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HOUSE BILL 1844

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State of Washington                      59th Legislature                      2005 Regular Session

By Representatives Hunter, Crouse, Hudgins, Morris, Haler, Nixon, Kilmer, Linville, Morrell, Simpson and Chase

Read first time 02/08/2005. Referred to Committee on Technology, Energy & Communications.

1            AN ACT Relating to renewable energy tax credits; adding a new  
2 section to chapter 82.16 RCW; and creating new sections.

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

4            NEW SECTION.    **Sec. 1.** The legislature finds that:

5            (1) Washington's utilities have been historical leaders in  
6 developing low-cost renewable hydroelectric energy, greatly benefiting  
7 the state economy;

8            (2) Washington has a long tradition of energy policies that support  
9 renewable resource development. These policies, which include  
10 financial incentives, have stimulated economic development, encouraged  
11 the development of renewable resources within the state, and protected  
12 the environment;

13            (3) Continuing and expanding financial and other incentives will  
14 stimulate the market for renewable energy technologies and renewable  
15 resources, helping to diversify the energy resources used to serve  
16 Washington's consumers while hedging against future fuel price risk;

17            (4) Fuel diversity, economic, and environmental benefits from  
18 renewable resources accrue to the public at large, and therefore it is

1 the policy of the state of Washington to encourage consistent  
2 development of these resources to meet the state's electric demand and  
3 stabilize electricity prices.

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

6 Subject to the limitations of this section, beginning January 1,  
7 2006, an electric utility may take a credit each fiscal year against  
8 the tax imposed under this chapter.

9 (1) An electric utility subject to tax under this chapter is  
10 eligible for a credit against the tax owed if the electric utility  
11 contracts for the purchase of or generates a renewable resource for  
12 distribution and sale to its retail customers.

13 (2) The credit is equal to 0.003 dollars per kilowatt hour times  
14 the number of kilowatt hours of a renewable resource purchased or  
15 generated by an electric utility and distributed to its retail  
16 customers.

17 (3) If an electric utility purchases, or otherwise possesses and  
18 retires renewable energy credits without purchasing the corresponding  
19 renewable resource, the electric utility is eligible for a credit equal  
20 to 0.001 dollars per kilowatt hour times the number of kilowatt hours  
21 equivalent of the renewable energy credits.

22 (4) Credits under this section shall be allowed for a period not to  
23 exceed ten years after the renewable resource generating facility from  
24 which the renewable resource or renewable energy credit originates is  
25 placed in commercial operation and shall only be prospectively applied  
26 to renewable resources or renewable energy credits generated or  
27 purchased after the effective date of this act.

28 (5) The department, after consultation with the utilities and  
29 transportation commission in the case of investor-owned utilities and  
30 the governing bodies of consumer-owned utilities, shall determine the  
31 eligibility of individual projects for credits under this section.

32 (6) An electric utility shall not receive a tax credit under this  
33 section when the utility also receives credit or funding for those same  
34 renewable resources under a renewable resource standard established by  
35 legislation in another state or if that facility has received funding  
36 from a system benefit charge from another state.

1 (7) The application for credit shall be in a form and manner  
2 prescribed by the department and may require certification, by the  
3 utilities and transportation commission for investor-owned utilities  
4 and by their governing bodies for consumer-owned utilities, that the  
5 source of electricity meets the definition of a renewable resource  
6 contained in this act.

7 (8) The following definitions apply throughout this section:

8 (a) "Commission" means the Washington state utilities and  
9 transportation commission.

10 (b) "Consumer-owned utility" includes a municipal electric utility  
11 formed under Title 35 RCW, a public utility district formed under Title  
12 54 RCW, an irrigation district formed under chapter 87.03 RCW, a  
13 cooperative formed under chapter 23.86 RCW, a mutual corporation or  
14 association formed under chapter 24.06 RCW, a port district formed  
15 under Title 53 RCW, or a water-sewer district formed under Title 57  
16 RCW, that is engaged in the business of distributing electricity to one  
17 or more retail electric customers in the state.

18 (c) "Electric utility" means a consumer-owned or investor-owned  
19 utility.

20 (d) "Governing body" means the elected board of directors of a  
21 corporation or the city council, commissioners, or other elected  
22 decision-making board of any consumer-owned utility.

23 (e) "Investor-owned utility" means a corporation owned by investors  
24 that meets the definition in RCW 80.40.010 and is engaged in  
25 distributing electricity to more than one retail electric customer in  
26 the state.

27 (f) "Pacific Northwest" has the same meaning as defined in section  
28 3 of the Pacific Northwest electric power planning and conservation  
29 act, P.L. 96-501 (16 U.S.C. Sec. 389a; 94 Stat. 2698).

30 (g) "Renewable energy credit" means a tradable certificate of  
31 proof, not yet retired, of either one megawatt hour or one kilowatt  
32 hour, as appropriate, corresponding to an equivalent amount of a  
33 renewable resource that is: (i) Not powered by fresh water; and (ii)  
34 qualified as a renewable energy credit from a renewable energy credit  
35 program identified by the department of community, trade, and economic  
36 development or the western governor's association.

37 (h) "Renewable resource" means electricity generated by an electric  
38 generation facility or the expanded portion of an electric generation

1 facility that is located in the Pacific Northwest, where the facility  
2 or expansion commences operation after July 1, 2005, and before July 1,  
3 2015, and where the new or expanded electric generation facility is  
4 fueled by: (i) Wind; (ii) solar energy; (iii) geothermal energy; (iv)  
5 landfill gas; (v) biomass energy based on animal waste or solid organic  
6 fuels from wood, forest, or field residues, or dedicated energy crops  
7 that do not include wood pieces that have been treated with chemical  
8 preservatives such as creosote, pentachlorophenol, or copper-chrome-  
9 arsenic; (vi) wave or tidal power; (vii) gas from sewage treatment  
10 facilities; or (viii) water that flows through hydroelectric generating  
11 facilities in water supply pipes or irrigation pipes or canals that are  
12 located in the state of Washington and that do not result in any new  
13 water diversions.

14 (i) "System benefits charge" means a state legislative or  
15 regulatory standard requiring electric utilities to invest a specified  
16 portion of their annual retail revenues in renewable energy,  
17 conservation and efficiency, or other designated public benefits.

18 NEW SECTION. **Sec. 3.** On or before December 1, 2007, and every two  
19 years thereafter, the department shall submit a report to the  
20 legislature on the amount of incentives provided for renewable  
21 resources, the amount of renewable resources produced by each type of  
22 renewable resource generation facility, the name and location of each  
23 generating facility, and the participating electric utilities.

24 NEW SECTION. **Sec. 4.** If any provision of this act or its  
25 application to any person or circumstance is held invalid, the  
26 remainder of the act or the application of the provision to other  
27 persons or circumstances is not affected.

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