

# SENATE BILL REPORT

## SB 6131

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As Reported By Senate Committee On:  
Natural Resources, Energy & Water, January 21, 2004

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

**Brief Description:** Providing incentives to support renewable energy.

**Sponsors:** Senators Poulsen, Morton, Keiser, Kline, Mulliken, Winsley, Fairley, Esser and Kohl-Welles.

**Brief History:**

**Committee Activity:** Natural Resources, Energy & Water: 1/16/04, 1/21/04 [DPS-WM].  
Ways & Means: 2/3/04.

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### SENATE COMMITTEE ON NATURAL RESOURCES, ENERGY & WATER

**Majority Report:** That Substitute Senate Bill No. 6131 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Morton, Chair; Hewitt, Vice Chair; Doumit, Fraser, Hargrove, Honeyford, Oke and Regala.

**Staff:** Richard Rodger (786-7461)

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Catherine Suter (786-7442)

**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 Substitute Bill:** Investment cost recovery incentives are created to support renewable energy projects. The incentives are funded with one and three quarters percent of the public utility tax receipts.

The incentives are available to individuals, businesses, or local governments who, beginning July 1, 2004, generate electricity, on their own property, on a wind or solar energy system. The energy generated may not be resold.

Applicants are eligible to receive the following amounts, per kilowatt hour of energy produced:

- (1) 48 cents for systems with both solar inverters and solar modules manufactured in Washington;
- (2) 37 cents for systems that use either a solar inverter or a solar module manufactured in Washington;
- (3) 25 cents for systems using wind blades manufactured in Washington; or
- (4) 20 cents for solar or wind equipment manufactured outside of Washington.

The payments are capped at \$4,500 per year, and are prorated if applications exceed the fund amount.

Five percent of the account is dedicated to the Climate and Rural Energy Development Center at Washington State University to cover the administrative and educational expenses related to system verification.

The Department of Revenue deducts 1 percent of each payment to apply toward its administrative expenses related to making the annual payments to applicants.

**Substitute Bill Compared to Original Bill:** Procedures are clarified for the Department of Revenue's handling of the certification process for qualifying solar and wind systems and for the processing of the applications for incentive payments. Timelines are added for the initial applications. The provisions concerning wind generation are modified to allow in-state reimbursement rates to apply, if the blades are manufactured in Washington State.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on July 1, 2004 and expires on July 1, 2014.

**Testimony For:** This bill creates jobs in our communities that build and market renewable energy products and technologies. It also keeps high tech businesses from leaving the state and will encourage additional renewable energy business to set up their operations. Several businesses are considering moving, or expanding, their operations in Washington if this bill passes. The bill will help create a vertically integrated solar electric industry in Washington and positions the state for entry into the rapidly developing national and international markets. This bill will generate revenue for the state by expanding our tax base through an increase in sales of solar and wind installations across the state. The bill reduces reliance on electricity generated outside the state and provides nonpolluting sources of electricity generation. People who buy and install solar systems can achieve payback for their investments within eight to ten years under this proposal.

**Testimony Against:** The bill should contain a requirement that only licensed and bonded contractors and electricians are allowed to install these systems.

**Testified:** Gary Shaver (pro); Mike Nelson, Jake Fey, WSU (pro); Jim White, Chelan County PUD (pro); Bruce Carter, Shell Solar (pro); Jeff Collum, Sound Power, Inc. (pro); William

Ovitt, Xantrex (pro); Jerry Graser, FWE Schott Solar (pro); Steve Lindstrom, Danielle Dixon, NW Energy Coalition (pro); Janet Lewis, Dick King IBEW Local 46 (pro w/amendment); Ron Bacon, Ferry County (pro); Pam Kelley, PK Consulting (pro); John Friederichs, Ferry County PUD (pro); Milton Chambers, Republic Project Development Authority (pro); Gregg Caudell, Ferry County PUD (pro); Betty Buckley, Republic PDAC (pro); Scott Allison, Solar Washington (pro); Toni Potter, League of Women Voters of WA (pro); Dave Warren, WA PUD Assn. (pro); Chris Herman, Solar WA Assn., Winter Sun Design (pro); Jeremy Smithson, Pamela Burton, Solar Washington, Puget Sound Solar (pro); Solar Richard (pro); Ed Kennell, Clean Energy Products (pro); Eric Youngren, Rainshadow Solar (pro); Brian Ugi, IBEW/NECA (pro); John Molitor, Grant County PUD (pro).