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HOUSE BILL 2537

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State of Washington                      61st Legislature                      2010 Regular Session

By Representatives McCoy, Chase, Haler, Morrell, and Morris

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1            AN ACT Relating to incentives for solar energy; and amending RCW  
2 82.04.294, 82.16.110, and 82.16.120.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4            **Sec. 1.** RCW 82.04.294 and 2009 c 469 s 501 are each amended to  
5 read as follows:

6            (1)(a) Beginning October 1, 2005, upon every person engaging within  
7 this state in the business of manufacturing solar energy systems using  
8 photovoltaic modules or stirling converters, or of manufacturing solar  
9 grade silicon to be used exclusively in components of such systems; as  
10 to such persons the amount of tax with respect to such business shall,  
11 in the case of manufacturers, be equal to the value of the product  
12 manufactured, or in the case of processors for hire, be equal to the  
13 gross income of the business, multiplied by the rate of 0.2904 percent.

14            (b) Beginning October 1, 2009, upon every person engaging within  
15 this state in the business of manufacturing solar energy systems using  
16 photovoltaic modules or stirling converters, or of manufacturing solar  
17 grade silicon, silicon solar wafers, silicon solar cells, thin film  
18 solar devices, or compound semiconductor solar wafers to be used  
19 exclusively in components of such systems; as to such persons the

1 amount of tax with respect to such business is, in the case of  
2 manufacturers, equal to the value of the product manufactured, or in  
3 the case of processors for hire, equal to the gross income of the  
4 business, multiplied by the rate of 0.275 percent.

5 (2)(a) Beginning October 1, 2005, upon every person engaging within  
6 this state in the business of making sales at wholesale of solar energy  
7 systems using photovoltaic modules or stirling converters, or of solar  
8 grade silicon to be used exclusively in components of such systems,  
9 manufactured by that person; as to such persons the amount of tax with  
10 respect to such business shall be equal to the gross proceeds of sales  
11 of the solar energy systems using photovoltaic modules or stirling  
12 converters, or of the solar grade silicon to be used exclusively in  
13 components of such systems, multiplied by the rate of 0.2904 percent.

14 (b) Beginning October 1, 2009, upon every person engaging within  
15 this state in the business of making sales at wholesale of solar energy  
16 systems using photovoltaic modules or stirling converters, or of solar  
17 grade silicon, silicon solar wafers, silicon solar cells, thin film  
18 solar devices, or compound semiconductor solar wafers to be used  
19 exclusively in components of such systems, manufactured by that person;  
20 as to such persons the amount of tax with respect to such business is  
21 equal to the gross proceeds of sales of the solar energy systems using  
22 photovoltaic modules or stirling converters, or of the solar grade  
23 silicon to be used exclusively in components of such systems,  
24 multiplied by the rate of 0.275 percent.

25 (3) Beginning October 1, 2009, silicon solar wafers, silicon solar  
26 cells, thin film solar devices, or compound semiconductor solar wafers  
27 are "semiconductor materials" for the purposes of RCW 82.08.9651 and  
28 82.12.9651.

29 (4) The definitions in this subsection apply throughout this  
30 section.

31 (a) "Compound semiconductor solar wafers" means a semiconductor  
32 solar wafer composed of elements from two or more different groups of  
33 the periodic table.

34 (b) "Module" means the smallest nondivisible self-contained  
35 physical structure housing interconnected photovoltaic cells and  
36 providing a single direct current electrical output.

37 (c) "Photovoltaic cell" means a device that converts light directly  
38 into electricity without moving parts.

1 (d) "Silicon solar cells" means a photovoltaic cell manufactured  
2 from a silicon solar wafer.

3 (e) "Silicon solar wafers" means a silicon wafer manufactured for  
4 solar conversion purposes.

5 (f) "Solar energy system" means any device or combination of  
6 devices or elements that rely upon direct sunlight as an energy source  
7 for use in the generation of electricity.

8 (g) "Solar grade silicon" means high-purity silicon used  
9 exclusively in components of solar energy systems using photovoltaic  
10 modules to capture direct sunlight. "Solar grade silicon" does not  
11 include silicon used in semiconductors.

12 (h) "Stirling converter" means a device that produces electricity  
13 by converting heat from a solar source utilizing a stirling engine.

14 (i) "Thin film solar devices" means a nonparticipating substrate on  
15 which various semiconducting materials are deposited to produce a  
16 photovoltaic cell that is used to generate electricity.

17 (5) This section expires June 30, 2014.

18 **Sec. 2.** RCW 82.16.110 and 2009 c 469 s 504 are each amended to  
19 read as follows:

20 The definitions in this section apply throughout this chapter  
21 unless the context clearly requires otherwise.

22 (1)(a) "Community solar project" means:

23 (i) A solar energy system owned by local individuals, households,  
24 nonprofit organizations, or nonutility businesses that is placed on the  
25 property owned by a cooperating local governmental entity that is not  
26 in the light and power business or in the gas distribution business; or

27 (ii) A utility-owned solar energy system that is voluntarily funded  
28 by the utility's ratepayers where, in exchange for their financial  
29 support, the utility gives contributors a payment or credit on their  
30 utility bill for the value of the electricity produced by the project.

31 (b) For the purposes of "community solar project" as defined in (a)  
32 of this subsection:

33 (i) "Nonprofit organization" means an organization exempt from  
34 taxation under Title 26 U.S.C. Sec. 501(c)(3) of the federal internal  
35 revenue code of 1986, as amended, as of January 1, 2009; and

36 (ii) "Utility" means a light and power business, an electric  
37 cooperative, or a mutual corporation that provides electricity service.

1 (2) "Customer-generated electricity" means a community solar  
2 project or the alternating current electricity that is generated from  
3 a renewable energy system located on an individual's, businesses', or  
4 local government's real property that is also provided electricity  
5 generated by a light and power business. Except for community solar  
6 projects, a system located on a leasehold interest does not qualify  
7 under this definition. Except for community solar projects, "customer-  
8 generated electricity" does not include electricity generated by a  
9 light and power business with greater than one thousand megawatt hours  
10 of annual sales or a gas distribution business.

11 (3) "Economic development kilowatt-hour" means the actual kilowatt-  
12 hour measurement of customer-generated electricity multiplied by the  
13 appropriate economic development factor.

14 (4) "Local governmental entity" means any unit of local government  
15 of this state including, but not limited to, counties, cities, towns,  
16 municipal corporations, quasi-municipal corporations, special purpose  
17 districts, and school districts.

18 (5) "Photovoltaic cell" means a device that converts light directly  
19 into electricity without moving parts.

20 (6) "Renewable energy system" means a solar energy system, an  
21 anaerobic digester as defined in RCW 82.08.900, or a wind generator  
22 used for producing electricity.

23 (7) "Solar energy system" means any device or combination of  
24 devices or elements that rely upon direct sunlight as an energy source  
25 for use in the generation of electricity.

26 (8) "Solar inverter" means the device used to convert direct  
27 current to alternating current in a photovoltaic cell system.

28 (9) "Solar module" means the smallest nondivisible self-contained  
29 physical structure housing interconnected photovoltaic cells and  
30 providing a single direct current electrical output.

31 (10) "Stirling converter" means a device that produces electricity  
32 by converting heat from a solar source utilizing a stirling engine.

33 **Sec. 3.** RCW 82.16.120 and 2009 c 469 s 505 are each amended to  
34 read as follows:

35 (1) Any individual, business, local governmental entity, not in the  
36 light and power business or in the gas distribution business, or a  
37 participant in a community solar project may apply to the light and

1 power business serving the situs of the system, each fiscal year  
2 beginning on July 1, 2005, for an investment cost recovery incentive  
3 for each kilowatt-hour from a customer-generated electricity renewable  
4 energy system. No incentive may be paid for kilowatt-hours generated  
5 before July 1, 2005, or after June 30, 2020.

6 (2)(a) Before submitting for the first time the application for the  
7 incentive allowed under subsection (4) of this section, the applicant  
8 must submit to the department of revenue and to the climate and rural  
9 energy development center at the Washington State University,  
10 established under RCW 28B.30.642, a certification in a form and manner  
11 prescribed by the department that includes, but is not limited to, the  
12 following information:

13 (i) The name and address of the applicant and location of the  
14 renewable energy system;

15 (ii) The applicant's tax registration number;

16 (iii) That the electricity produced by the applicant meets the  
17 definition of "customer-generated electricity" and that the renewable  
18 energy system produces electricity with:

19 (A) Any solar inverters and solar modules manufactured in  
20 Washington state;

21 (B) A wind generator powered by blades manufactured in Washington  
22 state;

23 (C) A solar inverter manufactured in Washington state;

24 (D) A solar module manufactured in Washington state; (~~(E)~~)

25 (E) A stirling converter manufactured in Washington state; or

26 (F) Solar or wind equipment manufactured outside of Washington  
27 state;

28 (iv) That the electricity can be transformed or transmitted for  
29 entry into or operation in parallel with electricity transmission and  
30 distribution systems;

31 (v) The date that the renewable energy system received its final  
32 electrical permit from the applicable local jurisdiction.

33 (b) Within thirty days of receipt of the certification the  
34 department of revenue must notify the applicant by mail, or  
35 electronically as provided in RCW 82.32.135, whether the renewable  
36 energy system qualifies for an incentive under this section. The  
37 department may consult with the climate and rural energy development

1 center to determine eligibility for the incentive. System  
2 certifications and the information contained therein are subject to  
3 disclosure under RCW 82.32.330(3)(m).

4 (3)(a) By August 1st of each year application for the incentive  
5 shall be made to the light and power business serving the situs of the  
6 system by certification in a form and manner prescribed by the  
7 department that includes, but is not limited to, the following  
8 information:

9 (i) The name and address of the applicant and location of the  
10 renewable energy system;

11 (ii) The applicant's tax registration number;

12 (iii) The date of the notification from the department of revenue  
13 stating that the renewable energy system is eligible for the incentives  
14 under this section;

15 (iv) A statement of the amount of kilowatt-hours generated by the  
16 renewable energy system in the prior fiscal year.

17 (b) Within sixty days of receipt of the incentive certification the  
18 light and power business serving the situs of the system shall notify  
19 the applicant in writing whether the incentive payment will be  
20 authorized or denied. The business may consult with the climate and  
21 rural energy development center to determine eligibility for the  
22 incentive payment. Incentive certifications and the information  
23 contained therein are subject to disclosure under RCW 82.32.330(3)(m).

24 (c)(i) Persons receiving incentive payments shall keep and  
25 preserve, for a period of five years, suitable records as may be  
26 necessary to determine the amount of incentive applied for and  
27 received. Such records shall be open for examination at any time upon  
28 notice by the light and power business that made the payment or by the  
29 department. If upon examination of any records or from other  
30 information obtained by the business or department it appears that an  
31 incentive has been paid in an amount that exceeds the correct amount of  
32 incentive payable, the business may assess against the person for the  
33 amount found to have been paid in excess of the correct amount of  
34 incentive payable and shall add thereto interest on the amount.  
35 Interest shall be assessed in the manner that the department assesses  
36 interest upon delinquent tax under RCW 82.32.050.

37 (ii) If it appears that the amount of incentive paid is less than

1 the correct amount of incentive payable the business may authorize  
2 additional payment.

3 (4) Except for community solar projects, the investment cost  
4 recovery incentive may be paid fifteen cents per economic development  
5 kilowatt-hour unless requests exceed the amount authorized for credit  
6 to the participating light and power business. For community solar  
7 projects, the investment cost recovery incentive may be paid thirty  
8 cents per economic development kilowatt-hour unless requests exceed the  
9 amount authorized for credit to the participating light and power  
10 business. For the purposes of this section, the rate paid for the  
11 investment cost recovery incentive may be multiplied by the following  
12 factors:

13 (a) For customer-generated electricity produced using solar modules  
14 manufactured in Washington state or a solar stirling converter  
15 manufactured in Washington state, two and four-tenths;

16 (b) For customer-generated electricity produced using a solar or a  
17 wind generator equipped with an inverter manufactured in Washington  
18 state, one and two-tenths;

19 (c) For customer-generated electricity produced using an anaerobic  
20 digester, or by other solar equipment or using a wind generator  
21 equipped with blades manufactured in Washington state, one; and

22 (d) For all other customer-generated electricity produced by wind,  
23 eight-tenths.

24 (5) No individual, household, business, or local governmental  
25 entity is eligible for incentives provided under subsection (4) of this  
26 section for more than five thousand dollars per year. Each applicant  
27 in a community solar project is eligible for up to five thousand  
28 dollars per year.

29 (6) If requests for the investment cost recovery incentive exceed  
30 the amount of funds available for credit to the participating light and  
31 power business, the incentive payments shall be reduced  
32 proportionately.

33 (7) The climate and rural energy development center at Washington  
34 State University energy program may establish guidelines and standards  
35 for technologies that are identified as Washington manufactured and  
36 therefore most beneficial to the state's environment.

37 (8) The environmental attributes of the renewable energy system

1 belong to the applicant, and do not transfer to the state or the light  
2 and power business upon receipt of the investment cost recovery  
3 incentive.

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