

SHB 2198 - H AMD TO H AMD (2198-S AMH MORR RICH 077) **1167**

By Representative Short

1 On page 1, beginning on line 4 of the amendment, strike all of
2 sections 1 through 3 and insert the following:

3
4 **"Sec. 1.** RCW 19.280.040 and 2006 c 195 s 4 are each amended to
5 read as follows:

6 (1) Investor-owned utilities shall submit integrated resource
7 plans to the commission. The commission shall establish by rule the
8 requirements for preparation and submission of integrated resource
9 plans.

10 (2) The commission may adopt rules requiring investor-owned
11 utilities to assess energy storage systems in their integrated
12 resource planning process under this chapter. For the purposes of
13 this subsection, "energy storage system" means a system that is
14 capable of absorbing energy, storing it for a period of time, and
15 thereafter dispatching the energy as electricity to an electrical
16 transmission or distribution system. An energy storage system may not
17 exceed the greenhouse gas emissions performance standards under RCW
18 80.80.040 when storing or dispatching electricity from the energy
19 storage system into an electrical transmission or distribution system.

20 (3) The commission may adopt additional rules as necessary to
21 clarify the requirements of RCW 19.280.030 as they apply to
22 investor-owned utilities.

23
24 **Sec. 2.** RCW 82.16.110 and 2011 c 179 s 2 are each amended to read
25 as follows:

26 The definitions in this section apply throughout this chapter
27 unless the context clearly requires otherwise.

1 (1) "Administrator" means an owner and assignee of a community
2 solar project as defined in subsection (2)(a)(i) of this section that
3 is responsible for applying for the investment cost recovery incentive
4 on behalf of the other owners and performing such administrative tasks
5 on behalf of the other owners as may be necessary, such as receiving
6 investment cost recovery incentive payments, and allocating and paying
7 appropriate amounts of such payments to the other owners.

8 (2)(a) "Community solar project" means:

9 (i) A solar energy system that is capable of generating up to
10 seventy-five kilowatts of electricity and is owned by local
11 individuals, households, nonprofit organizations, or nonutility
12 businesses that is placed on the property owned by a cooperating local
13 governmental entity that is not in the light and power business or in
14 the gas distribution business;

15 (ii) A utility-owned solar energy system that is capable of
16 generating up to seventy-five kilowatts of electricity and that is
17 voluntarily funded by the utility's ratepayers where, in exchange for
18 their financial support, the utility gives contributors a payment or
19 credit on their utility bill for the value of the electricity produced
20 by the project; or

21 (iii) A solar energy system, placed on the property owned by a
22 cooperating local governmental entity that is not in the light and
23 power business or in the gas distribution business, that is capable of
24 generating up to seventy-five kilowatts of electricity, and that is
25 owned by a company whose members are each eligible for an investment
26 cost recovery incentive for the same customer-generated electricity as
27 provided in RCW 82.16.120.

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

30 (i) "Company" means an entity that is:

31 (A)(I) A limited liability company;

32 (II) A cooperative formed under chapter 23.86 RCW; or

33 (III) A mutual corporation or association formed under chapter
34 24.06 RCW; and

1 (B) Not a "utility" as defined in this subsection (2)(b); and

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

5 (iii) "Utility" means a light and power business, an electric
6 cooperative, or a mutual corporation that provides electricity
7 service.

8 (3) "Customer-generated electricity" means a community solar
9 project or the alternating current electricity that is generated from
10 a renewable energy system located in Washington and installed on an
11 individual's, businesses', or local government's real property that is
12 also provided electricity generated by a light and power business.
13 Except for community solar projects, a system located on a leasehold
14 interest does not qualify under this definition. Except for utility-
15 owned community solar projects, "customer-generated electricity" does
16 not include electricity generated by a light and power business with
17 greater than one thousand megawatt hours of annual sales or a gas
18 distribution business.

19 (4) "Economic development kilowatt-hour" means the actual
20 kilowatt-hour measurement of customer-generated electricity multiplied
21 by the appropriate economic development factor.

22 (5) "Local governmental entity" means any unit of local government
23 of this state including, but not limited to, counties, cities, towns,
24 municipal corporations, quasi-municipal corporations, special purpose
25 districts, and school districts.

26 (6) "Photovoltaic cell" means a device that converts light
27 directly into electricity without moving parts.

28 (7) "Renewable energy system" means a solar energy system, an
29 anaerobic digester as defined in RCW 82.08.900, or a wind generator
30 used for producing electricity.

31 (8) "Solar energy system" means any device or combination of
32 devices or elements that rely upon direct sunlight as an energy source
33 for use in the generation of electricity.

34

1 (9) "Solar inverter" means the device used to convert direct
2 current to alternating current in a solar energy system.

3 (10) "Solar module" means the smallest nondivisible self-contained
4 physical structure housing interconnected photovoltaic cells and
5 providing a single direct current electrical output.

6 (11) "Stirling converter" means a device that produces electricity
7 by converting heat from a solar source utilizing a stirling engine.

8 (12) "Energy storage system" means a system that is capable of
9 absorbing energy, storing it for a period of time, and thereafter
10 dispatching the energy as electricity to an electrical transmission or
11 distribution system. An energy storage system may be part of multiple
12 energy storage systems in different locations that are linked under
13 common control as part of a network. An energy storage system may not
14 exceed the greenhouse gas emissions performance standards under RCW
15 80.80.040 when storing electricity from either a renewable energy
16 system or a renewable resource or dispatching electricity from the
17 energy storage system into an electrical transmission or distribution
18 system.

19
20 **Sec. 3.** RCW 82.16.120 and 2011 c 179 s 3 are each amended to read
21 as follows:

22 (1)(a) Except as provided in section 5 of this act, any
23 individual, business, local governmental entity, not in the light and
24 power business or in the gas distribution business, or a participant
25 in a community solar project may apply to the light and power business
26 serving the situs of the system, each fiscal year beginning on July 1,
27 2005, for an investment cost recovery incentive for each kilowatt-hour
28 from a customer-generated electricity renewable energy system.

29 (b) In the case of a community solar project as defined in RCW
30 82.16.110(2)(a)(i), the administrator must apply for the investment
31 cost recovery incentive on behalf of each of the other owners.

32 (c) In the case of a community solar project as defined in RCW
33 82.16.110(2)(a)(iii), the company owning the community solar project
34

1 must apply for the investment cost recovery incentive on behalf of
2 each member of the company.

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

10 (i) The name and address of the applicant and location of the
11 renewable energy system.

12 (A) If the applicant is an administrator of a community solar
13 project as defined in RCW 82.16.110(2)(a)(i), the certification must
14 also include the name and address of each of the owners of the
15 community solar project.

16 (B) If the applicant is a company that owns a community solar
17 project as defined in RCW 82.16.110(2)(a)(iii), the certification must
18 also include the name and address of each member of the company;

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

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

23 (A) Any solar inverters and solar modules manufactured in
24 Washington state;

25 (B) A wind generator powered by blades manufactured in Washington
26 state;

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

28 (D) A solar module manufactured in Washington state;

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

30 (F) Solar or wind equipment manufactured outside of Washington
31 state;

32 (iv) That the electricity can be transformed or transmitted for
33 entry into or operation in parallel with electricity transmission and
34 distribution systems; and

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

3 (b) Within thirty days of receipt of the certification the
4 department of revenue must notify the applicant by mail, or
5 electronically as provided in RCW 82.32.135, whether the renewable
6 energy system qualifies for an incentive under this section. The
7 department may consult with the climate and rural energy development
8 center to determine eligibility for the incentive. System
9 certifications and the information contained therein are subject to
10 disclosure under RCW 82.32.330(3)(1).

11 (3)(a) By August 1st of each year application for the incentive
12 must be made to the light and power business serving the situs of the
13 system by certification in a form and manner prescribed by the
14 department that includes, but is not limited to, the following
15 information:

16 (i) The name and address of the applicant and location of the
17 renewable energy system.

18 (A) If the applicant is an administrator of a community solar
19 project as defined in RCW 82.16.110(2)(a)(i), the application must
20 also include the name and address of each of the owners of the
21 community solar project.

22 (B) If the applicant is a company that owns a community solar
23 project as defined in RCW 82.16.110(2)(a)(iii), the application must
24 also include the name and address of each member of the company;

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

26 (iii) The date of the notification from the department of revenue
27 stating that the renewable energy system is eligible for the
28 incentives under this section; and

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

31 (b) Within sixty days of receipt of the incentive certification
32 the light and power business serving the situs of the system must
33 notify the applicant in writing whether the incentive payment will be
34 authorized or denied. The business may consult with the climate and

1 rural energy development center to determine eligibility for the
2 incentive payment. Incentive certifications and the information
3 contained therein are subject to disclosure under RCW 82.32.330(3)(1).

4 (c)(i) Persons, administrators of community solar projects, and
5 companies receiving incentive payments must keep and preserve, for a
6 period of five years, suitable records as may be necessary to
7 determine the amount of incentive applied for and received. Such
8 records must be open for examination at any time upon notice by the
9 light and power business that made the payment or by the department.
10 If upon examination of any records or from other information obtained
11 by the business or department it appears that an incentive has been
12 paid in an amount that exceeds the correct amount of incentive
13 payable, the business may assess against the person for the amount
14 found to have been paid in excess of the correct amount of incentive
15 payable and must add thereto interest on the amount. Interest is
16 assessed in the manner that the department assesses interest upon
17 delinquent tax under RCW 82.32.050.

18 (ii) If it appears that the amount of incentive paid is less than
19 the correct amount of incentive payable the business may authorize
20 additional payment.

21 (4) Except for community solar projects, the investment cost
22 recovery incentive may be paid fifteen cents per economic development
23 kilowatt-hour unless requests exceed the amount authorized for credit
24 to the participating light and power business. For community solar
25 projects, the investment cost recovery incentive may be paid thirty
26 cents per economic development kilowatt-hour unless requests exceed
27 the amount authorized for credit to the participating light and power
28 business. For the purposes of this section, the rate paid for the
29 investment cost recovery incentive may be multiplied by the following
30 factors:

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

34

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

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

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

9 (5)(a) No individual, household, business, or local governmental
10 entity is eligible for incentives provided under subsection (4) of
11 this section for more than five thousand dollars per year.

12 (b) Except as provided in (c) through (e) of this subsection (5),
13 each applicant in a community solar project is eligible for up to five
14 thousand dollars per year.

15 (c) Where the applicant is an administrator of a community solar
16 project as defined in RCW 82.16.110(2)(a)(i), each owner is eligible
17 for an incentive but only in proportion to the ownership share of the
18 project, up to five thousand dollars per year.

19 (d) Where the applicant is a company owning a community solar
20 project that has applied for an investment cost recovery incentive on
21 behalf of its members, each member of the company is eligible for an
22 incentive that would otherwise belong to the company but only in
23 proportion to each ownership share of the company, up to five thousand
24 dollars per year. The company itself is not eligible for incentives
25 under this section.

26 (e) In the case of a utility-owned community solar project, each
27 ratepayer that contributes to the project is eligible for an incentive
28 in proportion to the contribution, up to five thousand dollars per
29 year.

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

34

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

5 (8) The environmental attributes of the renewable energy system
6 belong to the applicant, and do not transfer to the state or the light
7 and power business upon receipt of the investment cost recovery
8 incentive.

9 (9) No incentive may be paid under this section for kilowatt-hours
10 generated before July 1, 2005, or after June 30, 2020.

11
12 **Sec. 4.** RCW 82.16.130 and 2010 c 202 s 3 are each amended to read
13 as follows:

14 (1) Except as provided in subsection (3) of this section, a light
15 and power business shall be allowed a credit against taxes due under
16 this chapter in an amount equal to investment cost recovery incentive
17 payments made in any fiscal year under RCW 82.16.120. The credit
18 shall be taken in a form and manner as required by the department.
19 The credit under this section for the fiscal year may not exceed one-
20 half percent of the businesses' taxable power sales due under RCW
21 82.16.020(1)(b) or one hundred thousand dollars, whichever is greater.
22 Incentive payments to participants in a utility-owned community solar
23 project as defined in RCW 82.16.110(2)(a)(ii) may only account for up
24 to twenty-five percent of the total allowable credit. Incentive
25 payments to participants in a company-owned community solar project as
26 defined in RCW 82.16.110(2)(a)(iii) may only account for up to five
27 percent of the total allowable credit. The credit may not exceed the
28 tax that would otherwise be due under this chapter. Refunds shall not
29 be granted in the place of credits. Expenditures not used to earn a
30 credit in one fiscal year may not be used to earn a credit in
31 subsequent years.

32 (2) For any business that has claimed credit for amounts that
33 exceed the correct amount of the incentive payable under RCW
34 82.16.120, the amount of tax against which credit was claimed for the

1 excess payments shall be immediately due and payable. The department
2 shall assess interest but not penalties on the taxes against which the
3 credit was claimed. Interest shall be assessed at the rate provided
4 for delinquent excise taxes under chapter 82.32 RCW, retroactively to
5 the date the credit was claimed, and shall accrue until the taxes
6 against which the credit was claimed are repaid.

7 (3) A light and power business that has included energy storage
8 systems in its integrated resource plan prepared under chapter 19.280
9 RCW shall be allowed a credit against taxes due under this chapter in
10 an amount equal to investment cost recovery incentive payments for
11 energy storage systems under section 5 of this act. The credit shall
12 be used to purchase, install, operate and maintain energy storage
13 systems. The credit shall be taken in a form and manner as required by
14 the department. The credit under this section for the fiscal year may
15 not exceed one-half percent of the business's taxable power sales due
16 under RCW 82.16.020(1)(b) less the amount of credit already taken for
17 investment cost recovery payments made pursuant to RCW 82.16.120.
18 Payments taken by a light and power business for energy storage
19 systems may not account for more than ten percent of the total
20 allowable credit.

21 (4) The right to earn tax credits under this section expires June
22 30, 2020. Credits may not be claimed after June 30, 2021.

23
24 NEW SECTION. Sec. 5. A new section is added to chapter 82.16 RCW
25 to read as follows:

26 (1) Beginning July 1, 2012, and each fiscal year thereafter until
27 July 1, 2017, a light and power business may take an investment cost
28 recovery incentive for each kilowatt-hour from an energy storage
29 system owned by the light and power business.

30 (2) For energy storage systems, the investment cost recovery
31 incentive shall be thirty cents per economic development kilowatt-hour
32 of energy dispatched from the energy storage system."

33
34 Correct the title.

EFFECT: Removes provisions that require an electric utility as part of its integrated resources plan (IRP) to provide an analysis describing how energy storage will meet current and projected needs at the lowest reasonable cost to the utility and its ratepayers. Removes provisions that require an electric utility as part of its IRP to assess renewable energy systems or renewable resources on the utility and distributed generation scale. Removes provisions that require an investor owned utility to include a proposal in its IRP for recovering incurred costs associated with an energy storage system as part of a renewable energy system or renewable resource. Removes provisions that require the Utilities and Transportation Commission (Commission) to develop a cost recovery method that would allow an investor owned utility (IOU) to recover the prudent costs of acquiring or purchasing an energy storage system whose cost is in the lowest quartile of available resources as determined in the utility's integrated resource plan. Removes provisions that require an electric utility serving less than twenty-five thousand customers to provide in their resource plans an explanation of why energy storage was chosen or not and why that decision was made. Removes the IRP definition section. Removes the intent section.

Authorizes the Commission to adopt rules requiring IOUs to assess energy storage systems in their integrated resource planning process. Provides a definition for energy storage system.

Allows a light and power business, from July 1, 2012 through July 1, 2017, to take an investment cost recovery incentive for each kilowatt-hour from an energy storage system owned by the light and power business. Specifies that the investment cost recovery incentive for energy storage systems is thirty cents per economic development kilowatt-hour of energy dispatched from the energy storage system. Allows a light and power business that has included energy storage systems in its integrated resource plan a public utility tax credit against taxes due in an amount equal to investment cost recovery incentive payments for energy storage systems. Specifies that the credit must be used to purchase, install, operate and maintain energy storage systems.

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