

HOUSE BILL REPORT

E2SHB 2009

As Passed House:

March 13, 1995

Title: An act relating to the energy office.

Brief Description: Eliminating the state energy office.

Sponsors: By House Committee on Appropriations (originally sponsored by Representatives Casada, Huff, Campbell, Clements, Goldsmith, Elliot, Pelesky, Backlund, Reams, Smith, Delvin, Blanton and Beeksma).

Brief History:

Committee Activity:

Energy & Utilities: 2/24/95, 2/28/95 [DPS];

Appropriations: 3/4/95, 3/6/95 [DP2S(w/o sub EN)].

Floor Activity:

Passed House: 3/13/95, 59-36.

HOUSE COMMITTEE ON ENERGY & UTILITIES

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Casada, Chairman; Crouse, Vice Chairman; Hankins, Vice Chairman; Chandler; Huff; Mielke and Mitchell.

Minority Report: Do not pass. Signed by 4 members: Representatives Kessler, Ranking Minority Member; Kremen, Assistant Ranking Minority Member; Mastin and Patterson.

Staff: Nancy Stevenson (786-7137).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Energy & Utilities. Signed by 17 members: Representatives Silver, Chairman; Clements, Vice Chairman; Huff, Vice Chairman; Pelesky, Vice Chairman; Beeksma; Cooke; Crouse; Foreman; Hargrove; Hickel; Lambert; Lisk; McMorris; Reams; Sehlin; Sheahan and Talcott.

Minority Report: Do not pass. Signed by 12 members: Representatives Sommers, Ranking Minority Member; Valle, Assistant Ranking Minority Member; Basich; Brumsickle; Carlson; Chappell; Dellwo; Jacobsen; Poulsen; Rust; Thibaudeau and Wolfe.

Staff: Nancy Stevenson (786-7137).

Background: The Washington State Energy Office (WSEO) was created statutorily in 1976. Currently, the WSEO performs functions related to energy policy analysis, implementation of the state energy strategy, energy facility siting, nuclear safety and environmental monitoring, energy emergencies, renewable energy development, energy efficiency, energy codes, energy efficient transportation and public sector energy conservation. In fulfilling these functions, the WSEO provides technical assistance to people, businesses, industries, and governmental institutions to help reduce energy costs. Also, the WSEO provides assistance, space, and other necessary support for the activities of the state's two representatives to the Pacific Northwest electric power and conservation planning council, the regional power planning council created by federal statute.

The WSEO is primarily supported by federal funds made available to the state for energy conservation related purposes. Federal funds for these purposes are forecast to decline over the next few years. During the 1995-97 biennium, \$1,333,000 or 3 percent of the WSEO budget is provided by the state general fund.

Some of the state funds WSEO receives are from the Geothermal and Air Pollution Control accounts, the latter of which the WSEO distributes to local jurisdictions to assist employers in reaching commute trip reduction goals.

Geothermal energy comes from heat originating in the earth's crust, which creates steam or hot water. When the steam or hot water is put to use in heating a facility or generating electricity, it becomes an energy resource. The Geothermal Account receives revenues from the leasing of state lands for geothermal energy purposes. The revenues are distributed as follows: 30 percent to the Department of Natural Resources (DNR) for exploration and research on geothermal resources; 30 percent to the WSEO to assist in developing geothermal resources; and 40 percent to counties with geothermal projects to mitigate the socioeconomic and environmental impacts of the projects. The WSEO is required to obtain the information necessary for the state treasurer to distribute geothermal funds to counties.

The Air Pollution Control Account (APCA), established in 1991 as part of the Clean Air Act, receives revenues from vehicle registration fees and permit fees. APCA funds are used to implement programs that reduce traffic congestion and air pollution.

In passing the Clean Air Act of 1991, the Legislature also established the Commute Trip Reduction Program requiring employers of 100 employees or more to reduce the number of commute trips made by their employees, and a statewide task force to organize the implementation of the Program. Supported by APCA funds, the WSEO coordinates the Commute Trip Reduction Task Force and provides technical assistance to local jurisdictions and employers in meeting commute trip reduction goals.

The WSEO also maintains a data base regarding petroleum consumption in the State of Washington. The data base provides information and analysis regarding petroleum supply, prices, trends, and uses of specific products. The information is used to develop economic forecasts and evaluate the economic health of the state. Also, energy, transportation, and environmental program managers use the information in establishing program goals that target petroleum usage, and in measuring program impacts.

The Governor's proposed 1995-97 budget recommends that "an examination of the appropriate role of the state in energy management and energy service delivery" take place.

Suggestions are that some state energy office services can be performed by other state or private entities and some functions can be eliminated.

In 1993, the Legislature created the Department of Community Trade and Economic Development (CTED) by merging the Department of Community Development and the Department of Trade and Economic Development. CTED is responsible, among other things, for promoting community and economic development within the state, coordinating and administering energy assistance and residential energy conservation programs, serving as central coordinator for state government in implementing the growth management act, and providing emergency management services.

The Department of Transportation (DOT) is responsible for managing, financing, and constructing the state's highway and road system. In recent years, increased population and increased use of single occupancy vehicles have resulted in traffic congestion and the need for increased highway capacity. As an alternative to more highways, new programs have been initiated to reduce the demand for highway usage. Such programs are referred to as "transportation demand management." DOT is implementing a number of transportation demand management programs and currently participates on the Commute Trip Reduction Task Force.

Private nonprofit corporations can be formed separate from state government as a means of delivering technical assistance, research, and informational functions that might otherwise be provided by the state. The Western Library Network is an example of such a corporation.

Summary of Bill: The statute establishing the Washington State Energy Office is repealed. Some WSEO duties are transferred to CTED or DOT, while other duties are eliminated.

DUTIES TRANSFERRED TO CTED

The director of CTED is given the discretion to determine the extent to which WSEO employees will be hired to perform functions transferred to CTED. Some duties transferred to CTED are to be transferred later to any or all of the following successor organizations: (1) a private nonprofit corporation established through the efforts of CTED; (2) any private, nonprofit, tax-exempt corporation, such as a trade association, that has been involved in energy conservation education and assistance; and (3) any governmental entity authorized by law to perform those duties. Other duties will remain the responsibility of CTED.

Functions to be Transferred to One or More Successor Organizations. CTED is assigned duties regarding energy information, promoting energy conservation, energy codes, and renewable energy resources, but is to transfer these duties to one or more successor organizations by June 30, 1996, when CTED's authority to perform these duties ceases.

Provisions are made for transferring equipment, software, and other assets to the successor organization or organizations.

CTED may designate one or more persons to serve as a board member of the successor organization or organizations.

Duties Retained by CTED. The state's role in the coordination and regulation of energy emergencies is reestablished in CTED's Emergency Management Division unless legislation is passed designating the Military Department to perform emergency management duties.

CTED is required to obtain the information necessary for the state treasurer to distribute Geothermal Account funds. Fifty percent of the funds will go to DNR and 50 percent will go the county of origin.

CTED is to be the repository of the petroleum data base, and is to provide assistance, space, and other necessary support for the activities of the state's two representatives to the Pacific Northwest electric power and conservation planning council.

DUTIES TRANSFERRED TO DOT

Transportation demand management and commute trip reduction functions are transferred to DOT. The secretary of DOT is given the discretion to determine the

extent to which WSEO employees will be hired to perform functions transferred to DOT.

DOT becomes responsible for administering air pollution control funds to local jurisdictions to assist employers in reaching commute trip reduction goals. DOT may receive funds to further the development of alternative fuels to meet the requirements of the clean air act.

ELIMINATED WSEO DUTIES

Public Sector Energy Conservation and Cogeneration. The role of WSEO in energy conservation and cogeneration projects in publicly owned buildings is eliminated. Public agencies may conduct life cycle cost analyses with a licensed professional energy consultant as needed, state agencies, universities, and school districts may implement conservation projects, and universities and state agencies may enter into contracts to sell energy produced at university or state facilities to utilities. However, a state agency other than a university no longer may acquire, construct, operate, or maintain cogeneration and facility heating and cooling measures or equipment, or contract to purchase fuel for, or the output of, cogeneration plants at its facilities.

Technical Assistance and Policy Guidance. WSEO's responsibility for providing energy guidance and technical assistance to policy makers and others is eliminated, along with responsibility for coordinating the implementation of the state energy strategy.

TECHNICAL CORRECTIONS

References to the WSEO are stricken, and statutes are otherwise updated.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Bill: The bill contains an emergency clause and takes effect on July 1, 1995.

Testimony For: (Energy & Utilities) None.

(Appropriations) None.

Testimony Against: (Energy & Utilities) Timing issues: It is premature to eliminate the WSEO. The Governor has established a steering committee to review the role of the WSEO. Wait for the steering committee to complete its process.

Take a slow and reasoned approach. It is appropriate to review the role of the WSEO after 20 years of operation. It is a new era where the federal government is reexamining its role and may be transferring more responsibility to the state in this area. More will be known next session.

Energy Policy: Maintain the energy policy analysis function. Now is the time to maintain energy policy capability given the full scale restructuring of the Bonneville Power Administration taking place.

Transfer issues: The bill is missing the transfer of existing personnel. This needs to be included. CTED has just recently merged. In transferring functions to CTED and then to a nonprofit makes administrative costs higher given two transfers are involved. Taking on new and different functions will take time and planning. There are likely unforeseen problems that will need resolution. Equal pay issues and loss of productivity are examples of hidden costs.

Transportation issues: Keep the Commute Trip Task Force in place. Collaboration has made the Commute Trip Task Force successful. Consider moving the commute trip and efficient transportation functions to the Department of Transportation.

Public Sector Conservation and Cogeneration: It is counter-productive to repeal cogeneration in state facilities. Life cycle cost analysis is effective. Why dismantle a successful mission that helps save money at the local school level. Keep control for designing schools with those that are energy conscious.

Other issues: Abolishing the WSEO does not save much state money. Avoid the unnecessary loss of talent and federal dollars by maintaining appropriate energy functions. To be able to compete successfully for federal dollars means maintaining energy expertise. Currently the WSEO benefits the rate payers. The bill is unnecessary and harmful to the citizens of the state. Using a private nonprofit organization does not ensure impartial objective information is provided to rate payers.

(Appropriations) The bill is premature. We have heard the message that the state should have a reduced role in energy. The Legislature must consider ways in which federal funds can be maximized. The state must prevent lost opportunities, lost talent, and lost federal dollars. Let the stakeholder group complete its review. The repeal of state energy policy analysis and public sector programs are policy concerns. The WSEO clearing house provides easily accessible information that enables all of us in the energy design business to do a better job for our clients. Ninety-six percent of the WSEO budget is from funds other than the state general fund. WSEO helps save money for consumers, government, and businesses. It doesn't make sense to lose public sector energy benefits. WSEO has a good reputation for providing technical assistance.

Testimony Neutral: (Appropriations) The Legislature should keep in mind as this question is deliberated that there are many hidden costs and issues. Costs include salary differential problems and keeping two sets of books. It is more costly for the state to transfer functions twice in moving functions to the Department of Community Trade and Economic Development and then to a non profit corporation.

Testified: (Energy & Utilities) Judith Merchant, Mike McSorley, Alan Mountjoy-Venning, and Marvin Young, Washington State Energy Office; Vic Erickson, Economic Development Council of Seattle and King County; Dick Hayes, Kitsap Transit; Bill Roach and Gary Molyneaux, King County Metro; Katy Taylor, Spokane County Engineers; Cindy Custer, Bonneville Power Administration; Jim Lazar, Microdesign Northwest; Sara Patton, Northwest Conservation Act Coalition; Charlie Brown, Washington Natural Gas; John Doyle, Department of Transportation; Henry Romer, Archos Corp; Scott Merriman, Washington Environmental Council; Ray Tobiason, Washington Association of School Administrators; John Nimmons, JNA; Andrew Lofton, Department of Community, Trade, and Economic Development; Will Miller, North American Energy Services; Fito Koenig, Tres West Engineering; Kathy Vega, U.S. Department of Energy; and Devone Smith, Washington Stated Federation of State Employees.

(Appropriations) Judith Merchant, Director, State Energy Office (con); Jim Lazar, citizen (con); Andrew Lofton, Deputy Director, Community Trade & Economic Development (neutral); Scott Meriman, Washington Environmental Council (con); Bev Hermanson, Washington Federation of State Employees (con); and Marvin Young, Washington State Energy Office (con).