

# SENATE BILL REPORT

## SB 5540

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As Reported By Senate Committee On:  
Environment, Energy & Water, February 9, 2001  
Ways & Means, March 26, 2001

**Title:** An act relating to public utility tax credits for home energy assistance programs for low-income households.

**Brief Description:** Authorizing public utility tax credits for home energy assistance programs for low-income households.

**Sponsors:** Senators Franklin, Eide, Regala, Fraser, Costa, Rasmussen, Patterson, Kline, Kohl-Welles, Winsley and Gardner; by request of Governor Locke.

**Brief History:**

**Committee Activity:** Environment, Energy & Water: 2/1/01, 2/1/01, 2/9/01 [DPS-WM].  
Ways & Means: 2/26/01, 3/26/01 [DP2S].

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### SENATE COMMITTEE ON ENVIRONMENT, ENERGY & WATER

**Majority Report:** That Substitute Senate Bill No. 5540 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Fraser, Chair; Regala, Vice Chair; Eide, Hale, Jacobsen, Morton and Patterson.

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

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Second Substitute Senate Bill No. 5540 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Brown, Chair; Constantine, Vice Chair; Fairley, Vice Chair; Fraser, Hewitt, Honeyford, Kline, Kohl-Welles, Long, Parlette, Rasmussen, Regala, Roach, Rossi, Sheahan, B. Sheldon, Snyder, Spanel, Thibaudeau, Winsley and Zarelli.

**Staff:** David Schumacher (786-7474)

**Background:** The state currently provides no state funding for energy assistance. Existing energy assistance funds are available through a federal block-grant program that provides funds to states for low-income energy assistance and weatherization programs. The Department of Community, Trade, and Economic Development administers these federal energy assistance grants in Washington through the Low-Income Home Energy Assistance Program (LIHEAP). LIHEAP grants are distributed to qualifying households through a service network of charitable organizations and local governments. The grants are used to subsidize the cost of heating their homes through the winter months.

Federal funding has fluctuated over the 20-year history of the program. During the 1990's, the block grants were significantly reduced, while emergency funds were utilized more regularly. Last year Washington received \$21.9 million in LIHEAP funds, which provided energy assistance to approximately 17 percent of the eligible households. This was just over one half as much as the state received in the mid-1980's. This year, Washington State received \$28.1 million in its regular block grant. In addition, federal emergency funds released by the President in September and December of 2000 have provided an additional \$11 million for this heating season.

Some utilities in Washington currently offer discounted rates to low-income customers, but the majority do not. Seattle City Light, Snohomish Public Utility District (PUD), and Tacoma Power are the largest utilities to offer low-income rate discounts. Pacific Power recently obtained approval from the Washington Utilities and Transportation Commission to initiate a pilot project in the Yakima area, and Clark County PUD offers billing discounts through a program that uses a different mechanism than rate reductions.

The state collects a public utility tax from electric and gas utilities on the gross receipts earned from the sale of electricity and natural gas. The rate is 3.873 percent for electricity and 3.852 percent for natural gas. All of the revenues from these taxes are currently deposited into the state general fund.

**Summary of Second Substitute Bill:** A new Public Utility Tax Credit program is created for gas and electric utilities that provide billing discounts to low-income customers or make direct contributions to existing community-based energy assistance programs. The program begins for discounts provided after July 1, 2001.

The amount of the credit is equal to one-half of the amount the utility contributes to local energy assistance programs or offers in new billing discounts to low-income customers. To qualify for credit, the discounts must be equal to or greater than 125 percent of the discounts given in 2000. If no discounts were given in 2000, credit is allowed for all new discounts.

The maximum credit available statewide through the program is \$1.5 million per year, and each gas or electric company's maximum share of the available credit is proportionate to the amount of energy assistance grants received by its low-income customers.

Administrative timelines and application deadlines are established. The Department of Community, Trade, and Economic Development must notify the Department of Revenue (DOR) of the amount of grants each electric or gas company receives annually by May, and DOR must publish the maximum amount of credit available to each utility by June of each year. Electric and gas utilities must apply for the credits by July 1, and DOR must act on the applications by August 1. Any unused credits may be distributed to other qualifying companies on a pro-rated basis.

**Second Substitute Bill Compared to Substitute Bill:** The \$2.5 million annual cap is reduced to \$1.5 million.

**Substitute Bill Compared to Original Bill:** The substitute allows credit for contributions made by utilities directly to qualifying community-based energy assistance programs, in

addition to credit for billing discounts. It also clarifies that utilities may receive credit for starting new programs, not just expanding existing ones.

**Appropriation:** None.

**Fiscal Note:** Requested on January 26, 2001.

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

**Testimony For (Environment, Energy & Water):** Prices for energy are rising rapidly this winter and low-income people are going to be hit the hardest by these rate increases. Current energy assistance funding will not keep pace with the need. Even with additional emergency federal funds, no more than 25 percent of the eligible households will receive help. This bill will create incentives for utilities to offer rate discounts to low-income customers, which will help them deal with the rate increases caused by the volatile wholesale power markets. It should be expanded to include direct contributions to existing energy assistance programs in addition to rate discounts because all communities and utilities are different and need different tools to respond to their local situations.

**Testimony Against (Environment, Energy & Water):** None.

**Testified (Environment, Energy & Water):** PRO: Victoria Lincoln, AWC; Aaron Jones, WRECA; Dave Danner, Governor's Office.

**Testimony For (Ways & Means):** Many consumers were faced with sticker shock this year when they got their electricity bills. This offers assistance to those who most need the help.

**Testimony Against (Ways & Means):** None.

**Testified (Ways & Means):** Dini Duclos, MultiService Center; Danielle Dixon, NW Energy Coalition; Jim Hedrick, OFM; Collins Sprague, AVISTA Corp.; Liz Klumpp, OTED.