

HOUSE BILL REPORT

HB 1399

As Reported by House Committee On:
Technology, Energy & Communications

Title: An act relating to renewable energy system cost recovery.

Brief Description: Concerning renewable energy system cost recovery.

Sponsors: Representatives Chase, Campbell, McCoy, Moeller, Kirby, Conway, Williams, Upthegrove, Sells, O'Brien, Carlyle, Pedersen, Green, Cody, Haigh, Miloscia, Kenney, Rolfes, Appleton, Dunshee, Roberts, Sullivan, Quall, Dickerson, Hudgins, Nelson, Goodman, Simpson and Ormsby.

Brief History:

Committee Activity:

Technology, Energy & Communications: 2/11/09, 2/12/09 [DPS].

Brief Summary of Substitute Bill

- Allows community solar projects and businesses in the light and power business to be eligible for the renewable energy investment cost-recovery incentive.
- Specifies that solar hot water and domestic hot water heat pumps qualify as eligible renewable energy systems.
- Provides incentive rate multipliers for solar hot water heating systems and domestic hot water heat pumps.
- Increases the amount of credit a light and power business may claim against its public utility tax for incentives paid.
- Extends the renewable energy investment cost-recovery incentive expiration date to June 30, 2020.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass.
Signed by 15 members: Representatives McCoy, Chair; Eddy, Vice Chair; Crouse, Ranking

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Minority Member; Carlyle, Condotta, Finn, Hasegawa, Herrera, Hinkle, Hudgins, Jacks, McCune, Morris, Takko and Van De Wege.

Minority Report: Without recommendation. Signed by 1 member: Representative Haler, Assistant Ranking Minority Member.

Staff: Scott Richards (786-7156)

Background:

Investment Cost-Recovery Incentive for Renewable Energy Systems.

In 2005 the Legislature created an investment cost-recovery incentive to promote renewable energy systems that produce electricity from solar, wind, or anaerobic digesters. An individual, business, or local government purchasing an eligible system may apply for an incentive payment from the electric utility serving the applicant. Any business that provides light and power or distributes gas is not eligible for this incentive.

The investment cost-recovery incentive rate (incentive rate) equals 15 cents for each kilowatt hour of electricity produced. For certain systems and components, the incentive rate may be adjusted based on where the equipment or components were manufactured. The incentive rate is multiplied by the following factors:

- for electricity produced using solar modules made in Washington, two and four-tenths;
- for electricity produced using a solar or a wind generator equipped with an inverter made in Washington, one and two-tenths;
- for electricity produced by an anaerobic digester, other solar, or by using a wind generator equipped with blades made in Washington, one; and
- for all other customer-generated electricity produced wind, eight-tenths.

Payments are capped at \$2,000 annually per applicant. No incentive may be paid after June 30, 2014.

Public Utility Tax Credit.

An electric utility providing investment cost-recovery incentive payments is allowed a credit against its public utility tax (PUT) for incentives paid. The PUT credit is limited to \$25,000 or 0.25 percent of its taxable power sales, whichever is greater. The right to earn PUT credits expires June 30, 2015.

Environmental Attributes of the Renewable Energy System.

The environmental attributes of the renewable energy system belong to the individual, business, or local government.

Summary of Substitute Bill:

Investment Cost-Recovery Incentive for Renewable Energy Systems.

Any individual, business, or local governmental entity may apply annually to the light and power business serving the site of the system for an investment cost-recovery incentive for each kilowatt-hour generated by up to one solar electric, wind, biomass, solar hot water, or domestic hot water heat pump renewable energy system. Businesses that provide light and power or distribute gas are also eligible for this incentive.

Community Solar Projects.

Community solar projects are eligible for this incentive payment. A "community solar project" means: (a) a solar energy system owned by local individuals, households, or businesses that is placed on the property owned by their cooperating local governmental entity or a cooperative association; or (b) a utility-owned solar energy system that is voluntarily funded by the ratepayers of the utility where, in exchange for their financial support, the utility gives contributors a credit on their utility bill or payment for the value of the electricity produced by the project. Community solar projects payments are capped at \$5,000 per year.

Investment Cost-Recovery Incentive Rate.

To receive the investment cost-recovery incentive, an eligible renewable energy system must be measured by an approved monitoring device. An "approved monitoring device" means any mechanism designed to measure kilowatt-hours that is approved by the Washington State University Energy Program.

Incentive rate multipliers are provided for solar hot water systems, domestic hot water heat pumps, and solar modules manufactured in Washington. The incentive rate is multiplied by the following factors:

- for solar modules manufactured in Washington, one and eight-tenths;
- for solar hot water heating systems or a domestic hot water heat pump made in Washington, one-third; and
- for solar hot water systems or domestic hot water heat pumps not made in Washington, one-fifth.

No incentive may be paid after June 30, 2020.

Public Utility Tax Credit.

The public utility tax (PUT) credit may not exceed \$100,000 or 1 percent of a utility's taxable power sales, whichever is greater. Utility-owned community solar projects may only account for up to 25 percent of the PUT credit taken. The right to earn PUT credits expires June 30, 2019. No claim for credits may be made after June 30, 2020.

The Utilities and Transportation Commission is directed to develop and make recommendations to the Legislature on how gas distribution companies may be allowed to participate in the cost-recovery incentive program and qualify for a public utility tax credit.

Environmental Attributes of the Renewable Energy System.

Upon receipt of the investment cost-recovery incentive, the environmental attributes of the renewable energy system belong to the light and power business serving the renewable energy system site.

Definitions.

"Cooperative association" means an employee cooperative association as defined in RCW 23.78.010.

"Customer-generated kilowatt-hours" means the measured energy that is generated from a renewable energy system located on an individual's, businesses', or local government's real property that is also provided electricity generated by a light and power business. Except for community solar projects, a system located on a leasehold interest does not qualify under this definition.

"Domestic heat pump water heating system" means a device that has the primary purpose of reducing demand for electricity or natural gas through water heating, space heating, or other methods of capturing energy ambient air for household use.

"Local government entity" means any unit of local government in Washington including, but not limited to, counties, cities, towns, municipal corporations, quasi-municipal corporations, special purpose districts, and school districts.

"Solar module" means the smallest non-divisible self-contained physical structure housing interconnected photovoltaic cells, or a heat engine and generator, and providing a single direct current electrical output.

"Solar water heating system" means a solar energy device that has the primary purpose of reducing demand for electricity or natural gas through water heating, space heating, or other methods of capturing energy from the sun to reduce electric or natural gas consumption in a home or business, and is certified by the Solar Rating and Certification Corporation. Solar water heating systems do not include solar pool heating systems.

References to the development of uniform interconnection standards in the cost-recovery incentive program are removed.

Substitute Bill Compared to Original Bill:

The investment cost-recovery incentive rate is reduced from 30 cents for each kilowatt-hour produced to 15 cents for each kilowatt-hour produced. The Utilities and Transportation Commission is directed to develop and make recommendations to the Legislature on how gas distribution companies may participate in the cost-recovery incentive program. Community solar projects may be located on the property of a cooperative association.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Renewable energy can become the driving force for economic recovery. However, there is a reluctance by homeowners and businesses to invest in these systems that can be costly. This incentive program helps citizens recapture their investments, helps our country become energy independent, and spurs economic development. It will create good blue collar and green collar jobs. Make sure that incentives are not set too high so that they do not overheat the market. The incentive cap should be level for all participants. The definition of community solar project needs to be expanded to include other scenarios.

(Opposed) None.

Persons Testifying: Representative Chase, prime sponsor; Mike Nelson, Washington State University Extension Energy Program; and Jeremy Smithson, Puget Sound Solar.

Persons Signed In To Testify But Not Testifying: None.