

SENATE BILL REPORT

SHB 2129

As Reported By Senate Committee On:
Water, Energy & Telecommunications, March 23, 2007

Title: An act relating to geothermal resources.

Brief Description: Regarding geothermal core holes.

Sponsors: House Committee on Technology, Energy & Communications (originally sponsored by Representatives VanDeWege, Hudgins, Morris, Eddy, Crouse, Hankins, McCoy, Takko, Hurst, McCune and Chase).

Brief History: Passed House: 3/08/07, 96-0.

Committee Activity: Water, Energy & Telecommunications: 3/21/07, 3/23/07 [DPA, w/oRec].

SENATE COMMITTEE ON WATER, ENERGY & TELECOMMUNICATIONS

Majority Report: Do pass as amended.

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

Minority Report: That it be referred without recommendation.

Signed by Senator Holmquist.

Staff: William Bridges (786-7424)

Background: In 1974, the Legislature passed the Geothermal Resources Act (Act) to promote electricity produced from geothermal resources.

Regulating Geothermal Wells: Under the Act, the Department of Natural Resources (DNR) is authorized to regulate the drilling and operation of geothermal wells. Any person proposing to drill or re-drill a geothermal well must: (1) file a permit application; (2) pay a \$200 permit fee; (3) provide public notice; (4) participate in a public hearing; and (5) post a surety bond or other financial guarantee. According to DNR, there has been no permit activity since the early 1980s. However, DNR states there is increasing interest in geothermal energy since it is a renewable resource.

Plugging and Abandoning Geothermal Wells: A geothermal well must be plugged and abandoned if: (1) it is not technologically practical to derive energy from the geothermal well to produce electricity, or the owner or operator has no intention of deriving energy to produce

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electricity; and (2) usable minerals cannot be derived, or the owner or operator has no intention of deriving usable materials from the geothermal well.

Drilling Logs for Geothermal Wells: An owner or operator of a geothermal well must keep logs of the drilling, re-drilling, or deepening of the well. All logs are subject to inspection by DNR and must be filed if requested by DNR. If a geothermal well is plugged and abandoned, all logs and surveys pertaining to the well must be filed with the DNR within 30 days of the action. If a geothermal well is suspended for more than six months, or the geothermal drilling project is complete, the operator must file all logs and surveys pertaining to the well within 30 days of the action.

Filed logs and records are confidential for 24 months. During the 24-month period, which runs from the date of commencement of production or of abandonment of the well, the records are open to inspection only to DNR personnel and persons authorized in writing by the owner or operator.

Core Holes: A core hole is an exploratory hole in bedrock 750 feet deep or less used to gather preliminary geothermal data. Any person proposing to drill a core hole must obtain a permit for each geothermal area. There is no charge for the permit. If the core hole is drilled more than 750 feet into the bedrock, the core hole is deemed a geothermal test well and is subject to a permit fee.

Summary of Substitute Bill: Core Holes: The following provisions in the Geothermal Resources Act are amended to include core holes: (1) plugging and abandoning wells; (2) surety bonding requirements; and (3) the filing of drilling logs and records.

The provision exempting core holes from permit fees is removed. In addition, the provision requiring a core-hole permit "for each geothermal area" is replaced with a provision requiring a permit for "each core hole."

Drilling Logs: The provisions concerning drilling logs are amended to require information about heat flow, temperature gradients, and rock conductivity.

The provisions concerning drilling logs and records are amended to require electronic copies of the documents in addition to paper copies. Furthermore, after the 24-month confidential period has elapsed, DNR must ensure that all logs and surveys that may have been run on a well or a core hole are preserved in an electronic data system and made available to the public.

Permit Fee: The \$200 permit fee is replaced by a charge of up to \$40 per hour to recover the administrative costs associated with processing a geothermal permit application. If DNR wages increase significantly, the Legislature may review and adjust this rate to reflect the additional costs of administering permits.

EFFECT OF CHANGES MADE BY RECOMMENDED AMENDMENT(S) AS PASSED COMMITTEE (Water, Energy & Telecommunications): Restores the \$200 permit fee for drilling a geothermal well. Clarifies that the current cost reimbursement statute applies to geothermal permits by removing the bill's \$40 per hour charge for processing a geothermal permit application. Adds "monitoring for permit compliance" to the activities covered by a cost reimbursement agreement.

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: OTHER: Core-hole data collected in the past was never kept. The lack of this data, such as temperature gradient information, has discouraged the development of lower temperature wells that could be used to heat buildings. The provision adding an hourly administrative fee is not recommended because those monies would go to the General Fund, not DNR. The current cost-recovery process already in statute is sufficient to compensate DNR for processing applications.

Persons Testifying: OTHER: Ron Teissere, State Geologist, DNR.