
**Technology, Telecommunications
& Energy Committee**

HB 1854

Brief Description: Allowing operating agency members to purchase energy from the agency.

Sponsors: Representatives Crouse, Sullivan, Delvin, Blake, Bush and Grant.

Brief Summary of Bill

- Authorizes cities and public utility districts that are members of a joint operating agency to contract with the agency for electricity from a specific project and for the ability of the project to produce electricity (capacity).

Hearing Date: 2/21/03

Staff: Pam Madson (786-7166).

Background:

In the 1950's, the Legislature authorized formation of joint operating agencies that allowed cities and public utility districts to join together to develop electricity generation projects. In 1957, 17 public utilities formed the Washington Public Power Supply System. The first project was the Packwood Lake Hydroelectric Project.

During the 1970s, the joint operating agency began construction of three nuclear facilities, one of which is the Columbia Generating Station at Hanford, the only operating nuclear power plant generating electricity in the state. A joint operating agency is authorized to issue tax exempt revenue bonds to finance its projects. In the case of the first three nuclear power plants, revenue from the Bonneville Power Administration (BPA) was used to guarantee repayment of the revenue bonds through a system of net-billing. An IRS ruling in 1972 changed the tax exempt status of federal agencies and further net-billing agreements were prohibited.

The joint operating agency and others, as part of a regional program of expanding electricity generation, began construction of two additional nuclear facilities. Since the net-billing arrangement with BPA was not available, participants in the project signed participant

agreements to finance the operation and construction of plants four and five.

Construction on plants four and five was halted in the early 1980s. In 1983, the Washington Supreme Court invalidated the 29 participant agreements between the joint operating agency and these publicly-owned utilities. The Court found that these utilities had authority to purchase electricity from the joint operating agency but did not have the authority to contract for the capacity of a facility. Contracting for capacity has the effect of guaranteeing payment of a project that may or may not produce any electricity.

Currently the joint operating agency, known as Energy Northwest, has 17 members (three cities and 14 public utility districts). Energy Northwest has recently developed two wind power generation sites, a solar power demonstration site, and is exploring generation using biomass, fuel cells, and ocean wave power.

Summary of Bill:

Cities and public utility districts (PUD), that are members of a joint operating agency, may purchase electric power from the agency that the city or district requires for its present and future output. The purchase of power includes the capacity and output of specific projects. The contract to purchase power may include provisions that require the city or PUD to make payment whether or not the project is completed or operating. The contract may also provide that the contract payments are not subject to reduction and shall not be conditioned on the performance or nonperformance of the operating agency or other members of the operating agency.

Appropriation: None.

Fiscal Note: Not Requested.

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