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**Technology, Energy & Communications  
Committee**

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**HB 1399**

**Brief Description:** Concerning renewable energy system cost recovery.

**Sponsors:** Representatives Chase, Campbell, McCoy, Moeller, Kirby, Conway, Williams, Upthegrove, Sells, O'Brien, Carlyle, Pedersen, Green, Cody, Haigh, Miloscia, Kenney, Rolfes, Appleton, Dunshee, Roberts, Sullivan, Quall, Dickerson, Hudgins, Nelson, Goodman, Simpson and Ormsby.

**Brief Summary of Bill**

- Allows community solar projects and businesses in the light and power business to be eligible for the renewable energy investment cost recovery payment.
- Increases renewable energy investment cost recovery rate to 30 cents for each kilowatt hour of electricity produced.
- Specifies that solar hot water and domestic hot water heat pumps qualify as eligible renewable energy systems.
- Increases the amount of credit a light and power business may claim against its public utility tax for incentives paid.

**Hearing Date:** 2/11/09

**Staff:** Scott Richards (786-7156)

**Background:**

Investment Cost-Recovery Incentive for Renewable Energy Systems.

In 2005 the Legislature created an investment cost-recovery incentive program to promote renewable energy systems that produce electricity from solar, wind, or anaerobic digesters. An individual, business, or local government purchasing an eligible system may apply for an

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incentive payment from the electric utility serving the applicant. Any business that provides light and power or distributes gas is not eligible for this incentive.

The investment cost-recovery incentive rate (incentive rate) equals 15 cents for each kilowatt hour of electricity produced. For certain systems and components, the incentive rate may be adjusted based on where the equipment or components were manufactured. The incentive rate is multiplied by the following factors:

- For electricity produced using solar modules made in Washington: two and four-tenths;
- For electricity produced using a solar or a wind generator equipped with an inverter made in Washington: one and two-tenths;
- For electricity produced by an anaerobic digester, other solar, or by using a wind generator equipped with blades made in Washington: one; and
- For all other customer-generated electricity produced wind: eight-tenths.

Payments are capped at \$2,000 annually per applicant. No incentive may be paid after June 30, 2014.

#### Public Utility Tax Credit.

An electric utility providing investment cost-recovery incentive payments is allowed a credit against its public utility tax (PUT) for incentives paid. The PUT credit is limited to \$25,000 or 0.25 percent of its taxable power sales, whichever is greater. The right to earn PUT credits expires June 30, 2015.

#### Environmental Attributes of the Renewable Energy System.

The environmental attributes of the renewable energy system belong to the individual, business or local government.

#### **Summary of Bill:**

##### Investment Cost-Recovery Incentive for Renewable Energy Systems.

Any individual, business, or local governmental entity may apply annually to the light and power business serving the site of the system for an investment cost-recovery incentive for each kilowatt-hour generated by up to one solar electric, wind, biomass, solar hot water, and domestic hot water heat pump renewable energy system. Businesses that provide light and power or distribute gas are also eligible for this incentive.

##### Community Solar Projects.

Community solar projects are eligible for this incentive payment. A community solar project means: (a) a solar energy system owned by local individuals, households, or businesses that is placed on the property owned by their cooperating local governmental entity; or (b) a utility-owned solar energy system that is voluntarily funded by the ratepayers of the utility where in exchange for their financial support, the utility gives contributors a credit on their utility bill or payment for the value of the electricity produced by the project. Community solar projects payments are capped at \$5,000 per year.

##### Investment Cost-Recovery Incentive Rate.

The investment cost-recovery incentive rate (incentive rate) equals 30 cents for each kilowatt hour produced, as measured by an approved monitoring device. For certain systems and components, the incentive rate may be adjusted.

The incentive rate is multiplied by the following factors:

- For electricity produced using solar modules made in Washington: one and eight-tenths;
- For solar hot water heating systems or a domestic hot water heat pump made in Washington: one-third;
- For solar hot water systems or domestic hot water heat pumps not made in Washington: one-fifth;
- For electricity produced using a solar or a wind generator equipped with an inverter made in Washington: one and two-tenths;
- For electricity produced by an anaerobic digester, other solar, or by using a wind generator equipped with blades made in Washington: one; and
- For all other customer-generated electricity produced wind: eight-tenths.

No incentive may be paid after June 30, 2020.

#### Public Utility Tax Credit.

The public utility tax (PUT) credit may not exceed \$100,000 or one percent of a utility's taxable power sales, whichever is greater. Utility-owned community solar projects may only account for up to 25 percent of the PUT credit taken. The right to earn PUT credits expires June 30, 2019. No claim for credits may be made after June 30, 2020.

#### Environmental Attributes of the Renewable Energy System.

Upon receipt of the investment cost-recovery incentive, the environmental attributes of the renewable energy system belong to light and power business serving the renewable energy system site.

#### Definitions.

"Approved monitoring device" means any mechanism designed to measure kilowatt hours that is approved by the Washington State University Energy Program.

"Customer-generated kilowatt hours" means the measured energy that is generated from a renewable energy system located on an individual's, businesses', or local government's real property that is also provided electricity generated by a light and power business. Except for community solar projects, a system located on a leasehold interest does not qualify under this definition.

"Domestic heat pump water heating system" means a device that has the primary purpose of reducing demand for electricity or natural gas through water heating, space heating, or other methods of capturing energy ambient air for household use.

"Local government entity" means any unit of local government of Washington including, but not limited to, counties, cities, towns, municipal corporations, quasi-municipal corporations, special purpose districts, and school districts.

"Solar module" means the smallest non-divisible self-contained physical structure housing interconnected photovoltaic cells, or a heat engine and generator, and providing a single direct current electrical output.

"Solar water heating system" means a solar energy device that has the primary purpose of reducing demand for electricity or natural gas through water heating, space heating, or other methods of capturing energy from the sun to reduce electric or natural gas consumption in a home or business, and is certified by the Solar Rating and Certification Corporation. Solar water heating systems do not include solar pool heating systems.

References to the development of uniform interconnection standards in the cost-recovery incentive program are removed.

**Appropriation:** None.

**Fiscal Note:** Requested on February 5, 2009.

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