
**Technology, Energy &
Communications Committee**

ESSB 6501

Brief Description: Creating the Washington bioenergy assistance program.

Sponsors: Senate Committee on Water, Energy & Environment (originally sponsored by Senators Rockefeller, Poulsen, Morton, Honeyford, Fraser, Regala, Kohl-Welles, Rasmussen, Kline and Keiser; by request of Governor Gregoire).

Brief Summary of Engrossed Substitute Bill

- Establishes a Bioenergy Assistance Program within the Department of Agriculture.
- Authorizes the Director of the Department of Agriculture to award financial assistance for energy-related projects that meet certain criteria.
- Creates the Bioenergy Assistance Account within the state treasury.

Hearing Date: 2/21/06

Staff: Kara Durbin (786-7133).

Background:

According to a 2002 study conducted by the National Renewable Energy Laboratory, there are at least 22 active loan programs in 18 states that provide low-cost financing for renewables. Some programs are funded by revolving loan funds that were established with petroleum-overcharge settlements, while others are funded through annual appropriations, the sale of bonds, or air-quality noncompliance penalty fees. Total funding for state loan programs range from \$200,000 to \$200 million per year.

Summary of Bill:

A Bioenergy Assistance Program is established within the Department of Agriculture. Political subdivisions and private entities, including economic development councils, may participate in the program. Assistance may include loans, leases, product purchases, and other forms of financial and technical assistance. The maximum assistance amount is \$5 million per application. Eligible projects include the construction of facilities to convert farm products or waste into electricity or gaseous or liquid fuels, and the construction of facilities used to store or distribute such products.

Assistance Criteria

An application may be approved only if the Director of the Department of Agriculture (Director), in cooperation with the Department of Community, Trade, and Economic Development finds that the following criteria are satisfied:

- 1) The project converts farm products or wastes directly into electricity or into gaseous or liquid fuels;
- 2) The project demonstrates technical feasibility and probable business success;
- 3) The project produces long-term economic benefits to the state or one of its regions or communities;
- 4) The project does not require continuing state support;
- 5) The assistance will result in new jobs, job retention, or higher incomes for the citizens of the state;
- 6) The assistance is accompanied by private investment;
- 7) The state is provided an option to purchase a portion of the fuel or feedstock to be produced;
- 8) The project will increase the energy independence or diversity of the state;
- 9) The project, other than distribution and storage projects, will use feedstock produced in the state;
- 10) Any product will be suitable for its intended use, meet national or state standards, and be stored and distributed in a safe and environmentally sound manner;
- 11) The application provides for adequate reporting and audits; and
- 12) For applications seeking direct financial assistance, the applicant is unable to secure adequate financing from other sources.

Agreements

The Director must enter into agreements with approved applicants to fix the terms and rates of the assistance, to minimize the costs to the applicants, and to encourage the establishment of a viable bioenergy industry. The agreements must include provisions to protect the state's investment and any appropriate best management practices developed by the Department of General Administration.

Application Process

The Director may establish policies and procedures as necessary in order to process, review, and approve loan applications. The Director must consult with those agencies having expertise in this area, including Washington State University, the University of Washington, the Department of Ecology, the Department of Agriculture, and the Washington State Conservation Commission.

Washington Bioenergy Assistance Account

The account is created in the state treasury. Receipts from appropriations made to the account, as well as loan payments of principal and interest from loans made under this program, must be deposited in the account. Monies in the account can only be spent after appropriation. The Department's administrative costs may not exceed 3 percent of the total funds available for this program.

Other Provisions

The Director shall report to the Governor and to the Legislature on the status of the Washington Bioenergy Loan Program by December 1, 2006; December 1, 2007; and December 1, 2009.

Financial, commercial, and proprietary information contained in program applications is exempt from public disclosure.

This bill expires on June 30, 2016. Any moneys remaining in the Bioenergy Loan Account on that date will revert to the State General Fund.

The bill contains a null and void clause.

Appropriation: None.

Fiscal Note: Available on original bill. Fiscal note requested on substitute bill on February 9, 2006.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the budget.