

MultipleAgencyFiscalNoteSummary

BillNumber: 2245HB

Title: Electricityproduction

EstimatedCashReceipts

AgencyName	2001-03		2003-05		2005-07	
	GF-State	Total	GF-State	Total	GF-State	Total
DepartmentofRevenue	(16,033,013)	(16,033,013)	(24,154,824)	(24,154,824)	(23,829,109)	(23,829,109)
Total:	(16,033,013)	(16,033,013)	(24,154,824)	(24,154,824)	(23,829,109)	(23,829,109)

LocalGov.Courts*						
LocalGov.Other**		(3,794,000)		(3,987,000)		(2,999,000)
LocalGov.Total		(3,794,000)		(3,987,000)		(2,999,000)

EstimatedExpenditures

AgencyName	2001-03			2003-05			2005-07		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
DepartmentofRevenue	.1	19,700	19,700	.0	0	0	.0	0	0
Total:	0.1	\$19,700	\$19,700	0.0	\$0	\$0	0.0	\$0	\$0

LocalGov.Courts*									
LocalGov.Other**	Indeterminate								
LocalGov.Total									

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Preparedby: TristanWise,OFM

Phone:

360-902-0546

DatePublished:

Final4/26/2001

* SeeOfficeoftheAdministratorfortheCourtsjudicialfiscalnote

** Seelocalgovernmentfiscalnote

Department of Revenue Fiscal Note

Bill Number: 2245HB	Title: Electricity production	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Fund	FY2002	FY2003	2001-03	2003-05	2005-07
GF-STATE-State 01-Taxes01-RetailSalesTax	(6,207,606)	(6,771,934)	(12,979,540)	(13,637,305)	(10,258,117)
GF-STATE-State 01-Taxes35-PublicUtilitiesTax	(1,017,824)	(2,035,649)	(3,053,473)	(10,517,519)	(13,570,992)
Total	(7,225,430)	(8,807,583)	(16,033,013)	(24,154,824)	(23,829,109)

Estimated Expenditures from:

	FY2002	FY2003	2001-03	2003-05	2005-07
FTE Staff Years	0.1	0.0	0.1	0.0	0.0
Fund					
GF-STATE-State 001-1	19,700	0	19,700	0	0
Total	19,700	0	19,700	0	0

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternative ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rulemaking, complete Part V.

Legislative Contact: Mark Matteson	Phone: 360-786-7145	Date: 04/13/2001
Agency Preparation: Ray Philen	Phone: 570-6078	Date: 04/19/2001
Agency Approval: Don Taylor	Phone: 360-570-6083	Date: 04/19/2001
OFM Review: Tristan Wise	Phone: 360-902-0546	Date: 04/20/2001

PartII:NarrativeExplanation

II.A-BriefDescriptionOfWhatTheMeasureDoesThatHasFiscalImpact

Brieflydescribe,bysectionnumber,thesignificantprovisionsofthebill,andanyrelatedworkloadorpolicyassumptions,thathaverevenueor expenditureimpactontherespondingagency.

Section1istheintentsectionofthebill.

Section2extendsthemanufacturingmachineryandequipmentsales/usetaxexemptionto"centralstationgenerationusing renewableresourcesorbydistributedgeneration."RenewableresourcesaredefinedinRCW19.29A.010(26)andinclude facilitiesfueledby;water,wind,solarenergy,geothermalenergy,landfillgas,andbiomassenergy.

Removedistherestrictionthatageneratingfacilitybecapableofgeneratingnotlessthanthwohundredkilowattsof electricity.Thisextendstheexemptiontoverysmallgeneratingfacilitiesuitabletoresidentialuse.

Theterms"fuelcell,"principalsourceofpower,"and"distributedgeneration"aredefined.

Section3isthecompanionusetaxsection.

Section4establishesapublicutilitytaxdeductionfor"thecostofthepurchaseorleaseofafacilityusedforthe distributedgenerationofelectricity"andfor"thecostofelectricalenergygeneratedfromrenewableresources."

II.B-CashreceiptsImpact

Brieflydescribeandquantifythecashreceiptsimpactofthelegislationontherespondingagency,identifyingthecashreceiptsprovisionsbysection numberandwhenappropriatedetailoftherevenuesources.Brieflydescribetheactualbasisoftheassumptionsandthemethodbywhichthe cashreceiptsimpactisderived.Explainhowworkloadassumptionstranslateintoestimates.Distinguishbetweenonetimeandongoingfunctions.

ASSUMPTIONS/DATASOURCES

DataSources:

- Washingtoncombinedexcisetaxreturns.
- FederalEnergyRegulatoryCommissiondata(Form1)
- Dept.ofEnergy,EnergyInformationAdministration.
- Financialstatementsoflightandpowerbusinesses.

ItisassumedthattheeffectivedateofthislegislationisJuly1,2001.

AUDITASSESSMENTS(Impactresultingfromrecentauditactivity)

Thislegislationdoesnotresultfromrecentaudits.

CURRENTLYREPORTINGTAXPAYERS(Impactfortaxpayerswhoareknownoreestimatedtobecurrentlypayingthe taxinquestion)

Sections2and3

HydroelectricPower:

Exemptedfromsales/usetaxaremachineryandequipmentuseddirectlyinhydroelectricgeneratingfacilities.Usingdata fromFERC,EIA,financialstatementsandWashingtonexcisetaxreturnsitisestimatedthatfuturespendingonequipment forexistinghydroelectricfacilitieswillbeapproximately\$39millionperyear.Thegeneralfundlossinrevenueis estimatedtobe\$2.5millioninfiscalyear2002.

UsingdatapprovidedbyNorthwestPowerPlanningCouncil(NPPC)itisestimatedthat300MWofadditional hydroelectricgeneratingcapacitywillbebuiltoverafiveyearperiod.Itisestimatedthisadditionalcapacitywillcost

approximately\$1.5millionperMW.Usingtheseassumption,thegeneralfundlossinrevenueisestimatedtobe\$4.0millionineachoffiscalyears2002through2006.

Windpower:

Thecurrentsales/usetaxexemptionforwindpowerfacilitiesincludesallknownandpotentialprojects.Thereisnoadditionalrevenueimpactforwindpoweredfacilities.

SolarPower:

Assumptions

Approximately1,000solargeneratingfacilitieswillbeinstalledinthestateeachyear.

Theaveragecapacityofeachfacilityis500watts.

Theaveragecostforeachfacilityis\$5.00perwatt

Theimpactofremovingtherestrictionthatageneratingfacilitybecapableofgeneratingnotlessthanthwohundredkilowattofelectricity,isalossingeneralfundrevenueofapproximately\$149,000(cashbasis)infiscalyear2002.The localtaximpactisalossinrevenueofapproximately\$37,000.

FuelCells:

Addingfuelcellstothe list of exempted generating technology has no revenue impact until fiscal year 2004 when the loss in general fund revenue is approximately \$200,000 increasing to \$260,000 in FY 2007. This is based on the Energy Information Administration's (EIA) forecast of fuel cell use found in the Annual Energy Outlook 2001. Cost per megawatt of generating capacity for fuel cells is assumed to be \$3 million.

Biomass:

Adding the term "biomass" does not increase the revenue impact of the fiscal note. According to information obtained from Dept. of Community Trade and Economic Development, there is a possibility that 3 biomass fueled power plants could be built over the next two to three years. However, each of these plants is relatively small and would qualify for existing sales and use tax exemptions.

There are currently 24 biomass fueled plants in existence in Washington although not all of these plants are in operation. The largest and most numerous types of biomass fueled power plants are cogeneration plants fueled by wood waste; the largest such facility has a generating capacity of 67 megawatts.

If it is assumed that a cogeneration plant fueled by wood waste is built in the near future, the potential fiscal impact of this legislation is much larger. If a 70 megawatt cogeneration plant were constructed at a cost of \$35 million, the general fund loss in revenue would be approximately \$2.3 million.

Section 4

Section 4 establishes a public utility tax deduction for the costs of operating a generating facility using renewable resources.

Hydroelectric Power:

Using data gathered for Sections 2 and 3 and assuming that operating costs for new hydroelectric generating facilities is \$50 per MWh, the loss in general fund revenue is approximately \$1 million in fiscal year 2002 rising to \$5 million in fiscal year 2006. This assumes that 300 MW of new hydroelectric capacity is built over a five year period beginning in

fiscal year 2002.

Wind:

Assuming that 100 MW of generating capacity powered by wind is online in the later part of 2003, and that operating costs are \$40.00 per MW, the loss in general fund revenues is approximately \$1.7 million in fiscal year 2004.

TAXPAYERS NOT CURRENTLY REPORTING (Although some taxpayers may not now be paying the tax in question, some of them will become aware of their liability in the future, as a result of normal enforcement activities or education programs by the Department. The impact for such taxpayers is based on the Department's studies of average tax compliance)

Taxpayers affected by this legislation are believed to be reporting correctly.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY2002	-	\$(7,225)
FY2003	-	(\$8,808)
FY2004	-	(\$11,566)
FY2005	-	(\$12,588)
FY2006	-	(\$13,651)
FY2007	-	(\$10,178)

Local Government, if applicable (cash basis, \$000):

FY2002	-	\$(1,815)
FY2003	-	(1,979)
FY2004	-	(1,993)
FY2005	-	(1,994)
FY2006	-	(2,007)
FY2007	-	(992)

II.C-Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provision of the legislation that results in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumption translates into cost estimates. Distinguish between one-time and ongoing functions.

The Department will incur costs of approximately \$19,700 in FY2002 to implement this legislation. These costs include staff time, printing and postage to amend two administrative rules.

The Department will attempt to absorb the rule costs. However, if this bill and others similar bills should pass, the net impact may result in costs above the level the Department can reasonably absorb. In that event, the Department will need additional resources to implement this and the other pieces of legislation.

PartIII:ExpenditureDetail

III.A-ExpendituresByObjectOrPurpose

	FY2002	FY2003	2001-03	2003-05	2005-07
FTEStaffYears	0.1		0.1		
A-	7,900		7,900		
B-	2,100		2,100		
E-	8,500		8,500		
J-	1,200		1,200		
Total:	19,700		19,700		

III.B-FTEDetail: ListFTEsbyclassificationandcorrespondingannualcompensation.TotalsneedtoagreewithtotalFTEsinPartI andPartIIIA.

JobClassification	Salary	FY2002	FY2003	2001-03	2003-05	2005-07
HEARINGSSCHEDULER	30,043	0.0				
RULESMANAGER	62,640	0.0				
RULESPOLICYSPECIALIST	60,800	0.0				
TAXPOLICYSPEC2	51,324	0.0				
TAXPOLICYSPECIALIST3	58,071	0.1		0.1		
Total		0.1		0.1		

PartIV:CapitalBudgetImpact

None.

PartV:NewRuleMakingRequired

Identifyprovisionsofthemeasurethatrequiretheagencytoadoptnewadministrativerulesorrepeal/reviseexistingrules.

TheDepartmentwillamendWAC458-20-179andWAC458-20-263.Affectedtaxpayersincludelightandpower businessesandpersonsoperatingelectricgeneratingfacilitiesthatuserenewableresources.

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 2245HB

Title: Electricity production

Part I: Jurisdiction- Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:



Cities:



Counties:



Special Districts:



Specific jurisdiction only:



Variance occurs due to:

Part II: Estimates



No fiscal impacts.



Expenditures represent one-time costs:



Legislation provides local option:



Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

Jurisdiction	FY2002	FY2003	2001-03	2003-05	2005-07
City	\$(767,745)	\$(837,117)	\$(1,604,862)	\$(1,686,501)	\$(1,268,577)
County	\$(626,175)	\$(682,755)	\$(1,308,930)	\$(1,375,515)	\$(1,034,655)
Special District	\$(421,080)	\$(459,128)	\$(880,208)	\$(924,984)	\$(695,768)
TOTAL	\$(1,815,000)	\$(1,979,000)	\$(3,794,000)	\$(3,987,000)	\$(2,999,000)
GRAND TOTAL	\$(10,780,000)				

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: John Lindberg	Phone: (360)725-5038	Date: 04/13/2001
Leg. Committee Contact: Mark Matteson	Phone: 360-786-7145	Date: 04/13/2001
Agency Approval: Val Richey	Phone: 360-725-5036	Date: 04/23/2001
OFM Review: Linda Swanson	Phone: 360-902-0541	Date: 04/23/2001

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

It is assumed that the proposal is effective July 1, 2001.

DESCRIPTION OF WHAT THE MEASURE DOES THAT HAS FISCAL IMPACT:

Section 2: Extends the manufacturing machinery and equipment sales/use tax exemption to central station generation using renewable resources or by distributive generation. Removes the restriction that a generating facility must be capable of generating not less than two hundred kilowatts of electricity. The terms "fuel cell," "principal source of power," and "distributive generation" are defined.

Section 3 is the companion use tax section.

The tax incentives outlined in sections 2 and 3 extend the June 30, 2005 expiration date associated with RCW 82.08.02567 and 82.12.02567 to June 30, 2016.

Section 4: Establishes a public utility tax deduction for the cost of the purchase or lease of a facility used for the distributive generation of electricity and for the cost of electrical energy generated from renewable resources. Provides for a January 1, 2016 expiration date.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

Indeterminate

ASSUMPTIONS:

The expenditure impacts from this bill are indeterminate in the aggregate.

Should a public utility district choose to use alternative energy sources for the generation of electrical power, they would incur expenditure savings from the public utility tax deduction and sales and use tax exemption. This deduction is contingent on the purchase or lease of a facility used for the distributive generation of electricity and for the cost of electrical energy generated from renewable resources. The extent to which the expenditure savings from the tax deduction may occur is not known with certainty.

DATA SOURCES:

Not Applicable

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

The revenue impacts of the sales and use tax exemption is an estimated loss of \$1.8 million in FY 2002 and \$3.8 million for the 2001–2003 biennium.

There is no revenue impact from the public utility tax deduction.

ASSUMPTIONS:

Sections 2 and 3—

Hydroelectric Power:

Exempted from sales/use tax are machinery and equipment used directly in hydroelectric generating facilities. The impact of the tax exemption consists of two components—spending on equipment for existing hydroelectric facilities (\$39 million per year); and the estimated 300 MW of additional hydroelectric generating capacity to be built over a five year period (\$1.5 million per MW).

Wind power:

The current sales/use tax exemption for wind power facilities includes all known and potential projects. There is no additional revenue impact for wind powered facilities.

Solar Power:

The Department of Revenue makes three assumptions. Approximately 1,000 solar generating facilities will be installed in the state each year. The average capacity of each facility is 500 watts. The average cost for each facility is \$5.00 per watt.

The impact of removing the restriction that a generating facility be capable of generating not less than two hundred kilowatts of electricity, is also of approximately \$37,000 to local governments.

Fuel Cells:

The Department of Revenue assumes adding fuel cell to the list of exempted generating technology has no revenue impact until fiscal year 2004.

Biomass:

The Department of Revenue assumes adding the term "biomass" does not increase the revenue impact of the fiscal note. There is a possibility that 3 biomass fueled power plants could be built over the next two to three years. Each of these plants is relatively small and would qualify for existing sales and use tax exemptions. There are currently 24 biomass-fueled plants in existence in Washington although not all of these plants are in operation. The largest and most numerous types of biomass fueled power plants are cogeneration plants fueled by wood waste; the largest such facility has a generating capacity of 67 megawatts. If it is assumed that a cogeneration plant fueled by wood waste is built in the near future, the potential fiscal impact of this legislation is much larger.

Revenue Impact to Local Governments (\$000)–

FY2002(1,815)
FY2003(1,979)
FY2004(1,993)
FY2005(1,994)
FY2006(2,007)
FY2007(992)

Section 4–

This section establishes a public utility tax deduction for the costs of operating a generating facility using renewable resources. There is no revenue impact to local governments from this tax incentive program. There may be an expenditure savings (see section B).

DATASOURCES:

Department of Revenue's HB2245 Fiscal Note
LGFN Sales and Use Tax Revenue Impact Model