

# SENATE BILL REPORT

## 2SHB 1814

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As of March 7, 2022

**Title:** An act relating to expanding equitable access to the benefits of renewable energy through community solar projects.

**Brief Description:** Expanding equitable access to the benefits of renewable energy through community solar projects.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Shewmake, Berry, Bateman, Duerr, Macri, Ramel, Paul, Bergquist, Fitzgibbon, Pollet, Harris-Talley and Kloba).

**Brief History:** Passed House: 2/26/22, 56-39.

**Committee Activity:** Ways & Means: 3/07/22.

### Brief Summary of Bill

- Establishes a new community solar incentive program, to be administered by the Washington State University Extension Energy Program, for providing direct benefits to low-income subscribers, low-income service provider subscribers, and tribal and public agency subscribers (Community Solar Expansion Program).
- Sets a statewide total cap of \$100 million for the Community Solar Expansion Program incentive payments.
- Creates a new public utility tax credit equal to the incentive payments paid by an electric utility under the Community Solar Expansion Program.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Jeffrey Mitchell (786-7438)

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

**Background:** Previous Incentive Programs for Community Solar. In 2005, the Renewable Energy Cost Recovery Incentive Payment Program (Legacy Program) was created to allow an individual, business, or local government that owns an eligible renewable energy system to apply to its electric utility for an investment cost recovery incentive payment for each kilowatt-hour (kWh) of electricity produced by the system. In 2009, the Legacy Program was expanded to include community solar projects. The Legacy Program closed to new customer participants by October 2017.

In 2017, the Washington State University Extension Energy Program (WSU Energy Program) was directed to launch and administer a program known as the Renewable Energy Production Incentive Program (Production Incentive Program), which opened to certification applicants in July 2017, and closed to new project certifications by July 2021. Under the Production Incentive Program, a person who owned a renewable energy system, an administrator of a community solar project, a utility, or a business under contract with a utility that administered a shared commercial project, could apply to the WSU Energy Program for certification establishing the applicant's eligibility to receive annual production incentive payments for each kWh of alternating current electricity generated by the system.

An electric utility may claim a credit against its public utility tax obligations for incentive payments made by the utility to a customer under the Legacy Program or the Production Incentive Program.

**Summary of Bill:** Community Solar Expansion Program. The Washington State University Extension Energy Program (WSU Energy Program) is authorized to administer and implement a new community solar incentive program that provides up to \$20 million in payments for the purpose of providing direct benefits to low-income subscribers, low-income service provider subscribers, and tribal and public agency subscribers (Community Solar Expansion Program).

A community solar project is a solar energy system that has a direct current nameplate capacity that is more than 12 kilowatts (kW) and no greater than 1,000 kW; has at least two low-income subscribers or one low-income service provider; and meets the eligibility requirements of the Community Solar Expansion Program.

A community solar project may include a storage system.

Beginning July 1, 2022, through June 30, 2033, an administrator of an eligible community solar project (administrator) may apply to the WSU Energy Program to receive a precertification for the project. An administrator may be a utility, nonprofit, tribal housing authority, or other local housing authority. If the WSU Energy Program approves the precertification, within two years the project must be completed and the administrator must apply for certification. If the WSU Energy Program then certifies a project, the utility serving the site of a community solar project is authorized to remit a one-time low-income community solar incentive payment to the administrator. The administrator accepts the

payment on behalf of, and for the purpose of providing direct benefits to, the project's qualifying subscribers. Qualified subscribers are low-income subscribers, low-income service provider subscribers, and tribal and public agency subscribers. For tribal and public agencies, only that portion of their subscription to a community solar project that demonstrates benefits to low-income beneficiaries is considered qualified.

A utility's participation in the Community Solar Expansion Program is voluntary.

*Incentive Payments and Compensation for Community Solar Projects Under the Community Solar Expansion Program.* The WSU Energy Program may certify community solar projects to receive one-time incentive payments in a total statewide amount not to exceed \$100 million and subject to the following dollar limits:

- for fiscal year 2023, \$300,000; and
- for each biennium beginning on or after July 1, 2023, \$25 million.

Of the \$100 million authorized for low-income community solar incentive payments:

- \$2 million must be used to support nonprofit organizations' innovative approaches to allocating benefits to subscribers, defining and valuing benefits to be provided to subscribers or other aspects of the subscriber, administrator, system host, and utility relationship; and
- \$2 million must be available to tribal governments and their designated subdivisions and agencies.

Beginning in fiscal year 2026, the WSU Energy Program may waive these \$2 million requirements if the applications it receives are insufficient to fully allocate these funds.

The WSU Energy Program must attempt to equitably distribute incentive funds throughout the state. When considering how to equitably distribute funds, the WSU Energy Program may consider various measures including the amount of energy burden reduction for qualifying subscribers relative to the project's cost.

The one-time low-income community solar incentive payment equals the sum of:

- the administrative costs related to starting up the project for qualifying subscribers, which is not to exceed \$20,000 per project; and
- the installed cost of the portion of the project that provides direct benefits to qualifying subscribers, not to exceed 100 percent of this cost.

The installed cost includes only the renewable energy system components and fees that are integral and necessary for the generation and storage of electricity, such as solar modules and inverters, battery systems, labor, and sales tax, but does not include components such as roofing and energy storage. The installed cost payment must consider any federal tax credits or other grants or incentives that the program is benefiting from.

In addition to the one-time low-income community solar incentive payment for

administrative and installed costs, a participating utility must also provide compensation for the generation of electricity from the certified community solar project as follows:

- for a community solar project that has an alternating current nameplate capacity greater than 12 kW but no greater than 100 kW, and that is connected behind the electric service meter, compensation must be determined in accordance with the state's net metering requirements and provided to the metered customer receiving service at the situs of the meter;
- for a community solar project that has a capacity greater than 100 kW but not greater than 1,000 kW, and if the administrator is not a utility, the utility provides the compensation to the retail electric customer;
  - the utility and the retail electric customer must have a written agreement explaining the plan for how benefits will be determined and paid to the retail electric customer;
  - the retail electric customer and the administrator must have a written agreement describing how the retail electric customer will determine and distribute benefits to the administrator once the retail electric customer receives benefits from the utility;
  - to obtain certification for a community solar project, the administrator must submit a copy of this written agreement to the WSU Energy Program;
  - the WSU Energy Program must determine that the agreement ensures benefits are fairly determined and there is an adequate plan for distributing the benefits; and
- for a community solar project that has a capacity greater than 100 kW but not greater than 1,000 kW, and if the administrator is a utility, compensation must be delivered in a way that provides continuing direct benefits to the subscribers.

An administrator may deduct ongoing administrative and maintenance costs from compensation provided from power generation, provided these costs are in the subscription agreement or justified to the WSU Energy Program. The WSU Energy Program must review these cost justifications and approve, reject, or negotiate changes to the proposal. An administrator may request a change in these cost deductions only if the subscription agreement includes language notifying the subscriber that administrative fees are subject to change.

If the utility provides compensation for the generation of electricity to the administrator, the administrator must provide that compensation to the project subscribers.

*Project Certification and Incentive Payment Process.* Prior to obtaining certification, the administrator of an eligible community solar project must apply for precertification against the funds available for incentive payments under the Community Solar Expansion Program to be guaranteed a low-income community solar incentive payment. The application for precertification must include, at a minimum:

- a demonstration of how the project will deliver direct benefits to low-income subscribers; and

- any other information the WSU Energy Program deems necessary in determining eligibility for precertification.

Projects with precertification applications approved by the WSU Energy Program have two years to complete their projects and apply for full certification, but if they have not completed certification within this time frame, they may apply to the WSU Energy Program for up to a 180-day extension.

An administrator must complete their application within less than two years of being approved for precertification status and must provide a project update to the WSU Energy Program after one year. The certification application must include certain specified information, including a signed statement of the total project costs, available system operation data such as estimated shading, and any other information the WSU Energy Program deems necessary for the review.

The WSU Energy Program must review each project for reasonable cost and financial structure, with a targeted installed cost of \$2 per watt direct current for systems over 200 kW and \$2.25 per watt direct current for systems under 200 kW. The WSU Energy Program may approve an application for a project that costs more or less than this targeted installed cost based on a review of the project, documents submitted by the project applicant, and available data. Project cost evaluations must exclude costs associated with energy storage systems and electrical system improvements to permit grid-independent operation. The WSU Energy Program may review the cost per watt target prior to each fiscal biennium and is authorized to determine a new cost per watt target.

Within 30 days of receiving a certification application, the WSU Energy Program must let the utility serving the site of the project know whether certification has been granted. Within 60 days of receiving this notification, this utility must remit the applicable low-income community solar incentive payment to the project administrator for the purpose of providing direct benefits to the project's qualifying subscribers.

If the project is transferred to a new owner, certification stays with the project if certain conditions are met. During the first ten years of certification, if a qualified subscriber stops participating in the project, participation must be transferred to a new qualifying subscriber. If a low-income subscriber moves to a new home within ten years of certification, the subscriber may continue the subscription if the new household premise is served by the same utility that serves the community solar project.

The nonpower attributes of the project must be retired on behalf of the subscribers unless, in the case of a utility-owned community solar project, a contract between the subscriber that benefits the subscriber clearly states that the attributes will be retained and retired by the utility.

No certification may be issued by the WSU Energy Program under the Community Solar

Expansion Program after June 30, 2035.

*Community Solar Project Eligibility Requirements.* To receive certification for a low-income community solar incentive payment beginning July 1, 2022, a community solar project must meet various requirements. The administrator must demonstrate how the project will deliver continuing direct benefits to low-income subscribers. These benefits could include credit for the power generated by a community solar project or other mechanisms that lower the energy burden. The administrator must verify that subscribers meet the definition of low-income. An entity with authority to maintain the confidentiality of the income status of the qualified subscriber must provide the administrator with this verification. If this entity incurs costs to verify low-income status, the administrator must reimburse the entity for those costs. The project must be located on preferred sites, determined by the WSU Energy Program. Preferred sites are rooftops, structures, existing impervious surfaces, landfills, brownfields, previously developed sites, irrigation canals and ponds, stormwater collection ponds, industrial areas, dual-use solar projects that ensure ongoing agricultural operations, and other sites that do not displace critical habitat or productive farmland as defined by state and county planning processes.

*Reporting.* The WSU Energy Program must post and update a report on its website at least every month that includes, by utility:

- the number of certifications issued for community solar projects; and
- an estimate of the amount of credit that has not been allocated for low-income community solar incentive payments and that remains available for new community solar project certifications.

Public Utility Tax Credits. Beginning July 1, 2022, an electric utility is allowed a credit against its public utility tax obligations in an amount equal to low-income community solar incentive payments made under the Community Solar Expansion Program. The credit for the fiscal year may not exceed 1.5 percent of the business's taxable power sales generated in calendar year 2014 or \$250,000, whichever is greater. The credit may not exceed the tax that would otherwise be due. Refunds may not be granted in the place of credits. No credits may be earned after June 30, 2036, and credits may not be claimed after June 30, 2037.

The tax preferences created in the Community Solar Expansion Program are exempt from the requirement that a new tax preference must include a tax preference performance statement.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.