

SENATE BILL REPORT

E2SHB 1035

As Reported By Senate Committee On:
Water, Energy & Telecommunications, March 30, 2007

Title: An act relating to anaerobic digestion power.

Brief Description: Regarding anaerobic digestion power.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Morris, Hudgins, Eickmeyer, Linville and B. Sullivan).

Brief History: Passed House: 3/10/07, 94-3.

Committee Activity: Water, Energy & Telecommunications: 3/28/07, 3/30/07 [DP-WM, DNP].

SENATE COMMITTEE ON WATER, ENERGY & TELECOMMUNICATIONS

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

Signed by Senators Poulsen, Chair; Rockefeller, Vice Chair; Honeyford, Ranking Minority Member; Delvin, Fraser, Holmquist, Marr, Morton, Oemig and Regala.

Minority Report: Do not pass.

Signed by Senator Pridemore.

Staff: William Bridges (786-7424)

Background: Anaerobic Digestion: Anaerobic digestion is the bacterial breakdown of organic materials in the absence of oxygen. This biological process produces biogas, which is principally composed of methane and carbon dioxide. Biogas is typically produced from feedstocks such as sewage sludge, livestock manure, and wet organic materials. Anaerobic digesters are devices that use the natural process of anaerobic digestion to treat waste, produce energy, or both.

Energy Freedom Program: Established within the Department of Agriculture in 2006, the Energy Freedom Program provides financial and technical assistance to public entities for (1) the construction of facilities to convert farm products or wastes into electricity or gaseous or liquid fuels or other co-products; and (2) the construction of facilities used to store or distribute such feedstocks or products. Eligibility is determined according to a number of criteria, including the technical feasibility and commercial viability of a project. The amount of assistance under the program is limited to no more than 50 percent of the total cost of a project up to \$5 million.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Master Contracts: A Master Contract is an optional-use contract, established and administered by the Department of Information Services (DIS) and used by state and local government entities and qualifying non-profit organizations to purchase products and services directly from contracts. Master Contracts result from a competitive bidding process run by the DIS or by the Western State Contracting Alliance.

Power Management Software Master Contract: In July of 2006, the DIS entered into a three-year Master Contract (T06-MST-002) with the Verdiem Corporation for power management software, services, maintenance, and support. The Master Contract is an optional use contract, which means state and local government entities have the option to purchase the power management software under the contract, but are not required to do so.

Summary of Engrossed Second Substitute Bill: Creating a Clean Streams Grant Program (Program): The program is established within the Department of Community, Trade and Economic Development (CTED) for grants to anaerobic digester power producers to pay for the capital costs of their projects.

Eligibility and Application Process: Before applying for a clean streams grant, a developer of an anaerobic digester project in the state must first secure the following items prior to completion of the project: (1) a power purchase agreement offer from a potential purchaser; and (2) transmission access for the power to be produced. Afterwards, the developer may apply for a grant by submitting: (1) the power purchase agreement offer; and (2) a detailed analysis of the initial capital investment cost of the project.

Criteria for Awarding Grants: An applicant must meet the following criteria to participate in the grant program:

- the applicant is carrying original debt on the initial capital investment in the anaerobic digester project that has not been satisfied by other federal, state, or private funding sources;
- the applicant has secured a power purchase agreement offer from a potential purchaser of the electricity; and
- the applicant was unable to secure sufficient revenue from a potential purchaser to recover the initial capital investment over the length of the power purchase agreement offer.

Grant Amount: Any grant awarded under the program must provide the applicant with no more than the applicant's cost to finance the initial capital investment during the period of the power purchase agreement, minus the revenue to be generated by the power purchase agreement offer between the power producer and the potential purchaser, and minus any federal, state, or private funding received for the anaerobic digester project.

Grant awards must be based upon the annual electricity output of the anaerobic digester project. The grant award must be reviewed annually. Upon review, the grant award may be adjusted to reflect actual power produced for the previous year as compared to the projected amount of power used to calculate the amount of the original grant award.

Rule Making and Prioritizing Grants: CTED is authorized to adopt rules as necessary to implement the grant program. If appropriations made to the CTED are insufficient to cover all applications for a grant, CTED may prioritize and prorate grant awards as necessary.

Purchase and Installation of Power Management Software: By September 1, 2007, DIS must survey all desktop computers owned by the state and identify which desktop computers are suitable for using power management software. After conducting this review, the DIS must purchase power management software for all the computers identified in survey.

The power management software must be purchased according to the terms of the existing master contact number T06-MST-002, effective July 7, 2006, or according to a subsequent contact entered into by the state for power management software that offers comparable or better energy efficiency savings.

When acquiring new desktop computers, the DIS must purchase and install power management software at the time of acquisition, unless the software is not suitable for a particular desktop computer's intended use.

The DIS is authorized to retain any rebate monies the state receives for energy conservation that results from utilization of power management software.

The DIS must report annually to the Legislature on the number of licenses installed, the estimated energy saved per year, as well as the amount and number of rebates received.

Clean Streams and Clear Sky Subaccount: The Clean Streams and Clear Sky Subaccount is created as a subaccount of the Energy Freedom Account. Revenues to the subaccount must consist of appropriations made to the subaccount that represent energy savings generated from using power management software on state computers. Expenditures from the subaccount may only be used for projects and activities authorized by the Clear Sky program in 2SHB 1036 and the Clean Streams program.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: Sometimes the cost of anaerobic digester power is more expensive than the prevailing market price. This bill sets up a grant program to assess and pay this cost difference in order to encourage this technology.

OTHER: An anaerobic digester should first try to sell power to the local utility as a "qualifying facility" under federal law, which is what a Sunnyside digester used to sell power to PacifiCorp. The wheeling requirements in section 3 should be removed.

Persons Testifying: PRO: Representative Morris, prime sponsor.

OTHER: Kathleen Collins, PacifiCorp.