

**2SHB 1301 - H AMD 274**

By Representative Morris

ADOPTED 03/09/2013

1 Strike everything after the enacting clause and insert the  
2 following:

3 "NEW SECTION. **Sec. 1.** The legislature makes the following  
4 findings:

5 (1) In order to mitigate the negative consequences of greenhouse  
6 gas and particulate air emissions, every state and nation in the world  
7 must do its part to develop clean energy technology.

8 (2) The sooner that economies of scale are available for the  
9 manufacture and marketing of renewable energy technologies, the sooner  
10 these technologies will become cost-competitive or even less expensive  
11 than traditional, polluting sources of energy.

12 (3) The clean technology sector of the economy is one that is  
13 growing rapidly, even in a time when other sectors have been stagnant  
14 or in a recession.

15 (4) In enacting incentives for renewable energy systems, the  
16 legislature intends to attract to Washington a vibrant clean technology  
17 sector.

18 (5) The tax incentives created in this act can be an important  
19 economic development tool, increasing high-wage employment both east  
20 and west of the Cascade mountains.

21 (6) It is the intent of the legislature, in modifying the existing  
22 renewable energy investment cost recovery incentive program, to improve  
23 utilization of the incentive by state residents and businesses,  
24 streamline program administration, and incubate the development of  
25 clean energy technology.

26 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.16 RCW  
27 to read as follows:

28 (1) The legislature finds that the effectiveness of attempts to  
29 foster job creation and retention are important aspects of setting tax

1 policy. In order to make policy choices regarding the best use of  
2 limited state resources, the legislature needs to know how tax  
3 incentives are used, and the degree to which incentive programs meet  
4 the legislature's intent.

5 (2) The legislature intends to achieve the following performance  
6 milestones as a result of the incentives awarded under this act:

7 (a) Increased utilization of the available tax credits, as  
8 evidenced by:

9 (i) A one hundred percent increase in the number of solar energy  
10 systems installed and receiving the incentive, from the 2012 baseline;  
11 and

12 (ii) A one hundred percent increase in the total generating  
13 capacity of installed systems, from the 2012 baseline;

14 (b) A decrease over time in the levelized cost of the systems  
15 receiving the tax preferences; and

16 (c) Growth of solar-related employment, as evidenced by:

17 (i) An increase in the total number and per capita rate of solar-  
18 related jobs in Washington;

19 (ii) Achievement of a top ten national ranking for solar-related  
20 employment and a top nine ranking for per capita solar-related  
21 employment;

22 (d) An increase in the utilization of, and employment related to,  
23 nonsolar renewable energy systems eligible to receive the incentives  
24 created in this act; and

25 (e) Leveraging of nonstate funds, as measured by a report of the  
26 total dollar value of tax credits awarded within each county and zip  
27 code, and the total amount of nonstate funds leveraged within each  
28 county and zip code.

29 (3)(a) The department must collect, through its application and  
30 certification process, data from persons receiving the tax preferences  
31 created in this act as necessary to report on progress toward achieving  
32 the performance milestones listed in subsection (1) of this section.

33 (b) In compliance with RCW 43.01.036, the department must submit an  
34 annual report to the legislature that details the progress achieved in  
35 reaching the outcome specified in subsection (1)(a)(i) of this section.

36 (4) All recipients of tax credits or incentive payments awarded  
37 under this chapter must provide any data requested for reporting

1 purposes. Failure to comply may result in the loss of a tax credit  
2 award or incentive payment in the following year.

3 (5) As part of its 2019 tax preference reviews conducted under  
4 chapter 43.136 RCW, the joint legislative audit and review committee  
5 must assess the performance of the incentives created in this act, with  
6 reference to all of the performance milestones established in this  
7 section.

8 **Sec. 3.** RCW 82.16.120 and 2011 c 179 s 3 are each amended to read  
9 as follows:

10 ~~(1)((a) Any individual, business, local governmental entity, not~~  
11 ~~in the light and power business or in the gas distribution business, or~~  
12 ~~a participant in a community solar project may apply to the light and~~  
13 ~~power business serving the situs of the system, each fiscal year~~  
14 ~~beginning on July 1, 2005, for an investment cost recovery incentive~~  
15 ~~for each kilowatt hour from a customer-generated electricity renewable~~  
16 ~~energy system)) Beginning July 1, 2013, any person, as defined in RCW~~  
17 ~~82.04.030, may apply to receive a voucher from an agency designated by~~  
18 ~~the governor entitling the person to receive annual incentive payments~~  
19 ~~from the light and power business serving the situs of a renewable~~  
20 ~~energy system for a term of ten years. Throughout this act, "agency~~  
21 ~~designated by the governor" means any unit of state government that the~~  
22 ~~governor designates to administer the program created in this chapter.~~  
23 ~~Eligibility to receive the voucher is limited as follows:~~

24 (a) The person applying to receive the voucher must be:

25 (i) The meter holder, meaning the party responsible to the light  
26 and power business for paying for electricity transmitted to the situs  
27 of an eligible renewable energy system;

28 (ii) The owner of the renewable energy system; and

29 (iii) Not a person who is a light and power business.

30 (b) In the case of a community solar project as defined in RCW  
31 82.16.110(2)(a)(i), the administrator must apply for the investment  
32 cost recovery incentive on behalf of each of the other owners.

33 (c) In the case of a community solar project as defined in RCW  
34 82.16.110(2)(a)(iii), the company owning the community solar project  
35 must apply for the investment cost recovery incentive on behalf of each  
36 member of the company.

1        ~~((+2))~~ (d) In the case of a customer-generated renewable energy  
2 system for which a person has already received payments prior to July  
3 1, 2013, under RCW 82.16.120, a person may apply to receive a voucher  
4 as provided in this act entitling the person to receive incentive  
5 payments until June 30, 2023.

6        (2) The award of a voucher creates a contractually enforceable  
7 promise on behalf of the state to authorize the light and power  
8 business to receive a credit against the taxes due under this chapter  
9 for an amount equal to the annual incentive payments made under this  
10 section in any fiscal year. A light and power business that chooses to  
11 participate in the voucher program created in this section may cease to  
12 accept vouchers for new systems at any time, but must continue to make  
13 payments pursuant to any existing voucher for its entire term, unless  
14 a court has declared the incentives provided under this section to be  
15 illegal.

16        (3) Eligibility to receive the incentive payments provided in  
17 subsection (1) of this section is limited as follows:

18        (a) The person applying to receive the voucher must be the meter  
19 holder, meaning the party responsible to the light and power business  
20 for paying for electricity transmitted to the situs of an eligible  
21 renewable energy system. The meter holder need not occupy the real  
22 property upon which the system is installed; and

23        (b) An owner of the renewable energy system.

24        (4) When the meter holder is a residential retail electric  
25 customer, the system must have an electrical generating capacity of not  
26 more than five kilowatts, and when the meter holder is not a  
27 residential retail electric customer, the system must have an  
28 electrical generating capacity of not more than one hundred kilowatts.

29        (5)(a) Before submitting for the first time the application for the  
30 incentive allowed under ~~((subsection (4) of))~~ this section, the  
31 applicant must submit to the department of revenue and to the ~~((climate~~  
32 and rural energy development center at the Washington State University,  
33 established under RCW 28B.30.642,)) agency designated by the governor  
34 a certification in a form and manner prescribed by the department that  
35 includes, but is not limited to, the following information:

36        (i) The name and address of the applicant and location of the  
37 renewable energy system.

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

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

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

9 (iii) That the electricity produced by the applicant meets the  
10 definition of "customer-generated electricity" or is generated by a  
11 system that meets the eligibility requirements set forth in subsection  
12 (3) of this section, and that the renewable energy system produces  
13 electricity with:

14 (A) Any solar inverters and solar modules manufactured in  
15 Washington state;

16 (B) A wind generator powered by blades manufactured in Washington  
17 state;

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

19 (D) A solar module manufactured in Washington state;

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

21 (F) Solar or wind equipment manufactured outside of Washington  
22 state;

23 (iv) That the electricity can be transformed or transmitted for  
24 entry into or operation in parallel with electricity transmission and  
25 distribution systems; (~~and~~)

26 (v) The date that the renewable energy system received its final  
27 electrical permit from the applicable local jurisdiction;

28 (vi) The annual electricity consumption at the meter in the  
29 previous calendar year, or an engineering estimate of the projected  
30 annual consumption, if no record of annual consumption at the meter is  
31 available or if electricity consumption at the meter has substantially  
32 changed; and

33 (vii) A projection of the annual electricity production of the  
34 system in kilowatt-hours.

35 (b) Within thirty days of receipt of the certification the  
36 (~~department of revenue~~) agency designated by the governor must notify  
37 the applicant by mail, or electronically as provided in RCW 82.32.135,  
38 whether the renewable energy system qualifies for an incentive under

1 this section. (~~The department may consult with the climate and rural~~  
2 ~~energy development center to determine eligibility for the incentive.~~)  
3 The agency designated by the governor must either issue the voucher or  
4 inform the applicant of the reason that the application is denied.  
5 System certifications, applications, vouchers, and the information  
6 contained therein are subject to disclosure under RCW 82.32.330(3)(1).

7 ~~((3))~~ (c) The agency designated by the governor is authorized to  
8 assess an application fee to recover its costs of administering the  
9 program established in this section.

10 (6)(a) The agency designated by the governor must also transmit the  
11 voucher electronically as provided in RCW 82.32.135 to the light and  
12 power business serving the situs of the system.

13 (b) The voucher must state the first and last day of the ten-year  
14 term, or other term in the case of persons receiving a voucher as  
15 provided in subsection (1)(d) of this section, for which the applicant  
16 has qualified to receive production incentive payments from the light  
17 and power business.

18 (c) The light and power business, upon receiving the voucher, must  
19 make incentive payments for each kilowatt-hour of electricity  
20 generated.

21 (d) If, during the ten-year term of the voucher, there is a change  
22 in the meter holder and a new party becomes financially responsible to  
23 the light and power business, the voucher is transferrable to the new  
24 meter holder, provided that the new meter holder is also a person  
25 eligible to receive payments under this section.

26 (7)(a) By August 1st of each year (~~application for the incentive~~  
27 must be made to the light and power business serving the situs of the  
28 system by certification in a form and manner prescribed by the  
29 department that includes, but is not limited to, the following  
30 information)), the agency designated by the governor must receive a  
31 report of the amount of kilowatt-hours generated in the immediately  
32 preceding fiscal year by any system for which a person is receiving  
33 incentive payments pursuant to this section. The report may be  
34 submitted in one of the following ways:

35 (i) (~~The name and address of the applicant and location of the~~  
36 renewable energy system.

37 (A) If the applicant is an administrator of a community solar

1 ~~project as defined in RCW 82.16.110(2)(a)(i), the application must also~~  
2 ~~include the name and address of each of the owners of the community~~  
3 ~~solar project.~~

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

7 ~~(ii) The applicant's tax registration number;~~

8 ~~(iii) The date of the notification from the department of revenue~~  
9 ~~stating that the renewable energy system is eligible for the incentives~~  
10 ~~under this section; and~~

11 ~~(iv) A statement of the amount of kilowatt hours generated by the~~  
12 ~~renewable energy system in the prior fiscal year.)) The light and power~~  
13 ~~business serving the situs of the system may report the amount of~~  
14 ~~kilowatt-hours generated by the system over the course of the year, as~~  
15 ~~determined by reading a production meter or any other meter that the~~  
16 ~~utility determines to be ninety-eight percent accurate; or~~

17 ~~(ii) The person receiving incentive payments may submit a statement~~  
18 ~~in the form of a sworn affidavit reporting the amount of kilowatt-hours~~  
19 ~~generated by the system over the course of the year.~~

20 (b) Within sixty days of receipt of the ((~~incentive certification~~))  
21 ~~report required by subsection (7) of this section, the agency~~  
22 ~~designated by the governor must notify the light and power business~~  
23 ~~serving the situs of the system ((~~must notify the applicant in~~~~  
24 ~~writing)) whether the incentive payment will be authorized or denied.~~  
25 The business may consult with the climate and rural energy development  
26 center to determine eligibility for the incentive payment. Incentive  
27 certifications and the information contained therein are subject to  
28 disclosure under RCW 82.32.330(3)(1).

29 (c)(i) Persons, administrators of community solar projects, and  
30 companies receiving incentive payments must keep and preserve, for a  
31 period of five years, suitable records as may be necessary to determine  
32 the amount of incentive applied for and received. Such records must be  
33 open for examination at any time upon notice by the light and power  
34 business that made the payment or by the department. If upon  
35 examination of any records or from other information obtained by the  
36 business or department it appears that an incentive has been paid in an  
37 amount that exceeds the correct amount of incentive payable, the  
38 business may assess against the person for the amount found to have

1 been paid in excess of the correct amount of incentive payable and must  
2 add thereto interest on the amount. Interest is assessed in the manner  
3 that the department assesses interest upon delinquent tax under RCW  
4 82.32.050.

5 (ii) If it appears that the amount of incentive paid is less than  
6 the correct amount of incentive payable the business may authorize  
7 additional payment.

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

18 (a) For ~~((customer-generated))~~ electricity produced using solar  
19 modules manufactured in Washington state or a solar stirling converter  
20 manufactured in Washington state, two and four-tenths;

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

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

28 (d) For all other ~~((customer-generated))~~ electricity produced by  
29 wind, eight-tenths.

30 ~~((+5)(a) No individual, household, business, or local governmental  
31 entity is eligible for incentives provided under subsection (4) of this  
32 section for more than five thousand dollars per year.))~~ (9) On or after  
33 July 1, 2018, a new base rate and multipliers may go into effect. New  
34 rates and multipliers adopted under the authority of this subsection  
35 will be applicable to any vouchers awarded after July 1, 2018. The  
36 rates must be adjusted to reflect decreases in the capital costs of  
37 purchasing and installing a renewable energy system, changes in the



1 levelized costs of such systems, or other factors that the agency deems  
2 relevant to fulfilling the purpose of incentivizing job growth and the  
3 environmental and economic benefits of renewable energy in the state.

4 (10)(a) No person is eligible for incentives under this section for  
5 electricity generated in excess of the net kilowatt-hours consumed  
6 annually at the metered location. No person is eligible for incentives  
7 provided under this section for more than twenty-five thousand dollars  
8 per year per eligible renewable energy system.

9 (b) Except as provided in (c) through ~~((e))~~ (d) of this  
10 subsection ~~((5))~~ (10), each applicant in a community solar project is  
11 eligible for up to five thousand dollars per year.

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

16 (d) Where the applicant is a company owning a community solar  
17 project that has applied for an investment cost recovery incentive on  
18 behalf of its members, each member of the company is eligible for an  
19 incentive that would otherwise belong to the company but only in  
20 proportion to each ownership share of the company, up to five thousand  
21 dollars per year. The company itself is not eligible for incentives  
22 under this section.

23 ~~((e) In the case of a utility owned community solar project, each~~  
24 ~~ratepayer that contributes to the project is eligible for an incentive~~  
25 ~~in proportion to the contribution, up to five thousand dollars per~~  
26 ~~year.~~

27 ~~(6))~~ (11) If, at any time before July 1, 2018, requests for the  
28 investment cost recovery incentive exceed fifty percent of the amount  
29 of funds available for credit to the participating light and power  
30 business, the ~~((incentive payments must be reduced proportionately.~~

31 ~~(7) The climate and rural energy development center at Washington~~  
32 ~~State University energy program may establish guidelines and standards~~  
33 ~~for technologies that are identified as Washington manufactured and~~  
34 ~~therefore most beneficial to the state's environment)) agency~~  
35 designated by the governor must notify the governor and the legislature  
36 and must adjust base rates and multipliers to a level expected to allow  
37 all eligible systems to continue to apply for and receive incentives.

1 New rates and multipliers adopted under the authority of this  
2 subsection (11) will be applicable to any vouchers awarded after the  
3 new rates and multipliers are adopted.

4 ~~((+8))~~ (12) The environmental attributes of the renewable energy  
5 system belong to the applicant, and do not transfer to the state or the  
6 light and power business upon receipt of the investment cost recovery  
7 incentive.

8 ~~((+9))~~ (13) No incentive may be paid under this section for  
9 kilowatt-hours generated before July 1, 2005~~(, or after June 30,~~  
10 ~~2020)~~. No new vouchers may be issued after June 30, 2023.

11 **Sec. 4.** RCW 82.16.130 and 2010 c 202 s 3 are each amended to read  
12 as follows:

13 (1) A light and power business ~~((shall be))~~ is allowed a credit  
14 against taxes due under this chapter in an amount equal to the  
15 investment cost recovery incentive payments made in any fiscal year  
16 under RCW 82.16.120. The credit shall be taken in a form and manner as  
17 required by the department. ~~((The credit under this section for the~~  
18 ~~fiscal year may not exceed one half percent of the businesses' taxable~~  
19 ~~power sales due under RCW 82.16.020(1)(b) or one hundred thousand~~  
20 ~~dollars, whichever is greater.))~~

21 (2) Incentive payments to participants in a utility-owned community  
22 solar project as defined in RCW 82.16.110(2)(a)(ii) may only account  
23 for up to twenty-five percent of the total allowable credit. Incentive  
24 payments to participants in a company-owned community solar project as  
25 defined in RCW 82.16.110(2)(a)(iii) may only account for up to five  
26 percent of the total allowable credit.

27 (3) The total credit claimed under this section may not exceed the  
28 tax that would otherwise be due under this chapter. Refunds ~~((shall))~~  
29 may not be granted in the place of credits. Expenditures not used to  
30 earn a credit in one fiscal year may not be used to earn a credit in  
31 subsequent years.

32 ~~((+2))~~ (4) For any light and power business that has claimed  
33 credit for amounts that exceed the correct amount of the incentive  
34 payable under RCW 82.16.120, the amount of tax against which credit was  
35 claimed for the excess payments ~~((shall be))~~ is immediately due and  
36 payable. The department ~~((shall))~~ must assess interest but not  
37 penalties on the taxes against which the credit was claimed. Interest

1 ((shall be)) is assessed at the rate provided for delinquent excise  
2 taxes under chapter 82.32 RCW, retroactively to the date the credit was  
3 claimed, and ((shall)) accrues until the taxes against which the credit  
4 was claimed are repaid.

5 ~~((3) The right to earn tax credits under this section expires June~~  
6 ~~30, 2020. Credits may not be claimed after June 30, 2021.)) (5) For  
7 incentive payments made pursuant to RCW 82.16.120, the authority of the  
8 agency designated by the governor to issue a voucher expires June 30,  
9 2023.~~

10 (6) The total credits available under this section is the aggregate  
11 of 0.5% of each participating light and power businesses' annual  
12 taxable power sales in the immediately preceding calendar year.  
13 Credits are available on a first-come, first-served basis.

14 NEW SECTION. Sec. 5. A new section is added to chapter 82.16 RCW  
15 to read as follows:

16 (1) The legislature finds that allowing utilities to finance and  
17 own renewable energy systems may help achieve the objectives of  
18 increasing the number of renewable energy systems in the state and  
19 incubating the development of the state's clean energy technology  
20 industry. Third-party ownership is also a tool to increase access to  
21 renewable energy systems for those residents and businesses who cannot  
22 leverage sufficient capital to pay the full cost of a renewable energy  
23 system upfront. The legislature intends to make a renewable energy  
24 investment cost recovery incentive tax credit available to renewable  
25 energy systems owned and financed by utilities.

26 (2) A qualifying utility, as defined in RCW 19.285.030(18), may  
27 claim a credit under this section for electricity generated by a solar  
28 energy system that has a generating capacity of not more than one  
29 hundred kilowatts, is installed on the premises of a residential or  
30 commercial retail electric customer of the qualifying utility in  
31 Washington, and is owned by the qualifying utility.

32 (3) The credit allowed for solar energy systems owned by a  
33 qualifying utility may not exceed 0.5% of the qualifying utility's  
34 taxable power sales due under RCW 82.16.020(1)(b), or one hundred  
35 thousand dollars, whichever is greater.

36 (4) The credit that may be claimed by a qualifying utility for  
37 power generated by a solar energy system is equal to the amount of

1 incentive payment a community solar project with the same power  
2 generation, consumption, and system components would have been eligible  
3 to receive under RCW 82.16.120.

4 (5) The environmental attributes of the solar energy system belong  
5 to the qualifying utility.

6 (6) The total credit claimed under this section and RCW 82.16.130  
7 may not exceed the tax that would otherwise be due under this chapter.  
8 Refunds may not be granted in the place of credits. Expenditures not  
9 used to earn a credit in one fiscal year may not be used to earn a  
10 credit in subsequent years.

11 (7) For any qualifying utility that has claimed credit for amounts  
12 that exceed the correct amount of the incentive payable under RCW  
13 82.16.120, the amount of tax against which credit was claimed for the  
14 excess payments is immediately due and payable. The department must  
15 assess interest but not penalties on the taxes against which the credit  
16 was claimed. Interest is assessed at the rate provided for delinquent  
17 excise taxes under chapter 82.32 RCW retroactively to the date the  
18 credit was claimed and accrues until the taxes against which the credit  
19 was claimed are repaid.

20 (8) The legislature intends to achieve the following performance  
21 milestones as a result of the tax preference created in this section:

22 (a) Increased utilization of available tax credits at a growth rate  
23 of five percent each year for the first five years of the program; and

24 (b) Improved ability of consumers, regardless of their ability to  
25 pay upfront for the full capital costs of a renewable energy system, to  
26 install renewable energy systems on their real property. This  
27 milestone must be tracked by requiring those applying to receive  
28 incentive payments for a system owned or financed by a third party to  
29 indicate in their application whether they would have had the financial  
30 ability to fully fund the upfront installation costs for a system if  
31 systems leased from third-party owners had not been eligible to receive  
32 the incentive.

33 (9)(a) In the calendar year preceding the expiration of this  
34 section, the joint legislative audit and review committee must report  
35 to the legislature on the effectiveness of the program in achieving the  
36 objectives described in subsection (8) of this section.

37 (b) Upon request of the joint legislative audit and review

1 committee, the department of revenue and other agencies must cooperate  
2 by providing any data or information requested.

3 (10)(a) The qualifying utility must provide the customer on whose  
4 premises a solar energy system is being installed a contract that  
5 includes, but is not limited to, the following information:

6 (i) A guarantee of the minimum annual kilowatt-hours that the  
7 system will generate for the entire term of the contract;

8 (ii) In the case of a lease, a clear payment schedule with a total  
9 amount, inclusive of all fees, costs, and other charges, listed for  
10 each month and for each year of the entire term of the lease agreement;

11 (iii) An acknowledgment that the utility is responsible for system  
12 installation, repairs, and monitoring for the duration of the  
13 agreement;

14 (iv) Protections against damage to the customer's property caused  
15 by the system, its installation, and removal, including a clear  
16 statement of whose responsibility it is to pay any costs associated  
17 with restoring the customer's property to its original condition after  
18 removal of the system at the end of the lease term; and

19 (v) A disclosure of the terms and conditions governing when the  
20 property is sold or transferred.

21 (b) A qualifying utility must provide the customer a separate  
22 document with an easy to read, nontechnical summary of the provisions  
23 required under (a) of this subsection.

24 (c) The qualifying utility must compile and make available to the  
25 joint legislative audit and review committee a report of the average  
26 price per kilowatt-hour of electricity generated by the systems  
27 authorized in this section, as compared to the average price per  
28 kilowatt-hour of electricity generated by systems that received or are  
29 receiving the incentive under RCW 82.16.120.

30 (11) After December 31, 2015, if in compliance with other  
31 applicable law or rule, the agency designated by the governor may  
32 authorize renewable energy systems owned by third parties other than  
33 utilities to qualify for the incentives created under RCW 82.16.120.  
34 Nonutility third-party owners of renewable energy systems may only be  
35 authorized to receive the incentives if, in the agency's determination,  
36 based on objective criteria, such ownership is consistent with the  
37 legislature's objectives as established in section 2 of this act and

1 subsection (1) of this section. The agency, in making its  
2 determination, must hold meetings with interested parties, and provide  
3 notice and an opportunity for public comment.

4 NEW SECTION. **Sec. 6.** A new section is added to chapter 80.28 RCW  
5 to read as follows:

6 (1)(a) Upon request by an electrical company, the commission may  
7 approve a tariff allowing the company to recover its costs from  
8 acquiring, installing, operating, and maintaining cost-effective  
9 distributed solar energy systems at the premises of retail electric  
10 customers of the company.

11 (b) The cost basis for a distributed solar energy system must  
12 include, but may not be limited to:

13 (i) A fair return on common equity equal to the return that the  
14 commission has authorized for the company's other capital assets;

15 (ii) The cost of debt incurred for investments made in the  
16 acquisition, installation, operation, and maintenance of distributed  
17 solar energy systems; and

18 (iii) Any reasonable incentive the company may offer to a retail  
19 electric customer to secure the right to place a distributed solar  
20 energy system on their premises.

21 (c) Costs incurred by the company to acquire, install, operate, and  
22 maintain a distributed solar energy system must be offset by:

23 (i) The value of an investment cost recovery incentive payable to  
24 the company under sections 5 and 6 of this act;

25 (ii) The estimated value of renewable energy credits produced by  
26 distributed solar energy systems owned by the company; and

27 (iii) The value of any other state and federal tax credits that may  
28 accrue to the company from the production of energy from a distributed  
29 solar energy system.

30 (d) If the company determines that a customer or class of customers  
31 should contribute a reasonable amount to the electrical utility's cost  
32 of acquiring, installing, operating, and maintaining a distributed  
33 solar energy system in order for the system to be cost-effective, it  
34 may specify the amount of the contribution in its tariff. The  
35 commission may approve or deny the company's request to include a  
36 customer contribution in the tariff, or revise the contribution  
37 requirement to an amount that will not increase financial risk to the

1 company's shareholders or other customers. The commission may only  
2 deny the request for a customer contribution upon a finding that the  
3 tariff is fair, just, reasonable, and sufficient without the customer  
4 contribution requirement.

5 (e)(i) Once the company has recovered its costs under the tariff,  
6 the distributed solar energy system is no longer necessary and useful  
7 to the company pursuant to RCW 80.12.020. The tariff must specify the  
8 terms and conditions, including guidelines for establishing a fair  
9 market value, under which a customer may purchase the distributed solar  
10 energy system located at its premises after the company has recovered  
11 its costs under the tariff. Once the company has recovered its costs  
12 under the tariff, it may convey ownership of a distributed solar energy  
13 system without cost to a retail electric customer who has made a  
14 contribution under (d) of this subsection.

15 (ii) Any payments received by a company from the sale of  
16 distributed solar energy systems must be deposited in a segregated  
17 account to be used by the company to supplement any other measures it  
18 may use under (c) of this subsection to offset costs incurred by the  
19 company to acquire, install, operate, and maintain a distributed solar  
20 energy system.

21 (2) A distributed solar energy system that has been installed  
22 pursuant to this section is not eligible for net metering under chapter  
23 80.60 RCW while the system is owned by the company.

24 (3) For the purposes of this section:

25 (a) "Cost-effective" means, at the time a distributed solar energy  
26 system is placed in the rate base, the distributed solar energy system  
27 is reasonably expected to generate energy at a total incremental system  
28 cost, per unit of energy delivered to end use, that is less than, or  
29 equal to, the comparable cost from the lowest reasonable cost eligible  
30 renewable resource, as identified in the company's last completed  
31 integrated resource plan under chapter 19.280 RCW, considering:

32 (i) The value of an investment cost recovery incentive payable to  
33 the company under RCW 82.16.120;

34 (ii) The estimated value of renewable energy credits produced by  
35 distributed solar energy systems owned by the company;

36 (iii) The value of any other state and federal tax credits that may  
37 accrue to the company from the production of energy from a distributed  
38 solar energy system; and

1 (iv) The financial contribution that may be required from a  
2 customer pursuant to subsection (1)(d) of this section.

3 (b) "Distributed solar energy system" means any device or  
4 combination of devices or elements that relies upon direct sunlight as  
5 an energy source for use in the generation of electricity and has an  
6 electrical generating capacity of not more than five kilowatts, when  
7 the meter holder is a residential retail electric customer, and not  
8 more than one hundred kilowatts, when the meter holder is a commercial  
9 retail electric customer.

10 (c) "Eligible renewable resource" has the same meaning as defined  
11 under RCW 19.285.030.

12 (4) This section expires December 31, 2020.

13 NEW SECTION. **Sec. 7.** If any provision of this act or its  
14 application to any person or circumstance is held invalid, the  
15 remainder of the act or the application of the provision to other  
16 persons or circumstances is not affected.

17 NEW SECTION. **Sec. 8.** This act is necessary for the immediate  
18 preservation of the public peace, health, or safety, or support of the  
19 state government and its existing public institutions, and takes effect  
20 July 1, 2013."

21 Correct the title.

EFFECT: Makes the following changes:

Eliminates the "competitive pool" program.

Changes the administrator of the renewable energy investment cost recovery incentive program from the Housing Finance Commission to a unit of state government to be designated by the governor.

Authorizes a person already receiving an incentive under RCW 82.16.120 prior to July 1, 2013, to apply for a voucher entitling the person to continue to receive cost recovery incentive payments until June 30, 2023.

Limits the size of eligible systems to 5 kW, when the meter holder is a residential retail electric customer, and 100 kW, when the meter holder is not a residential retail electric customer, and limits incentive payments to twenty-five thousand dollars per year per eligible renewable energy system, except as otherwise provided.



Requires a person applying to receive the incentive for the first time to include a projection of the annual electricity production of the system, in kilowatt-hours, and a report of the annual electricity consumption at the meter in the previous calendar year, or an engineering estimate of the projected annual consumption, if no record of annual consumption at the meter is available or if electricity consumption at the meter has substantially changed.

Provides higher base rates and multipliers for Community Solar systems, restoring the rates and the \$5,000 cap authorized under current law.

Requires the agency to notify the governor and the legislature if, at any time before July 1, 2018, requests for the renewable energy investment cost recovery incentive exceed fifty percent of the amount of funds available for credit to the participating light and power business, and to adjust base rates and multipliers to a level expected to allow all eligible systems to continue to apply for and receive incentives.

Allows a qualifying utility to receive a tax credit for solar energy systems that it owns and operates.

Authorizes a credit for an amount equivalent to the amount of incentive payment the solar energy system would have been able to receive if it were a Community Solar program under RCW 82.16.120.

Limits the size of systems for which a qualifying utility may receive a tax credit to those with a generating capacity of not more than one hundred kilowatts, if installed on the premises of a nonresidential customer, and no more than five kilowatts, if installed on the premises of a residential customer.

Establishes minimum provisions that a qualifying utility must include in a contract, lease, or purchase power agreement for a utility-owned solar energy system.

Caps the credits available to qualifying utilities at 0.5% of the qualifying annual utility's taxable power sales due under RCW 82.16.020(1)(b) or one hundred thousand dollars, whichever is greater.

Authorizes the Utilities and Transportation Commission to approve a tariff allowing an electrical company to recover in its rates the costs incurred from acquiring, installing, operating, and maintaining cost-effective distributed solar energy systems.

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