

RESOLUTION NO. 1626

A RESOLUTION of Public Utility District No. 1 of Okanogan County, Washington (the "District") Opposing Initiative 732, "Carbon Pollution Tax Act."

WHEREAS, a citizens' group calling itself "Carbon Washington" has gathered sufficient signatures to place Initiative 732, also known as the Carbon Pollution Tax Act, before Washington State legislature, and it is likely that the Initiative will go before the voters in November 2016; and

WHEREAS, the Initiative would impose an escalating tax on the carbon emissions from the electricity generated by fossil fuels, including electricity generated within or imported into Washington or acquired from the Bonneville Power Administration (BPA); and

WHEREAS, the tax is to be imposed on the consumer of the electricity, collected by the utility and remitted to the state general fund; and

WHEREAS, the Initiative asserts that by taxing carbon pollution it will establish Washington state's national leadership in addressing both climate change and the acidification of the oceans, but with the taxes going to the state general fund, the Initiative does not demonstrate that it would measurably reduce carbon emissions; and

WHEREAS, the District purchases on average fifty-seven percent of its wholesale power from BPA, most of which is generated by the Columbia River hydroelectric projects; however, a portion is purchased on the open market and may include electricity generated by coal and natural gas; and

WHEREAS, the District has no control over how or where the electricity it purchases on the market is generated, and cannot declare the source or the carbon emissions associated with those purchases; and

WHEREAS, the Initiative proposes that undeclared generating resources have a carbon dioxide content of one ton metric per megawatt hour, which may result in arbitrary application of the proposed tax; and

WHEREAS, the Initiative proposes basing the tax on Fuel Mix Disclosure Reports as described in RCW 19.29A.060; and

WHEREAS, the fuel mix information under RCW 19.29A.060 is calculated and filed with the Department of Commerce annually, and Commerce applies an undisclosed formula to calculate the final Fuel Mix Report several months after the original data submission; and

WHEREAS, the Initiative proposes reporting the fuel mix and paying the tax monthly; and proposes penalties for underpayment;

WHEREAS, reporting the fuel mix, charging customers an estimated tax monthly, and truing up that tax at a future date, is extremely difficult and costly to administer; and

WHEREAS, the administrative and reporting requirements in Initiative 732 will result in increased staff time, the cost of which is not currently determinable; and

WHEREAS, the Initiative proposes a \$15 tax per metric ton of carbon dioxide emissions in 2017, increasing to \$25 in 2018 and increasing annually 3.5% plus inflation up to a \$100 limit; and

WHEREAS, the amount of tax paid varies with the water year; and

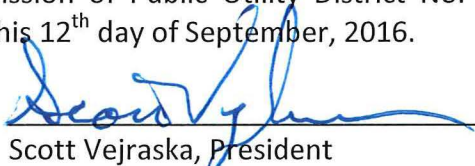
WHEREAS, if voted into law, the Initiative would impose, based upon the 2014 Washington State issued Fuel Mix Report, an estimated \$686,000 tax expense on District customers in 2017, \$1,143,000 in 2018, and increasing every subsequent year, exclusive of the increased cost of staff time referred to herein; and

WHEREAS, on August 22, 2016 an open meeting of the Board of Commissioners was held wherein Board members and the public were provided an approximately equal opportunity to express an opposing view; and

WHEREAS, the District Board of Commissioners believes that, if voted into law, this Initiative would be costly to the District's ratepayers, and further believes that the District should take a formal position with respect to the Initiative to better inform its ratepayers of the potential impacts of Initiative 732 if voted into law, and to advocate the official District position, to the extent permitted by RCW 42.17A;

NOW, THEREFORE, BE IT RESOLVED that the Commission hereby declares its opposition to Initiative 732, known as the Carbon Pollution Tax Act.

APPROVED AND ADOPTED by the Commission of Public Utility District No. 1 of Okanogan County, Washington, at a regular meeting this 12th day of September, 2016.



Scott Vejraska, President



Steve Houston, Vice President

ATTEST:



Ernest J. Bolz, Secretary

APPROVED as to form:



Heidi E. Smith, General Counsel