
SUBSTITUTE HOUSE BILL 2537

State of Washington

61st Legislature

2010 Regular Session

By House Technology, Energy & Communications (originally sponsored by Representatives McCoy, Chase, Haler, Morrell, and Morris)

READ FIRST TIME 01/20/10.

1 AN ACT Relating to incentives for solar energy; and amending RCW
2 82.04.294, 82.16.110, and 82.16.120.

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

4 **Sec. 1.** RCW 82.04.294 and 2009 c 469 s 501 are each amended to
5 read as follows:

6 ~~(1)((a) Beginning October 1, 2005, upon every person engaging~~
7 ~~within this state in the business of manufacturing solar energy systems~~
8 ~~using photovoltaic modules, or of manufacturing solar grade silicon to~~
9 ~~be used exclusively in components of such systems; as to such persons~~
10 ~~the amount of tax with respect to such business shall, in the case of~~
11 ~~manufacturers, be equal to the value of the product manufactured, or in~~
12 ~~the case of processors for hire, be equal to the gross income of the~~
13 ~~business, multiplied by the rate of 0.2904 percent.~~

14 ~~(b) Beginning October 1, 2009,~~) Upon every person engaging within
15 this state in the business of manufacturing solar energy systems using
16 photovoltaic modules or ~~stirling converters~~, or of manufacturing solar
17 grade silicon, silicon solar wafers, silicon solar cells, thin film
18 solar devices, or compound semiconductor solar wafers to be used
19 exclusively in components of such systems; as to such persons the

1 amount of tax with respect to such business is, in the case of
2 manufacturers, equal to the value of the product manufactured, or in
3 the case of processors for hire, equal to the gross income of the
4 business, multiplied by the rate of 0.275 percent.

5 ~~(2)((a) Beginning October 1, 2005, upon every person engaging~~
6 ~~within this state in the business of making sales at wholesale of solar~~
7 ~~energy systems using photovoltaic modules, or of solar grade silicon to~~
8 ~~be used exclusively in components of such systems, manufactured by that~~
9 ~~person; as to such persons the amount of tax with respect to such~~
10 ~~business shall be equal to the gross proceeds of sales of the solar~~
11 ~~energy systems using photovoltaic modules, or of the solar grade~~
12 ~~silicon to be used exclusively in components of such systems,~~
13 ~~multiplied by the rate of 0.2904 percent.~~

14 ~~(b) Beginning October 1, 2009,)~~ Upon every person engaging within
15 this state in the business of making sales at wholesale of solar energy
16 systems using photovoltaic modules or stirling converters, or of solar
17 grade silicon, silicon solar wafers, silicon solar cells, thin film
18 solar devices, or compound semiconductor solar wafers to be used
19 exclusively in components of such systems, manufactured by that person;
20 as to such persons the amount of tax with respect to such business is
21 equal to the gross proceeds of sales of the solar energy systems using
22 photovoltaic modules or stirling converters, or of the solar grade
23 silicon to be used exclusively in components of such systems,
24 multiplied by the rate of 0.275 percent.

25 (3) ~~((Beginning October 1, 2009,))~~ Silicon solar wafers, silicon
26 solar cells, thin film solar devices, or compound semiconductor solar
27 wafers are "semiconductor materials" for the purposes of RCW 82.08.9651
28 and 82.12.9651.

29 (4) The definitions in this subsection apply throughout this
30 section.

31 (a) "Compound semiconductor solar wafers" means a semiconductor
32 solar wafer composed of elements from two or more different groups of
33 the periodic table.

34 (b) "Module" means the smallest nondivisible self-contained
35 physical structure housing interconnected photovoltaic cells and
36 providing a single direct current electrical output.

37 (c) "Photovoltaic cell" means a device that converts light directly
38 into electricity without moving parts.

1 (d) "Silicon solar cells" means a photovoltaic cell manufactured
2 from a silicon solar wafer.

3 (e) "Silicon solar wafers" means a silicon wafer manufactured for
4 solar conversion purposes.

5 (f) "Solar energy system" means any device or combination of
6 devices or elements that rely upon direct sunlight as an energy source
7 for use in the generation of electricity.

8 (g) "Solar grade silicon" means high-purity silicon used
9 exclusively in components of solar energy systems using photovoltaic
10 modules to capture direct sunlight. "Solar grade silicon" does not
11 include silicon used in semiconductors.

12 (h) "Stirling converter" means a device that produces electricity
13 by converting heat from a solar source utilizing a stirling engine.

14 (i) "Thin film solar devices" means a nonparticipating substrate on
15 which various semiconducting materials are deposited to produce a
16 photovoltaic cell that is used to generate electricity.

17 (5) This section expires June 30, 2014.

18 **Sec. 2.** RCW 82.16.110 and 2009 c 469 s 504 are each amended to
19 read as follows:

20 The definitions in this section apply throughout this chapter
21 unless the context clearly requires otherwise.

22 (1)(a) "Community solar project" means:

23 (i) A solar energy system owned by local individuals, households,
24 nonprofit organizations, or nonutility businesses that is placed on the
25 property owned by a cooperating local governmental entity that is not
26 in the light and power business or in the gas distribution business; or

27 (ii) A utility-owned solar energy system that is voluntarily funded
28 by the utility's ratepayers where, in exchange for their financial
29 support, the utility gives contributors a payment or credit on their
30 utility bill for the value of the electricity produced by the project.

31 (b) For the purposes of "community solar project" as defined in (a)
32 of this subsection:

33 (i) "Nonprofit organization" means an organization exempt from
34 taxation under Title 26 U.S.C. Sec. 501(c)(3) of the federal internal
35 revenue code of 1986, as amended, as of January 1, 2009; and

36 (ii) "Utility" means a light and power business, an electric
37 cooperative, or a mutual corporation that provides electricity service.

1 (2) "Customer-generated electricity" means a community solar
2 project or the alternating current electricity that is generated from
3 a renewable energy system located on an individual's, businesses', or
4 local government's real property that is also provided electricity
5 generated by a light and power business. Except for community solar
6 projects, a system located on a leasehold interest does not qualify
7 under this definition. Except for community solar projects, "customer-
8 generated electricity" does not include electricity generated by a
9 light and power business with greater than one thousand megawatt hours
10 of annual sales or a gas distribution business.

11 (3) "Economic development kilowatt-hour" means the actual kilowatt-
12 hour measurement of customer-generated electricity multiplied by the
13 appropriate economic development factor.

14 (4) "Local governmental entity" means any unit of local government
15 of this state including, but not limited to, counties, cities, towns,
16 municipal corporations, quasi-municipal corporations, special purpose
17 districts, and school districts.

18 (5) "Photovoltaic cell" means a device that converts light directly
19 into electricity without moving parts.

20 (6) "Renewable energy system" means a solar energy system, an
21 anaerobic digester as defined in RCW 82.08.900, or a wind generator
22 used for producing electricity.

23 (7) "Solar energy system" means any device or combination of
24 devices or elements that rely upon direct sunlight as an energy source
25 for use in the generation of electricity.

26 (8) "Solar inverter" means the device used to convert direct
27 current to alternating current in a (~~(photovoltaic cell)~~) solar energy
28 system.

29 (9) "Solar module" means the smallest nondivisible self-contained
30 physical structure housing interconnected photovoltaic cells and
31 providing a single direct current electrical output.

32 (10) "Stirling converter" means a device that produces electricity
33 by converting heat from a solar source utilizing a stirling engine.

34 **Sec. 3.** RCW 82.16.120 and 2009 c 469 s 505 are each amended to
35 read as follows:

36 (1) Any individual, business, local governmental entity, not in the
37 light and power business or in the gas distribution business, or a

1 participant in a community solar project may apply to the light and
2 power business serving the situs of the system, each fiscal year
3 beginning on July 1, 2005, for an investment cost recovery incentive
4 for each kilowatt-hour from a customer-generated electricity renewable
5 energy system. No incentive may be paid for kilowatt-hours generated
6 before July 1, 2005, or after June 30, 2020.

7 (2)(a) Before submitting for the first time the application for the
8 incentive allowed under subsection (4) of this section, the applicant
9 must submit to the department of revenue and to the climate and rural
10 energy development center at the Washington State University,
11 established under RCW 28B.30.642, a certification in a form and manner
12 prescribed by the department that includes, but is not limited to, the
13 following information:

14 (i) The name and address of the applicant and location of the
15 renewable energy system;

16 (ii) The applicant's tax registration number;

17 (iii) That the electricity produced by the applicant meets the
18 definition of "customer-generated electricity" and that the renewable
19 energy system produces electricity with:

20 (A) Any solar inverters and solar modules manufactured in
21 Washington state;

22 (B) A wind generator powered by blades manufactured in Washington
23 state;

24 (C) A solar inverter manufactured in Washington state;

25 (D) A solar module manufactured in Washington state; (~~(E)~~)

26 (E) A stirling converter manufactured in Washington state; or

27 (F) Solar or wind equipment manufactured outside of Washington
28 state;

29 (iv) That the electricity can be transformed or transmitted for
30 entry into or operation in parallel with electricity transmission and
31 distribution systems;

32 (v) The date that the renewable energy system received its final
33 electrical permit from the applicable local jurisdiction.

34 (b) Within thirty days of receipt of the certification the
35 department of revenue must notify the applicant by mail, or
36 electronically as provided in RCW 82.32.135, whether the renewable
37 energy system qualifies for an incentive under this section. The
38 department may consult with the climate and rural energy development

1 center to determine eligibility for the incentive. System
2 certifications and the information contained therein are subject to
3 disclosure under RCW 82.32.330(3)(m).

4 (3)(a) By August 1st of each year application for the incentive
5 shall be made to the light and power business serving the situs of the
6 system by certification in a form and manner prescribed by the
7 department that includes, but is not limited to, the following
8 information:

9 (i) The name and address of the applicant and location of the
10 renewable energy system;

11 (ii) The applicant's tax registration number;

12 (iii) The date of the notification from the department of revenue
13 stating that the renewable energy system is eligible for the incentives
14 under this section;

15 (iv) A statement of the amount of kilowatt-hours generated by the
16 renewable energy system in the prior fiscal year.

17 (b) Within sixty days of receipt of the incentive certification the
18 light and power business serving the situs of the system shall notify
19 the applicant in writing whether the incentive payment will be
20 authorized or denied. The business may consult with the climate and
21 rural energy development center to determine eligibility for the
22 incentive payment. Incentive certifications and the information
23 contained therein are subject to disclosure under RCW 82.32.330(3)(m).

24 (c)(i) Persons receiving incentive payments shall keep and
25 preserve, for a period of five years, suitable records as may be
26 necessary to determine the amount of incentive applied for and
27 received. Such records shall be open for examination at any time upon
28 notice by the light and power business that made the payment or by the
29 department. If upon examination of any records or from other
30 information obtained by the business or department it appears that an
31 incentive has been paid in an amount that exceeds the correct amount of
32 incentive payable, the business may assess against the person for the
33 amount found to have been paid in excess of the correct amount of
34 incentive payable and shall add thereto interest on the amount.
35 Interest shall be assessed in the manner that the department assesses
36 interest upon delinquent tax under RCW 82.32.050.

37 (ii) If it appears that the amount of incentive paid is less than

1 the correct amount of incentive payable the business may authorize
2 additional payment.

3 (4) Except for community solar projects, the investment cost
4 recovery incentive may be paid fifteen cents per economic development
5 kilowatt-hour unless requests exceed the amount authorized for credit
6 to the participating light and power business. For community solar
7 projects, the investment cost recovery incentive may be paid thirty
8 cents per economic development kilowatt-hour unless requests exceed the
9 amount authorized for credit to the participating light and power
10 business. For the purposes of this section, the rate paid for the
11 investment cost recovery incentive may be multiplied by the following
12 factors:

13 (a) For customer-generated electricity produced using solar modules
14 manufactured in Washington state or a solar stirling converter
15 manufactured in Washington state, two and four-tenths;

16 (b) For customer-generated electricity produced using a solar or a
17 wind generator equipped with an inverter manufactured in Washington
18 state, one and two-tenths;

19 (c) For customer-generated electricity produced using an anaerobic
20 digester, or by other solar equipment or using a wind generator
21 equipped with blades manufactured in Washington state, one; and

22 (d) For all other customer-generated electricity produced by wind,
23 eight-tenths.

24 (5) No individual, household, business, or local governmental
25 entity is eligible for incentives provided under subsection (4) of this
26 section for more than five thousand dollars per year. Each applicant
27 in a community solar project is eligible for up to five thousand
28 dollars per year.

29 (6) If requests for the investment cost recovery incentive exceed
30 the amount of funds available for credit to the participating light and
31 power business, the incentive payments shall be reduced
32 proportionately.

33 (7) The climate and rural energy development center at Washington
34 State University energy program may establish guidelines and standards
35 for technologies that are identified as Washington manufactured and
36 therefore most beneficial to the state's environment.

37 (8) The environmental attributes of the renewable energy system

1 belong to the applicant, and do not transfer to the state or the light
2 and power business upon receipt of the investment cost recovery
3 incentive.

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