

SENATE BILL REPORT

SJM 8031

As Passed Senate, February 8, 2002

Brief Description: Encouraging re-authorization and full funding of the renewable energy production incentive.

Sponsors: Senators Hale and Fraser.

Brief History:

Committee Activity: Environment, Energy & Water: 1/29/02, 1/31/02 [DP].

Passed Senate: 2/8/02, 49-0.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & WATER

Majority Report: Do pass.

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

Staff: Andrea McNamara (786-7483)

Background: The Renewable Energy Production Incentive (REPI) is part of an integrated strategy in the federal Energy Policy Act of 1992 to promote increases in the generation and use of electricity from renewable energy sources and to further the advances of renewable energy technologies. Congressional authorization for the REPI program expires in 2003.

The REPI program provides financial incentive payments for electricity generated and sold by new qualifying renewable energy facilities that are owned by public and not-for-profit entities, such as municipal utilities, public utility districts, and rural electric cooperatives. Qualifying facilities must use solar, wind, or certain geothermal or biomass generation technologies.

Qualifying facilities are eligible for annual incentive payments of 1.5 cents per kilowatt-hour for the first ten years of operation. Payments are subject to the availability of annual appropriations in each federal fiscal year. Appropriations have not been sufficient to make full incentive payments to all qualifying facilities since 1996. When funds are insufficient, payments are made first to Tier I facilities (which include those that use solar, wind, geothermal, or dedicated energy crop biomass technologies), and then pro-rated, as available, to Tier II facilities (which include other biomass technologies such as landfill methane gas, digester gas, and co-fired plant waste).

Two Washington State public utilities have received more than \$4.75 million in REPI payments since the beginning of the program.

The REPI program is the public-sector counterpart to the production tax credit program authorized in the same Energy Policy Act for private utilities that build new qualifying renewable generating facilities by December 31, 2001. The production tax credit program

provides a credit against federal taxes of 1.5 cent per kilowatt-hour produced for the first ten years of operation.

Summary of Bill: The Legislature requests the President and Congress to reauthorize the Renewable Energy Production Incentive (REPI) for an additional ten years, with such modifications as are needed to provide greater certainty of payment and, therefore, greater incentives to qualified renewable energy projects. The Legislature also requests a level of funding that maximizes the potential for development of new renewable resources by not-for-profit utilities.

Appropriation: None.

Fiscal Note: Not requested.

Testimony For: REPI is an important key to rural economic development in Washington because of the huge potential for new wind and solar generating resources in the rural parts of Washington and the western United States. Currently, there is only \$4 million in the REPI pipeline and more than \$30 million in qualifying applications. Washington's Congressional delegation is very interested in pursuing the reauthorization and full funding of REPI, or some variation that creates the same type of incentive for investment (e.g., tradeable tax credit). The private-sector's production tax credit does not require annual appropriation from Congress and is available to the Stateline Wind Project. Without REPI funding, public utility wind projects cannot be cost-competitive.

Testimony Against: None.

Testified: Senator Pat Hale, prime sponsor; Aaron Jones, WA Rural Electric Cooperative Association; Dave Warren, Last Mile Electric Cooperative; Stu Trefry, WA PUD Association; Jim Rowland, Energy Northwest.