Substitute House Bill 1032 – Analysis
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With the push to reduce Washington's carbon emissions, the legislature is looking for ways to subsidize the creation of renewable energy sources. A bill, SHB 1032, which would tax families and businesses to create a subsidy for new renewable energy sources, raises a number of concerns for taxpayers, ratepayers and for efficiently reducing CO2.

Uneven Taxation

The current bill would tax every utility customer $1.90 per month, regardless of how much energy the customer uses. An industrial user would face the same surcharge as low-income families. This is problematic for a number of reasons.

First, such surcharges hit low-income families far more heavily than wealthy families. Second, because the fee is a surcharge, families cannot reduce their fees by changing behavior, conserving more or becoming more efficient. Third, this is not a small amount for some. By way of comparison, a $1.90 surcharge is about half the cost of a one-month supply of generic medicines from Wal-Mart, and comes on top our state's current tax burden.

This also comes at a time when energy costs, especially for renewable energy, are rising, as confirmed by the Washington State Climate Advisory Team staff. A surcharge to increase the supply of costly renewable energy is adding insult to injury.

Double Taxation

This new law would simply pile on top of other laws already designed to pay for and increase the supply of renewable energy in Washington. Washington's renewable portfolio standard, created by Initiative 937, already requires utilities to meet renewable energy targets. With increased demand on renewable energy (Oregon passed a standard requiring 25 percent by 2025), utilities are already planning to increase production.

Additionally, families are already paying for the costs of that energy through rates. The UTC sets rates based on the cost of production. Utilities recover the cost of renewable energy by adding those costs to rates. Adding this surcharge would pay for some of the construction costs that would also end up being included in the ratemaking process. Thus, the surcharge would act as double taxation for the use of renewable energy.

Picking Technologies

Finally, it is likely that the money spent on reducing CO2 from energy would cost more per ton of CO2 emissions than elsewhere. Since Washington's energy is supplied in large part from non-CO2 emitting sources (like hydro and nuclear), some or much of the energy generated by this surcharge may simply replace other non-CO2 emitting sources of energy. Even if that is not the case, it is likely that there are other technologies which can improve energy efficiency more cheaply. Government is notoriously bad at choosing the best technologies. Witness the government's longtime efforts to promote electric cars, while doing nothing to promote hybrid vehicles, which are now the consumer standard in fuel efficiency.

Given that utilities already have incentives to find sources of renewable energy at a cost that can be justified to the UTC, they are more likely to search for and find the best technologies than another layer of government overhead. While the bill caps administrative costs at five percent, this amounts to $200,000 a year for the projected revenue of $4 million for Puget Sound Energy alone.

Finally, by creating an additional bureaucracy, this surcharge creates an entrenched interest who will continue to advocate for and protect the program. Thus, if we find that the program is not achieving the goals it laid out initially, it will be difficult to eliminate the funding and bureaucracy in the face of a group of advocates created and funded by the program.

Conclusion

In its current form, SHB 1032 presents a number of concerns. The surcharges treat industrial consumers and low-income families the same, it results in a double-charge to ratepayers for renewable energy whose costs are already increasing, and it is likely to spend money on projects which have a small impact on CO2 reductions at comparatively high costs.

Todd Myers is director of the Center for the Environment at Washington Policy Center, a non-partisan public policy research organization in Seattle and Olympia. *Nothing here should be construed as an attempt to aid or hinder the passage of any legislation before any legislative body. For more information contact WPC at 206-937-9691 or online at www.washingtonpolicy.org.*

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