
SUBSTITUTE HOUSE BILL 1871

State of Washington

69th Legislature

2025 Regular Session

By House Environment & Energy (originally sponsored by Representatives Hunt, Klicker, Doglio, Parshley, Ramel, Zahn, and Duerr)

READ FIRST TIME 02/21/25.

1 AN ACT Relating to incentivizing grid-connected residential
2 battery energy storage systems; adding new sections to chapter 82.16
3 RCW; creating a new section; and providing an expiration date.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The legislature finds that it is in the
6 public interest to increase energy storage capacity across the state
7 in response to increases in peak electrical loads, wildfire
8 potential, and windstorms and other catastrophic events that may lead
9 to power outages. Residential battery energy storage systems will be
10 a key part of the solution, but they must be connected to the grid
11 and dispatchable by utilities during peak load events, and available
12 to customers in the case of power outages. The initial cost of
13 residential battery energy storage systems is a barrier for many
14 light and power business customers. With a targeted incentive
15 program, the state can aid utilities and their customers in the
16 adoption of these systems with the goal of reducing costly
17 transmission and distribution of capital expenditures; maximizing
18 system benefits for all retail electric customers; and identifying
19 opportunities for improving access to transformative technologies for
20 low-income and moderate-income customers. Such incentive programs
21 would help achieve clean energy transformation act goals.

1 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.16
2 RCW to read as follows:

3 The definitions in this section apply throughout this section and
4 sections 3 through 6 of this act unless the context clearly requires
5 otherwise.

6 (1) "Distributed energy resource" has the same meaning as in RCW
7 19.405.020.

8 (2) "Low-income" has the same definition as in RCW 19.405.020.

9 (3) "Moderate-income household" means a single person, family, or
10 unrelated persons living together whose adjusted income is more than
11 80 percent but is at or below 115 percent of the median family income
12 adjusted for family size, for the county, city, or metropolitan
13 statistical area, where the project is located, as reported by the
14 United States department of housing and urban development.

15 (4) "Qualified light and power business" means a light and power
16 business as defined in RCW 82.16.010 that has a battery incentive
17 program as described in section 3 of this act that is approved by the
18 Washington State University extension energy program.

19 (5) "Qualified light and power business customer" means a
20 residential customer, nonprofit organization, public entity, tribal
21 government, or academic institution. A multifamily housing tax equity
22 investor partnership may participate in the program if a nonprofit
23 organization, public entity, tribal government, or academic
24 institution is the controlling partner for that partnership.

25 (6) "Residential battery energy storage system" means a
26 stationary and permanently installed battery system serving a
27 residential customer that can store and release energy to support
28 utility demand management. A residential battery energy storage
29 system is not an industrial-scale battery energy storage system.

30 (7) "Time-of-use rate" means an electricity billing structure
31 where the price of electricity varies based on the time of day it is
32 used, typically with higher prices during peak demand hours and lower
33 prices during off-peak hours, intended to encourage consumers to
34 shift their energy usage to times of off-peak demand.

35 (8) "Virtual power plant" means an aggregation of connected
36 distributed energy resources that can balance electrical loads and
37 are coordinated to work together to provide utility grid services
38 like a traditional power plant.

1 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.16
2 RCW to read as follows:

3 (1) A qualified light and power business must have a battery
4 incentive program approved by the Washington State University
5 extension energy program to provide a battery incentive to customers
6 as described in section 4 of this act and to receive tax credits for
7 providing such an incentive as described in section 5 of this act.

8 (2) A qualified light and power business battery incentive
9 program must include:

10 (a) A battery incentive payment for a qualified light and power
11 business customer; and

12 (b) A plan for how the qualified light and power business will
13 use the customer batteries by:

14 (i) Allowing retail time-of-use rates for qualified light and
15 power business customers who own batteries and who may also be, but
16 are not required to be, customer-generators as defined in RCW
17 80.60.010. A time-of-use rate may not reduce the compensation rate
18 for energy exported by a qualified light and power business customer
19 or discharged energy from the customer's residential battery energy
20 storage system or reduce the compensation rate due to the location of
21 the customer in the light and power business' service territory; or

22 (ii) Incorporating the batteries into a utility-operated virtual
23 power plant that financially encourages qualified light and power
24 business customers to manage their electricity use to their benefit
25 so the utility can effectively manage the batteries collectively to
26 benefit utility grid operations.

27 (3) A light and power business must submit an application to
28 establish a battery incentive program to the Washington State
29 University extension energy program, and the Washington State
30 University extension energy program must evaluate whether to approve
31 the application based on whether the program as described in the
32 application meets the requirements for battery incentives in section
33 4 of this act and the requirements in this section, including:

34 (a) At least 40 percent of the battery incentive program must
35 benefit low-income households and moderate-income households, low-
36 income service providers, housing authorities, or tribal governments;

37 (b) An application must be included for qualified light and power
38 business customers to apply for the battery incentive, which must
39 require income verification for low-income and moderate-income
40 customers. Income verification may be performed by low-income service

1 providers, housing authorities, or tribal governments on behalf of a
2 light and power business;

3 (c) Leases to customers are not authorized;

4 (d) The time-of-use rate or virtual power plant must be used by
5 the qualified light and power business customer to lower qualified
6 light and power business customers' current total annual light and
7 power expenses;

8 (e) All expenses and upgrades proposed as part of program
9 implementation are documented; and

10 (f) A qualified light and power business may not sell or
11 aggregate qualified light and power business customer data for any
12 purposes beyond the direct operation of the battery incentive
13 program.

14 (4) A qualified light and power business may establish
15 residential battery energy storage system installer partners and
16 equipment specifications for the business' battery storage program.

17 (5) If the Washington State University extension energy program
18 approves a light and power business battery incentive program
19 application, the qualified light and power business may commence such
20 a program. The Washington State University extension energy program
21 must audit a qualified light and power business' program at least
22 once every two years to verify that the program is implemented
23 according to the requirements outlined in this act.

24 (6) The department of commerce must produce nonbinding
25 recommendations for light and power businesses for help in designing
26 virtual power plants for a battery incentive program. These
27 recommendations must be made public on the department of commerce's
28 website by December 1, 2025.

29 (7) A light and power business with more than 100,000 retail
30 electric customers in Washington must implement a battery incentive
31 program in accordance with this section. All other light and power
32 businesses may choose to implement a battery incentive program.

33 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.16
34 RCW to read as follows:

35 (1)(a) A qualified light and power business customer may apply to
36 the customer's light and power business for a one-time battery
37 incentive between July 1, 2026, and June 30, 2036, for the kilowatt-
38 hours of installed storage from a residential battery energy storage
39 system. A qualified light and power business customer must be

1 connected to a qualified light and power business time-of-use program
2 or virtual power plant to receive an incentive payment.

3 (b) The battery incentive must be paid in the following amounts,
4 unless the requests exceed the amount authorized for credit to the
5 participating light and power business:

6 (i) For low-income and moderate-income qualified customers, the
7 incentive may be for up to \$765 per kilowatt-hour of battery storage
8 capacity, capped at 18 kilowatt-hours per customer; and

9 (ii) For all other customers, the initial incentive may be for up
10 to \$450 per kilowatt-hour of battery storage capacity, capped at 18
11 kilowatt-hours per customer.

12 (2)(a) Before submitting an application for a battery incentive
13 to the light and power business, the qualified light and power
14 business customer must submit to the Washington State University
15 extension energy program, a certification in a form and manner
16 prescribed by the Washington State University extension energy
17 program that includes, but is not limited to, the information
18 described in (b) of this subsection. The Washington State University
19 extension energy program may not accept certifications submitted
20 under this subsection (2)(a) after September 30, 2037.

21 (b) The certification must include:

22 (i) The name and address of the applicant and kilowatt capacity
23 of the residential battery energy storage system; and

24 (ii) That the residential battery energy storage system has been
25 approved for use by the connected light and power business.

26 (c) Within 30 days of receipt of the certification, the
27 Washington State University extension energy program must notify the
28 applicant by mail, or electronically as provided in RCW 82.32.135,
29 whether the residential battery energy storage system qualifies for
30 an incentive under this section.

31 (3)(a) The application for an incentive must be made to the light
32 and power business serving the situs of the system by certification
33 in a form and manner prescribed by the Washington State University
34 extension energy program that includes, but is not limited to, the
35 following information:

36 (i) The name and address of the applicant and location and
37 kilowatt capacity of the residential battery energy storage system;

38 (ii) The date of the notification from the Washington State
39 University extension energy program stating that the residential

1 battery energy storage system is eligible for the incentive under
2 this section; and

3 (iii) A statement of the amount of storage capacity in kilowatts
4 and kilowatt-hours of the residential battery energy storage system.

5 (b) Within 60 days of receipt of the incentive certification, the
6 light and power business serving the situs of the system must notify
7 the applicant in writing whether the incentive payment will be
8 authorized or denied. The business may consult with the Washington
9 State University extension energy program to determine eligibility
10 for the incentive payment. Incentive certifications and the
11 information contained therein are not confidential tax information
12 under RCW 82.32.330 and are subject to disclosure except for the name
13 and address or any other personally identifiable information of the
14 applicant.

15 (c) A qualified light and power business customer receiving
16 incentive payments must keep and preserve, for a period of five
17 years, suitable records as may be necessary to determine the amount
18 of incentive applied for and received. Such records must be open for
19 examination at any time upon notice by the light and power business
20 that made the payment or by the Washington State University extension
21 energy program. If upon examination of any records or from other
22 information obtained by the business or department it appears that an
23 incentive has been paid in an amount that exceeds the correct amount
24 of incentive payable, the business may assess against the person for
25 the amount found to have been paid in excess of the correct amount of
26 incentive payable.

27 (4) The environmental attributes of the renewable energy system
28 belong to the applicant, and do not transfer to the state or the
29 light and power business upon receipt of the investment cost recovery
30 incentive.

31 (5) No battery incentive may be paid under this section before
32 July 1, 2026, or after June 30, 2036.

33 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.16
34 RCW to read as follows:

35 (1) A light and power business is allowed a credit against taxes
36 due under this chapter in an amount equal to:

37 (a) Incentive payments made in any tax year under section 4 of
38 this act; and

1 (b) Expenses and upgrades associated with an approved battery
2 storage program as described in section 3 of this act. The credit for
3 expenses and upgrades may not exceed 20 percent of the total tax
4 credit for any fiscal year and may include:

5 (i) Advanced metering infrastructure; and

6 (ii) Applicable subscription fees paid by the light and power
7 business to operators of a virtual power plant.

8 (2) The credits must be taken in a form and manner as required by
9 the department.

10 (3) The credit may not exceed the tax that would otherwise be due
11 under this chapter. Refunds may not be granted in the place of
12 credits. Expenditures not used to earn a credit in one tax year may
13 be used to earn a credit in subsequent years.

14 (4) (a) For any business that has claimed credit for amounts that
15 exceed the correct amount of the credit payable under this section,
16 the amount of tax against which credit was claimed for the excess
17 payments is immediately due and payable. The department may deduct
18 amounts due from future credits claimed by the business.

19 (b) The department must assess interest but not penalties on the
20 taxes against which the credit was claimed. Interest must be assessed
21 at the rate provided for delinquent excise taxes under chapter 82.32
22 RCW, retroactively to the date the credit was claimed, and accrues
23 until the taxes against which the credit was claimed are repaid.

24 (5) A light and power business must have both incentive payments
25 and expenses and upgrades in any given year to claim a credit and the
26 incentives must be at least equal to the expenditures for expenses
27 and upgrades.

28 (6) The amount of credit taken under this section is not
29 confidential taxpayer information under RCW 82.32.330 and is subject
30 to disclosure.

31 (7) Beginning July 1, 2026, a tax credit can be earned for
32 incentive payments made under section 4 of this act. No tax credits
33 may be earned after June 30, 2036, and no tax credit may be claimed
34 after June 30, 2038.

35 (8) This section expires June 30, 2040.

36 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.16
37 RCW to read as follows:

38 (1) This section is the tax preference performance statement for
39 the tax preference contained in section 4, chapter . . . , Laws of

1 2025 (section 4 of this act). This performance statement is only
2 intended to be used for subsequent evaluation of the tax preference.
3 It is not intended to create a private right of action by any party
4 or be used to determine eligibility for preferential tax treatment.

5 (2) The legislature categorizes the tax preference created under
6 this act as intended to induce certain designated behavior by
7 taxpayers as indicated in RCW 82.32.808(2)(a).

8 (3) It is the legislature's specific public policy objective to:

9 (a) Induce participating utilities to make incentive payments to
10 utility customers who invest in battery energy storage on the
11 customer-side of the meter;

12 (b) Reduce the costs associated with installing and operating
13 residential battery energy storage systems by persons or entities
14 receiving the incentive; and

15 (c) Create and retain jobs in the clean energy sector.

16 (4) As part of its 2030 tax preference reviews, the joint
17 legislative audit and review committee must review the tax preference
18 in section 4 of this act. The legislature intends for the legislative
19 auditor to determine that the incentive has achieved its desired
20 outcomes if the following objectives are achieved:

21 (a) Installation of 50 megawatt-hours of battery energy storage
22 by participants in the battery incentive program between July 1,
23 2026, and June 30, 2036; and

24 (b) Growth of battery energy storage-related employment from 2025
25 levels, as evidenced by:

26 (i) An increased per capita rate of battery energy storage-
27 related jobs in Washington, which may be determined by consulting a
28 relevant trade association in the state; or

29 (ii) Achievement of an improved national ranking for battery
30 energy storage-related employment, as reported in a nationally
31 recognized report.

32 (5) In order to obtain the data necessary to perform the review,
33 the joint legislative audit and review committee may refer to any
34 data collected by the state.

35 (6)(a) The Washington State University extension energy program
36 must collect, through the application process, data from persons
37 claiming the tax credit under section 5 of this act and persons
38 receiving the incentive payments created in section 4 of this act, as
39 necessary, and may collect data from other interested persons as

1 necessary to report on the performance of this act including, but not
2 limited to:

3 (i) The number of participants, size of the storage systems
4 installed, and dollars spent on incentives; and

5 (ii) Energy storage program load flexibility and demand response
6 events.

7 (b) Names and addresses of persons receiving the incentive
8 payments are not subject to disclosure under chapter 42.56 RCW.

9 (7) All recipients of tax credits or incentive payments awarded
10 under this chapter must provide data necessary to evaluate the tax
11 preference performance objectives in this section as requested by the
12 Washington State University extension energy program or the joint
13 legislative audit and review committee. Failure to comply may result
14 in the loss of a tax credit award or incentive payment in the
15 following fiscal year. The Washington State University extension
16 energy program or the joint legislative audit and review committee
17 must notify the department of revenue by June 30th of each year if a
18 light and power business credit, as established in section 5 of this
19 act, is suspended due to failure to comply with providing data as
20 required in this subsection.

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