
Environment & Energy Committee

HB 1792

Brief Description: Expanding the production, distribution, and use of hydrogen not produced from a fossil fuel feedstock.

Sponsors: Representatives Ramel, Orcutt, Abbarno, Fitzgibbon, Goodman, Slatter, Young and Harris-Talley.

Brief Summary of Bill

- Authorizes public utility districts (PUDs) to produce, use, sell, and distribute green electrolytic hydrogen.
- Authorizes municipal utilities to produce, use, sell, and distribute green electrolytic hydrogen and renewable hydrogen.
- Adds the production of green electrolytic hydrogen to a number of existing tax exemptions that apply to the production of renewable hydrogen.
- Creates a public utility tax exemption for sales of electricity related to the production of green electrolytic hydrogen and renewable hydrogen.

Hearing Date: 1/18/22

Staff: Robert Hatfield (786-7117).

Background:

Municipal Utilities and Public Utility Districts.

Municipalities are authorized to operate as utilities and set the rates and charges for the provision of gas, water, sewer, electric power, heating fuel, solid waste removal, and transportation facility services.

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

Municipal utilities are authorized to provide gas and electric service both within and outside of their jurisdictional boundaries. Some municipal utilities provide electricity or natural gas to adjoining areas, both to incorporated cities and to unincorporated areas under county authority.

Public utility districts (PUDs) are a type of special-purpose district authorized for the purpose of generating and distributing electricity, providing water and sewer services, and providing telecommunications services. A PUD may operate on a countywide basis or may encompass a small jurisdiction. A PUD is governed by a board of either three or five elected commissioners.

A PUD may build and operate generation, distribution, and transmission facilities, both within and outside the county boundary, to furnish electricity to the county's inhabitants or other persons, provided that such activity is reasonably related to the PUD's core purpose of serving its own customers. If a PUD wants to build a utility plant inside a city or town, the city's governing body must consent to the service and approve the plan for construction.

Public Utility Districts—Renewable Natural Gas and Renewable Hydrogen.

A PUD is authorized to produce and distribute biodiesel, ethanol, and ethanol fuel blends for use in internal operations and for sale or distribution. A PUD may also produce renewable natural gas (RNG) and renewable hydrogen and use those fuels in internal operations or sell them at wholesale or directly to certain end-use customers through a gas pipeline or in pressurized containers.

"Renewable hydrogen" means hydrogen produced using renewable resources both as the source for the hydrogen and the source for the energy input into the production process.

Public Utility Tax.

A public utility tax is levied on the gross income of businesses engaged in certain lines of business, including light and power, sewerage collection, gas distribution, and water distribution.

Tax Exemptions—Renewable Hydrogen.

Certain aspects of the production of renewable hydrogen are exempt from certain taxes, including retail sales tax, use tax, and, where the renewable hydrogen is produced at a facility operating pursuant to a lease of public lands, leasehold excise tax. These exemptions expire July 1, 2025.

Summary of Bill:

Public Utility Districts—Green Electrolytic Hydrogen.

Public utility districts (PUDs) are authorized to produce, use, sell, and distribute green electrolytic hydrogen to the same extent that they are currently authorized to produce, use, sell, and distribute renewable hydrogen.

"Green electrolytic hydrogen" is defined as hydrogen produced through electrolysis and does not

include hydrogen manufactured using steam reforming or any other conversion technology that produces hydrogen from a fossil fuel feedstock.

Municipal Utilities—Renewable Hydrogen and Green Electrolytic Hydrogen.

Municipal utilities are authorized to produce, use, sell, and distribute renewable hydrogen and green electrolytic hydrogen to the same extent that they are currently authorized to produce, use, sell, and distribute gas and electricity.

Public Utility Tax Exemption—Renewable Hydrogen and Green Electrolytic Hydrogen.

A tax exemption is created for sales of electricity by a light and power business to a green electrolytic hydrogen production business, a renewable hydrogen production business, or a business compressing, liquifying, or dispensing green electrolytic hydrogen or renewable hydrogen. The tax exemption lasts for 25 years from the date of commercial operation of the business, provided the commercial operation commences no later than July 1, 2032, and provided the contract for sale of electricity to the business meets certain requirements.

Tax Exemptions—Green Electrolytic Hydrogen.

Existing exemptions from retail sales tax, use tax, and leasehold excise tax that apply to certain aspects of the production of renewable hydrogen are expanded to include the production of green electrolytic hydrogen.

Tax Preference Performance Statement.

The stated intent of the Legislature is to provide a public utility excise tax exemption on the sale of electricity used in the production of green electrolytic hydrogen, the production of renewable hydrogen, and the compression, liquification, and dispensing of green electrolytic hydrogen and renewable hydrogen, in order to achieve certain public policy objectives, including:

- increasing the use of clean alternative fuel vehicles;
- encouraging the use of clean alternative fuels by reducing the cost of the production and dispensing of fuel for clean alternative fuel vehicles; and
- promoting the construction and operation of renewable hydrogen and green electrolytic hydrogen production and dispensing facilities in Washington.

In order to measure the effectiveness of the public utility tax exemption, the Joint Legislative Audit and Review Committee is directed, using calendar year 2021 as the baseline, to evaluate the annual volumetric quantity of renewable hydrogen and green electrolytic hydrogen produced in the state, as well as the annual percentage of hydrogen produced in the state that is either green electrolytic hydrogen or renewable hydrogen.

Appropriation: None.

Fiscal Note: Requested on January 13, 2022.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.