

FINAL BILL REPORT

SSB 5101

C 300 L 05

Synopsis as Enacted

Brief Description: Providing incentives to support renewable energy.

Sponsors: Senate Committee on Water, Energy & Environment (originally sponsored by Senators Poulsen, Morton, Fraser, Rockefeller, Pridemore, Regala, Hewitt, Kline, Kohl-Welles, Brown and Oke).

Senate Committee on Water, Energy & Environment
Senate Committee on Ways & Means
House Committee on Technology, Energy & Communications
House Committee on Finance

Background: A recent report by the Washington State University Energy Program recognized the solar electric industry as one of the state's important growth industries. The businesses in this industry have been increasingly expanding and relocating their operation elsewhere. The report indicates that additional incentives for the solar electric industry are needed in recognition of the unique forces and issues involved in business decisions in this industry.

The public utility tax is the state's business tax on the gross receipts of public and privately-owned utilities. It has five different rates, depending on the specific utility activity. Proceeds from the public utility tax go primarily to the state general fund.

Utilities are required to allow customers to utilize net metering systems. Allowable systems include electrical production facilities that: (1) use solar, wind, or hydropower; (2) have a generating capacity of 25 kilowatts or less; (3) are located on the customer's premises; (4) operate in parallel with the electrical utility's distribution and transmission system; and (5) are intended primarily to offset part or all of the customer's electricity requirements. Such systems are required to include equipment that meets applicable safety, power quality, and interconnection requirements. The Utilities and Transportation Commission (for investor-owned utilities) or the governing body (for a consumer-owned utility) may adopt additional safety, power quality, and interconnection requirements.

Summary: Investment cost recovery incentives are authorized to support renewable energy projects. Individuals, businesses, or local governments who generate electricity, on their own property, with an anaerobic digester or a wind or solar energy system may apply to their light and power business for the incentive payment.

The cost recovery incentive payment is available for systems that are not interconnected to the electric distribution system. Once uniform interconnection standards are adopted by light and power businesses serving 80 percent of the total customer load in the state, the cost recovery incentive payment is also available for systems that are interconnected. Uniform standards have 90 percent of total requirements the same.

The applicants must submit a request for a system certification to the Department of Revenue (DOR) and the Climate and Rural Energy Development Center at Washington State University. The DOR must advise the applicant whether their system qualifies for the incentive program. The DOR may consult with the climate center in making its decision on eligibility.

The incentive is calculated off a base rate of 15 cents for each kilowatt hour of energy produced. That rate is adjusted based on where the equipment or components were manufactured. The incentive rate is multiplied by the following factors:

- 1) for customer-generated electricity produced using solar modules manufactured in Washington State: two and four-tenths;
- 2) for customer-generated electricity produced using a solar or a wind generator equipped with an inverter manufactured in Washington State: one and two-tenths;
- 3) for customer-generated electricity produced by an anaerobic digester, other solar, or by using a wind generator equipped with blades manufactured in Washington State: one;
- 4) for all other customer-generated electricity produced wind: eight-tenths.

The payments are capped at \$2,000 per year for each individual, household, business, or local government.

Each light and power business is allowed a credit against its public utility tax for incentive payments paid to applicants. The credit is limited to one quarter of one percent of its taxable power sales, or \$25,000, whichever is greater. If incentive requests exceed the amount of credit available, the power and light business must prorate the payments.

A manner in which utilities may assess interest if excess payments are made to persons that generate electricity is established. Utilities are required to repay taxes, with interest, against which credit was claimed for excess payments made to persons that generate electricity.

DOR must conduct a study from existing sources of data and report the impact of the incentives to the legislature by December 1, 2009.

This program is effective beginning July 1, 2005, and expires July 1, 2014.

Votes on Final Passage:

Senate	48	1	
House	96	0	(House amended)
Senate	46	0	(Senate concurred)

Effective: July 1, 2005.