

Multiple Agency Fiscal Note Summary

Bill Number: 5659 SB	Title: Gas companies/renewable res.
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Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	0	0	(140,000)	0	0	(200,000)	0	0	(200,000)
Total \$	0	0	(140,000)	0	0	(200,000)	0	0	(200,000)

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other		(59,400)		(79,200)		(79,200)
Local Gov. Total		(59,400)		(79,200)		(79,200)

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Joint Legislative Audit and Review Committee	Fiscal note not available											
Department of Revenue	.2	72,000	72,000	72,000	.1	18,800	18,800	18,800	.1	18,800	18,800	18,800
Utilities and Transportation Commission	.0	0	0	10,141	.0	0	0	0	.0	0	0	0
Department of Ecology	Fiscal note not available											
Total \$	0.2	72,000	72,000	82,141	0.1	18,800	18,800	18,800	0.1	18,800	18,800	18,800

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	Fiscal note not available								
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Utilities and Transportation Commission	.0	0	0	.0	0	0	.0	0	0
Department of Ecology	Fiscal note not available								
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Breakout

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Preliminary 2/13/2023
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Department of Revenue Fiscal Note

Bill Number: 5659 SB	Title: Gas companies/renewable res.	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
General Long-Term Obligations Account Group-State 01 - Taxes 01 - Retail Sales Tax	(40,000)	(100,000)	(140,000)	(200,000)	(200,000)
Total \$	(40,000)	(100,000)	(140,000)	(200,000)	(200,000)

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.4	0.1	0.2	0.1	0.1
GF-STATE-State 001-1	61,600	10,400	72,000	18,800	18,800
Total \$	61,600	10,400	72,000	18,800	18,800

Estimated Capital Budget Impact:

NONE

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: Kim Cushing	Phone: (360) 786-7421	Date: 02/01/2023
Agency Preparation: Alex Merk-Dyes	Phone: (360) 534-1601	Date: 02/08/2023
Agency Approval: Marianne McIntosh	Phone: (360) 534-1505	Date: 02/08/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/08/2023

Request # 5659-1-1

Part II: Narrative Explanation

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

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

This fiscal note only addresses sections 3 and 4 of the bill, which impact the Department of Revenue (department).

CURRENT LAW:

The law provides sales and use tax exemptions for machinery and equipment (M&E) used directly in manufacturing renewable natural gas (RNG) and processing biogas using an anaerobic digester. Labor and services used to install, repair, alter, or improve the M&E are also exempt.

PROPOSAL:

Beginning January 1, 2024, this bill proposes a sales and use tax exemption for M&E, labor, and services necessary for the production of RNG to include M&E used directly in connecting a renewable natural gas facility to an end user or the existing natural gas infrastructure.

A taxpayer claiming this new tax preference must file an annual tax performance report.

The exemption expires January 1, 2035.

EFFECTIVE DATE:

The bill takes effect 90 days after final adjournment of the session.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

- Local impacts use the statewide average local sales and use tax rate of 2.92%.
- One new RNG facility connects to the existing natural gas infrastructure every three years. RNG facilities maintain the pipeline connections on a yearly basis.
- The proposed exemption takes effect January 1, 2024, impacting five months of collections in fiscal year 2024.

DATA SOURCES

- U.S. Environmental Protection Agency, pipeline costs and RNG facilities
- Department of Commerce, Energy Promoting RNG in Washington State report

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$40,000 in the five months of impacted collections in fiscal year 2024, and by \$100,000 in fiscal year 2025, the first full year of impacted collections.

This bill also decreases local revenues by an estimated \$20,000 in the five months of impacted collections in fiscal year 2024, and by \$40,000 in fiscal year 2025, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 - (\$ 40)

FY 2025 - (\$ 100)

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FY 2026 - (\$ 100)
FY 2027 - (\$ 100)
FY 2028 - (\$ 100)
FY 2029 - (\$ 100)

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

FY 2024 - (\$ 20)
FY 2025 - (\$ 40)
FY 2026 - (\$ 40)
FY 2027 - (\$ 40)
FY 2028 - (\$ 40)
FY 2029 - (\$ 40)

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

Approximately 20 buyers using a certificate.

FIRST YEAR COSTS:

The department will incur total costs of \$61,600 in fiscal year 2024. These costs include:

Labor Costs - Time and effort equate to 0.36 FTE.

- Amend one administrative rule.
- Computer system testing, monitoring, and maintenance.

Object Costs - \$22,000.

- Contract computer system programming.

SECOND YEAR COSTS:

The department will incur total costs of \$10,400 in fiscal year 2025. These costs include:

Labor Costs - Time and effort equate to 0.1 FTE.

- Attend implementation meetings, monitor reports, prepare statistics, train examiners, and test system changes.
- Conduct audit case reviews and work complex accounts.

ONGOING COSTS:

Ongoing costs for the 2025-27 biennium equal \$18,800 and include similar activities described in the second-year costs. Time and effort equate to 0.1 FTE each year.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.4	0.1	0.2	0.1	0.1
A-Salaries and Wages	24,400	6,200	30,600	12,400	12,400
B-Employee Benefits	8,100	2,000	10,100	4,000	4,000
C-Professional Service Contracts	22,000		22,000		
E-Goods and Other Services	4,800	1,500	6,300	1,800	1,800
J-Capital Outlays	2,300	700	3,000	600	600
Total \$	\$61,600	\$10,400	\$72,000	\$18,800	\$18,800

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
EMS BAND 4	126,619	0.0		0.0		
EXCISE TAX EX 3	61,632		0.1	0.1	0.1	0.1
MGMT ANALYST4	73,260	0.3		0.2		
TAX POLICY SP 2	75,120	0.0		0.0		
TAX POLICY SP 3	85,020	0.0		0.0		
TAX POLICY SP 4	91,524	0.0		0.0		
WMS BAND 3	107,685	0.0		0.0		
Total FTEs		0.4	0.1	0.3	0.1	0.1

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5659 SB	Title: Gas companies/renewable res.	Agency: 215-Utilities and Transportation Commission
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1	0.0	0.0	0.0	0.0
Account					
Public Service Revolving Account-State 111-1	10,141	0	10,141	0	0
Total \$	10,141	0	10,141	0	0

Estimated Capital Budget Impact:

NONE

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: Kim Cushing	Phone: (360) 786-7421	Date: 02/01/2023
Agency Preparation: Amy Andrews	Phone: 360-481-1335	Date: 02/07/2023
Agency Approval: Amy Andrews	Phone: 360-481-1335	Date: 02/07/2023
OFM Review: Tiffany West	Phone: (360) 890-2653	Date: 02/07/2023

Part II: Narrative Explanation

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

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

Sections 2-4 change tax preferences for renewable natural gas projects and connected equipment and machinery. UTC assumes this may change the number and nature of gas projects proposed by its regulated companies, but that this will not change workload, since the changes will be absorbed into current UTC processes, and since UTC is undergoing training on these topics as a result of other legislation.

Section 5 adds a section to chapter 80.28 qualifying that gas companies may propose projects that reduce greenhouse gas emissions, and that gas companies may seek recovery of these investments from the UTC. It also clarifies that UTC should consider purchases of and investments in these projects in the state's interest. UTC assumes this will not change workload for the reasons explained above regarding sections 2-4.

Section 6 adds a section to RCW 19.27A to exempt buildings from state and local energy code restrictions on natural gas if the buildings are served by renewable natural gas. The exemption includes (1)(c), whereby a gas company will provide a certification to the UTC that the gas serving the building is only renewable. UTC assumes training and review of this certification, as informed by other new sections of this legislation, will incrementally increase workload in the short term.

Section 7 removes the maximum customer charge to retail customers for renewable natural gas program. While this may change the content of company tariffs or filings, UTC assumes this will not change workload for the reasons explained above regarding sections 2-4.

Section 8 allows gas companies to claim investments in solar and battery through renewable natural gas as part of compliance with RCW 70A.65, the Climate Commitment Act. UTC assumes training and review of such projects will require training and incrementally increase workload in the short term.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

None

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

UTC assumes the following increase in workload due to training and review of project certification.

Sections 6 & 8

Training and certification review related to renewable natural gas projects and Climate Commitment Act compliance
UTC assumes two Regulatory Analysts will assume the brunt of the analysis training other Staff, adjusting materials and resources, and preparing filings with an eye for the substantive changes these sections will create for how renewable natural gas projects are analyzed for prudence, how they affect Climate Commitment Act compliance, and how certification for these projects per Section 6 will intersect with the state energy code. A Deputy Assistant Director and Director of regulatory services will review analysis and updated resources. A policy advisor, Assistant Director of Policy, and Administrative Law Judge will also need minimal incremental training to review related filings. UTC also assumes these positions may need to review the certification outlined in Section 6. UTC assumes this work will occur in the beginning of 2024 on a one-time basis.

FY 2024 - \$10,141

(Regulatory Analyst 2, .02 FTE; Regulatory Analyst 3, .01 FTE; Deputy Assistant Director Regulatory Services, .01 FTE; Policy Advisor, .01 FTE; Assistant Director Policy, .01 FTE; Administrative Law Judge, .01 FTE)

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
111-1	Public Service Revolving Account	State	10,141	0	10,141	0	0
Total \$			10,141	0	10,141	0	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.0		
A-Salaries and Wages	6,899		6,899		
B-Employee Benefits	2,414		2,414		
C-Professional Service Contracts					
E-Goods and Other Services	828		828		
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					
9-					
Total \$	10,141	0	10,141	0	0

III. C - Operating 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 2024	FY 2025	2023-25	2025-27	2027-29
Administrative Law Judge	119,088	0.0		0.0		
Asst. Director, Policy	110,064	0.0		0.0		
Deputy Asst. Director Regulatory Services	101,136	0.0		0.0		
Policy Advisor	100,008	0.0		0.0		
Regulatory Analyst 2	82,896	0.0		0.0		
Regulatory Analyst 3	93,840	0.0		0.0		
Total FTEs		0.1		0.1		0.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5659 SB	Title: Gas companies/renewable res.
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- Cities: Minor loss in sales tax revenue, local permitting adjustment costs, potential market shift
- Counties: Minor loss in sales tax revenue, local permitting adjustment costs
- Special Districts: Minor loss in sales tax revenue, local permitting adjustment costs, potential market shift
- Specific jurisdictions only:
- Variance occurs due to:

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs: Local permitting adjustment due to less restrictions/limitations
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time: Market shift impact upon consumer-owned utilities

Estimated revenue impacts to:

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
City	(5,897)	(11,794)	(17,691)	(23,588)	(23,588)
County	(7,249)	(14,498)	(21,747)	(28,996)	(28,996)
Special District	(6,654)	(13,308)	(19,962)	(26,616)	(26,616)
TOTAL \$	(19,800)	(39,600)	(59,400)	(79,200)	(79,200)
GRAND TOTAL \$					(217,800)

Estimated expenditure impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 02/08/2023
Leg. Committee Contact: Kim Cushing	Phone: (360) 786-7421	Date: 02/01/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/08/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/09/2023

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

The following sections of this bill have a local government impact:

Section 3 adds a section to chapter 82.08 RCW [Retail sales tax] to create a retail sales tax exemption, starting 1/1/2024, for:

- sales of machinery and equipment used directly in generating renewable natural gas, or the charges made for labor and services rendered in respect to installing such machinery and equipment.
- sales of machinery and equipment used directly in connecting a renewable natural gas facility to an end user of the renewable natural gas or to the existing natural gas infrastructure, or the charges made for labor and services rendered in respect to installing such machinery and equipment.

Definitions for “machinery and equipment,” “used directly,” and “renewable natural gas.”

This retail sales tax exemption expires 1/1/2035.

Section 4 adds a new section to chapter 82.12 RCW [Use tax] to create a corresponding use tax exemption.

Section 5 adds a new section to chapter 80.28 [Public Utilities: gas, electrical, and water companies] to allow gas companies to construct and maintain facilities and projects..., and to allow gas companies to factor investments into facilities and projects into rates and charges. The Utilities and Transportation Commission will consider purchases of energy derived from and investments in eligible projects as being in the state's interest.

Section 6 adds a new section to chapter 19.27A RCW [Energy-Related Building Standards] to remove state and local restrictions or limitations on the use of natural gas in buildings under certain conditions. In addition, this section describes an option: using dual fuel heat pumps.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

This bill will result in an indeterminate increase in expenditures for counties, cities, and possibly: special purpose districts (specifically, consumer-owned utilities).

MARKET SHIFT

It is unknown if the facilities and projects that gas companies may construct or maintain (as described in section 5) are limited to the areas that the gas companies service or not. If these facilities and projects are not geographically limited by service area, this bill will indeterminately shift the costs of providing services to customers for consumer-owned utilities (Public Utility Districts, municipal-owned electric utilities, and cooperatives) within Washington. The scale of the shift of costs is indeterminable and depend on the geographic limitations of this bill, which are not evident. However, if the shift is significant, consumer-owned utilities will likely adjust service rates to cover these costs, as necessary.

ONE-TIME, INCREASED COSTS FOR LOCAL GOV PERMITTING ADJUSTMENT

Section 6 of this bill removes local restrictions/limitations on the use of natural gas in buildings under certain conditions. This change is expected to result in one-time, increased costs for local planning departments to make adjustments. These costs are expected to be minor and are indeterminate.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

According to the Dept. of Revenue, section 3-4 of this bill (which creates a retail sales and use tax exemption) decreases local revenues by an estimated \$20,000 in the five months of impacted collections in fiscal year 2024, and by \$40,000 in

fiscal year 2025, the first full year of impacted collections.

LOCAL GOV (DOR #s)

FY 2024 - (\$20,000)

FY 2025 - (\$40,000)

FY 2026 - (\$40,000)

FY 2027 - (\$40,000)

FY 2028 - (\$40,000)

FY 2029 - (\$40,000)

METHODOLOGY

The distributions in this note for cities, counties, and special districts are based on DOR data for local sales and use tax distributions from Calendar Year 2021. Mitigation payments and distributions to hospital benefit zones are not factored into this distribution. The result is a distribution of 36.61 percent to counties, 29.78 percent to cities, and 33.61 percent to special districts. The one percent DOR administrative fee has also been deducted.

COUNTIES

FY 2024 -\$7,249

FY 2025 -\$14,498

FY 2026 -\$14,498

FY 2027 -\$14,498

FY 2028 -\$14,498

FY 2029 -\$14,498

CITIES

FY 2024 -\$5,897

FY 2025 -\$11,794

FY 2026 -\$11,794

FY 2027 -\$11,794

FY 2028 -\$11,794

FY 2029 -\$11,794

SPECIAL DISTRICTS

FY 2024 -\$6,654

FY 2025 -\$13,308

FY 2026 -\$13,308

FY 2027 -\$13,308

FY 2028 -\$13,308

FY 2029 -\$13,308

SOURCES

Department of Revenue Fiscal Note

Department of Revenue Local Tax Distributions

Washington Public Utilities District Association