SENATE BILL REPORT
SSB 5101

As Passed Senate, March 11, 2005

Title: An act relating to providing incentives to support renewable energy.

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).

Brief History:

Committee Activity: Water, Energy & Environment: 1/18/05, 2/8/05 [DPS-WM].
Ways & Means: 2/24/05, 3/7/05 [DPS(WEE)].
Passed Senate: 3/11/05, 48-1.

SENATE COMMITTEE ON WATER, ENERGY & ENVIRONMENT

Majority Report: That Substitute Senate Bill No. 5101 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.
Signed by Senators Poulsen, Chair; Rockefeller, Vice Chair; Morton, Ranking Minority Member; Fraser, Hewitt, Mulliken, Pridemore and Regala.

Staff: Richard Rodger (786-7461)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5101 as recommended by Committee on Water, Energy & Environment be substituted therefor, and the substitute bill do pass.
Signed by Senators Prentice, Chair; Doumit, Vice Chair; Fraser, Vice Chair; Zarelli, Ranking Minority Member; Brandland, Fairley, Hewitt, Kohl-Welles, Parlette, Pflug, Pridemore, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Thibaudeau.

Staff: Dean Carlson (786-7305)

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.

Summary of Bill: 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 applicants must submit a request for a system certification to the Department of Revenue and the Climate and Rural Energy Development Center at Washington State University (WSU). The department must advise the applicant whether their system qualifies for the incentive program. The department 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.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2005, and expires on July 1, 2015.

Testimony For (Water, Energy & Environment): This bill would create the best solar program in the nation. The incentives provided here are more logical than incentives elsewhere that provided money for installation of systems without regard to the amount of energy produced. This bill will create jobs here, provide additional energy security, lessen dependency on foreign sources of energy, lessen pollution, and ease energy transmission and distribution problems. The state needs to adopt strategies to maintain its edge in the solar market and stop additional solar industries from leaving the state.

Testimony Against (Water, Energy & Environment): None.

Other: The bill should be expanded beyond solar and wind energy generation to include methane digesters. The decentralization of incentives may make it more difficult to ensure the integrity of the program. The sections concerning WSU's involvement would be easier to quantify if they were mandatary.

Who Testified (Water, Energy & Environment): PRO: Chris Cheney, Washington Dairy Federation; Jim White, Chelan PUD; Jeremy Smithson, Solar Washington; Danielle Dixon, Northwest Energy Coalition; Toni Potter, League of Women's Voters of Washington. OTHER: Jake Fey, Washington State University Energy Program; Mike Nelson, Washington State University Energy Program.

Testimony For (Ways & Means): This bill will generate new revenue from B&O tax to offset the cost of this bill. We finally got a solar electrical system on the capital building, but the company who installed it is moving to California. We have a similar incentive system in Chelan County and we have more solar energy systems than any other county.

Testimony Against (Ways & Means): None.

Who Testified (Ways & Means): PRO: Jeremy Smithson, Puget Sound Solar; Jim White, Chelan County PUD; Mike Nelson, WSU.

House Amendment(s): The amendment provides that persons and entities with renewable energy systems that are not interconnected to the electric distribution system are eligible for the investment cost recovery incentive starting July 1, 2005. Systems interconnected to the distribution system are only eligible for incentives after uniform standards for interconnection are established by light and power businesses serving eighty percent of the customer load in the state. Subject to these limitations, the incentive payments may be earned starting July 1, 2005 and ending on June 30, 2014.

The amendment clarifies that the maximum amount of credit that may be taken by a utility in any one fiscal year is the greater of 0.25 percent of taxable sales or $25,000 and not the greater of 25 percent of taxable sales or $25,000.

It also clarifies that the renewable energy system certification request needs be made only once. The provisions limiting the amount of credit taken apply to activity during a fiscal year.

A requirement is provided governing the manner in which interest may be assessed by utilities if excess payments are made to persons that generate electricity. Utilities are required to repay taxes, with interest, against which credit was claimed for excess payments made to persons that generate electricity.

The Department of Revenue is required to use existing information to provide a report to the legislature, due December 1, 2009, regarding the impact of the cost recovery incentive payment.

Subject to these limitations, the incentive payments may be earned starting July 1, 2005 through June 30, 2014. The tax credits may not be earned after June 30, 2015, and must be claimed by June 30, 2016. Compared to the Senate bill that contained an expiration clause for the act effective July 1, 2015.

The amendment adds that the bill is null and void if not funded in the budget.

Passed House: 96-0.