

Appendix H

**Governor Locke's Veto of
Sales and Use Tax Deferral**

March 31, 2000

To the Honorable President and Members,
The Senate of the State of Washington

Ladies and Gentlemen:

I am returning herewith, without my approval, Substitute Senate Bill No. 6062 entitled:

"AN ACT Relating to a sales and use tax deferral for natural gas-fired energy generating facilities sited in rural areas;"

Substitute Senate Bill No. 6062 would have provided a sales and use tax exemption on the construction of, and purchase of machinery and equipment for, natural gas-fired combined cycle electrical generating facilities of 600 megawatts or more. In particular, this bill was targeted toward the construction of a proposed power plant in Sumas.

The Energy Facility Site Evaluation Council (EFSEC) must approve any power plant that might have taken advantage of the tax incentives created by this bill, before it can be built. The EFSEC process requires that the governor make the final decision whether an energy facility may be built on the proposed site. It is important for me to emphasize that in vetoing this bill, I make no statements about the environmental impact or suitability of the proposed Sumas plant or any other power plant, currently proposed or to be proposed in the future. It would be inappropriate for me to prejudge any project.

If any decisions on power plant construction reach my desk through the EFSEC process, I will very carefully and fairly evaluate them on their merits, according to the standards required by the EFSEC statute, with the complete record before me. This bill is premature. If the Sumas power plant receives an EFSEC permit, there will be opportunities then to revisit the appropriateness of tax exemptions for its construction.

I strongly support the development of economic opportunities for rural areas and additional energy generating capacity for our state. However, the strategy employed by this bill was not the most effective or efficient use of tax dollars. If built, the proposed Sumas plant will create only 25 permanent jobs at a cost of approximately \$24 million in tax exemptions.

Tax exemptions should be used judiciously with the objective of attaining the greatest return on the state's investment. This entails targeting projects that provide a significant number of jobs and stimulate economic activity in other sectors of our economy. Our existing sales tax exemption program for rural areas requires the creation of one new full-time job for every \$750,000 of capital investment. By applying this model to the proposed Sumas plant, for example, 467 new full-time jobs would have to be created, based upon the \$350 million estimated cost of the project.

Tax exemptions should continue to be used as a tool to encourage private sector investment in clean energy alternatives that may not yet be sufficiently profitable to attract private sector investment, and for other types of projects, including some natural gas power plants that will create large numbers of jobs and have substantial economic benefit.

For these reasons, I have vetoed Substitute Senate Bill No. 6062 in its entirety.

Respectfully submitted,

Gary Locke
Governor