Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Technology, Energy & Communications Committee

HB 1844

Brief Description: Authorizing renewable energy tax credits.

Sponsors: Representatives Hunter, Crouse, Hudgins, Morris, Haler, Nixon, Kilmer, Linville, Morrell, Simpson and Chase.

Brief Summary of Bill

- Provides utilities with a public utility tax credit for the purchase or generation of a renewable resource for distribution and sale to retail customers.

Hearing Date: 2/22/05

Staff: Sarah Dylag (786-7109).

Background:

Public Utility Tax

Gross income derived from the operation of public and privately owned utilities is subject to the state public utility tax (PUT). The rate for electrical utilities is 3.873 percent. PUT revenues from electric utilities are deposited in the state general fund.

There are several PUT credits for electrical utilities: (1) a credit for certain electricity sales to direct service industrial businesses; (2) a credit for one-half contributions made to rural electric utility economic development projects; and (3) a credit for the provision of billing discounts to low-income customers.

Renewable Energy

Electricity produced by wind, solar, and other similar means is usually known as "renewable energy." Renewable energy is generally more expensive to generate than other forms of electricity.

To promote the use of renewable energy, markets for tradable renewable energy credits have been created. Commonly called green tags, these credits are sold in the marketplace and represent the renewable attributes of the energy. The price of a green tag originally represented the difference between the market price for electricity and the price a developer needed to make the renewable energy economically feasible. Now the price is also influenced by voluntary green energy options, renewable portfolio standards, and the carbon dioxide mitigation market.

The Western Governor's Association has recently created the Western Renewable Energy Generation Information System (WREGIS). Currently in the final stages of adoption, WREGIS is designed to standardize and facilitate a renewable energy-credit trading market across the western grid.

Summary of Bill:

Findings.

The Legislature finds, among other things, that financial incentives for renewable energy will help diversify the state's energy resources, bring environmental benefits, and stabilize electricity prices.

Public Utility Tax (PUT) Credit for Renewable Energy.

Beginning January 1, 2006, an eligible public or private electric utility may receive a PUT credit for the purchase or generation of a renewable resource for distribution and sale to its retail customers. The credit is equal to 0.003 dollars per kilowatt hour of renewable electricity. If a utility purchases only a green tag, and not the corresponding electricity, then the credit is equal to 0.001 dollars per kilowatt hour of renewable electricity. The PUT credit terminates 10 years from the date the renewable energy facility begins commercial operation.

"Renewable resource" means electricity generated from: (1) wind; (2) solar energy; (3) geothermal energy; (4) landfill gas; (5) biomass energy based on animal waste or solid organic fuels from wood, forest, or field residues, or dedicated energy crops that do not include wood pieces treated with chemical preservatives; (6) wave or tidal power; (7) sewage gas from treatment facilities; or (8) water that flows through hydroelectric generating facilities in water supply or irrigation pipes or canals that are located in the State of Washington and that do not result in any new water diversions.

All eligible renewable power must be generated in the Pacific Northwest after July 1, 2005, and before July 1, 2015. "Pacific Northwest" has the same meaning in federal law, which includes Washington, Oregon, Idaho, and Montana west of the continental divide.

The PUT credit may not be claimed for renewable energy that is already being credited in other states.

Administration of the PUT credit.

The Department of Revenue (Department) must administer the PUT credit program. The Department determines the eligibility requirements for individual projects, in consultation with the Utilities and Transportation Commission for investor-owned utilities and with the governing body of a consumer-owned utility.

The department must report to the Legislature by December 1, 2007, and every two years thereafter. The report must include the amount of incentives provided for renewable resources, the amount of renewable resources produced by each type of renewable resource generation facility, the name and location of each facility, and the participating electric facilities.

Appropriation: None.

Fiscal Note: Not requested.

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