
**Technology, Energy &
Communications Committee**

SSB 5101

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 Summary of Substitute Bill

- Establishes cost recovery incentives for investment in renewable energy systems.

Hearing Date: 3/31/05

Staff: Sarah Dylag (786-7109).

Background:

Photovoltaics (solar-electric technologies) is an alternative to more traditional methods of generating electricity. It is a technology that converts light directly into electricity without moving parts, noise, or air or water pollution.

Wind power generation uses wind energy to turn the rotor of a wind turbine that drives the shaft of a generator to produce electricity. Large wind farms use turbines on towers that can produce up to 1.5 megawatts of electricity each. Smaller turbines are available for distributed generation on-site or in remote locations.

Anaerobic digesters break down or "digest" organic material in the absence of oxygen and produce biogas as a waste product. Anaerobic decomposition occurs naturally in swamps, soil and rice fields, deep bodies of water, and in the digestive systems of termites and large animals. Some livestock operations process manure from cattle into biogas. The biogas is then used to run a generator to produce electricity.

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 created to encourage investment in renewable energy projects. Beginning July 1, 2005, cost recovery incentive payments are available to an individual, a business, or a local governmental entity that generates electricity on its own property using a wind or solar energy system or an anaerobic digester.

The applicants must submit a request for a system certification to the Department of Revenue (Department) and the Climate and Rural Energy Development Center at Washington State University. The Department must advise the applicant whether the 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:

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

Each applicant is limited to \$2,000 in cost recovery payments per year.

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 25 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 may reduce the incentive payments proportionately.

This program is effective beginning July 1, 2005, and expires July 1, 2015.

Appropriation: None.

Fiscal Note: Available.

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