

SENATE BILL REPORT

SB 6480

As of January 26, 2010

Title: An act relating to impact payments of a municipally owned hydroelectric facility.

Brief Description: Concerning impact payments of a municipally owned hydroelectric facility.

Sponsors: Senators Morton, Schoesler, Holmquist, Hewitt, Parlette, Stevens, Delvin, King, Becker and Swecker.

Brief History:

Committee Activity: Government Operations & Elections: 1/25/10.

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

Staff: Karen Epps (786-7424)

Background: Any city owning and operating a public utility and having facilities for the generation of electricity in another county must provide for the impacts of lost revenue and the public peace, health, safety, and welfare of the county, by contributing to the support of the county, city, or town government, and the school district of that county by entering into a contract with that county. Any city constructing hydroelectric generating facilities or acquiring land for the purpose of constructing hydroelectric facilities in another county, and through this construction or acquisition causes loss of revenue or places a financial burden in providing for the public peace, health, safety, welfare, and added road maintenance in the county, or causes any loss of revenues or increases the financial burden of any school district affected by the construction must enter into an agreement with the other county and school districts for the payment of moneys to compensate the county and school districts for those increased financial burdens.

Summary of Bill: Any city with a population greater than 500,000 owning and operating a public utility and having facilities for the generation of electricity in another county, must provide for the impacts of lost revenue and the public peace, health, safety, and welfare of the county, by contributing to the support of the county, city, or town government, and the school district of that county. A municipal owned utility located in a city with a population greater than 500,000 that constructs or operates hydroelectric generating facilities or acquires land for the purpose of constructing or operating a facility in another county must enter into an agreement with that county for the annual payment of monies to compensate the county

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for loss of revenue or increased financial burden in an amount equivalent to 7 percent of the annual utility taxes paid by the municipal owned utility.

Appropriation: None.

Fiscal Note: Requested on January 20, 2010.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: This is a very important bill to Pend Oreille County. This bill deals with the impact to the county from Boundary Dam. This bill provides for a 7 percent payment of the 6 percent taxes paid to Pend Oreille County. Pend Oreille County has been receiving impact payments since the early 1960s that are shared with the three school districts and three northern towns in the county. For Pend Oreille County, the payment is approximately 10 percent of their total general fund. The last agreement mirrored a portion of the public utility district (PUD) privilege tax, yet the privilege tax was created because of the benefit of a PUD to its local citizens. The benefit of the low cost power generated at Boundary Dam benefits the people of Seattle. Pend Oreille County has been negotiating with Seattle for 18 months and has not reached an agreement. The county finds the law to be vague, but believes the law intends to cover both lost revenue, such as property tax and sales tax, and incurred costs of the local government. The proposed language establishes a straightforward, calculable formula that says impact payments should equal 7 percent of the 6 percent occupation utility tax paid to a municipality.

CON: The City of Seattle is opposed to this bill. Seattle City Light has been operating the Boundary Dam for just over 40 years, being stewards of the river and partners in the community, employing 39 people and seasonal employees. Seattle by statute makes annual impact payments to the county for the hydroelectric project operating outside of Seattle's boundaries. The most recent agreement expired at the end of 2008. Seattle has been trying to negotiate a new agreement with the county. The prior agreement brought the county about \$1.2 million in impact fees. Seattle has over the years tried to work with the county to have them identify specific impacts due to Boundary Dam. The computation for this impact fee is the aggregate based on the amount of energy generated at the dam, similar to a privilege tax that public utility districts would pay for a similar operation. Seattle has a similar agreement in place with Whatcom County. Seattle is unsure exactly what the language in the statute means they would pay to the county under this bill.

Persons Testifying: PRO: Senator Morton, prime sponsor; Laura Merrill, Pend Oreille County Commissioner; Nancy Lotze, Superintendent, Selkirk School District.

CON: Tim Gugarty, Mike Haynes, City of Seattle.