

SENATE BILL REPORT

SB 6255

As Reported By Senate Committee On:
Water, Energy & Telecommunications, February 06, 2008

Title: An act relating to providing incentives for solar electric power.

Brief Description: Providing incentives for solar electric power.

Sponsors: Senators Keiser, Rockefeller, Regala, Murray, Kline and Oemig.

Brief History:

Committee Activity: Water, Energy & Telecommunications: 1/29/08, 2/6/08 [DPS-WM].

SENATE COMMITTEE ON WATER, ENERGY & TELECOMMUNICATIONS

Majority Report: That Substitute Senate Bill No. 6255 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Rockefeller, Chair; Murray, Vice Chair; Honeyford, Ranking Minority Member; Delvin, Fraser, Hatfield, Holmquist, Morton, Oemig, Pridemore and Regala.

Staff: Sam Thompson (786-7413)

Background: Legislation enacted in 2005 created a cost-recovery incentive program to promote renewable energy systems, including solar, wind and anaerobic digester generating systems. An individual, business or local government purchasing an eligible system may apply for an incentive payment from the electric utility serving the applicant. The incentive – which provides at least 15 cents for each kilowatt-hour of energy produced – may be increased to a maximum of 54 cents for solar generating systems if components were manufactured in Washington. Payments are capped at \$2,000 annually per applicant. The program applies to kilowatt-hours generated between July 1, 2005, and June 30, 2014.

A utility providing the incentive payments is allowed a credit against its public utility tax (PUT) for incentives paid, limited to one quarter of one percent of its taxable power sales or \$25,000 – whichever is greater. A utility prorates incentive payments if payment requests exceed its PUT credit limit.

It is suggested that the cost-recovery incentive program be extended and expanded.

Summary of Bill (Recommended Substitute): The termination date for compensable electricity generated under the renewable energy cost recovery incentive program is extended from June 30, 2014, to June 30, 2020. The program is expanded to include community-based solar energy projects and a separate new incentive for commercial and industrial projects. A

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

\$500,000 appropriation is provided to the Office of Financial Management (OFM) for fiscal year 2009 to fund four solar electric demonstration projects, two east of the Cascades and two west of the Cascades.

Increases in property value due to installation of solar energy systems will not be subject to property taxation. A business and occupation tax (B&O tax) credit is provided for taxpayers installing solar energy systems on commercial and industrial structures and for taxpayers financing installation of systems for tax-exempt organizations.

Community-Based Solar Projects. Community-based solar energy projects are eligible for incentives. These voluntarily-funded projects involve local citizens cooperating with any unit of local government (e.g., counties, cities, school districts, etc.) to install photovoltaic systems of less than 130 kilowatts on property owned by the local government. In calculating the incentive, projects located on separate parcels will not be combined. Each project is eligible for annual incentives of up to \$20,000.

Incentive for Commercial and Industrial Projects. A renewable energy investment cost recovery incentive of 54 cents per kilowatt-hour may be paid to a commercial or industrial customer consuming at least half the electricity generated in its commercial or industrial activities at the generating site. The incentive is limited to \$20,000 per utility revenue meter per year. A person claiming this new incentive is not eligible in the same year for the previously-established incentive.

Solar Demonstration Projects. An appropriation of \$500,000 from the General Fund is provided to the Office of Financial Management (OFM) for fiscal year 2009 for solar electric demonstration projects. OFM must solicit proposals from property owners engaged in commercial or industrial activities to host solar generating facilities and consume a substantial portion of the generation on-site, and select for funding one project east of the Cascades and one project west of the Cascades. OFM must also solicit proposals from community-based solar energy projects and select for funding one project east of the Cascades and one project west of the Cascades. OFM may enter into agreements to share installation and operating costs, which will provide for public viewing and education regarding solar energy.

Property Tax Valuation. Property equipped with solar energy systems for heating, cooling or generating electrical energy is exempt from property taxation for the increase in market value due to installation of the system. This exemption, which does not apply to property used by a light and power business for generating electricity, expires July 1, 2020.

B&O Tax Credit for Solar Projects. A credit against the B&O tax is provided for a taxpayer that either: installs one or more solar energy systems for commercial or industrial purposes in the taxpayer's in-state trade or business facility; or receives certification from the Department of Revenue (DOR) for financing installation, in an in-state facility, of one or more solar energy systems by a third-party organization exempt from the B&O tax. The credit is 10 percent of the installed cost of the system. Taxpayers are limited to credits totaling \$25,000 for the same building in the same year or \$50,000 in total credits in any year. If the allowable credit exceeds B&O tax liability or there are no B&O taxes due, the unused amount may be carried forward for up to five consecutive taxable years.

Business co-owners may each claim only the pro rata share of the credit based on their ownership interest or investment in the system. A credit allowed to co-owners may not exceed the amount allowed to a sole owner.

DOR must establish a procedure for identifying projects qualifying for the credit. Form requirements are specified. DOR must determine whether a project meets applicable criteria and provide initial certification within 30 days after receiving an application.

Upon completing each certified installation, a taxpayer must certify that the installed system is operational and provide the total amount of credits claimed. DOR must review installation expenses and issue a credit certificate. If DOR finds that a person is not eligible for a credit, taxes for which the credit was claimed are immediately due, with retroactive interest, accruing until the taxes are repaid.

The credit takes effect July 1, 2008, and expires June 30, 2017.

Other. An obsolete reference to uniform interconnection standards is removed.

EFFECT OF CHANGES MADE BY WATER, ENERGY & TELECOMMUNICATIONS COMMITTEE (Recommended Substitute): The maximum annual incentive for community-based solar projects is changed from \$2,000 to \$20,000 per project. Demonstration project criteria is revised to require OFM to select for funding one commercial or industrial proposal east of the Cascades and one such proposal west of the Cascades. OFM must also solicit community-based projects and select for funding one proposal east of the Cascades and one proposal west of the Cascades.

Appropriation: \$500,000 from the General Fund to the Office of Financial Management.

Fiscal Note: Requested on January 27, 2008.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Staff Summary of Public Testimony on Original Bill: PRO: This legislation, developed by a stakeholder group, includes innovative ideas to promote generation of solar energy by businesses and communities. The bill should be revised to enable community solar projects to receive annual incentives of up to \$20,000 per project and to qualify for solar demonstration project funding. Solar energy projects provide beneficial diversification of generating resources. Distributed solar energy generation will decrease transmission losses of electricity, create green jobs and raise public awareness of renewable energy.

Persons Testifying: PRO: Senator Keiser, Prime Sponsor; Joe Deets and Dr. Stephen A. Douglass, Bainbridge Island residents; Richard King, Nancy Mason and Bob Guenther, International Brotherhood of Electrical Workers; Toni Potter, League of Women Voters.