

HOUSE BILL REPORT

HB 3155

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

Title: An act relating to energy efficiency.

Brief Description: Regarding energy efficiency.

Sponsors: Representative Morris.

Brief History:

Committee Activity:

Technology, Telecommunications & Energy: 2/6/04 [DPS].

Brief Summary of Substitute Bill

- Directs the Department of General Administration to make recommendations to the Legislature on the formation of a Washington State Conservation Authority and on methods of aggregating energy conservation within state and local government, capturing the electricity saved, and providing a revenue stream to finance conservation efforts and provide lower cost electricity to customers who use five megawatts or more of electricity.

HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS & ENERGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Morris, Chair; Ruderman, Vice Chair; Sullivan, Vice Chair; Blake, Hudgins, Kirby, Romero, Wallace and Wood.

Minority Report: Do not pass. Signed by 8 members: Representatives Crouse, Ranking Minority Member; Nixon, Assistant Ranking Minority Member; Anderson, Bush, Delvin, McMahan, McMorris and Tom.

Staff: Pam Madson (786-7166).

Background:

Performance-based contracting allows a facility to complete energy-saving improvements within an existing budget by financing them with money saved through reduced utility

expenditures. Facilities make no up-front investments and instead finance projects through guaranteed annual energy savings.

There is a small number of large industrial manufacturers, mostly aluminum smelters and some chemical plants, that consume significant amounts of electricity in their processing operations. Some purchase their electricity directly from the Bonneville Power Administration and some purchase their electricity from a local electric utility.

Summary of Substitute Bill:

The Legislature recognizes that: (a) large electricity users contribute greatly to the economy of Washington; (b) many of these large electricity users are located in Washington because of the historical low cost of electricity in this state; (c) growth and the resultant increase in demand for electricity drives costs up placing an economic burden on large electricity users potentially driving them out of the state; and (d) it is in the best interest of the State of Washington to secure low cost electricity for large electricity users thereby keeping them in the State.

The Department of General Administration (GA) must develop recommendations to establish the Washington State Conservation Authority. In developing these recommendations, the Department shall work with stakeholders, chairs of the appropriate legislative committees, and the Department of Community, Trade, and Economic Development (DCTED).

Recommendations must address allowing the Washington Conservation Authority to aggregate conservation savings from all levels of state and local government utilizing a combination of performance bonding and contract financing to generate energy conservation. The conservation gained from this effort may be provided to electricity consumers that require five megawatts or more at a target price of \$35 or less a megawatt hour. These qualifying customers may receive the power in one megawatt increments. All potential qualifying consumers must have an equal opportunity to acquire this lower cost power.

Performance contracting utilizes a stream of revenue from long-term purchases of one megawatt increments to finance bonds used to purchase capital investments which result in energy conservation.

The GA must submit its recommendations, including draft legislation, to the appropriate committees of the Legislature no later than December 1, 2004.

Substitute Bill Compared to Original Bill:

The substitute bill replaces existing language with provisions directing GA to make recommendations to the Legislature by December 1, 2004, on the formation of a Washington State Conservation Authority and on methods of aggregating energy conservation within state and local government, capturing the electricity saved, and providing a revenue stream to finance conservation efforts and provide lower cost electricity to customers who use five megawatts or more of electricity.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: The GA does performance contracting for energy efficiency. The Legislature has looked at a number of tax incentives for high-use electricity businesses this session. Ways to get cheaper electric resources for them should be explored, such as trying to combine the notion of performance contracting with contract financing which is how new generation is developed. Initial conversations have taken place with some agencies. A conservation authority would look at all levels of government to find cost-effective conservation in the \$25 to \$35 a mill range and make this available to industries that use energy a part of the cost of what they produce. They would have to purchase five megawatts or more to qualify.

Testimony Against: None.

Persons Testifying: Representative Morris, prime sponsor.

Persons Signed In To Testify But Not Testifying: None.