
SUBSTITUTE SENATE BILL 6503

State of Washington

59th Legislature

2006 Regular Session

By Senate Committee on Water, Energy & Environment (originally sponsored by Senators Finkbeiner, Poulsen, Morton, Esser, Jacobsen, Kohl-Welles, Schmidt, Parlette, Rasmussen, Kline and Keiser)

READ FIRST TIME 02/02/06.

1 AN ACT Relating to tax incentives for the generation of electricity
2 using renewable resources; amending RCW 82.08.02567 and 82.12.02567;
3 reenacting and amending RCW 19.29A.090; and providing expiration dates.

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

5 **Sec. 1.** RCW 82.08.02567 and 2004 c 152 s 1 are each amended to
6 read as follows:

7 (1) The tax levied by RCW 82.08.020 shall not apply to sales of
8 machinery and equipment used directly in generating electricity using
9 fuel cells, qualified hydropower, wind, sun, or landfill gas as the
10 principal source of power, or to sales of or charges made for labor and
11 services rendered in respect to installing such machinery and
12 equipment, but only if the purchaser develops with such machinery,
13 equipment, and labor a facility capable of generating not less than two
14 hundred watts of electricity and provides the seller with an exemption
15 certificate in a form and manner prescribed by the department. The
16 seller shall retain a copy of the certificate for the seller's files.

17 (2) For purposes of this section and RCW 82.12.02567:

18 (a) "Landfill gas" means biomass fuel of the type qualified for

1 federal tax credits under 26 U.S.C. Sec. 29 collected from a landfill.

2 "Landfill" means a landfill as defined under RCW 70.95.030;

3 (b) "Machinery and equipment" means industrial fixtures, devices,
4 and support facilities that are integral and necessary to the
5 generation of electricity using fuel cells, wind, sun, qualified
6 hydropower, or landfill gas as the principal source of power;

7 (c) "Machinery and equipment" does not include: (i) Hand-powered
8 tools; (ii) property with a useful life of less than one year; (iii)
9 repair parts required to restore machinery and equipment to normal
10 working order; (iv) replacement parts that do not increase
11 productivity, improve efficiency, or extend the useful life of
12 machinery and equipment; (v) buildings; or (vi) building fixtures that
13 are not integral and necessary to the generation of electricity that
14 are permanently affixed to and become a physical part of a building;

15 (d) Machinery and equipment is "used directly" in generating
16 electricity with fuel cells, or by wind energy, solar energy, qualified
17 hydropower, or landfill gas power if it provides any part of the
18 process that captures the energy of the wind, sun, qualified
19 hydropower, or landfill gas, converts that energy to electricity, and
20 stores, transforms, or transmits that electricity for entry into or
21 operation in parallel with electric transmission and distribution
22 systems;

23 (e) "Fuel cell" means an electrochemical reaction that generates
24 electricity by combining atoms of hydrogen and oxygen in the presence
25 of a catalyst;

26 (f) "Qualified hydropower" has the meaning provided by RCW
27 19.29A.090.

28 (3) This section expires June 30, ((2009)) 2014.

29 **Sec. 2.** RCW 82.12.02567 and 2004 c 152 s 2 are each amended to
30 read as follows:

31 (1) The provisions of this chapter shall not apply with respect to
32 machinery and equipment used directly in generating not less than two
33 hundred watts of electricity using fuel cells, wind, sun, qualified
34 hydropower, or landfill gas as the principal source of power, or to the
35 use of labor and services rendered in respect to installing such
36 machinery and equipment.

37 (2) The definitions in RCW 82.08.02567 apply to this section.

1 (3) This section expires June 30, (~~2009~~) 2014.

2 **Sec. 3.** RCW 19.29A.090 and 2002 c 285 s 6 and 2002 c 191 s 1 are
3 each reenacted and amended to read as follows:

4 (1) Beginning January 1, 2002, each electric utility must provide
5 to its retail electricity customers a voluntary option to purchase
6 qualified alternative energy resources in accordance with this section.

7 (2) Each electric utility must include with its retail electric
8 customer's regular billing statements, at least quarterly, a voluntary
9 option to purchase qualified alternative energy resources. The option
10 may allow customers to purchase qualified alternative energy resources
11 at fixed or variable rates and for fixed or variable periods of time,
12 including but not limited to monthly, quarterly, or annual purchase
13 agreements. A utility may provide qualified alternative energy
14 resource options through either: (a) Resources it owns or contracts
15 for; or (b) the purchase of credits issued by a clearinghouse or other
16 system by which the utility may secure, for trade or other
17 consideration, verifiable evidence that a second party has a qualified
18 alternative energy resource and that the second party agrees to
19 transfer such evidence exclusively to the benefit of the utility.

20 (3) For the purposes of this section, a "qualified alternative
21 energy resource" means the electricity produced from generation
22 facilities that are fueled by: (a) Wind; (b) solar energy; (c)
23 geothermal energy; (d) landfill gas; (e) wave or tidal action; (f) gas
24 produced during the treatment of wastewater; (g) qualified hydropower;
25 or (h) biomass energy based on animal waste or solid organic fuels from
26 wood, forest, or field residues, or dedicated energy crops that do not
27 include wood pieces that have been treated with chemical preservatives
28 such as creosote, pentachlorophenol, or copper-chrome-arsenic.

29 (4) For the purposes of this section, "qualified hydropower" means
30 the energy produced either: (a) As a result of modernizations or
31 upgrades made after June 1, 1998, to hydropower facilities operating on
32 May 8, 2001, that have been demonstrated to reduce the mortality of
33 anadromous fish; or (b) by municipal water supply, run of the river, or
34 run of the canal hydropower facilities that are not responsible for
35 obstructing the passage of anadromous fish.

36 (5) The rates, terms, conditions, and customer notification of each
37 utility's option or options offered in accordance with this section

1 must be approved by the governing body of the consumer-owned utility or
2 by the commission for investor-owned utilities. All costs and benefits
3 associated with any option offered by an electric utility under this
4 section must be allocated to the customers who voluntarily choose that
5 option and may not be shifted to any customers who have not chosen such
6 option. Utilities may pursue known, lawful aggregated purchasing of
7 qualified alternative energy resources with other utilities to the
8 extent aggregated purchasing can reduce the unit cost of qualified
9 alternative energy resources, and are encouraged to investigate
10 opportunities to aggregate the purchase of alternative energy resources
11 by their customers. Aggregated purchases by investor-owned utilities
12 must comply with any applicable rules or policies adopted by the
13 commission related to least-cost planning or the acquisition of
14 renewable resources.

15 (6) Each consumer-owned utility must report annually to the
16 department and each investor-owned utility must report annually to the
17 commission beginning October 1, 2002, until October 1, 2012, describing
18 the option or options it is offering its customers under the
19 requirements of this section, the rate of customer participation, the
20 amount of qualified alternative energy resources purchased by
21 customers, the amount of utility investments in qualified alternative
22 energy resources, and the results of pursuing aggregated purchasing
23 opportunities. The department and the commission together shall report
24 annually to the legislature, beginning December 1, 2002, until December
25 1, 2012, with the results of the utility reports.

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