Multiple Agency Fiscal Note Summary

Bill Number: 6177 SB	**Title:** State energy supply

Estimated Cash Receipts

Agency Name	2001-03		2003-05		2005-07	
	GF-State	Total	GF-State	Total	GF-State	Total
Community, Trade, and Economic Development	0	875,110	0	895,200	0	995,200
Department of Revenue	(4,860,000)	(4,860,000)	(7,000,000)	(7,000,000)	(11,000,000)	(11,000,000)
Department of General Administration	Indeterminate					
Total:	**(4,860,000)**	**(3,984,890)**	**(7,000,000)**	**(6,104,800)**	**(11,000,000)**	**(10,004,800)**

Local Gov. Courts *						
Local Gov. Other **		(350,000)				
Local Gov. Total		(350,000)				

Estimated Expenditures

Agency Name	2001-03			2003-05			2005-07		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Community, Trade, and Economic Development	3.9	33,610	875,110	3.7	41,830	895,200	3.7	41,830	995,200
Department of Revenue	.5	70,600	70,600	.4	47,900	47,900	.3	30,400	30,400
Department of General Administration	Indeterminate								
Utilities and Transportation Commission	.3	0	47,702	.3	0	47,702	.3	0	47,702
Total:	**4.7**	**$104,210**	**$993,412**	**4.4**	**$89,730**	**$990,802**	**4.3**	**$72,230**	**$1,073,302**

Local Gov. Courts *									
Local Gov. Other **	Indeterminate								
Local Gov. Total									

Prepared by: Tristan Wise, OFM	**Phone:** 360-902-0546	**Date Published:** Final 5/ 2/2001

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

Individual State Agency Fiscal Note

Bill Number: 6177 SB	Title: State energy supply	Agency: 103-Community, Trade & Economic Develop

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Fund		FY 2002	FY 2003	2001-03	2003-05	2005-07
General Fund-Private/Local	001-7	465,010	410,100	875,110	895,200	995,200
	Total	$465,010	$410,100	$875,110	$895,200	$995,200

Estimated Expenditures from:

		FY 2002	FY 2003	2001-03	2003-05	2005-07
FTE Staff Years		4.1	3.7	3.9	3.7	3.7
Fund						
General Fund-State	001-1	12,695	20,915	33,610	41,830	41,830
General Fund-Private/Local	001-7	452,315	389,185	841,500	853,370	953,370
	Total	465,010	410,100	875,110	895,200	995,200

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate 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 rule making, complete Part V.

Legislative Contact:		Phone:	Date: 04/13/2001
Agency Preparation:	Cory Plantenberg	Phone: 360-956-2101	Date: 04/24/2001
Agency Approval:	Dave Warren	Phone: 360-956-2006	Date: 04/26/2001
OFM Review:	Robin Campbell	Phone: 360-902-0575	Date: 04/30/2001

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 2 requires CTED Community Services Division, through the Low income Home Energy Assistance Program, to provide funding information to the Department of Revenue so DOR may determine the utility tax credit.

Section4 requires CTED to receive reports from each consumer owned utility and work with the Utilities and Transportation Commission to prepare an annual report for the legislature starting December 2002.

Section 6 requires CTED to establish the EnergySmart Washington Awards program.

Section 7 increases thermal energy facilities automatically under EFSEC jurisdiction and review from 250 MW to 350 MW. Currently thermal energy facilities under EFSEC review are all greater than 550 mw. The change in jurisdictional threshold from 250 to 350 megawatts would have no additional fiscal impact.

Section 7 also adds a definition of “Renewable Resources” to the definition section of RCW 80.50 (See Section 9).

Section 8 is a new section that requires EFSEC to actively seek to implement the intent of RCW 80.50.010 by diligently and expediently facilitating the siting of energy facilities to meet the current energy supply needs. EFSEC would need to add or modify its rules to ensure its procedures are as streamline as possible. An additional FTE would be necessary to write rules.

Section 9 adds a provision that allows any new or enlargement of “Renewable” energy facilities to “opt-in” to the EFSEC process without limits in size.

Currently “Renewable” energy facilities are not under EFSEC jurisdiction, neither is “opting-in” for renewables to EFSEC review. Therefore for this fiscal note allowing any sized Renewable facilities to “opt-in” would be additional work for EFSEC. It is assumed that one of these “opt-in” applications will be received each year during the six-year planning period. The additional workload associated with processing these applications is assumed to require an increase in staff by 1.0 FTE for an EFS Site Specialist and 0.5 FTE for a Office Assistant, as well as costs for independent consultants, hearings, and associated activities and costs with siting reviews.

Section 10 (2) changes the EFSEC Chair from a part time to full time salaried position. This would have a fiscal impact by increasing the funds required for this position.

Section 10 (3) changes the number and composition of the Council. The Departments of Ecology, Fish & Wildlife, CTED, UTC, and DNR remain, with the Departments of Agriculture, Health, Military, and Transportation removed. The four agencies removed have the option of sitting with the Council as a voting member when an application for siting affects issues under their jurisdiction.

Agencies presently pay for their members’ time on the Council. These departments would assume a workload for their members if they elected to sit with the Council and participate in an application review. There may be some small fiscal impact in the elimination of the cost for travel for only five rather than nine EFSEC members. However, if any or all of the four agencies did participate in any of EFSEC’s review those savings would not be realized. Therefore no fiscal impact to EFSEC is assumed.

Section 11 allows EFSEC the option of retaining or delegating compliance authority to other agencies. For the purpose of this Fiscal Note EFSEC will retain its compliance authority for all facilities. As a result, we assume one additional facility will be permitted each year, thus one additional compliance monitoring program will be added each year to total 5 new facilities (the first year will not have new monitoring) that EFSEC will be monitoring for compliance through contracts to state and/or local agencies. These additional compliance monitoring responsibilities are assumed to require

1.0 FTE for a new EFS Specialist and 0.5 FTE for a new Office Assistant (with equipment), during FY 03-07.

Section 12 changes requirement for EFSEC to conduct a public within 60 days of receipt of an application to conduct an informational public hearing as soon as practicable. This section removes the requirement for EFSEC to hold a land use determination hearing at the initial public hearing. This change will have no fiscal impact.

Section 13 clarifies what EFSEC's report and recommendation to the governor should be based on. Essentially EFSEC already bases its report and recommendation on these factors; therefore this would cause no fiscal change.

Section 22 requires the Department of Revenue to consult with the CTED to make a determination as to whether a plant is a thermal electric peaking plant acquiring or installing a qualifying facility eligible under this section.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Basic Assumption: All funds received are for actual Council expenditures charged to applicants or certificate holders. Receipts are deposited in the private/local account of the state general fund. The narrative discussion of impacts in II.A describes the assumptions that the Council is using in its analysis for determining the number of projects and associated workloads. Overall, the Council's cash receipts will be increased because of the anticipated increase in siting and compliance monitoring activities.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result 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 assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Section 2 requires CTED to provide funding information to the Department of Revenue so DOR may determine the utility tax credit and has no financial impact to CTED.

Section 4 requires CTED to receive reports from each consumer owned utility and work with the Utilities and Transportation Commission to prepare an annual report for the legislature starting December 2002. The Energy Division anticipates this would require .06 FTE of a Senior Energy Policy Specialist and .01 FTE of an Executive Assistant. The benefits and goods and services are a minimal level to support the staff.

Section 6 requires CTED to establish the EnergySmart Washington Awards Program. The Energy Division anticipates this would require .08 FTE of a Senior Energy Policy Specialist and .02 FTE of an Executive Assistant. The benefits and goods and services are a minimal level to support the staff.

Section 8 is a new section that requires EFSEC to actively seek to implement the intent of RCW 80.50.010 by diligently and expediently facilitating the siting of energy facilities to meet the current energy supply needs. EFSEC would need to add or modify its rules to ensure its procedures are as streamline as possible. An additional 1.0 FTE for an EFS Specialist to write and modify rules would be necessary for FY 02.

Section 9 allows renewable energy facilities of any size to "op-in" in to the EFSEC review. This new option is assumed to result in one additional application being filed with the Council each year during the 02-07 period. An increase in staff by 1.0 FTE for an EFS Specialist and 0.5 FTE for an Office Assistant (with equipment) will be required to manage these siting reviews. In addition, contractual services for application review and impact statement work are estimated to cost $75,000 for each "opt-in" application, at one per year. Additional costs would also be in Goods and Services for costs associated with hearings on the new "op-in" facilities and additional FTEs.

Section 10 institutes a full time salaried position for the EFSEC Chair. This position is assumed to be funded at approximately $70,000 per year. Currently the EFSEC chair receives an equivalent of approximately $26,000 per year without benefits. This is an increase of $44,000 per year plus benefits on the $70,000 per year salary.

Section 11 allows EFSEC to retain compliance authority for energy facilities. Assuming that additional "op-in" applications under Section 9 result in more facilities being sited, the Council will also experience an increase in its compliance monitoring responsibilities at approved projects during the 03-07 period. These additional compliance monitoring responsibilities are assumed to require 1.0 FTE for a new EFS Specialist and 0.5 FTE for Office Assistant (with equipment), during FY 03-07. Contracts with state and local agencies with monitoring and permitting expertise will be required for an estimated $25,000 per project per year. The $25,000 per year/per project will become additive over the years from an additional $25,000 in FY 03 to $125,000 in FY 07.

Section 22 requires the Department of Revenue to consult with the CTED to make a determination as to whether a plant is a thermal electric peaking plant acquiring or installing a qualifying facility eligible under this section. The Energy Division anticipates this would require .01 FTE of a Senior Energy Policy Specialist. The benefits and goods and services are a minimal level to support the staff.

Part III: Expenditure Detail

III. A - Expenditures By Object Or Purpose

	FY 2002	FY 2003	2001-03	2003-05	2005-07
FTE Staff Years	4.1	3.7	3.9	3.7	3.7
A-Salaries and Wages	212,248	173,024	385,272	346,048	346,048
B-Employee Benefits	53,062	43,256	96,318	86,512	86,512
C-Personal Service Contracts	75,000	100,000	175,000	275,000	375,000
E-Goods and Services	108,791	92,278	201,069	184,556	184,556
G-Travel	909	1,042	1,951	2,084	2,084
J-Capital Outlays	15,000	500	15,500	1,000	1,000
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	$465,010	$410,100	$875,110	$895,200	$995,200

III. B - FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA.*

Job Classification	Salary	FY 2002	FY 2003	2001-03	2003-05	2005-07
EFS Specialist	52,536	3.0	2.0	2.5	2.0	2.0
EFSEC Chair	70,000	.5	.5	.5	.5	.5
Executive Asst.	55,212	.0	.0			
Office Assistant	26,625	.5	1.0	.8	1.0	1.0
Sr. Energy Policy Spec.	58,032	.1	.2	.1	.2	.2
Total		4.1	3.7	3.9	3.7	3.7

III. C - Expenditures By Program (optional)

Program	FY 2002	FY 2003	2001-03	2003-05	2005-07
EFSEC (500)	452,315	389,185	841,500	853,370	953,370
Energy Policy (50O)	12,695	20,915	33,610	41,830	41,830
Total	$465,010	$410,100	$875,110	$895,200	$995,200

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 8 does not implicitly require rule making, EFSEC would need to add or modify its rules to ensure a more streamline siting process.

Department of Revenue Fiscal Note

Bill Number: 6177 SB	Title: State energy supply	Agency: 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Fund	FY 2002	FY 2003	2001-03	2003-05	2005-07
GF - STATE-State 01 - Taxes 01 - Retail Sales Tax	(930,000)	(930,000)	(1,860,000)		
GF - STATE-State 01 - Taxes 05 - Bus and Occup Tax				(1,000,000)	(2,000,000)
GF - STATE-State 01 - Taxes 10 - Compensating Tax				(600,000)	(1,200,000)
GF - STATE-State 01 - Taxes 35 - Public Utilities Tax	(1,500,000)	(1,500,000)	(3,000,000)	(5,400,000)	(7,800,000)
Total	(2,430,000)	(2,430,000)	(4,860,000)	(7,000,000)	(11,000,000)

Estimated Expenditures from:

	FY 2002	FY 2003	2001-03	2003-05	2005-07
FTE Staff Years	0.7	0.3	0.5	0.4	0.3
Fund					
GF-STATE-State 001-1	55,400	15,200	70,600	47,900	30,400
Total	55,400	15,200	70,600	47,900	30,400

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate 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 rule making, complete Part V.

Legislative Contact:		Phone:	Date: 04/13/2001
Agency Preparation:	Skeets Johnson	Phone: 570-6075	Date: 04/17/2001
Agency Approval:	Don Taylor	Phone: 360-570-6083	Date: 04/17/2001
OFM Review:	Tristan Wise	Phone: 360-902-0546	Date: 04/18/2001

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

NOTE: This version of the fiscal note reflects the inputs from legislative staff, OFM and CTED Energy Office as to the current expected survivability of DSI firms during the forecast period. This fiscal note only covers the impacts to the Department of Revenue.

Section 2 provides a public utility tax credit to light and power businesses and gas distribution businesses for billing discounts that are equal to or greater than 125% of the discounts given in fiscal year 2000. The amount of the credit is equal to 50% of the billing discount.

"Billing discounts" are defined as a reduction made in the amount charged for providing service to persons that qualify for low-income energy assistance grants.

"Grants" are defined as funds provided by the Department of Community, Trade, and Economic Development from the low income home energy assistance program 42 U.S.C. Sec 8623 et seq.

"Qualifying contribution" means money given by a light and power business or a gas distribution business to a qualifying organization, exclusive of money received in the prior fiscal year from its customers for the purpose of assisting other customers.

"Qualifying organization" means an entity that has a contractual agreement with the Department of Community, Trade, and Economic Development to administer low-income home energy assistance funds received from the federal government and such other funds that may be received by the entity in a specific area.

The total amount of credit that may be taken in any fiscal year is limited to $1.5 million. The credit taken by a particular firm is limited to the amount of public utility tax; any unused credit expires.

Section 2(4)(d) of the bill requires that any unused credits be ratably distributed to applicants under the formula in subsection (1)(a). This ensures that all of the available $1.5 million credit amount will be taken.

Section 16 provides a credit against B&O tax for the amount of public utility tax attributable to purchases of natural gas by a direct service industrial (DSI) firm or its subsidiary. The credit is only available for DSI firms that construct a gas turbine electrical generating facility after the effective date of the section. The credit is for a 60 month period following the first month of natural gas usage. The credit must be taken after July 1, 2004.

Sections 16(3), 17(3) and 18(4) require that credit or deferral participants meet the requirements for diversification of resources if such legislation is enacted by the 2001 Legislature.

Section 16(4) requires that participants apply for the credit before the first purchase of natural gas specifying the expected dates of purchase and construction of the power plant and affirm status as a DSI customer.

Section 16(5) limits the credit to the B&O tax liability of the firm and provides that credits cannot be carried forward.

Sections 16(6-7) provide that if employment is not maintained for five years at the same average level as in the six years prior to application, a portion of the credits need to be repaid. The repayment ranges from 10% to 100% depending on the level of employment reduction. This repayment would be made over the subsequent five years. Interest would not be charged on the disallowed credit but penalties would be imposed on delinquent excise taxes. Insolvency or failure of the DSI firm would not extinguish this debt.

Section 17 provides a comparable 60 month deferral for the use tax on brokered natural gas purchased by the DSI firm that constructs a new power plant. This deferral also takes effect on July 1, 2004, requires an application before initial purchase and requires repayment of the tax if employment declines from the base period level.

Section 18 provides a comparable 60 month credit for public utility tax on electrical sales to the DSI firm if a public utility constructs a new power plant to supply the power needs of the DSI firm. This credit is allowed if the public utility passes the credit on to the DSI firm in reduced rates and has a 10 year contract to supply power to the DSI firm. This credit also takes effect on July 1, 2004, requires an application before initial purchase and requires repayment of the tax if employment declines from the base period level as in Sections 16 and 17.

Sections 16(8), 17(7) and 18(8) require the Employment Security Department to make and certify determinations of employment requested by the Department of Revenue.

Sections 16(9) and 17(8) require participants to report quarterly to the Department on the volume and value of natural gas purchased and the percentage of the total used to generate electricity for the facility.

Section 19 provides a cap of $4 million per fiscal year for all credits and deferrals included in Sections 16-18 and limits an individual firm to $2 million of credit or deferral per fiscal year. These credits would be available on a first-come basis and DOR will notify participant firms when caps are reached. The credits or deferrals which are disallowed due to the cap can not be carried back or forward.

Section 22 provides an exemption from retail sales/use taxes on pollution control equipment installed on thermal electric peaking power plants. A thermal electric peaking plant is defined as a natural gas fired facility that was put into service between 1978 and 1984, and was registered for service in 2000 under RCW 70.94.151. This section does not have a sunset date.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS/DATA SOURCES

Sections 16-19

The Bonneville Power Administration (BPA) has stated that DSI customers need to become self-sufficient in their power supplies by 2006. Since these plants will be obtaining 65% of their power from BPA after October 2001, they need to construct new power plants to replace their expected power needs.

Future power needs of DSI customers are proportionate to expected production of aluminum and paper pulp.

The State Energy Office estimates that future natural gas prices will average $4/million BTU during the period of the proposed credits and deferrals.

For purposes of the fiscal note it is assumed that not all DSI facilities in the state will continue to operate as they have in the past. Apparently one firm has already declared bankruptcy, two others have specific BPA incentives to construct replacement power plants. Of the remaining DSI customers, an average of only 50% are expected to use this program either because they will use alternate sources of power or will have some form of curtailment during the forecast horizon.

These assumptions provide an average new plant demand equivalent to 61% of existing usage trends, if they were to be projected into the future.

There may be a local tax impact if public utilities provide power to DSI?s.

The effective date is assumed to be July 1, 2001.

Section 22

Based on data provided by the State Energy Office it is believed that seven facilities would qualify for this exemption.

Current rates for power are sufficient to recover the cost of upgraded pollution control equipment.

The effective date, for purposes of the revenue estimate, is assumed to be July 1, 2001.

Since there is no reason for the power plants to postpone the investment, it is assumed that all of the pollution control facilities would be acquired and installed during the 2001-03 biennium.

AUDIT ASSESSMENTS (Impact resulting from recent audit activity)

Not applicable

CURRENTLY REPORTING TAXPAYERS (Impact for taxpayers who are known or estimated to be currently paying the tax in question)

Section 2
Light and power businesses (L&P) currently give billing discounts to customers that amount to between $7 million and $8 million. Twelve L&Ps give billing discounts to their customers. Nearly all L&Ps and gas distribution business receive Low Income Home Energy Assistance Program (LIHEAP) funds through the Dept. of Community, Trade, and Economic Development (DCTED) or organizations that contract with DCTED.

Of the approximately 95 L&Ps and gas distribution business only those that offer billing discounts to their customers will be eligible for the public utility tax credit proposed in this bill.

Because Section 4(d) of the bill requires that all of the $1.5 million available credit be distributed, the impact to state general fund revenues will be a loss of $1.5 million annually.

Sections 16-19
There are currently 9 DSI firms that could take advantage of the proposed credits and deferrals. It is believed that these firms would need to replace an average of approximately 18.4 MMW (2100 MW) of power per year during the 2005-2009 period (BPA and from other sources) if these firms operate at current levels of capacity. This fiscal note assumes that only about 61% (1283MW) of these needs (see assumption above) will be replaced by constructing new power plants. This fiscal note assumes that all power needed will be replaced by constructing new power plants. Since it would take about two years to construct the necessary replacement power plants, it is assumed that all facilities would be operational by FY 2005. The total credit and deferrals of tax attributable to replacing this power with natural gas to supply the new natural gas power plants would be about $56.9 million over a 60 month period if there were no caps for these credits. With the $4 million per year cap the total would be $20 million over the five year period.

Supply and price conditions will determine whether firms take advantage of the B&O credit, a deferral of use tax on brokered natural gas or a public utility would construct the power plant and take the public utility tax credit provided in the proposal. However, about half of the DSI firms are not believed to have sufficient B&O tax liability to use all of the B&O credit, so at least some of the tax benefit will be in the form of use tax or public utility tax. Since there are a large number of proposed and/or permitted power plants already under consideration, it is believed that a large portion of the proposed tax benefits will be in the form of a public utility tax. Therefore, for purposes of the fiscal note, about $12 million is assumed to be public utility tax, $5 million B&O tax and $3 million use tax over five years. For the final three years of the fiscal note coverage, it is estimated that the revenue loss totals $12 million.

Based on national projections of employment, and the fact that most DSI firms are going to be shut down for much of 2001, it is expected that the average firm will be able to meet the average employment requirements of the bill and not be required to repay the credits or deferrals.

While a local utility tax on revenues received by a public utility for power sold to a DSI firm is possible, it is not known where these possible power plants would be located and whether they would be located in a local taxing jurisdiction. Therefore, no estimate of local tax impact is provided.

Section 22 -There are seven natural gas fired power plants with about 648 MW of capacity that are believed to be eligible for this exemption. These plants are operating but subject to pollution control limits. The upgrade costs for these facilities are estimated at an average of about $44,000 per MW of capacity and are assumed to take place during the 2001-2003 biennium. With these assumptions the impact of this section would be $1,860,000 during the biennium.

These facilities are located in Ferndale, Spokane, Burlington and Parkland and the local sales tax loss would be about $350,000 during the biennium.

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)

Not applicable

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):

FY 2002	-	$ (2,430)
FY 2003	-	(2,430)
FY 2004	-	(1,500)
FY 2005	-	(4,000)
FY 2006	-	(4,000)
FY 2007	-	(4,000)

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

FY 2002	-	$(175)
FY 2003	-	(175)
FY 2004	-	0
FY 2005	-	0
FY 2006	-	0
FY 2007	-	0

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result 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 assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

The Department will incur costs of approximately $55,400 in FY 2002 to implement Section 2 of this legislation. These costs include:

One rule amendment at a cost of approximately $9,700. Costs include staff time, printing and postage.
0.35 FTE at an ITAS 4 level. Additional programming time will be necessary to compute and monitor the capped credit authorized in Section 2 of this legislation.
0.3 FTE at an ETE 2 level. Additional time will be necessary to initiate the application process and individual taxpayer monitoring system for the credit authorized in Section 2 of this legislation.

The Department will also incur ongoing implementation costs for Section 2 of this legislation of approximately $15,200 in FY 2003 and each fiscal year thereafter. Costs include 0.3 FTE at an ETE 2 level as described above.

The Department will also incur costs of approximately $35,500 in FY 2004 to implement Sections 16-19 of this legislation. These costs will include 0.26 FTE at an ITAS 4 level. Additional programming time will be necessary to program changes to the excise tax, research, transcript, and credit tracking computer systems, as well as staff time to review and track credit applications and maintain the credit databases of submitted reports.

The Department will need an appropriation to fully implement this legislation.

Part III: Expenditure Detail

III. A - Expenditures By Object Or Purpose

	FY 2002	FY 2003	2001-03	2003-05	2005-07
FTE Staff Years	0.7	0.3	0.5	0.4	0.3
A-	33,000	10,600	43,600	33,200	21,200
B-	8,600	2,800	11,400	8,700	5,600
E-	8,100	1,800	9,900	4,600	3,600
J-	5,700		5,700	1,400	
Total:	55,400	15,200	70,600	47,900	30,400

III. B - FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA.*

Job Classification	Salary	FY 2002	FY 2003	2001-03	2003-05	2005-07
EXCISE TAX EXAMINER 2	35,425	0.3	0.3	0.3	0.3	.3
HEARINGS SCHEDULER	30,043	0.0				
INFO TECH APP SPEC 4	52,611	0.4		0.2	0.1	
Rules Manager	62,640	0.0				
RULES POLICY SPECIALIST	60,800	0.0				
TAX POLICY SPEC 2	51,324	0.0				
TAX POLICY SPECIALIST 3	58,071	0.1				
Total		0.7	0.3	0.5	0.4	.3

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

The Department will amend WAC 458-20-179. Affected taxpayers include utilities.

Individual State Agency Fiscal Note

Bill Number: 6177 SB	Title: State energy supply	Agency: 150-Dept of General Administration

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Indeterminate Impact

Estimated Expenditures from:

Indeterminate Impact

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate 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 rule making, complete Part V.

Legislative Contact:		Phone:	Date: 04/13/2001
Agency Preparation:	Keith Williams	Phone: 360 902-7224	Date: 04/17/2001
Agency Approval:	Dale Abersold	Phone: 360-9027336	Date: 04/18/2001
OFM Review:	Tristan Wise	Phone: 360-902-0546	Date: 04/19/2001

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 30 (1) would require each state agency and school district to undertake an energy audit and implement cost-effective conservation measures. Performance-based contracting is deemed to be the preferred method for implementing and completing energy audits and implementing cost-effective conservation measures. As part of the process, section 30 (2) will require General Administration (GA) to assist agencies and school districts, notify them of their responsibilities, apprise them of opportunities to develop and finance projects, provide technical and analytical support, review verification procedures for energy savings, assist in the structuring and arranging of financing for projects. Section 30 (5) directs that GA recover any costs and expenses it incurs in providing assistance , including reimbursement from third parties participating in conservation projects. GA is to enter into a written agreement with the public agency for the recovery of costs."

Section 31 will require each school district to conduct an energy audit of its facilities and to implement energy conservation maintenance and operation procedures that may be identified for any district facility.

Section 33 will require energy audits in state-owned buildings, to require energy audits as a lease condition in all new, renewed, and renegotiated leases of buildings by the state, and to undertake such modifications and installations as are necessary to maximize the efficient use of energy in these buildings.

Section 34 specifies that energy audits will consist of 1) an energy consumption survey which identifies the type, amount, and rate of energy consumption of the facility, and 2) a walk-through survey which determines appropriate energy conservation maintenance and operating procedures and indicates the need, if any, for the acquisition and installation of energy conservation measures and energy management systems. The above two components are to be done by the agency responsible for the facility. Based on a conservative estimate of .02/square foot it is estimated the cost to comply with the first 2 components of the energy audit would be about $1,342184 for all state-owned (non GA) buildings - much of which will be offset by energy savings from performance contracting resulting from the energy audits. This estimate is calculated from the footprint square footage as it is listed in the OFM-maintained Facilities Inventory System.

A further requirement of section 34 is that the director of General administration provide technically qualified personnel to the responsible agency if necessary to perform the energy audit.

If an energy audit identifies potentially cost-effective energy conservation measures, both school districts (sec 31) and state agencies (sec 36) will be required to undergo an investment grade audit of their facility. The investment grade audit is an intensive engineering analysis of energy conservation and management measures for the facility, net energy savings, and a cost-effectiveness determination. The agency or school district would then be required to install cost-effective energy conservation measures that are identified as a result of the audit. The audit is normally done by contracting with an energy services company and can be part of a performance contract that would be paid for through eventual energy savings. If the energy audit is done as part of a performance contract with General Administration reimbusement will take place once savings have been realized. Initial funding for the audit would need to be "up fronted" by GA. Over time reimbursements from previously completed audits would be used to fund new performance contracts.

Section 36, 3) requires that "For each biennium until all measures are installed, the director of general administration shall report to the governor and legislature installation progress, measures planned for installation during the ensuing biennium. This report shall be submitted by December 31, 2004, or at the end of the following year whichever immediately precedes the capital budget adoption, and every two years thereafter until all measures are installed." The cost of reporting is not recoverable.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

See attachment 1"Cash Receipt & Expenditure Detail" for detail of cash receipts which we can identify (Assumptions below).

The fiscal impact of Investment Grade Audits and the energy projects that might arise out of them is considered to be INDETERMINATE. However, we assume that any costs associated with this work will be recovered through energy savings in ensuing biennia.

The $30,000 cost of performing energy audits on Property Management Group owned buildings will be absorbed by the division.

The $8,000 cost of performing energy audits on Capitol Facilities owned buildings will be absorbed by the division.

The costs associated with the 1 FTE (Management Analyst 3) that the Energy Program will need to perform--the notification and education functions of section 30 and the reporting function of section 36--are not recoverable through fee for service or otherwise. The division cannot absorb these costs.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result 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 assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

See attachment 1"Cash Receipt & Expenditure Detail" for detail of expenditures which we can identify (Assumptions below).

General Administration's Division of Capitol Facilities has estimated that performing the two components of the energy audits on the facilities of the West Campus and the two remaining buildings of East Campus can be done for about $8,000. They will contract with the energy engineers of GA's Facilities and Engineering Services to perform these audits.

General Administration's Property Management Group (PMG) has estimated that they will spend $30,000 to perform the two components of the energy audits on the buildings they own. The requirement to perform energy audits on buildings that are being leased or whose lease is being renewed is an already existing requirement and is considered to be the responsibility of the lessor and the leasing entity. If, however, the PMG is asked to provide this service those costs will be recovered through reimbursable billings.

The Energy Program, of General Administration's Facilities and Engineering Services, estimates that to do all the up front notifications and assistance to agencies that section 30 requires and the monitoring/reporting of section 36 will take 1 FTE of a Management Analyst 3. This will be a recurring cost.

The above estimations are concerned with the costs of complying up through components 1) and 2) of the energy audits. If, as a result of the energy consumption surveys and the walk throughs, investment grade audits are warranted, and if these more intensive reviews result in energy projects, then further INDETERMINATE COSTS will be incurred. These costs are considered to be indeterminate because of the sheer volume of facilities we are considering (those owned by state agencies and school districts, and those that are leased by state agencies), and the widely varied conditions of those buildings. These indeterminate costs can be financed through performance contracts that would be paid for through the resulting energy savings, but there also would be a cost effect in that there would need to be an initial outlay of cash by the State Treasurer to finance the projects, then in ensuing fiscal years there would be a decrease in utility costs with an offsetting increase in debt payments.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Attachment 1: Cash Receipt & Expenditure Detail for SB 6177

This spreadsheet provides the fiscal detail (impact) that can be measured with any accuracy. The fiscal impact of Investment Grade Audits and any energy projects that might arise out of them is considered to be indeterminate.

Estimated Cash Receipts to:

		2002	2003	2001-03	2003-05	2005-07
422-6	General Administration Service Account-Non-Appropriated	-	-	-	-	-
	Total		**-**	**-**	**-**	**-**

Estimated Expenditures from:

		2002	2003	2001-03	2003-05	2005-07
FTE Staff Years		1.00	1.00	1.00	1.00	1.00
Fund						
422-1	General Administration Service Account-Appropriated	8,000		8,000		
422-6	General Administration Service Account-Non-Appropriated	109,411	79,411	188,822	158,822	158,822
	Total	**117,411**	**79,411**	**196,822**	**158,822**	**158,822**

Expenditure Detail:

		2002	2003	2001-03	2003-05	2005-07
FTE Staff Years		1.0	1.0	1.0	1.0	1.0
A	Salaries & Wages	40,860	40,860	81,720	81,720	81,720
B	Employee Benefits	10,373	10,373	20,746	20,746	20,746
C	Personal Serv Contr	-	-	-	-	-
E	Goods and Services	66,178	28,178	94,356	56,356	56,356
G	Travel	-	-	-	-	-
J	Capital Outlays	-	-	-	-	-
M	Inter Agency Fund Transfers	-	-	-	-	-
N	Grants, Benefits Services	-	-	-	-	-
P	Debt Service	-	-	-	-	-
S	Interagency Reimburesement	-	-	-	-	-
T	Intra-Agency Reimbursement	-	-	-	-	-
9						
	Total	**117,411**	**79,411**	**196,822**	**158,822**	**158,822**

FTE Detail:

Job Class	Salary	2002	2003	2001-03	2003-05	2005-07
MA3	$40,860	1.0	1.0	1.0	1.0	1.0
	Total	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**

Expenditures By Program:

Program		2002	2003	2001-03	2003-05	2005-07
Capitol Facilities (050)		8,000	0	8,000	0	0
Energy Program (040)		79,411	79,411	158,822	158,822	158,822
Property Management (160)		30,000	0	30,000	0	0
	Total	**117,411**	**79,411**	**196,822**	**158,822**	**158,822**

Individual State Agency Fiscal Note

Bill Number: 6177 SB	**Title:** State energy supply	**Agency:** 215-Utilities and Transportation Comm

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Fund					
Total					

Estimated Expenditures from:

	FY 2002	**FY 2003**	**2001-03**	**2003-05**	**2005-07**
FTE Staff Years	0.3	0.3	0.3	0.3	0.3
Fund					
Public Service Revolving Account-State 111-1	23,851	23,851	47,702	47,702	47,702
Total	23,851	23,851	47,702	47,702	47,702

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate 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 rule making, complete Part V.

Legislative Contact:	Phone:	Date: 04/13/2001
Agency Preparation: Mike Young	Phone: 360-664-1158	Date: 04/13/2001
Agency Approval: Barbra Weigel	Phone: 360-664-1157	Date: 04/17/2001
OFM Review: Les Myhre	Phone: 360-902-0614	Date: 04/17/2001

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

2) Section 2 - No impact.
3) Section 3 - Clarifies the authority of PUDs and Municiple Utilities to do billing discount programs. No impact.

4) Section 4 - Requires all utilities to offer green resource pricing options. Requires WUTC and CTED to make reports to the legislature annually from December 1, 2002 through December 1, 2012. This is the same section as the green pricing section in SB6174. Would require .3 FTE at the Program Manager/Consultant level.

5) Section 5: Small utility excemption- no impact.

6) Section 6: CTED to establish an EnergySmart Washington awards program. No impact.

7) Section 7 - 13 - These are amendments to Energy Facility Siting/Efficiency Council (EFSEC.) Increases threshold to 300 MW (55 MW for floaters). Permits renewable project opt-in for any size project. Pays the chair. Removes Departments of Health, Military Agriculture and Transportation from permanent council membership. Establishes that these 4 may opt in as members. Lets the EFSEC chose whether to hold continuing jurisdiction over compliance monitoring. Makes modest changes to hearing process. Clarifies that the council's recommendations to the Governor are to based on the adjudicated record and the EIS. No impact to WUTC.

8) Section 14 - 15. Renames and re-constitutes the Joint Committee on Energy Shortages.

9) Section 15 - 19. The Direct Service Industry self-generation tax credit/deduction. No impact.

10) Section 20-21. To apply Initiative 394 to nuclear projects only. No impact.

11) Section 22. Tax credits for air pollution control equipment on peaking plants. No impact.

12) Section 23-36. Energy Efficiency in State and Public-owned buildings. No impact.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

None.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result 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 assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Because this measure relates to Investor Owned Utilities (IOUs), funds for the required activities would be provided by the Public Service Revolving account. However, WUTC would not be able to increase rates to cover the increased cost, and therefore some other activities would have to be reduced or eliminated.

- Annually receive and analyze renewables reports for 10 years: partial FTE at the Regulatory Consultant Level annually for 10 years
2002-2012. (Some years could be less, some years more time, depending whether we can fit this supply analysis into our biennial Integrated Resource Plan [IRP] cycle.)
- Prepare and deliver legislative report on renewables: partial FTE at the Regulatory Consultant Level annually for 10

years 2002-2012.

Part III: Expenditure Detail

III. A - Expenditures By Object Or Purpose

	FY 2002	FY 2003	2001-03	2003-05	2005-07
FTE Staff Years	0.3	0.3	0.3	0.3	0.3
A-Salaries and Wages	17,410	17,410	34,820	34,820	34,820
B-Employee Benefits	4,352	4,352	8,704	8,704	8,704
C-Personal Service Contracts					
E-Goods and Services	2,089	2,089	4,178	4,178	4,178
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	$23,851	$23,851	$47,702	$47,702	$47,702

III. B - FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA.*

Job Classification	Salary	FY 2002	FY 2003	2001-03	2003-05	2005-07
Program Manager/Consultant	58,032	.3	.3	.3	.3	.3
Total		.3	.3	.3	.3	.3

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

None anticipated

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 6177 SB	**Title:** State energy supply

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

Legislation Impacts:

- [√] Cities:
- [√] Counties:
- [√] Special Districts:
- [ ] Specific jurisdictions 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: Expenditure impact is expected to be minimal; other revenue impacts are possible in addition to those below, but they are indeterminate at this time and expected to be minimal.

Estimated revenue impacts to:

Jurisdiction	**FY 2002**	**FY 2003**	**2001-03**	**2003-05**	**2005-07**
City	$(80,963)	$(80,963)	$(161,926)		
County	$(90,366)	$(90,366)	$(180,732)		
Special District	$(3,671)	$(3,671)	$(7,342)		
TOTAL	$(175,000)	$(175,000)	$(350,000)		
GRAND TOTAL					**$(350,000)**

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: Val Richey	Phone: 360-725-5036	Date: 04/18/2001
Leg. Committee Contact:	Phone:	Date: 04/13/2001
Agency Approval: Val Richey	Phone: 360-725-5036	Date: 04/18/2001
OFM Review: Linda Swanson	Phone: 360-902-0541	Date: 04/18/2001

Part IV: Analysis

A. SUMMARY OF BILL

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

Section 2
Creates a public utility tax credit program for gas and electric utilities to provide billing discounts to low-income customers or to make direct contributions to existing community-based energy assistance programs. An annual cap of $1.5 million in total credits is available statewide.

Section 3
Clarifies that municipal utilities may offer low-income rate discounts to a class of low-income individuals other than senior citizens.

Section 4
Requires utilities to offer consumers a choice to purchase electricity generated from renewable resources. The rates, terms and conditions for the options available are set by utilities.

Section 5
Exempts small utilities from the provisions of section 4.

Section 7
Raises EFSEC threshold from 250 MW to 350 MW for stationary thermal power plants, and from 50 MW to 55 MW for floating thermal plants (barges with generators). Adds definition of "renewable resources" for use in section 8.

Section 9
Allows renewable facilities of any size to "opt-in" to the EFSEC process.

Section 16
Establishes and B&O tax credit for DSIs that purchase natural gas from a WA gas company for use in DSI electric generating facility.

Section 17
Establishes a deferral of brokered natural gas tax for DSIs that purchase natural gas from an out-of-state gas company for use in DSI electric generating facility.

Section 18
Establishes a public utility tax credit for DSIs that purchase the output of a gas-fired plant that is owned and operated by someone other than a DSI.

Section 19
Caps the total annual credits and deferrals at $4 million per fiscal year; limits any individual recipient to $2 million per fiscal year.

Section 20
Removes the public vote requirement enacted by Initiative 394 for all public energy projects. Keeps the vote requirement for nuclear power plant projects.

Section 21
Restores the Initiative 394 requirement for an independent cost-effectiveness study and public hearing on any public energy project larger than 250 MW.

Section 22
Creates a sales and use tax exemption for the installation or acquisition of air pollution control equipment for thermal electric peaking plants. Expires June 2011.

Sections 23-36
Adds the energy audit and efficiency requirements for state-owed and state-leased buildings and school district buildings. Authorizes performance contracting for municipal buildings.

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.

The expenditure impacts from this bill are indeterminate in the aggregate. This analysis addresses the determined and/or potential impacts below on a section by section basis. Sections have been divided in Parts numbered I-VII. The impact for Parts I and II is zero; Part III is indeterminate, but expected to be minimal; and Parts IV-VII are no impact.

PART I: Sections 2-3

The language of these sections is permissive and does not require any increase or decrease in local government expenditures. Should local government-owned public utilities choose to exercise the option and offer billing discounts, they would incur expenditure savings from the public utility tax credit. The extent to which these expenditure savings may be mitigated by revenue losses from the billing discounts is unknown.

PART II: Sections 4-5

The consumer option provisions in these sections would have a negligible impact on local governments. According to the Association of Washington Cities (AWC), only two cities, Seattle and Tacoma, would qualify after the small utility exemption is applied (section 5). Tacoma already offers a renewable energy option and Seattle is currently considering a offering a mix of renewable and traditionally-generated energy.

According to the Washington Public Utility Districts Association (WPUDA), the cost for public utility districts (PUD) to establish an energy option program would be negligible. WPUDA reported that depending on the type and source, renewable energy may be more or less expensive than non-renewable energy.

Both associations reported that in any case, additional expenditures required of local government energy providers to offer a consumer option would be passed on to the consumer. Thus, the net impact to local government would be negligible or zero.

PART III: Sections 7 and 9

The fiscal impact from these sections is expected to be minimal, however it cannot be determined with certainty at this time because there is no information available regarding how many sitings would be undertaken by local governments in the future due to the revised threshold provided for in section 7. Furthermore, there is a lack of data regarding the average cost to site a facility and the exact percentage of the cost that is recouped via local government permit fees and direct payment by the developer (estimates provided below).

Discussion/Assumptions:

These sections potentially increase the involvement of local governments in the energy facility siting process by raising the EFSEC threshold from 250 MW to 350 MW, which in turn would require that cities and counties undertake the siting of all specified facilities under 350 MW (barring various exceptions provided for in the bill). As is discussed below, the impact from this bill is expected to be minimal since no net increase in the number of sitings under 350 MW is expected. Moreover, due to the "opt-in" provision in section 9, local government may see either no change in the number of siting or possible a slight reduction. Finally, should the number of sitings change, it is estimated that the majority of the expenditures required to site a facility would be covered by the developer; estimated costs to local governments total approximately $20,000 to $100,000.

1) Number of additional facility sitings required of local governments:

Currently, local governments are responsible for sitings of facilities less than 250 MW, and in the last 2 to 3 years, approximately 5 facilities just under the 250 MW threshold have been sited by local governments. Under this bill, local governments would also be responsible for any facilities between 250 and 350 MW. However, the EFSEC, the Energy Policy Office of the Office of Trade and Economic Development, and the Association of Washington Cities (AWC) project that the total number of sitings conducted by local governments is unlikely to increase to any significant degree; rather, the capacity of facilities sited is expected to increase. For example, a facility that might be sited at 248 MW under current law, would likely be sited at 270 MW or greater under this bill.

Therefore, increased expenditures due to an increased number of sitings are unlikely (for further detail see #2a).

2) Cost per facility siting

a) 250 MW vs. 350 MW

EFSEC, AWC and local jurisdictions do not expect the average cost for a siting to increase for facilities over 250 MW relative to facilities under 250 MW: the processes are largely the same. Significant expenditure impacts per unit are more likely with extremely large (e.g. 500MW or greater) or small facilities (100 MW or less). This variation is often due to the range of impacts such a facility could have on its surrounding environment.

b) Cost to site single facility under 350 MW

Even though per-unit costs are unlikely to change, if local goverments had to process additional sitings under this bill they would incur per-unit siting costs; these include the costs of determining whether the energy site meets local land use laws and is consistent with other environmental, water and air quality laws. Depending on the specifics of the case, they may have to do an Environmental Impact Statement (EIS) which often carries significant costs, or in other circumstances, a mitigated Determination of Non-Significance (DNS).

The percentage of the total per-unit costs actually incurred by local governments under current law is usually relatively minimal. Most of the surveyed jurisdictions reported that significant portions of the siting process costs were recouped from the developer following a third party contract agreement or payed directly by the developer or proponent of the facility. Below are some examples of potential costs reported by cities and counties for siting an energy facility. Some are hypothetical estimates from local planners, others are based on recent experience. Depending on the case, all or a portion of these costs may be recouped from the developer. Experience suggests that the total costs for siting range broadly from $25,000 to $500,000 or more.

Goldendale

The City of Goldendale is in the final stages of a 248 MW facility siting and estimates that costs borne by the city total approximately $100,000 for the year-long process, largely attibutable to attorney and planner labor costs. However, the city reports that the developer has incurred an estimated $1 to $2 million of the total siting costs.

Longview

The City of Longview is currently attempting to site a 248 MW facility and will incur costs for staff time estimated at $10,000 in value. The city further anticipates substantial attorney fees once the process moves to the final stages, when appeals are more likely. Total costs could approximate those experienced by Goldendale. Again, in the case of Longview, significant costs were absorbed by the developer directly for the siting process. In each of these cases a mitigated DNS was employed rather than an EIS.

Everett

The City of Everett had similar experiences to the two municipalities above when it recently undertook a siting process for a 248 MW facility. Staff time was required to review environmental documents, even though most of the studies were funded by the developer directly. In Everett, local ordinance requires that the developer pay directly for the most costly aspects of the siting process, such as a mitigated DNS, a traffic impact report, or a wetland assessment. Staff time for the siting was estimated to cost approximately $30,000; attorney time in this case was minimal due to the relatively uncontroversial nature of the siting.

Thurston County

Projected costs for Thurston County to pre-site an energy facility would total an estimated $50,000-$100,000 over a two-year time period. The first year would involve a comprehensive planning process, identification of several possible sites and public process hearings. Costs estimated at $25,000-50,000 include planning, administration, public participation and permits. EIS costs estimated at $25,000-50,000 (conservative estimate) include evaluating the environmental and health impact of an energy facility for several different locations. Cost estimates do not reflect staff salaries.

Snohomish County

Planners estimate the costs for siting an energy facility would be between $500,000-$1,000,000. The project would take several years and permits would need to be issued for at least six different areas identified as potential sites. A public process would take place and EIS evaluations would be done for all sites. The percentage of these costs that may be incurred by the developer is unknown.

King County

King County planners estimate that permitting costs alone for siting an energy facility will cost 50,000. Costs associated with EIS are estimated at a few hundred thousand dollars depending on the complexity of the site and facility. Public process hearing costs will vary depending on the size of the city, location and type of facility sited.

Sources/Data:

Energy Facility Site Evaluation Council
Office of Trade and Economic Development--Energy Policy Office
Washington State Association of Counties
Association of Washington Cities
Cities of Longview, Goldendale and Everett
Thurston, Snohomish, and King counties

PART IV: Sections 16-19

No impact.

PART V: Sections 20-21

According to the Washington Public Utility Districts Association (WPUDA), there is no impact on local governments from these sections. The initiative addressed in section 20 has not been employed in two decades; the effect of section 21 is simply to preserve an aspect of I-394 that is already current law. Neither provision impacts local governments.

PART VI: Section 22

The language of the section is permissive and does not require any increase or decrease in local government expenditures. It is unknown whether any local government utilities would qualify for the exemption, however should they qualify they would receive a sales and use tax exemption which would subsequently result in expenditure savings. The extent to which these expenditure savings may be mitigated by general local government revenue losses from the exemptions is unknown.

PART VII: Sections 23-36

The language of these sections is permissive. Local governments are not required to incur any expenditure impacts.

Assumptions:

The bill makes municipal involvement in the performance-based contracting program optional.

The Department of General Administration estimates that there are currently 19 cities involved in optional performance-based contracting. Any potential cost savings incurred by cities as a result of this bill cannot be estimated with certainty because of the number and variety of facilities involved. An example of the expenditure savings that cities might experience is demonstrated by the recent example of a performance-based contract involving the Kitsap County Administrative Complex, including the courthouse, jail, and public works buildings. The project cost totalled $1,165,420 and the annual project savings from energy efficiency were $129,049. Funding for the projects would be in the form of low interest loans from the State Treasurer's office, the Energy Service Company and some grants from utility companies and other state sources.

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 from this bill are indeterminate in the aggregate; revenue impact on the front page represents impacts from section 22 only. This analysis addresses the determined and/or potential impacts below on a section by section basis. Sections have been divided in Parts numbered I-VII. The impact for Parts I-III is zero; Part IV is indeterminate, but expected to be minimal; Part V is zero; Part VI is a revenue loss of $175,000 for FY02 and $350,000 for the FY02-03 biennium; and Part VII is zero.

PART I: Sections 2-3

The language of the bill is permissive and does not require any increase or decrease in local government revenue. According to the Department of Revenue, of the approximately 95 light and power and gas distribution businesses only those that offer billing discounts to their customers will be eligible for the public utility tax credit proposed in the bill. Should local government-owned public utilities choose to exercise the option and offer billing discounts, they would incur a revenue loss dependent on the amount of the discount offered. The extent to which these potential revenue losses may be mitigated by expenditure savings from the public utility tax credit is unknown.

PART II: Sections 4-5

No impact.

PART III: Sections 7 and 9

No impact.

PART IV: Sections 16-19

Indeterminate: there may be a local tax impact if public utilities provide power to DSI's.

Assumptions:

A credit is available against the public utility tax paid by an electricity generator that sells electricity to a DSI from a new gas-fired generating facility if certain conditions are met. The conditions are: there must be a contract whereby the DSI purchases electricity from the generator for at least ten years; the generator passes on the amount of the credit to DSI; and the DSI is responsible for any repayment if all requirements are not met.

While a local utility tax on revenues received by a public utility for power sold to a DSI firm is possible, it is not known where these possible power plants would be located and whether they would be located in a local taxing jurisdiction. The Department of Revenue is unable to provide an estimate of local tax impact.

Data:

Department of Revenue's SSB 5539 and SB 6177 fiscal notes

PART V: Sections 20-21

No impact.

PART VI: Section 22

Total revenue impact to local government entities is estimated to be ($175,000) for FY 2002 and ($350,000) for the 2001-2003 biennium. In FY02 and FY03, the impact to cities is estimated to be $80,963, to counties $90,366, and to special purpose districts $3,671. No impact in subsequent years is expected.

Assumptions:

It is assumed that seven facilities operating in the state would qualify for this exemption. These facilities are located in Burlington (Skagit County), Ferndale (Whatcom County), Parkland (Pierce County), and Spokane (Spokane County). The seven natural gas fired power plants have a 648 MW capacity. While currently operating, they are subject to pollution control limits.

The average upgrade costs are estimated at $44,000 per MW of capacity. Department of Revenue assumes that the upgrades will take place during the 2001-2003 biennium.

Data:

Department of Revenue's SSB 5542 and SB 6177 fiscal notes
LGFN Sales/Use Impact Model

PART VII: Sections 23-36

No impact.