

SENATE BILL REPORT

E2SHB 2393

As Reported By Senate Committee On:
Water, Energy & Environment, February 21, 2006

Title: An act relating to funding for energy freedom projects.

Brief Description: Establishing an energy freedom program.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives Dunshee, Jarrett, Ormsby, Cox, Ericks, Newhouse, Kilmer, Chase, McCoy, Morrell, Moeller, Conway, P. Sullivan, Walsh, Springer, Buri, Haler, Wallace, Grant, Dickerson, Morris, B. Sullivan, Simpson, Upthegrove, Sells and Green).

Brief History: Passed House: 1/30/06, 89-7.

Committee Activity: Water, Energy & Environment: 2/16/06, 2/21/06 [DPA-WM, DNP].

SENATE COMMITTEE ON WATER, ENERGY & ENVIRONMENT

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Poulsen, Chair; Rockefeller, Vice Chair; Fraser, Pridemore and Regala.

Minority Report: Do not pass.

Signed by Senators Morton, Ranking Minority Member; Delvin and Honeyford.

Staff: William Bridges (786-7424)

Background: Biodiesel is a non-petroleum diesel fuel produced from vegetable or animal fats. It is commonly produced from recycled vegetable oils or from oilseed plants such as soybean, mustard, rapeseed, or canola oil. Crushers are used to extract the oil from such seeds, and processing facilities mix, refine, and blend the oil for use as a diesel fuel. Biodiesel can be blended at any percentage with petroleum diesel or used as a pure product.

Summary of Amended Bill: Establishing and Funding the Energy Freedom Program. The program is established in the Department of Community, Trade, and Economic Development, and its purpose is to fund low-interest loans to political subdivisions for the development of biofuel oilseed crushers, supporting infrastructure, and facilities. The political subdivisions may negotiate agreements with the bioenergy industry for the use of the equipment, infrastructure, and facilities.

A one-time appropriation of \$9 million is directed from the State Taxable Building Construction Account to four political subdivisions under the Energy Freedom Program: Port of Warden, Odessa Public Development Authority, Port of Columbia County, and Port of Sunnyside.

Loan Conditions. Loan disbursements to the political subdivisions will be made on a reimbursement basis only. Bioenergy industry partners are required to provide at least a 50

percent match. CTED may defer loan repayments for up to twenty-four months or until a project starts to receive revenue from operations, whichever is sooner. CTED may require repayment of a loan if the political subdivision fails to make satisfactory progress toward project completion, or if project partners have made misrepresentations to CTED or the Legislature. In addition, prevailing wage applies to projects funded in whole or in part by the appropriation in this Act.

Legislative Intent and Other Conditions. The Legislature intends to provide loans for the development of a Washington biodiesel industry based on Washington grown oilseed. Political subdivisions receiving appropriations under this program must: (1) develop a plan for outreach to local growers and an estimate of when maximum Washington oilseed-based production will be reached; (2) develop a goal to return a portion of the biofuel to local oilseed producers; and (3) report this information to CTED by December 1, 2006. CTED must report on the implementation of this program to the appropriate committees of the Legislature by January 1, 2007.

Creating the Energy Freedom Account. The account is created in the State Treasury. Funds from the account may only be spent after appropriation. Expenditures from the account may be used only for loans and grants to political subdivisions for renewable energy and biofuel development projects and activities. Future loan repayments from the Energy Freedom Program must be deposited into the account.

Amended Bill Compared to Original Bill: The Spokane Conservation District was replaced by the Port of Warden.

Appropriation: The sum of \$9 million from the State Taxable Building Construction Account is appropriated to CTED.

Fiscal Note: Requested on Feb. 6, 2006.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: The four projects listed in the bill have business plans, viable partners, connections to farmers, and are ready for construction. The bill has an emergency clause to accommodate planting decisions this spring. The bill is designed to help small farmers by offering a complimentary crop to wheat and alternatives to declining federal crop subsidies. Washington should have a thriving bio-fuels industry like some other states.

Testimony Against: None.

Testimony Other: Washington Biodiesel has been working with the Port of Warden, a grain growers cooperative, the Grant County EDC, and the Columbia Basin Railroad to assure the success of its operations in central Washington. Because its facility in Warden will require significant site development, Washington Biodiesel would like its project added to the bill.

Who Testified: PRO: Rep. Dunshee, prime sponsor; Mike Conklin, Palouse Bio-diesel LLC; Linda Graham, Spokane County Conservation District; Pam Kelley, Lincoln County EDC.

Signed in, Unable to Testify & Submitted Written Testimony: OTHER: Jeffrey Stephens, PhD., Washington Biodiesel.