

SENATE BILL REPORT

SJM 8028

As Reported By Senate Committee On:
Natural Resources, Energy & Water, February 4, 2004

Brief Description: Encouraging use of renewable energy.

Sponsors: Senators Fraser, Morton, Poulsen, Hewitt, Regala, Fairley, Hale, Doumit, Parlette, Thibaudeau, Honeyford, Winsley, Rasmussen, Kline, Keiser, Brown, Mulliken, Kohl-Welles, Murray and McAuliffe.

Brief History:

Committee Activity: Natural Resources, Energy & Water: 1/30/04, 2/4/04 [DP].

SENATE COMMITTEE ON NATURAL RESOURCES, ENERGY & WATER

Majority Report: Do pass.

Signed by Senators Morton, Chair; Hewitt, Vice Chair; Doumit, Fraser, Hale, Hargrove, Honeyford, Oke and Regala.

Staff: Andrea McNamara (786-7483)

Background: The United States Congress established the energy Production Tax Credit (PTC) program in the Energy Policy Act of 1992 to provide a wind production tax credit of 1.5 cents per kilowatt-hour for energy produced from new facilities brought on-line after December 31, 1993, for the first ten years of the facility's operation. The PTC program has been extended and expanded twice over the past five years, in 1999 and again in 2001, but each time Congress has allowed the credit to expire before acting, and then approved only short-term extensions.

Congress also established the Renewable Energy Production Incentive (REPI) program in the Energy Policy Act of 1992 as the public-sector counterpart to the PTC. REPI provides direct payments of 1.5 cents per kilowatt-hour to public and not-for-profit utilities for energy produced by certain new renewable energy projects brought on-line between October 1993, and September 30, 2003, during the first ten years of the facility's operation.

Historically, funding for the REPI program has supported only a fraction of the qualified renewable energy projects that apply each year. The Washington Legislature adopted a resolution in 2002 supporting an increase in funding for the REPI program, and Congress did increase its appropriation by more than \$1 million in 2003 to \$4.8 million. Four public utility projects in Washington have received over \$6.5 million in REPI payments since the beginning of the program.

Authorization for the current PTC program expired on December 31, 2003, and authorization for the REPI program expired on September 30, 2003. Renewal authority for both programs is included in the comprehensive energy legislation currently pending before Congress.

Also included in the U. S. Senate's version of the energy legislation, but not in the current conference report, is a provision that would effectively replace REPI for new projects by allowing access to the PTC through a transferrable mechanism referred to as a "tradable tax credit." Tradable tax credits for renewable energy would allow a public or consumer-owned utility to sell the value of its production incentive to a tax-paying entity.

Summary of Bill: Legislative findings are included regarding the many economic and noneconomic benefits that renewable energy offers, the importance of existing renewable energy incentive programs in meeting our national renewable energy goals, and the lost opportunities associated with a failure to continue the incentive programs.

The Legislature requests the United States Congress to approve, at a minimum, the retroactive ten-year extension of the Renewable Energy Production Incentive (REPI) program and the three-year extension of the Production Tax Credit (PTC) program that are included in the comprehensive federal energy bill currently pending before Congress.

Further requests include expansion of the REPI and PTC programs to include additional types of renewable energy resources and eligible participants; authorization of tradable tax credits for renewable energy; and immediate action regardless of the future of the comprehensive energy bill.

Appropriation: None.

Fiscal Note: Not requested.

Testimony For: These are worthy programs that should be continued. The tradable tax credits will facilitate public-private partnerships to increase opportunities for renewable energy projects.

Testimony Against: None.

Testified: Dave Warren, WPUDA.