

## Media release

# COWLITZ COUNTY PUD

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## State Legislative Action Protects Conservation Funds, Benefits PUD Customers

*Olympia, WA* — Governor Chris Gregoire signed Senate Bill 6614 into law on April 1, clarifying that energy conservation funds distributed to utilities by the Bonneville Power Administration are exempt from a state Business and Occupation tax.

Beginning in 2010 the legislature's decision will save Cowlitz PUD customers \$45,000 a year that will remain in the county for energy conservation programs, rather than being sent to the state's general fund. It may also lead to the return of nearly \$118,000 in B&O taxes the PUD was required to pay for a three-year period spanning 2005-2008.

The legislation was requested by Cowlitz PUD and the Washington PUD Association in response to a recent Washington State Department of Revenue decision. Following its 2009 regular audit of Cowlitz PUD, DOR ruled that conservation funds sent to the utility PUD by BPA are subject to a 1.5 percent "Service and Other Activities" B&O tax.

"We think taxing these funds is contrary to the goals and intent of the new state laws approved by voters in 1937, which address growth in renewable resources and energy conservation," PUD Spokesman Dave Andrew said.

SB 6614, prime-sponsored by Sen. Craig Pridemore of Vancouver, passed the Senate 47-0 and won by a 95-2 vote in the House in March. Companion House Bill 2951 was prime-sponsored by District 19 Rep. Dean Takko of Longview.

"We are very pleased with the outcome and especially appreciative for the strong support from our local state legislators — Sen. Joe Zarelli, Rep. Jaime Herrera and Rep. Ed Orcutt from District 18 and Sen. Brian Hatfield, Rep. Brian Blake and Rep. Dean Takko from District 19," Andrew said.

Based on its 2009 decision, DOR assessed Cowlitz PUD \$117,940 in back taxes for 2005-2008. "We've been in the energy conservation business for 27 years using these funds from BPA and this was the first time DOR raised the issue that B&O taxes were applicable," Andrew said.

The PUD appealed that decision in February and expects a ruling by June. "We've asked DOR to reverse its decision and return the funds. We believe having legislation clarifying that these funds are exempt from taxation will help us prevail on the appeal on the back taxes," Andrew said.

### How BPA Energy Conservation Funding Works

Under the Pacific NW Electric Power Planning and Conservation Act of 1980, BPA collects funds through wholesale power rates that are in-turn disbursed to utility customers to operate energy conservation incentive programs. "Our customers are paying for these programs through their electric rates," Andrew said.

Since 1982 Cowlitz PUD has disbursed \$53 million of BPA conservation funds to local customers to insulate homes, install energy-efficient lighting, water heaters and appliances, replace inefficient pumps and motors and a multitude of other improvements. Overall in the Pacific Northwest utilities have combined to distribute over \$2 billion in BPA funds for customer energy efficiency programs since 1982.

More information on SB 6614 is available at <http://apps.leg.wa.gov/billinfo/summary.aspx?bill=6614&year=2009>.

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