
Environment Committee

HB 1105

Brief Description: Modifying the renewable energy cost recovery program.

Sponsors: Representatives McCoy, Morris, Wylie, Ryu and Pollet.

Brief Summary of Bill

- Closes the current Renewable Energy Investment Cost Recovery Program (Current Program) to new applicants beginning on July 1, 2014.
- Allows any entity receiving incentive payments under the Current Program to continue to receive payments until July 1, 2020.
- Creates a new Renewable Energy Investment Cost Recovery Program (New Program) on July 1, 2014.
- Specifies that electric utilities participating in the New Program must offer 10-year contracts for the payment of incentives.

Hearing Date: 2/13/13

Staff: Scott Richards (786-7156).

Background:

Renewable Energy Investment Cost Recovery Incentive Program.

In 2005 the Legislature created a Renewable Energy Cost Recovery Incentive Program (Current Program) to promote installation of renewable energy systems in Washington. These are systems that produce electricity from solar, wind, or anaerobic digesters. An individual, business, local government, or community solar project that owns and operates an eligible system may apply to receive incentive payments from the applicant's electric utility. These payments help subsidize the additional cost incurred by generating electricity from the renewable energy system. The utility, referred to in statute as the "light and power business," in turn receives a tax credit from the Department of Revenue equal to the incentive payments made.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Community Solar Projects.

In 2009, the Current Program was expanded to provide incentives for "community solar projects". Community solar projects include: (1) solar energy systems placed on local government property that are owned by local individuals, households, or non-utility businesses; (2) utility-owned solar energy systems voluntarily funded by the utility's ratepayers in exchange for credits on their utility bills; and (3) company-owned solar energy systems, where the owner is a limited liability company, a cooperative, or a mutual corporation or association. A electrical generation capacity of a community solar project is limited to 75 megawatts.

Payments.

Light and power businesses are responsible for providing incentive payments to the owners of eligible systems. Incentive payments are capped at \$5,000 annually per applicant and must be applied for annually. For each kilowatt-hour of energy produced, an eligible system owner can receive incentive payments of at least 15 cents per kilowatt generated, and community solar projects are eligible to receive incentives of a at least 30 cents per kilowatt generated. To promote the use of equipment manufactured in Washington, extra production incentives are available, depending upon which components are manufactured in Washington.

Cap on Total Credits Available.

A light and power business is allowed a credit against its public utility tax (PUT) for incentives paid, capped annually at \$100,000 or 0.5 percent of its taxable power sales, whichever is greater. If the amount of requests for incentive payments exceeds the amount of funds available for PUT credit to the utility, the incentive payments to applicants 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.

Measuring and Reporting Electricity Production.

Each year, a participant in the Current Program must reapply for the incentive, providing a statement of the amount of kilowatt-hours generated by the system in the prior fiscal year. The energy output is measured by a production meter that records the amount of electricity generated.

Duration of Program.

The Current Program expires June 30, 2020.

Summary of Bill:

Current Renewable Energy Investment Cost Recovery Program.

The current Renewable Energy Investment Cost Recovery Program (Current Program) is closed to new applicants after July 1, 2014. No incentive may be paid for kilowatt-hours generated after June 30, 2014, except that any entity receiving incentive payments on the effective date of the Act may continue to receive payments until July 1, 2020.

Tribal Participation in the Current Cost Recovery Program

A federally recognized Indian tribe may participate in the Current Program as either an owner of a renewable energy system, or as a host of a community solar project.

Public Utility Tax (PUT) Credit

The right for a power and light business to earn PUT credits under the Current Program expires on July 1, 2014.

New Cost Recovery Program.

A Renewable Energy System Cost Recovery Incentive Program (New Program) is created to be administered by the Department of Commerce (Department). Utility participation in the New Program is voluntary. A utility has the same meaning as a light and power business under the Current Program.

Beginning July 1, 2014, any person other than a utility or a gas distribution business who owns a customer-generated electricity renewable energy system, or a participant in a community solar project, may apply for cost recovery incentives. A person is defined as an individual, business, federally recognized Indian tribe, local government entity, or a participant in a community solar project as current defined in statute.

Utilities participating in the New Program must offer 10-year contracts for the payment of incentives. The remainder of a contract may be transferrable to a new owner of the situs of the renewable energy system.

Timeframe for Incentive Payments

No incentive may be paid for kilowatt-hours generated before July 1, 2014, or after June 30, 2024, except that a person receiving payments under a 10-year contract may receive payments until July 1, 2031, or until the end of the contract, whichever is sooner.

Incentive Rate

The incentive is 15 cents per kilowatt-hour generated unless requests exceed the amount authorized for credit to the participating utility. For utility-owned community solar projects, the incentive is 30 cents per kilowatt-hour generated unless requests exceed the amount authorized for credit to the participating utility.

The rate paid for the incentive must be multiplied by the following factors:

- for customer-generated electricity produced using solar modules manufactured in Washington state or a solar stirling converter manufactured in Washington, 2.4;
- for customer-generated electricity produced using a solar or a wind generator equipped with an inverter manufactured in Washington, 1.2;
- for customer-generated electricity produced using an anaerobic digester, or by other solar equipment or using a wind generator equipped with blades manufactured in Washington, 1.0 ; and
- for all other customer-generated electricity produced by wind, 0.8.

Maximum Annual Incentive Payments

No person is eligible for incentives of more than \$5,000 per year. In the case of a utility-owned community solar project, each ratepayer that contributes to the project is eligible for an incentive in proportion to the contribution, up to \$5,000 per year.

Application Process

A person must first apply to the Department for certification that a customer-generated electricity renewable energy system is eligible to receive an incentive. The certification application may be in a form and manner prescribed by the Department and it must include such information as the name and address of the applicant, location of the renewable energy system, whether the renewable energy system uses certain Washington manufactured components to produce electricity, and the date that the renewable energy system received its final electrical permit from the applicable local jurisdiction.

Within 30 days of receipt of the application the Department must notify the applicant whether the renewable energy system is certified for an incentive.

Annual Application

After a customer-generated electricity renewable energy system is certified by the Department, an annual application for the incentive must be made to the participating utility serving the situs of the system. The annual application must include a statement of the amount of kilowatt-hours generated by the renewable energy system in the prior fiscal year. Within 60 days of receipt of the incentive application the utility serving the situs of the system must notify the applicant in writing whether the application is accepted.

Washington State University Energy Extension Program

When determining if eligible equipment is manufactured in the State of Washington, the Department must rely on the opinion of the Washington State University Energy Extension Program (Energy Extension Program). Additionally, the Energy Extension Program is directed to establish guidelines for technologies that are identified as Washington manufactured. The Energy Extension Program must use the guidelines when advising the Department.

Public Utility Tax(PUT) Credit

Beginning July 1, 2014, a utility is allowed a PUT credit against taxes due in an amount equal to incentive payments made in any fiscal year. The PUT credit for any fiscal year may not exceed 0.5 percent of the utility's taxable power sales or \$100,000, whichever is greater. 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. The right to earn PUT credits expires July 1, 2030. Credits may not be claimed after June 30, 2031.

Renewable Energy Credits

The environmental attributes of the renewable energy system belong to the applicant, and do not transfer to the state or the utility upon receipt of the incentive. In the case of a utility-owned community solar project, the environmental attributes of the renewable energy system belong to the utility.

Appropriation: None.

Fiscal Note: Available.

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