

SENATE BILL REPORT

SB 5464

As Reported by Senate Committee On:
Environment, Water & Energy, February 18, 2011

Title: An act relating to creating the clean energy partnership.

Brief Description: Creating the clean energy partnership.

Sponsors: Senators Rockefeller, Kastama, Delvin and Chase.

Brief History:

Committee Activity: Environment, Water & Energy: 2/02/11, 2/18/11 [DPS].

SENATE COMMITTEE ON ENVIRONMENT, WATER & ENERGY

Majority Report: That Substitute Senate Bill No. 5464 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rockefeller, Chair; Nelson, Vice Chair; Honeyford, Ranking Minority Member; Chase, Delvin, Fraser, Holmquist Newbry, Morton and Ranker.

Staff: Jan Odano (786-7486)

Background: The Spokane Intercollegiate Research and Technology Institute (SIRTI). SIRTI is headquartered in Spokane with a mission to perform and commercialize research that benefits the economic vitality of Eastern Washington. It provides assistance with finding available funding sources for product development, commercialization, and job growth; legal services for patent applications, incorporation, and trademarks; and incubator facilities for innovative technology businesses. SIRTI's board of directors may receive and expend federal funds and any private gifts or grants to further the purpose of SIRTI.

The Washington Technology Center (WTC). WTC was established in 1983 and is located at the University of Washington (UW). The mission of WTC is to perform and commercialize research on a statewide basis to benefit the economic vitality of the state. WTC provides a forum for initiatives to promote renewable energy and energy efficiency sectors in the Pacific Northwest. WTC provides access to funding for technology research and development, assistance for small business innovation, and technology assistance to Washington businesses with 15 or fewer employees.

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.

The Department of Commerce (Commerce). Commerce's Energy Policy Division, develops energy policy; provides businesses with assistance to commercialize energy efficiency, renewable, and smart energy technologies; manages federal funding through the State Energy Program and is coordinating the updates and revisions to the State Energy Strategy. Commerce contracts with SIRTl and UW for the expenditure of state appropriated funds for their respective operations. Commerce also provides guidance to both entities for the expenditure of state funds and the development of their respective strategic plans.

Energy Freedom Program. The Energy Freedom Program was established to encourage the use of bioenergy and to develop a viable bioenergy industry. The mission of the program was expanded to accelerate energy efficiency improvements, renewable energy improvements, and deployment of innovative energy technologies. The program provides financial and technical assistance to cities, counties, ports, and other political subdivisions of the state. The Legislature originally appropriated \$23 million for low-interest loans and grants. Also established within the program are the Green Energy Incentive Account and the Energy Recovery Account. The Energy Recovery Account was created to receive state and federal funds to be used as loans and grants for projects that encourage the establishment of innovative and sustainable industries for renewable energy and energy efficiency technology.

Clean Energy Leadership Council (CELC). CELC was created in 2009 to develop strategies and recommendations for growing the state's clean energy sector. CELC was directed to identify the clean energy industry segments and where the state has competitive advantages or emerging strength in research, development, or deployment of clean energy solutions.

In October 2010, CELC completed the Washington State Clean Energy Leadership Plan Report, which includes recommendations and plans of action. CELC identified funding, alignment of regulations and policies, and a single, principal organization for clean energy development as key issues central to developing and growing clean energy businesses and jobs within the state. The Leadership Plan recommended a framework for accelerating clean energy businesses and jobs, and recommended aligning state regulations with policies and actions that support clean energy technology and jobs. The plan recognized market-driven initiatives as areas of opportunities for demonstrating leading-edge solutions and deploying clean energy technology. The three market-driven initiatives identified were combined energy efficiency green building and smart grid projects; renewable energy resource optimization and smart grid deployment; and bioenergy deployment acceleration.

Summary of Bill (Recommended Substitute): The Washington Clean Energy Partnership (CEP) is created and must develop, implement, and manage clean energy sector programs and funding initiatives.

The duties of CEP include, as funds are available:

- coordinate clean energy initiative and implement CELC Leadership Plan Recommendations, including the following market-driving initiatives: combined energy efficiency, green buildings, and smart grid; renewable energy resource optimization and smart grid deployment; and bioenergy deployment acceleration;
- assess potential opportunities and add market-driving initiatives as justified by comprehensive analysis;

- serve as the lead entity and primary point of contact for developing and coordinating clean energy-related initiatives and funding programs for expanding the clean energy sector;
- secure a minimum of 50 percent nonstate funds for CEP projects;
- submit an annual report to the Legislature and Governor with recommendations for policy alignment and regulatory barriers to the growth of clean energy technology and businesses; and
- work with public and private utilities and the Utilities and Transportation Commission to development recommendations to align state policies, investments in ways that accelerate the growth of clean energy jobs and technology.

The Washington Clean Energy Partnership Fund is created to receive state and federal funds, grants and contributions for CEP. Only the Director of CEP may authorize expenditures from the account. The Energy Freedom Program, Energy Recovery Act Account, State Energy Office funds, and other applicable federal and state energy program funds directed to support or expand the clean energy sector must be strategically managed to support CEP.

Existing energy policy and regulatory functions of the Department of Commerce remain with the State Energy Office.

SB 5764 establishes Innovate Washington as the successor agency to WTC and SIRTI. If SB 5764 is enacted by July 1, 2011, the CEP is administered as a programmatic activity by Innovate Washington. If SB 5764 is not enacted then CEP is jointly administered by SIRTI and WTC through a performance contract to conduct the work of CEP.

In addition, if SB 5764 is not enacted, a Clean Energy Advisory Committee (CEAC) is created, consisting of 20 representatives with the majority representing companies involved with developing, deploying, or operating clean energy solutions. SIRTI and WTC must appoint an executive director to manage CEP. CEAC approves the appointment of the director and the annual operating budget of CEP; provides guidance on the needs of the clean energy sector to CEP director; and establishes funding priorities for allocations to projects. The chair of CEAC is a member of SIRTI's board of directors. SIRTI's board of directors, in cooperation with CEP must develop a biennial work plan and five-year strategic plan aligning SIRTI operations with CEP consistent with statewide technology development and commercialization goals.

EFFECT OF CHANGES MADE BY ENVIRONMENT, WATER & ENERGY COMMITTEE (Recommended Substitute): Clarifies the duties of the partnership. If SB 5764 – Innovate Washington – is enacted by July 1, 2011, Innovate Washington will administer the CEP as a programmatic activity. If SB 5764 is not enacted by July 1, 2011, the WTC and SIRTI jointly administer the CEP.

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 on Original Bill: PRO: This addresses the reality of the funding issues and doesn't create new mandates, expensive tax breaks, or unsustainable state funding. This focuses on jobs and retaining them in the state. The state's strengths are technology and innovation; this bill creates a launch pad for companies here to export globally. The bill includes a public-private partnership which is core to addressing these issues. Economic development and energy are all systems that can't be done in isolation and expect them to be successful. This bill leverages the strengths of two great organizations; the state will be getting the most bang for the buck. Public-private partnership and a state strategic initiative are essential for success. The partnership is about taking a little bit of state money and existing state policies to grow the clean energy sector where we have a competitive advantage. Leverage the existing capacity to drive the clean energy sector. We will know whether this is successful by investments into the partnership. We must compete with other states that provide economic incentives and without this bill we will lose our competitive advantage.

Persons Testifying: PRO: Christine Swanson, Avista, Megan Owen, McKinstry; Marc Cummings, Clean Energy Leadership Council; Daniel Malarkey, Department of Commerce; Miguel Perez-Gibson, Climate Solutions, Kim Zentz, SIRTI; Tom Ranken, WA Clean Tech Alliance; Eric Schinfeld, Puget Sound Regional Council, John Gardner, WSU.