sullivan and Wood.

Minority Report: Do not pass. Signed by 6 members: Representatives Ruderman, Vice Chair; Esser, Lysen, Nixon, Reardon and Romero.

Staff: Pam Madson (786-7166); Ken Conte (786-7102).

Background:

In 1981 voters approved Initiative No. 394, the Washington State Energy Financing Voter Approval Act. Under the act, a public utility district, city, county or joint operating

agency is prohibited from selling bonds to finance the construction or acquisition of a major public energy project unless the voters of the respective governmental entity approve a ballot proposition authorizing the expenditure of funds.

A major public energy project is an electrical generating facility capable of generating more than 250 megawatts of electricity and is not limited to any particular type of generation. Each plant located on the same geographic site is considered a separate energy project. An expansion of an existing facility is not subject to a vote unless the expansion produces more than 250 megawatts of electricity.

Summary of Substitute Bill:

The existing requirement for voter approval of public financing of the construction or acquisition of major public energy projects is changed so that a public vote is required only for: (1) nuclear power plants and (2) any other plant that would increase the applicant's total production capacity to more than 110 percent of the projected demand of consumers within the applicant's service area over a 10 year period following completion of the project.

Substitute Bill Compared to Original Bill:

The original bill narrowed the existing definition of "major public energy project" to mean a nuclear power plant. The substitute bill amends the definition to include: (1) nuclear power plants and (2) any other plant that would increase the applicant's total production capacity to more than 110 percent of the projected demand of consumers within the applicant's service area over a 10 year period following completion of the project. The net impact is to require voter approval of public financing only for energy projects meeting this definition.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: Initiative 394 was designed to stop the construction of nuclear generating facilities in the state of Washington. This bill allows us to build newer natural gas combustion turbines. There has never been an election to determine if a public utility can build a generator with capacity of over 250 megawatts. Who should be voting? All participants? The people of the state? The PUDs go through a very public process to build generation facilities. We can't build generation in a speculative way - based on

projected demand. We have to have power sales contracts in hand before we turn dirt; before we go to Energy Facility Site Evaluation Council (EFSEC). This is a huge protection for rate payers. Energy Northwest has three gubernatorial appointees. There is plenty of accountability there. Having power sales contracts in hand is just as good a guarantee as a public vote. It's a public initiative, but this is 20 years down the road.

Testimony Against: The purpose of Initiative 394 was to protect against cost overruns and poor decisions about building new power plants. The initiative proponents and the voters recognized that all major public energy projects, not just nuclear power, should be put to a vote of the people for financing. By changing the definition of a major public energy project, the bill removes the requirement for an independent, publicly reviewed, cost effectiveness study.

Last year someone testified that cost effectiveness studies are hard to do. That comment further bolsters the need for voter approval before rate payers become liable for expensive new projects when less costly alternatives might have been available. Initiative 394 is a safeguard for the customer owners of public utilities and for ratepayers who are affected by decisions of public agencies. Ultimately those are the individuals who will have to pay if unwise decisions are made. While EFSEC is responsible for the siting of large power projects, it does not explore the financing. Certainly we have seen bad investment in generation projects. More public involvement is needed, not less.

I've attended many Washington Public Power Supply System Board and other utility meetings in the past and we had real questions about how they involve the public. What rationale do you have at this point to give back to Energy Northwest a blank check to build any sort of project they want? Instead of making it easier to create big power plants, I would like to see incentives for energy conservation and increased research on renewable energy resources.

Testified: (In support) Representative Delvin, prime sponsor; Jim Rowland, Energy Northwest.

(Opposed) Carole Woods; Danielle Dixon, Northwest Energy Coalition; Toni Potter, League of Women Voters; and Steve Zemke, Don't Bankrupt Washington.