
SUBSTITUTE HOUSE BILL 2645

State of Washington

59th Legislature

2006 Regular Session

By House Committee on Technology, Energy & Communications (originally sponsored by Representatives Kilmer, Crouse, P. Sullivan, Morris and Dunn; by request of Department of Community, Trade, and Economic Development)

READ FIRST TIME 01/25/06.

1 AN ACT Relating to a public utility tax credit for gas distribution
2 businesses that invest in energy efficiency measures for certain food
3 processing and other businesses; adding a new section to chapter 82.16
4 RCW; creating new sections; providing an expiration date; and declaring
5 an emergency.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** The legislature finds that:

8 (1) Rising costs of natural gas are creating an economic hardship
9 for Washington's small business and food processing industries.

10 (2) Natural gas costs are unlikely to return to historically low
11 levels of a few years ago making investments in energy efficiency
12 increasingly important.

13 (3) Washington investor-owned and consumer-owned natural gas
14 utilities are uniquely well positioned to help small business and food
15 processors improve the efficiency of natural gas use and reduce current
16 and long-term energy costs.

17 (4) The state of Washington can assist gas utility energy
18 efficiency efforts by providing small public utility tax credits for

1 installation of high-efficiency equipment and processes that might not
2 otherwise occur.

3 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.16 RCW
4 to read as follows:

5 (1) Subject to the limitations in this section, a gas distribution
6 business may claim a credit against the tax imposed under this chapter.

7 (2) The amount of credit is equal to the amount of qualifying
8 customer incentives and qualifying food processing incentives paid by
9 a gas distribution business between July 1, 2006, and June 30, 2007.

10 (3) The credit may be claimed only after the qualifying customer
11 incentives or qualifying food processing incentives are paid. The
12 credit shall be claimed against taxes due for the same fiscal year in
13 which the qualifying customer incentives or qualifying food processing
14 incentives are paid. The credit for each reporting period shall not
15 exceed the amount of tax otherwise due under this chapter for the
16 reporting period. Credits earned for fiscal year 2007 shall not be
17 carried forward or backward and claimed against taxes due for prior or
18 subsequent fiscal years. Refunds may not be granted in the place of a
19 credit. Any unused credit expires.

20 (4) The total amount of credit that may be claimed by a gas
21 distribution business is limited to its maximum credit as determined by
22 the department. The total amount of credit that may be claimed by all
23 gas distribution businesses shall not exceed one million five hundred
24 thousand dollars.

25 (5) The commission in the case of investor-owned gas distribution
26 businesses, or the governing board in the case of consumer-owned gas
27 distribution businesses, shall provide the department, upon request,
28 information necessary to determine the maximum credit. By June 1,
29 2006, the department shall publish the maximum credit allowed for each
30 gas distribution business. The rule-making provisions of chapter 34.05
31 RCW do not apply to the determination of the maximum credit by the
32 department.

33 (6) Unless the context clearly requires otherwise, the definitions
34 in this subsection apply throughout this section.

35 (a) "Base fiscal year" means the fiscal year beginning July 1,
36 2003, for purposes of calculating the maximum credit.

1 (b) "Commission" means the Washington utilities and transportation
2 commission.

3 (c) "Food processing business" means a person that operates a food
4 processing plant as defined in RCW 69.07.010.

5 (d) "Incremental cost" means the difference between the higher cost
6 of a qualifying energy efficiency measure and the cost of a same type
7 of nonenergy efficient piece of equipment. However, the incremental
8 cost of a service that is a qualifying energy efficiency measure is the
9 total cost of the service.

10 (e) "Maximum credit" means the maximum amount of credit against the
11 tax imposed by this chapter that each gas distribution business may
12 claim for the fiscal year beginning July 1, 2006, as calculated by the
13 department. The maximum credit is equal to the proportionate share
14 that the in-state retail natural gas revenues received by each gas
15 distribution business in the base fiscal year bears to the total in-
16 state retail natural gas revenues received by all gas distribution
17 businesses in the base fiscal year, multiplied by one million five
18 hundred thousand dollars. Revenues from wholesale sales of natural gas
19 or from transporting natural gas shall not be included in calculating
20 the maximum credit.

21 (f) "Qualifying customer" means a manufacturing, industrial, or
22 other commercial business located in this state that is a retail
23 natural gas customer of a gas distribution business. "Qualifying
24 customer" does not include any board, commission, institution,
25 department, or agency of federal, state, local, or tribal governments;
26 a business operated out of a personal residence or that has no physical
27 location; or a nonprofit organization as defined in RCW 82.04.3651.

28 (g) "Qualifying customer incentive" means the amount paid by a gas
29 distribution business to a qualifying customer for the purchase of a
30 qualifying energy efficiency measure. The amount of incentive that may
31 be paid is limited to no more than twenty-five percent of the
32 incremental cost or fifteen thousand dollars, whichever is less.

33 (h) "Qualifying energy efficiency measure" means equipment or
34 services that are purchased by a qualifying customer or qualifying food
35 processing business that meet or exceed the required level of energy
36 efficiency of natural gas consumption. "Qualifying energy efficiency
37 measure" includes high-efficiency boilers; high-efficiency water
38 heaters; high-efficiency furnaces; high-efficiency blanching; control

1 equipment that improves the energy efficiency operations of HVAC
2 equipment, boilers, or water heaters; energy efficiency equipment
3 repair or replacement services; and boiler and furnace tune-up
4 services. A qualifying energy efficiency measure shall be consistent
5 with the cost-effectiveness standards in the utility tariff on file
6 with the commission in the case of investor-owned gas distribution
7 businesses, or determined and approved by the governing board in the
8 case of consumer-owned gas distribution businesses.

9 (i) "Qualifying food processing business" means a food processing
10 business that purchases only natural gas transportation services from
11 a gas distribution business.

12 (j) "Qualifying food processing incentive" means the amount paid by
13 a gas distribution business to a qualifying food processing business
14 for the purchase of a qualifying energy efficiency measure. The amount
15 of incentive that may be paid is limited to no more than twenty-five
16 percent of the incremental cost or fifteen thousand dollars, whichever
17 is less.

18 (k) "Required level of energy efficiency" means the minimum energy
19 efficiency standards allowable in programs offered under utility
20 tariffs on file with the commission in the case of investor-owned gas
21 distribution businesses, and minimum energy efficiency standards
22 approved by the governing board in the case of consumer-owned gas
23 distribution businesses.

24 (7) This section expires July 1, 2007.

25 NEW SECTION. **Sec. 3.** The expiration of section 2 of this act does
26 not affect the right of a person to claim a credit under that section
27 on or after July 1, 2007, on a return for a reporting period that
28 includes tax liability incurred between July 1, 2006, and June 30,
29 2007, if the return is filed by the due date or any extension granted
30 by the department of revenue.

31 NEW SECTION. **Sec. 4.** This act is necessary for the immediate
32 preservation of the public peace, health, or safety, or support of the
33 state government and its existing public institutions, and takes effect
34 immediately.

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