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**Technology, Energy & Communications  
Committee**

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**HB 1144**

**Brief Description:** Concerning renewable energy investment cost recovery program.

**Sponsors:** Representatives McCoy, Crouse, Eddy, Morris, Haler, Kelley, Liias, Jacks, Frockt and Hudgins.

**Brief Summary of Bill**

- Expands the Renewable Energy Cost-recovery Incentive Program (Cost-recovery Incentive Program) to include solar stirling converters and solar inverter systems.
- Establishes incentive multipliers for solar stirling converters manufactured in Washington, for solar inverter systems manufactured in Washington, and for wind energy systems with a generating capacity of five kilowatts or less.
- Allows institutions of higher education to host community solar projects.
- Increases the incentive payment limit for company-owned community solar projects to \$25,000 per member.
- Provides the host of a community solar project the option to purchase the solar energy system after the expiration of the Cost-recovery Incentive Program.
- Specifies no new Cost-recovery Incentive Program applications may be approved for a light and power business once the public utility tax (PUT) credit capacity for the light and power business is reached.
- Adjusts the amount of incentive payments company-owned and utility-owned community solar projects may receive as part of the total allowable PUT credit available to a light and power business.

**Hearing Date:** 1/25/11

**Staff:** Scott Richards (786-7156).

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*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.*

## **Background:**

### **Renewable Energy Cost Recovery Incentive Program**

In 2005 the Legislature created a Renewable Energy Cost-recovery Incentive Program (Cost-recovery Incentive Program) to promote renewable energy systems located in Washington 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. The incentive provides at least 15 cents for each kilowatt-hour of energy produced, with extra incentives for solar generating systems or wind generating systems that use certain components manufactured in Washington. Payments are capped at \$5,000 annually per applicant.

### **Community Solar Projects.**

In 2009 the Legislature expanded the Cost-recovery Incentive Program to include community solar projects. Community solar projects are defined as either: (1) a solar energy system owned by local individuals, households, or non-utility businesses that is placed on the property owned by their cooperating local government entity; (2) a utility-owned solar energy system that is voluntarily funded by the utility's ratepayers where, in exchange for their financial support, the utility gives contributors a payment or credit on their utility bill for the value of the electricity produced by the project; or (3) a company-owned solar energy system that is a limited liability company, a cooperative, or a mutual corporation or association. Community solar projects are eligible to receive incentives of 30 cents for each kilowatt-hour of energy produced. Only community solar projects capable of generating up to 75 kilowatts of electricity may receive incentive payments. Payments to a community solar project are capped at \$5,000 annually per applicant.

### **Cost Recovery Incentive Program Limits**

A utility providing incentive payments is allowed a credit against its public utility tax (PUT) for incentives paid, limited to \$100,000 or 0.5 percent of its taxable power sales, whichever is greater. If the amount of requests for incentive payments exceeds the amount of funds available for PUT credit to the utility, the incentive payments to applicants must be reduced proportionally. Incentive payments to participants in a utility-owned community solar project may only account for up to 25 percent of the total allowable credit. Incentive payments to participants in a company-owned community solar project may only account for up to five percent of the total allowable credit.

The Cost-recovery Incentive Program expires June 30, 2020.

## **Summary of Bill:**

### **Institutions of Higher Education.**

Institutions of higher education are eligible to host a community solar project. An "institution of higher education" is a state university, regional university, The Evergreen State College, a community college or a technical college.

### **Stirling Converters.**

Individuals, businesses, local governments, or community solar projects that generate electricity from a stirling converter manufactured in Washington are eligible to receive an incentive

payment for each kilowatt-hour produced. The incentive payment is 15 cents per kilowatt-hour multiplied by a factor of 2.4. A "stirling converter" is defined as a device that produces electricity by converting heat from a solar source using a stirling engine.

**Solar Inverter System.**

Individuals, businesses, local governments, or community solar projects that generate electricity using a solar inverter system manufactured in Washington are eligible to receive an incentive payment for each kilowatt-hour produced. The incentive payment is 15 cents per kilowatt-hour multiplied by a factor of 1.2. A "solar inverter system" is a device assembled at the manufacturing facility and ready for installation as part of a solar energy system. A solar inverter system must contain a solar inverter and, at a minimum, alternating current and direct current disconnects.

**Wind Generators with a Generating Capacity of Five Kilowatts or Less.**

For wind generators with a generating capacity of no more than five kilowatts the incentive payment of 15 cents per kilowatt-hour is multiplied by a factor of 3.3.

**Cost-recovery Incentive Payment Limit for Company-owned Community Solar.**

Each member participating in a company-owned community solar project may receive annual incentive payments up to \$25,000.

**Cost Recovery Incentive Program Limits**

If requests for the investment Cost-recovery Incentive Program payments exceed the amount of funds available for credit to the participating light and power business, no new applications may be approved for the light and power business. Incentive payments to participants in a utility-owned community solar project may only account for up to 15 percent of the total allowable credit. Incentive payments to participants in a company-owned community solar project may only account for up to 15 percent of the total allowable credit.

**Option to Purchase Community Solar Project.**

A local government entity or an institution of higher education that qualifies for the community solar incentive program has an option to purchase a solar energy system located on its property from the owner at fair market value after the expiration of the Renewable Energy Cost-recovery Incentive Program. The fair market value must take into consideration the following: (1) The energy production from the solar energy system over its remaining useful life; (2) The cost of the lease for the property that the solar energy system is located; and (3) Maintenance, insurance, and cost of removal of the solar energy system if the host facility decides not to renew the lease.

**Appropriation:** None.

**Fiscal Note:** Requested on 1/19/2011.

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