

HOUSE BILL REPORT

SSB 6658

As Passed House:

March 8, 2002

Title: An act relating to clarifying the types of energy conservation projects a public utility may assist its customers in financing.

Brief Description: Clarifying the types of energy conservation projects a public utility may assist its customers in financing.

Sponsors: By Senate Committee on Environment, Energy & Water (originally sponsored by Senators Poulsen, Hale, Regala, Morton, Fraser, Keiser and Rasmussen).

Brief History:

Committee Activity:

Technology, Telecommunications & Energy: 2/26/02, 2/28/02 [DP].

Floor Activity:

Passed House: 3/8/02, 96-0.

Brief Summary of Substitute Bill

- Clarifies that municipal utilities and public utility districts may assist customers in financing projects that produce all or a portion of the customer's electricity from distributed electricity systems using renewable resources available on-site and not obtained from a commercial supplier.

HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS & ENERGY

Majority Report: Do pass. Signed by 19 members: Representatives Morris, Chair; Ruderman, Vice Chair; Crouse, Ranking Minority Member; Anderson, Berkey, Bush, Casada, DeBolt, Delvin, Esser, Hunt, Linville, Lysen, Nixon, Pflug, Reardon, Romero, Sullivan and Wood.

Staff: Pam Madson (786-7166).

Background:

In 1979 voters approved a constitutional amendment that allowed publicly owned utilities to make energy conservation loans to residential customers without violating the

prohibition against the lending of state credit. This authority would have expired in 1990. However, in 1988 voters approved a permanent change in the state constitution to allow this loan program to continue and expanded it to include commercial and not-for-profit customers. The amendment also limited the loan authority to conservation measures in existing structures and prohibited its use for conservation measures that would result in a conversion from one energy source to another.

In September 2001, the Attorney General issued an opinion (AGO 2001, NO. 7) interpreting this provision of the State Constitution and public utility statutes related to public financing of energy conservation measures. The Attorney General's opinion sought to answer the question of whether certain types of conservation measures would result in the conversion of one energy source to another such that a Public Utility District (PUD) would be prohibited from financing them through their conservation loan financing programs.

The Attorney General concluded that the state constitution and state statutes do not authorize PUDs to finance projects that involve the installation or operation of pellet stoves, solar power systems, wind turbines, geothermal energy systems, or mini-hydroelectric systems on private property because these projects result in the conversion from one energy source to another.

The opinion states, in relevant part:

"Thus, we believe the better interpretation of article VII, section 10 is that a PUD cannot offer customers loans to switch from using energy supplied by the PUD to energy supplied by another source, including energy generation facilities installed by the customer. Nor can a PUD provide financing for materials or equipment that would result in a change of the kind of energy used-for example, from electricity to another kind of energy." (Emphasis added).

Summary of Bill:

The Legislature finds that electricity conservation includes those projects that reduce the total amount of electricity consumed by a utility customer as well as projects that reduce the amount of electricity a customer needs to purchase from a utility. The Legislature intends to encourage projects that allow utility customers to produce their own electricity from renewable resources that are available to the customer and that are not obtained commercially.

Both municipal utilities and public utility districts may help customers finance conservation projects that allow the utility's customers to produce all or a portion of their own electricity through installation of a distributed electricity generation system that uses renewable resources such as wind, solar, geothermal, or hydropower that are available

on-site.

Projects are not considered a conversion from one energy source to another so long as they do not involve the substitution of one commercial energy supplier for another commercial energy supplier.

Appropriation: None.

Fiscal Note: Not Requested.

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

Testimony For: Any utility that has to buy power on the open market has a financial interest in selling less of that product to their customers to avoid the volatility we have seen in wholesale prices. Utilities have stepped up their investment in conservation as a result of the energy crisis and would like the flexibility to help customers invest in renewable products as well. Net metering laws allow the utility to buy back surplus power from a customer's at-home system. This is an effort to increase our energy independence. There was an interest in adding fuel cells to the legislation. However, unlike renewables, fuel cells use fuels like methane, propane, and natural gas though the intent was to help people use less power, the concept does not apply as well to fuel cells.

Testimony Against: None.

Testified: (In support) Senator Poulsen, prime sponsor; and Stu Trefry, Washington PUD Association.