

HOUSE BILL REPORT

HB 2421

As Reported by House Committee On:
Technology, Energy & Communications

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

Brief Description: Providing incentives to support renewable solar energy.

Sponsors: Representatives Chase, Moeller, Hasegawa, Hunt, Wood, Hudgins, Kagi and Simpson.

Brief History:

Committee Activity:

Technology, Energy & Communications: 2/5/08 [DPS].

Brief Summary of Substitute Bill

- Establishes cost recovery incentives for investments in commercial customer-generated solar electricity energy systems.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives McCoy, Chair; Eddy, Vice Chair; Crouse, Ranking Minority Member; McCune, Assistant Ranking Minority Member; Hankins, Herrera, Hudgins, Morris and Takko.

Minority Report: Do not pass. Signed by 3 members: Representatives Hurst, Kelley and Van De Wege.

Staff: Scott Richards (786-7156).

Background:

In 2005 the Legislature passed legislation that authorized investment cost recovery incentives 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

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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 1 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.

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

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

Summary of Substitute Bill:

Solar Electric Energy System Incentive

Beginning July 1, 2008, any business, not-for-profit, or local governmental entity, not in the light and power business or in the gas distribution business, may apply to the light and power business serving the site of the system for an investment cost recovery incentive (incentive) for each kilowatt-hour from a solar electric energy system installed on its property.

The incentive rate is .38 cents per kilowatt-hour, unless requests exceed the amount available in the Carbon-free Commercial Scale Energy Generation Account. No commercial system, business, not-for-profit, or local governmental entity is eligible for incentives for more than \$20,000 per utility revenue meter at the system location per year. An entity is not precluded from receiving incentives for multiple metered systems at one location

If total annual requests for payments from the incentive exceed the amount of funds available, the incentive payments must be reduced proportionately. No incentive may be paid for kilowatt-hours generated after June 30, 2020. If an entity has applied for any other Washington renewable energy production-based incentive during the program year, the incentive is not available to that entity. The environmental attributes of the solar electric energy system belong to the applicant.

Carbon-free Commercial Scale Energy Generation Account

The Carbon-free Commercial Scale Energy Generation Account (Account) is created in the custody of the State Treasurer. All receipts from appropriations made to the Account must be deposited into the Account. Expenditures from the Account may be used only for payments for commercial customer-generated solar electricity and for administrative costs incurred by the Department and the Center. Only the Director or the Director's designee may authorize expenditures from the Account.

Application Process

The applicants must submit a request for a system certification to the Department and the Center. The Department must advise the applicant whether their system qualifies for the incentive program. The Department may consult with the Center in making its decision on eligibility.

By August 1 of each year, an applicant for the incentive must submit a certification to the light and power business serving the situs of the system in a form and manner prescribed by the Department. Within 60 days of receipt of the incentive certification, the light and power business must notify the applicant in writing whether the incentive payment will be authorized or denied. The light and power business may consult with the Center to determine eligibility for the incentive payment.

Reporting

The Department must report to certain committees of the Legislature by December 1, 2011, the impacts of the incentive program, including the total number of solar energy system manufacturing companies in the state, any change in the number of solar energy system manufacturing companies in the state, and the effect on the number of jobs created for Washington residents.

The term "commercial customer-generated solar electricity" means the alternating current electricity that is generated by a system that converts sunlight into electricity and is located on the real property of a commercial enterprise, registered not-for-profit, or local government that is also provided electricity generated by a light and power business. A system located on a leasehold qualifies under this definition. Federal facilities do not qualify under this definition unless the property is leased to a non-federal organization. Commercial customer-generated solar electricity does not include electricity generated by a light and power business with greater than 1,000 megawatt hours of annual sales or a gas distribution business.

Substitute Bill Compared to Original Bill:

Removes the tax based on the carbon content of coal, heating oil, and natural gas as the revenue source for the Carbon-free Commercial Scale Energy Generation Account (Account).

Specifies that the funding source for the Account are appropriations made by the Legislature.

Appropriation: None.

Fiscal Note: Available. Fiscal note requested on substitute bill on February 5, 2008.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) This bill is a work in progress, but it is also one of the finest potential bills that the Legislature could pass to build a clean industry in the state. The tax on carbon content is no longer part of this bill. In Washington, there is no native natural gas or coal, but there is enough sun for solar generation. There is competition between states in attracting and keeping solar industries. This bill will provide incentives to attract and keep solar industries in the state.

(Opposed) None.

Persons Testifying: Representative Chase, prime sponsor; Toni Potter, League of Women Voters Washington; and Mike Nelson, Washington State University.

Persons Signed In To Testify But Not Testifying: None.