
**Technology, Energy &
Communications Committee**

HB 2421

Brief Description: Providing incentives to support renewable solar energy.

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

Brief Summary of Bill

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

Hearing Date: 2/5/08

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 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;

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- 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;
- for all other customer-generated electricity produced 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 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 situs 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. The Department of Revenue (Department) must reimburse a light and power business from the Account in an amount equal to investment cost recovery incentive payments made to its commercial customer-generated solar electricity generating customers in any fiscal year.

Tax of Carbon Content of Certain Fuels

Revenues for the Account are generated from a tax on coal, heating oil, and natural gas consumed in Washington. This tax is in addition to all other taxes imposed on coal, heating oil, and natural gas. The revenues in the Account may only be used for payments for commercial customer-generated solar electricity and for administrative costs incurred by the Department and the Washington State University Climate and Rural Development Center (Center). Any excess funds at the end of the year will be rolled over into the Account for use in following years.

The following tax rates per ton of carbon content on the fuel apply to coal, heating oil, and natural gas consumed in Washington:

- July 1, 2008, the tax rate equals \$10.

- July 1, 2009, the tax rate equals \$20.
- July 1, 2010, the tax rate equals \$30.
- July 1, 2011, the tax rate equals \$40.
- July 2, 2012, the tax rate equals \$50.
- July 2, 2013, the tax rate equals \$60.
- July 2, 2014, the tax rate equals \$70.
- July 2, 2015, the tax rate equals \$80.
- July 2, 2016, the tax rate equals \$90.
- July 2, 2017, the tax rate equals \$100.

The Department must adopt rules necessary to carry out the tax. The Department must develop and make available worksheets and guidance documents necessary to calculate the carbon content of coal, heating oil, and natural gas. The Department shall use methods maintained by the United States Environmental Protection Agency to calculate the carbon content of each type of fuel.

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 and carbon content tax, 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 1000 megawatt hours of annual sales or a gas distribution business.

Appropriation: None.

Fiscal Note: Available.

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