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SENATE BILL 5526

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By Senators Regala, Delvin, Eide, Zarelli, Murray, Pridemore, Holmquist Newbry, Morton, Hewitt, Chase, Honeyford, Fraser, and McAuliffe

Read first time 01/28/11. Referred to Committee on Environment, Water & Energy.

1 AN ACT Relating to incentives for stirling converters; amending RCW  
2 82.04.294; and reenacting and amending RCW 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 2010 c 114 s 109 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 is, in the case of~~  
11 ~~manufacturers, equal to the value of the product manufactured, or in~~  
12 ~~the case of processors for hire, 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 and manufactured by the~~  
8 ~~seller, or of solar grade silicon manufactured by the seller to be used~~  
9 ~~exclusively in components of such systems; as to such persons the~~  
10 ~~amount of tax with respect to the business is equal to the gross~~  
11 ~~proceeds of sales of the solar energy systems using photovoltaic~~  
12 ~~modules, or of the solar grade silicon to be used exclusively in~~  
13 ~~components of such systems, 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) A person reporting under the tax rate provided in this section  
18 must file a complete annual report with the department under RCW  
19 82.32.534.

20 (6) This section expires June 30, 2014.

21 **Sec. 2.** RCW 82.16.110 and 2010 c 202 s 1 and 2010 c 106 s 225 are  
22 each reenacted and amended to read as follows:

23 The definitions in this section apply throughout this chapter  
24 unless the context clearly requires otherwise.

25 (1) "Administrator" means an owner and assignee of a community  
26 solar project as defined in subsection (2)(a)(i) of this section that  
27 is responsible for applying for the investment cost recovery incentive  
28 on behalf of the other owners and performing such administrative tasks  
29 on behalf of the other owners as may be necessary, such as receiving  
30 investment cost recovery incentive payments, and allocating and paying  
31 appropriate amounts of such payments to the other owners.

32 (2)(a) "Community solar project" means:

33 (i) A solar energy system that is capable of generating up to  
34 seventy-five kilowatts of electricity and is owned by local  
35 individuals, households, nonprofit organizations, or nonutility  
36 businesses that is placed on the property owned by a cooperating local

1 governmental entity that is not in the light and power business or in  
2 the gas distribution business;

3 (ii) A utility-owned solar energy system that is capable of  
4 generating up to seventy-five kilowatts of electricity and that is  
5 voluntarily funded by the utility's ratepayers where, in exchange for  
6 their financial support, the utility gives contributors a payment or  
7 credit on their utility bill for the value of the electricity produced  
8 by the project; or

9 (iii) A solar energy system, placed on the property owned by a  
10 cooperating local governmental entity that is not in the light and  
11 power business or in the gas distribution business, that is capable of  
12 generating up to seventy-five kilowatts of electricity, and that is  
13 owned by a company whose members are each eligible for an investment  
14 cost recovery incentive for the same customer-generated electricity as  
15 provided in RCW 82.16.120.

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

18 (i) "Company" means an entity that is:

- 19 (A)(I) A limited liability company;
- 20 (II) A cooperative formed under chapter 23.86 RCW; or
- 21 (III) A mutual corporation or association formed under chapter  
22 24.06 RCW; and

23 (B) Not a "utility" as defined in this subsection (2)(b); and

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

27 (iii) "Utility" means a light and power business, an electric  
28 cooperative, or a mutual corporation that provides electricity service.

29 (3) "Customer-generated electricity" means a community solar  
30 project or the alternating current electricity that is generated from  
31 a renewable energy system located in Washington and installed on an  
32 individual's, businesses', or local government's real property that is  
33 also provided electricity generated by a light and power business.  
34 Except for community solar projects, a system located on a leasehold  
35 interest does not qualify under this definition. Except for utility-  
36 owned community solar projects, "customer-generated electricity" does  
37 not include electricity generated by a light and power business with

1 greater than one thousand megawatt hours of annual sales or a gas  
2 distribution business.

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

6 (5) "Local governmental entity" means any unit of local government  
7 of this state including, but not limited to, counties, cities, towns,  
8 municipal corporations, quasi-municipal corporations, special purpose  
9 districts, and school districts.

10 (6) "Photovoltaic cell" means a device that converts light directly  
11 into electricity without moving parts.

12 (7) "Renewable energy system" means a solar energy system, an  
13 anaerobic digester as defined in RCW 82.08.900, or a wind generator  
14 used for producing electricity.

15 (8) "Solar energy system" means any device or combination of  
16 devices or elements that rely upon direct sunlight as an energy source  
17 for use in the generation of electricity.

18 (9) "Solar inverter" means the device used to convert direct  
19 current to alternating current in a (~~photovoltaic cell~~) solar energy  
20 system.

21 (10) "Solar module" means the smallest nondivisible self-contained  
22 physical structure housing interconnected photovoltaic cells and  
23 providing a single direct current electrical output.

24 (11) "Stirling converter" means a device that produces electricity  
25 by converting heat from a solar source utilizing a stirling engine.

26 **Sec. 3.** RCW 82.16.120 and 2010 c 202 s 2 and 2010 c 106 s 103 are  
27 each reenacted and amended to read as follows:

28 (1)(a) Any individual, business, local governmental entity, not in  
29 the light and power business or in the gas distribution business, or a  
30 participant in a community solar project may apply to the light and  
31 power business serving the situs of the system, each fiscal year  
32 beginning on July 1, 2005, for an investment cost recovery incentive  
33 for each kilowatt-hour from a customer-generated electricity renewable  
34 energy system.

35 (b) In the case of a community solar project as defined in RCW  
36 82.16.110(2)(a)(i), the administrator must apply for the investment  
37 cost recovery incentive on behalf of each of the other owners.

1 (c) In the case of a community solar project as defined in RCW  
2 82.16.110(2)(a)(iii), the company owning the community solar project  
3 must apply for the investment cost recovery incentive on behalf of each  
4 member of the company.

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

12 (i) The name and address of the applicant and location of the  
13 renewable energy system.

14 (A) If the applicant is an administrator of a community solar  
15 project as defined in RCW 82.16.110(2)(a)(i), the certification must  
16 also include the name and address of each of the owners of the  
17 community solar project.

18 (B) If the applicant is a company that owns a community solar  
19 project as defined in RCW 82.16.110(2)(a)(iii), the certification must  
20 also include the name and address of each member of the company;

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

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

25 (A) Any solar inverters and solar modules manufactured in  
26 Washington state;

27 (B) A wind generator powered by blades manufactured in Washington  
28 state;

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

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

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

32 (F) Solar or wind equipment manufactured outside of Washington  
33 state;

34 (iv) That the electricity can be transformed or transmitted for  
35 entry into or operation in parallel with electricity transmission and  
36 distribution systems; and

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

1 (b) Within thirty days of receipt of the certification the  
2 department of revenue must notify the applicant by mail, or  
3 electronically as provided in RCW 82.32.135, whether the renewable  
4 energy system qualifies for an incentive under this section. The  
5 department may consult with the climate and rural energy development  
6 center to determine eligibility for the incentive. System  
7 certifications and the information contained therein are subject to  
8 disclosure under RCW 82.32.330(3)(1).

9 (3)(a) By August 1st of each year application for the incentive  
10 must be made to the light and power business serving the situs of the  
11 system by certification in a form and manner prescribed by the  
12 department that includes, but is not limited to, the following  
13 information:

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

16 (A) If the applicant is an administrator of a community solar  
17 project as defined in RCW 82.16.110(2)(a)(i), the application must also  
18 include the name and address of each of the owners of the community  
19 solar project.

20 (B) If the applicant is a company that owns a community solar  
21 project as defined in RCW 82.16.110(2)(a)(iii), the application must  
22 also include the name and address of each member of the company;

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

24 (iii) The date of the notification from the department of revenue  
25 stating that the renewable energy system is eligible for the incentives  
26 under this section; and

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

29 (b) Within sixty days of receipt of the incentive certification the  
30 light and power business serving the situs of the system must notify  
31 the applicant in writing whether the incentive payment will be  
32 authorized or denied. The business may consult with the climate and  
33 rural energy development center to determine eligibility for the  
34 incentive payment. Incentive certifications and the information  
35 contained therein are subject to disclosure under RCW 82.32.330(3)(1).

36 (c)(i) Persons, administrators of community solar projects, and  
37 companies receiving incentive payments must keep and preserve, for a  
38 period of five years, suitable records as may be necessary to determine

1 the amount of incentive applied for and received. Such records must be  
2 open for examination at any time upon notice by the light and power  
3 business that made the payment or by the department. If upon  
4 examination of any records or from other information obtained by the  
5 business or department it appears that an incentive has been paid in an  
6 amount that exceeds the correct amount of incentive payable, the  
7 business may assess against the person for the amount found to have  
8 been paid in excess of the correct amount of incentive payable and must  
9 add thereto interest on the amount. Interest is assessed in the manner  
10 that the department assesses interest upon delinquent tax under RCW  
11 82.32.050.

12 (ii) If it appears that the amount of incentive paid is less than  
13 the correct amount of incentive payable the business may authorize  
14 additional payment.

15 (4) Except for community solar projects, the investment cost  
16 recovery incentive may be paid fifteen cents per economic development  
17 kilowatt-hour unless requests exceed the amount authorized for credit  
18 to the participating light and power business. For community solar  
19 projects, the investment cost recovery incentive may be paid thirty  
20 cents per economic development kilowatt-hour unless requests exceed the  
21 amount authorized for credit to the participating light and power  
22 business. For the purposes of this section, the rate paid for the  
23 investment cost recovery incentive may be multiplied by the following  
24 factors:

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

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

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

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

36 (5)(a) No individual, household, business, or local governmental  
37 entity is eligible for incentives provided under subsection (4) of this  
38 section for more than five thousand dollars per year.



1 (b) Except as provided in (c) through (e) of this subsection (5),  
2 each applicant in a community solar project is eligible for up to five  
3 thousand dollars per year.

4 (c) Where the applicant is an administrator of a community solar  
5 project as defined in RCW 82.16.110(2)(a)(i), each owner is eligible  
6 for an incentive but only in proportion to the ownership share of the  
7 project, up to five thousand dollars per year.

8 (d) Where the applicant is a company owning a community solar  
9 project that has applied for an investment cost recovery incentive on  
10 behalf of its members, each member of the company is eligible for an  
11 incentive that would otherwise belong to the company but only in  
12 proportion to each ownership share of the company, up to five thousand  
13 dollars per year. The company itself is not eligible for incentives  
14 under this section.

15 (e) In the case of a utility-owned community solar project, each  
16 ratepayer that contributes to the project is eligible for an incentive  
17 in proportion to the contribution, up to five thousand dollars per  
18 year.

19 (6) If requests for the investment cost recovery incentive exceed  
20 the amount of funds available for credit to the participating light and  
21 power business, the incentive payments must be reduced proportionately.

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

26 (8) The environmental attributes of the renewable energy system  
27 belong to the applicant, and do not transfer to the state or the light  
28 and power business upon receipt of the investment cost recovery  
29 incentive.

30 (9) No incentive may be paid under this section for kilowatt-hours  
31 generated before July 1, 2005, or after June 30, 2020.

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