

This Week in Olympia

March 15, 2010

A Report from Chelan County PUD External Affairs

- **It's overtime for the 2010 Washington Legislature**

The regular session ended Thursday night and the special session was launched at Noon today. It's the Governor's desire that lawmakers complete their work on a revenue package and budget within seven days. Incentive to accomplishing that goal is the fact that all of the House members and half of the Senate will stand for election this fall and they can't raise campaign funding when the Legislature is in session. The biggest obstacle to final adjournment continues to be the tax package. The Senate's \$805 million revenue package (Senate Bill 6143) would raise sales and business taxes and eliminate some tax breaks. House amendments of that bill would reduce the package to \$680 million, mostly by removing a three-tenths of a cent sales tax increase.

- **The status of bills that survived late in the regular session**

1. **PUD privilege taxes and sales and use tax exemptions for renewable energy manufacturers – Senate Bill 6143**

Status: SB 6143 was approved by the Senate March 7 and passed by the House on March 9. A number of amendments were adopted, so the Senate must concur or a conference committee will be appointed.

Description: The Senate version of the omnibus tax bills would eliminate the 2009 sales and use tax exemptions for machinery and equipment used in renewable energy projects (other than wind). A wind credit would be allowed only if the project or power is sold or used by a local electric utility. The House bill does not eliminate this tax exemption for renewable energy projects other than wind. The House also removes provisions limiting the community solar incentives. Both bills would also expand privilege taxes on PUD electricity sales to include the basic service charge portion of a customer's bill.

2. **Recreational Use Statute amendment – Substitute Senate Bill 5422**

Status: The Senate Natural Resources and Ocean and Recreation Committee did not act on House Bill 2480, which Chelan PUD hoped to use as a mechanism for attaching the amendment. Therefore, the issue is dead for this session.

Description: Chelan PUD was seeking to attach the Recreational Use Statute amendment to a House-approved bill after the original proposal died without consideration in the Senate Rules Committee. House Bill 2480 would provide the Department of Natural Resources with liability protections for charging user fees and requiring access permits for public lands.

3. **Exempt well (Senate Bill 6402) and water right processing (Engrossed Second Substitute Senate Bill 6267) legislation**

Status: SB 6402 failed to pass the House. E2SSB 6267 passed the House March 4 with amendments. The Senate refused to concur with House amendments, but

the House subsequently agreed to accept the Senate's version of the bill. Governor Gregoire is expected to sign the bill.

Description: The exempt well bill would have helped public utility districts and other public agencies provide water service in lieu of drilling exempt wells adjacent to Group A or B water systems. In addition, Ecology's water right processing bill would create an expedited permit processing procedure; modify its cost-reimbursement program; and, direct the agency to develop a pool of certified water right examiners. Steep increases in water right processing fees were not included in the final bill.

4. Commerce department restructuring – Engrossed Second Substitute House Bill 2658

Status: E2SHB 2658 passed the Senate March 4 with amendments. The House concurred with the Senate amendments on the final day of the regular session and the bill was sent to the Governor.

Description: The legislation would transfer certain duties and functions of the Commerce Department to other state agencies and require Commerce to update the state energy strategy. Several Senate amendments affect the state energy strategy sections with respect to findings, goals, principles, and advisory committee interests. In addition, it does not tie the department's authority to implement the energy strategy to availability of appropriated funds or legislative approval of a concurrent resolution (though the Legislature retains a role in approving or recommending changes).

5. Hydro impact fees – Substitute House Bill 2925

Status: A compromise agreement between Seattle City Light and Pend Oreille County was incorporated as amendments to the bill and approved unanimously by the Senate March 5. The House concurred with the changes on March 9 and the bill was sent to the Governor.

Description: The legislation would require municipally-owned utilities in cities of more than 500,000 in population that own and/or operate hydro facilities outside their home counties to negotiate annual impact payments. Even though the bill was prompted by a Seattle City Light/Pend Oreille County dispute, it has potentially broader implications for other generating utilities, including Chelan PUD.

6. PUD commissioner compensation - House Bill 2707

Status: The bill was approved by the Senate Thursday night on a 28-19 vote. Because this House bill was not amended in the Senate, it has been delivered to the Governor for consideration.

Description: The bill would resolve issues with how PUD commissioners are compensated, while not increasing the level of compensation.

7. Greenhouse gas reporting rules – Substitute Senate Bill 6373

Status: SSB 6373 passed the House on March 3 and the Senate concurred with the House amendments. The bill has been delivered to the Governor.

Description: The bill would compel Ecology to modify its greenhouse gas emissions reporting rules to align with U.S. Environmental Protection Agency rules. This approach makes it unlikely the District would be required to report fleet vehicle greenhouse gas emissions in the future.

- **Chelan PUD legislation scorecard**

- 1. Amendments to the Energy Independence Act**

Chelan PUD was actively engaged in months of intensive debate and negotiations prior to the legislative session, protecting the interests of hydro power. The complexity of a package deal resulted in no action this session, but set the stage for vigorous debate leading up to the 2011 session.

- 2. Recreational Use Statute amendment**

Chelan PUD's proposal to add liability protections for whitewater boating in the Chelan River Gorge died in the Senate for the second consecutive session. A new strategy for gaining approval during the 2011 session is already taking shape.

- 3. Standard Offer Contract**

Chelan PUD formally opposed Representative John McCoy's proposal to require utilities to provide contracts for purchasing electricity produced from certain renewable energy systems. It died in the House.

- 4. Net metering of electricity**

A bill that would require utilities to provide owners of renewable energy facilities a retail credit for at least a portion of the electricity they generate was opposed by Chelan PUD. It made it out of the House, but was voted down in the Senate.

- 5. PUD commissioner compensation**

Chelan PUD promoted Senate action on the bill to eliminate ambiguity in how PUD commissioner compensation is established. It was approved and sent to the Governor.

- 6. Prohibiting condemnation of state trust lands**

The bill that would have prohibited public entities from condemning property held in trust by the state was opposed by Chelan PUD. Senator Parlette worked on the District's behalf to bottle the bill up in the Senate Ways and Means Committee, where it died.

- 7. Hydro project impact payments**

A bill requiring municipal-owned utilities in cities of more than 500,000 in population that own and/or operate hydro facilities outside their home counties to negotiate annual impact payments was opposed by Chelan PUD because of the precedent it could set for a broader application. However, both houses of the Legislature approved the bill and it was sent to the Governor.

- 8. Retail telecom authority**

Chelan PUD remained neutral on the bill to authorize retail telecommunications services by PUDs and rural port districts. It failed to move out of its committee of origin and died.