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**HOUSE BILL 1871**

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**State of Washington 69th Legislature 2025 Regular Session**

**By** Representatives Hunt, Klicker, Doglio, Parshley, Ramel, Zahn, and Duerr

AN ACT Relating to incentivizing grid-connected residential battery energy storage systems; adding new sections to chapter 82.16 RCW; creating a new section; and providing an expiration date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  The legislature finds that it is in the public interest to increase energy storage capacity across the state in response to increases in peak electrical loads, wildfire potential, and windstorms and other catastrophic events that may lead to power outages. Residential battery energy storage systems will be a key part of the solution, but they must be connected to the grid and dispatchable by utilities during peak load events, and available to customers in the case of power outages. The initial cost of residential battery energy storage systems is a barrier for many light and power business customers. With a targeted incentive program, the state can aid utilities and their customers in the adoption of these systems with the goal of reducing costly transmission and distribution of capital expenditures; maximizing system benefits for all retail electric customers; and identifying opportunities for improving access to transformative technologies for low-income and moderate-income customers. Such incentive programs would help achieve clean energy transformation act goals.

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

The definitions in this section apply throughout this section and sections 3 through 6 of this act unless the context clearly requires otherwise.

(1) "Distributed energy resource" has the same meaning as in RCW 19.405.020.

(2) "Low-income" has the same definition as in RCW 19.405.020.

(3) "Moderate-income household" means a single person, family, or unrelated persons living together whose adjusted income is more than 80 percent but is at or below 115 percent of the median family income adjusted for family size, for the county, city, or metropolitan statistical area, where the project is located, as reported by the United States department of housing and urban development.

(4) "Qualified light and power business" means a light and power business as defined in RCW 82.16.010 that has a battery incentive program as described in section 3 of this act that is approved by the Washington State University extension energy program.

(5) "Qualified light and power business customer" means a residential customer, nonprofit organization, public entity, tribal government, or academic institution. A multifamily housing tax equity investor partnership may participate in the program if a nonprofit organization, public entity, tribal government, or academic institution is the controlling partner for that partnership.

(6) "Residential battery energy storage system" means a stationary and permanently installed battery system that can store energy when production exceeds demand and release energy when energy demand increases. A residential battery energy storage system is not an industrial-scale battery energy storage system.

(7) "Time-of-use rate" means an electricity billing structure where the price of electricity varies based on the time of day it is used, typically with higher prices during peak demand hours and lower prices during off-peak hours, intended to encourage consumers to shift their energy usage to less expensive periods.

(8) "Virtual power plant" means an aggregation of connected distributed energy resources that can balance electrical loads and are coordinated to work together to provide utility grid services like a traditional power plant.

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

(1) A qualified light and power business must have a battery incentive program approved by the Washington State University extension energy program to provide a battery incentive to customers as described in section 4 of this act and to receive tax credits for providing such an incentive as described in section 5 of this act.

(2) A qualified light and power business battery incentive program must include:

(a) A battery incentive payment for a qualified light and power business customer; and

(b) A plan for how the qualified light and power business will use the customer batteries by:

(i) Allowing retail time-of-use rates for qualified light and power business customers who own batteries or other customer self-generation by July 1, 2026. A time-of-use rate may not reduce the compensation rate for energy exported by a qualified light and power business customer or discharged energy from the customer's residential battery energy storage system or reduce the compensation rate due to the location of the customer in the light and power business' service territory; or

(ii) Incorporating the batteries into a utility-operated virtual power plant that financially encourages qualified light and power business customers to manage their electricity use to their benefit so the utility can effectively manage the batteries collectively to benefit utility grid operations.

(3) A light and power business must submit an application to establish a battery incentive program to the Washington State University extension energy program, and the Washington State University extension energy program must evaluate whether to approve the application based on whether the program as described in the application meets the requirements for battery incentives in section 4 of this act and the requirements in this section, including:

(a) At least 40 percent of the battery incentive program must benefit low-income households and moderate-income households, low-income service providers, housing authorities, or tribal governments;

(b) An application must be included for qualified light and power business customers to apply for the battery incentive, which must require income verification for low-income and moderate-income customers. Income verification may be performed by low-income service providers, housing authorities, or tribal governments on behalf of a light and power business;

(c) Leases to customers are not authorized;

(d) The time-of-use rate or virtual power plant must be used by the qualified light and power business customer to lower the customer's current total annual light and power expenses;

(e) All expenses and upgrades proposed as part of program implementation are documented; and

(f) A qualified light and power business may not sell or aggregate qualified light and power business customer data for any purposes beyond the direct operation of the battery incentive program.

(4) A qualified light and power business may establish residential battery energy storage system installer partners and equipment specifications for the business' battery storage program.

(5) If the Washington State University extension energy program approves a light and power business battery incentive program application, the qualified light and power business may commence such a program. The Washington State University extension energy program must audit a qualified light and power business' program at least once every two years to verify that the program is implemented according to the requirements outlined in this act.

(6) The department of commerce must produce nonbinding recommendations for light and power businesses for help in designing virtual power plants for a battery incentive program. These recommendations must be made public on the department of commerce's website by December 1, 2025.

(7) A light and power business with more than 100,000 retail electric customers in Washington must implement a battery incentive program in accordance with this section. All other light and power businesses may choose to implement a battery incentive program.

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

(1)(a) A qualified light and power business customer may apply to the customer's light and power business for a one-time battery incentive between July 1, 2026, and June 30, 2036, for the kilowatt-hours of installed storage from a residential battery energy storage system. A qualified light and power business customer must be connected to a qualified light and power business time-of-use program or virtual power plant to receive an incentive payment.

(b) The battery incentive will be paid in the following amounts, unless the requests exceed the amount authorized for credit to the participating light and power business:

(i) For low-income and moderate-income qualified customers, the incentive may be for up to $765 per kilowatt-hour of battery storage capacity, capped at 18 kilowatt-hours per customer; and

(ii) For all other customers, the initial incentive may be for up to $450 per kilowatt-hour of battery storage capacity, capped at 18 kilowatt-hours per customer.

(2)(a) Before submitting an application for a battery incentive to the light and power business, the qualified light and power business customer must submit to the department and to the Washington State University extension energy program, a certification in a form and manner prescribed by the department that includes, but is not limited to, the information described in (c) of this subsection. The department may not accept certifications submitted to the department under this subsection (2)(a) after September 30, 2037.

(b) The certification must include:

(i) The name and address of the applicant and kilowatt capacity of the residential battery energy storage system;

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

(iii) That the residential battery energy storage system has been approved for use by the connected light and power business.

(c) Within 30 days of receipt of the certification, the department must notify the applicant by mail, or electronically as provided in RCW 82.32.135, whether the residential battery energy storage system qualifies for an incentive under this section. The department may consult with the Washington State University extension energy program to determine eligibility for the incentive.

(3)(a) The application for an incentive must be made to the light and power business serving the situs of the system by certification in a form and manner prescribed by the department that includes, but is not limited to, the following information:

(i) The name and address of the applicant and location and kilowatt capacity of the residential battery energy storage system;

(ii) The applicant's tax registration number;

(iii) The date of the notification from the department stating that the residential battery energy storage system is eligible for the incentive under this section; and

(iv) A statement of the amount of storage capacity in kilowatts and kilowatt-hours of the residential battery energy storage system.

(b) Within 60 days of receipt of the incentive certification, the light and power business serving the situs of the system must notify the applicant in writing whether the incentive payment will be authorized or denied. The business may consult with the Washington State University extension energy program to determine eligibility for the incentive payment. Incentive certifications and the information contained therein are not confidential tax information under RCW 82.32.330 and are subject to disclosure except for the name and address or any other personally identifiable information of the applicant.

(c) A qualified light and power business customer receiving incentive payments must keep and preserve, for a period of five years, suitable records as may be necessary to determine the amount of incentive applied for and received. Such records must be open for examination at any time upon notice by the light and power business that made the payment or by the department. If upon examination of any records or from other information obtained by the business or department it appears that an incentive has been paid in an amount that exceeds the correct amount of incentive payable, the business may assess against the person for the amount found to have been paid in excess of the correct amount of incentive payable and must add thereto interest on the amount. Interest is assessed in the manner that the department assesses interest upon delinquent tax under RCW 82.32.050.

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

(5) No battery incentive may be paid under this section before July 1, 2026, or after June 30, 2036.

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

(1) A light and power business is allowed a credit against taxes due under this chapter in an amount equal to:

(a) Incentive payments made in any fiscal year under section 4 of this act; and

(b) Expenses and upgrades associated with an approved battery storage program as described in section 3 of this act. The credit for expenses and upgrades may not exceed 20 percent of the total tax credit for any fiscal year and may include:

(i) Advanced metering infrastructure; and

(ii) Applicable subscription fees paid by the light and power business to operators of a virtual power plant.

(2) The credits must be taken in a form and manner as required by the department. The credit taken under this section for the fiscal year may not exceed 1.5 percent of the business's taxable Washington power sales generated in calendar year 2022 and due under RCW 82.16.020(1)(b), for battery incentive payments made under section 4 of this act.

(3) The credit may not exceed the tax that would otherwise be due under this chapter. Refunds may not be granted in the place of credits. Expenditures not used to earn a credit in one fiscal year may be used to earn a credit in subsequent years.

(4)(a) For any business that has claimed credit for amounts that exceed the correct amount of the incentive payable under RCW 82.16.120, the amount of tax against which credit was claimed for the excess payments is immediately due and payable. The department may deduct amounts due from future credits claimed by the business.

(b) The department must assess interest but not penalties on the taxes against which the credit was claimed. Interest must be assessed at the rate provided for delinquent excise taxes under chapter 82.32 RCW, retroactively to the date the credit was claimed, and accrues until the taxes against which the credit was claimed are repaid.

(5) The amount of credit taken under this section is not confidential taxpayer information under RCW 82.32.330 and is subject to disclosure.

(6) Beginning July 1, 2026, a tax credit can be earned for incentive payments made under section 4 of this act. No tax credits may be earned after June 30, 2036, and no tax credit may be claimed after June 30, 2038.

(7) This section expires June 30, 2040.

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

(1) This section is the tax preference performance statement for the tax preference contained in section 4, chapter . . ., Laws of 2025 (section 4 of this act). This performance statement is only intended to be used for subsequent evaluation of the tax preference. It is not intended to create a private right of action by any party or be used to determine eligibility for preferential tax treatment.

(2) The legislature categorizes the tax preference created under this act as intended to induce certain designated behavior by taxpayers as indicated in RCW 82.32.808(2)(a).

(3) It is the legislature's specific public policy objective to:

(a) Induce participating utilities to make incentive payments to utility customers who invest in battery energy storage on the customer-side of the meter;

(b) Reduce the costs associated with installing and operating residential battery energy storage systems by persons or entities receiving the incentive; and

(c) Create and retain jobs in the clean energy sector.

(4) As part of its 2030 tax preference reviews, the joint legislative audit and review committee must review the tax preference in section 4 of this act. The legislature intends for the legislative auditor to determine that the incentive has achieved its desired outcomes if the following objectives are achieved:

(a) Installation of 50 megawatt-hours of battery energy storage by participants in the battery incentive program between July 1, 2026, and June 30, 2036; and

(b) Growth of battery energy storage-related employment from 2025 levels, as evidenced by:

(i) An increased per capita rate of battery energy storage-related jobs in Washington, which may be determined by consulting a relevant trade association in the state; or

(ii) Achievement of an improved national ranking for battery energy storage‑related employment, as reported in a nationally recognized report.

(5) In order to obtain the data necessary to perform the review, the joint legislative audit and review committee may refer to any data collected by the state.

(6)(a) The Washington State University extension energy program must collect, through the application process, data from persons claiming the tax credit under section 5 of this act and persons receiving the incentive payments created in section 4 of this act, as necessary, and may collect data from other interested persons as necessary to report on the performance of this act including, but not limited to:

(i) The number of participants, size of the storage systems installed, and dollars spent on incentives; and

(ii) Energy storage program load flexibility and demand response events.

(b) Names and addresses of persons receiving the incentive payments are not subject to disclosure under chapter 42.56 RCW.

(7) All recipients of tax credits or incentive payments awarded under this chapter must provide data necessary to evaluate the tax preference performance objectives in this section as requested by the Washington State University extension energy program or the joint legislative audit and review committee. Failure to comply may result in the loss of a tax credit award or incentive payment in the following year.

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