Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Technology, Telecommunications & Energy

HB 1405

Brief Description: *Extending the public utility tax deduction for cogeneration.*

Sponsors: *Representatives Anderson, Poulsen, Crouse, Linville, Kagi, Hatfield, Van Luven, Cooper, O'Brien, Campbell, Roach, Bush, Lisk, Berkey, Miloscia and Kessler.*

Brief Summary of Bill

- *Allows a deduction from the Public Utility Tax on gross receipts for the costs of producing energy through new cogeneration facilities constructed after July 1, 2001 and before January 1, 2011.*

Hearing Date: *1/31/01*

Staff: *Pam Madson (786-7166).*

Background:

Electricity produced through cogeneration uses excess or waste– energy created by various kinds of industries. Capturing energy that would otherwise be lost through the industrial process allows this energy to be reused to produce electricity for a particular company's own use and may be sold to other customers. Cogeneration is defined in statute as the sequential generation of electrical or mechanical power and useful heat from the same primary energy source or fuel.

Public and privately-owned utilities, and certain other businesses, are subject to the public utility tax (PUT). The PUT is applied to the gross receipts of a light and power business. Businesses that are subject to the state PUT are exempt from the business and occupation (B&O) tax. All wholesale sales of electricity are exempt from the PUT.

In calculating the PUT, certain deductions from a utility's gross receipts are available. A deduction is allowed for costs of producing energy through cogeneration facilities or renewable energy resources such as solar energy, wind, hydroelectric, wood, and agricultural products. The deduction includes expenditures to improve consumer's efficiency of energy use or to reduce the use of energy by consumers.

The deduction applies only to facilities or measures to improve energy use on which construction or installation occurred after June 12, 1980 and before January 1, 1990. A deduction for cogeneration is allowed for a period not longer than 30 years after the project becomes operational.

Summary of Bill:

The existing deductions for cogeneration facilities and facilities using renewable energy built between June 12, 1980 and January 1, 1990 are available for new or expanded cogeneration facilities built between July 1, 2001 and January 1, 2011. For the deduction to be available, the company must produce gross revenues from the sale of electricity to retail customers.

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

Appropriation: *None.*

Fiscal Note: *Available.*