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**SECOND SUBSTITUTE HOUSE BILL 1871**

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**State of Washington**

**69th Legislature**

**2025 Regular Session**

**By** House Finance (originally sponsored by Representatives Hunt, Klicker, Doglio, Parshley, Ramel, Zahn, and Duerr)

READ FIRST TIME 02/26/25.

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

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

5 NEW SECTION. **Sec. 1.** The legislature finds that it is in the  
6 public interest to increase energy storage capacity across the state  
7 in response to increases in peak electrical loads, wildfire  
8 potential, and windstorms and other catastrophic events that may lead  
9 to power outages. Residential battery energy storage systems will be  
10 a key part of the solution, but they must be connected to the grid  
11 and dispatchable by utilities during peak load events, and available  
12 to customers in the case of power outages. The initial cost of  
13 residential battery energy storage systems is a barrier for many  
14 light and power business customers. With a targeted incentive  
15 program, the state can aid utilities and their customers in the  
16 adoption of these systems with the goal of reducing costly  
17 transmission and distribution of capital expenditures; maximizing  
18 system benefits for all retail electric customers; and identifying  
19 opportunities for improving access to transformative technologies for  
20 low-income and moderate-income customers. Such incentive programs  
21 would help achieve clean energy transformation act goals.

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

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

6        (1) "Distributed energy resource" has the same meaning as in RCW  
7 19.405.020.

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

9        (3) "Moderate-income household" means a single person, family, or  
10 unrelated persons living together whose adjusted income is more than  
11 80 percent but is at or below 115 percent of the median family income  
12 adjusted for family size, for the county, city, or metropolitan  
13 statistical area, where the project is located, as reported by the  
14 United States department of housing and urban development.

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

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

25        (6) "Residential battery energy storage system" means a  
26 stationary and permanently installed battery system serving a  
27 residential customer that can store and release energy to support  
28 utility demand management. A residential battery energy storage  
29 system is not an industrial-scale battery energy storage system.

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

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

1        NEW SECTION.    **Sec. 3.**    A new section is added to chapter 82.16

2    RCW to read as follows:

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

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

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

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

14       (i) Allowing retail time-of-use rates for qualified light and  
15    power business customers who own batteries and who may also be, but  
16    are not required to be, customer-generators as defined in RCW  
17    80.60.010. A time-of-use rate may not reduce the compensation rate  
18    for energy exported by a qualified light and power business customer  
19    or discharged energy from the customer's residential battery energy  
20    storage system or reduce the compensation rate due to the location of  
21    the customer in the light and power business' service territory; or

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

27       (3) A light and power business must submit an application to  
28    establish a battery incentive program to the Washington State  
29    University extension energy program, and the Washington State  
30    University extension energy program must evaluate whether to approve  
31    the application based on whether the program as described in the  
32    application meets the requirements for battery incentives in section  
33    4 of this act and the requirements in this section, including:

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

37       (b) An application must be included for qualified light and power  
38    business customers to apply for the battery incentive, which must  
39    require income verification for low-income and moderate-income  
40    customers. Income verification may be performed by low-income service

1 providers, housing authorities, or tribal governments on behalf of a  
2 light and power business;

3 (c) Leases to customers are not authorized;

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

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

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

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

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

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

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

33 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.16  
34 RCW to read as follows:

35 (1)(a) A qualified light and power business customer may apply to  
36 the customer's light and power business for a one-time battery  
37 incentive between July 1, 2026, and June 30, 2036, for the kilowatt-  
38 hours of installed storage from a residential battery energy storage  
39 system. A qualified light and power business customer must be

1 connected to a qualified light and power business time-of-use program  
2 or virtual power plant to receive an incentive payment.

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

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

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

12 (c) The Washington State University extension energy program may  
13 adjust the maximum dollar per kilowatt-hour amount for incentive  
14 payments based on a review of market conditions. A qualified light  
15 and power business customer may petition the Washington State  
16 University extension energy program to approve a higher incentive  
17 payment than is authorized in this subsection.

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

27 (b) The certification must include:

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

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

32 (c) Within 30 days of receipt of the certification, the  
33 Washington State University extension energy program must notify the  
34 applicant by mail or electronically as to whether the residential  
35 battery energy storage system qualifies for an incentive under this  
36 section.

37 (d) The Washington State University extension energy program may  
38 issue certifications authorizing incentive payments under this  
39 section in a total statewide amount not to exceed \$60,000,000, and  
40 not to exceed \$10,000,000 in each fiscal biennium of the program.

1 (3) (a) The application for an incentive must be made to the light  
2 and power business serving the situs of the system by certification  
3 in a form and manner prescribed by the Washington State University  
4 extension energy program that includes, but is not limited to, the  
5 following information:

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

8 (ii) The date of the notification from the Washington State  
9 University extension energy program stating that the residential  
10 battery energy storage system is eligible for the incentive under  
11 this section; and

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

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

24 (c) A qualified light and power business customer receiving  
25 incentive payments must keep and preserve, for a period of five  
26 years, suitable records as may be necessary to determine the amount  
27 of incentive applied for and received. Such records must be open for  
28 examination at any time upon notice by the light and power business  
29 that made the payment or by the Washington State University extension  
30 energy program. If upon examination of any records or from other  
31 information obtained by the business or department it appears that an  
32 incentive has been paid in an amount that exceeds the correct amount  
33 of incentive payable, the business may assess against the person for  
34 the amount found to have been paid in excess of the correct amount of  
35 incentive payable.

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

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

3 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.16  
4 RCW to read as follows:

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

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

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

13 (i) Advanced metering infrastructure; and

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

16 (2) The credits must be taken in a form and manner as required by  
17 the department.

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

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

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

32 (5) A light and power business must have both incentive payments  
33 and expenses and upgrades in any given year to claim a credit and the  
34 incentives must be at least equal to the expenditures for expenses  
35 and upgrades.

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

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

5 (8) This section expires June 30, 2040.

6 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.16  
7 RCW to read as follows:

8 (1) This section is the tax preference performance statement for  
9 the tax preference contained in section 4, chapter . . ., Laws of  
10 2025 (section 4 of this act). This performance statement is only  
11 intended to be used for subsequent evaluation of the tax preference.  
12 It is not intended to create a private right of action by any party  
13 or be used to determine eligibility for preferential tax treatment.

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

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

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

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

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

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

30 (a) Installation of 50 megawatt-hours of battery energy storage  
31 by participants in the battery incentive program between July 1,  
32 2026, and June 30, 2036; and

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

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



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

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

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

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

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

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

20 (7) All recipients of tax credits or incentive payments awarded  
21 under this chapter must provide data necessary to evaluate the tax  
22 preference performance objectives in this section as requested by the  
23 Washington State University extension energy program or the joint  
24 legislative audit and review committee. Failure to comply may result  
25 in the loss of a tax credit award or incentive payment in the  
26 following fiscal year. The Washington State University extension  
27 energy program or the joint legislative audit and review committee  
28 must notify the department of revenue by June 30th of each year if a  
29 light and power business credit, as established in section 5 of this  
30 act, is suspended due to failure to comply with providing data as  
31 required in this subsection.

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