Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Technology, Energy & Communications Committee

HB 2198

Brief Description: Modifying provisions concerning renewable energy system cost recovery.

Sponsors: Representatives Morris, Eddy, McCoy and Hudgins.

Brief Summary of Bill

- Expands the Renewable Energy Investment Cost-recovery Incentive Program to include energy storage facilities.

Hearing Date: 1/17/12

Staff: Scott Richards (786-7156).

Background:

Renewable Energy Cost-Recovery Incentive Program.
In 2005 legislation was enacted establishing the Renewable Energy Investment Cost-Recovery Incentive Program (Cost-Recovery Program) to promote renewable energy systems located in Washington that produce electricity from solar, wind, or anaerobic digesters. 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 provides at least 15 cents for each kilowatt-hour (kWh) of electricity produced, with extra incentives for solar or wind generating systems that use certain components manufactured in Washington.

The incentive rate of 15 cents 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

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- for all other customer-generated electricity produced by wind, eight-tenths.

Cost-Recovery Program Incentive Limits.
Incentive payments are capped at $5,000 annually per applicant. A utility providing incentive payments is allowed a credit against its public utility tax for incentives paid, limited to $100,000 or 0.5 percent of its taxable power sales, whichever is greater. If the amount of incentive requests exceeds the amount of funds available to the participating utility, the incentive payments must be reduced proportionally.

Incentive payments to participants in a utility-owned community solar project may only account for up to 25 percent of the total allowable credit. Incentive payments to participants in a company-owned community solar project may only account for up to 5 percent of the total allowable credit.

Community Solar Projects.
In 2009 legislation expanded the Cost-Recovery Program to include community solar projects. Community solar projects are defined as either: (1) a solar energy system owned by local individuals, households, or non-utility businesses that is placed on the property owned by their cooperating local government entity; (2) a utility-owned solar energy system that is voluntarily funded by the utility's ratepayers where, in exchange for their financial support, the utility gives contributors a payment or credit on their utility bill for the value of the electricity produced by the project; or (3) a solar energy system owned by a company that is not an electric or gas utility (i.e. limited liability company, cooperative, or mutual corporation or association) that is placed on the property owned by a cooperating local government entity.

Community solar projects are eligible to receive incentives of 30 cents for each kWh of electricity produced with extra incentives for projects that use solar modules and inverters manufactured in Washington. Community solar projects may not have a generating capacity greater than 75 kW.

Net Metering System
A net metering system is a fuel cell, a facility that produces electricity and used and useful thermal energy from a common fuel source, or a facility for the production of electrical energy that generates renewable energy using water, wind, solar energy, or biogas from animal waste as a fuel. A net metering system must: (1) have an electrical generating capacity of no more than 100 kilowatts; (2) be located on the customer-generator's premises; (3) operate in parallel with the electric utility's transmission and distribution facilities; and (4) be intended primarily to offset part or all of the customer-generator's requirements for electricity.

Summary of Bill:

Individuals, businesses, local governments, or community solar project participants that inject electricity into an electrical transmission or distribution system from an energy storage facility that stores energy from a renewable energy system located in Washington are eligible to receive an incentive payment of 15 cents for each kilowatt-hour produced. The incentive payment rate may be multiplied by a factor of two, if the electricity is produced during off-peak hours by a renewable energy system, stored by an energy storage facility, and injected from the energy storage facility into an electricity transmission or distribution system during peak hours. Off-peak hours are the hours after 10:00 p.m. and before 6:00 a.m. and peak hours are the hours after 6:00 a.m. and before 10:00 p.m.

An energy storage facility is a commercially available technology that is capable of absorbing energy, storing it for a period of time, and thereafter injecting the energy as alternating current electricity to an electrical transmission or distribution system. An energy storage facility may not exceed the state's greenhouse gas emissions performance standard when storing electricity from a renewable energy system or injecting electricity from the energy storage facility into an electrical transmission or distribution system. An energy storage facility must have a meter separate from the renewable energy system. An energy storage facility must have a storage capacity of no less than five kilowatt hours.

The definition of renewable energy system is modified to include net metering systems.

Appropriation: None.

Fiscal Note: Requested on January 16, 2012.

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