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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

Read first time 02/06/25. Referred to Committee on Environment & Energy.

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 that can store  
27    energy when production exceeds demand and release energy when energy  
28    demand increases. A residential battery energy storage system is not  
29    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 less expensive periods.

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 or other customer self-  
16    generation by July 1, 2026. A time-of-use rate may not reduce the  
17    compensation rate for energy exported by a qualified light and power  
18    business customer or discharged energy from the customer's  
19    residential battery energy storage system or reduce the compensation  
20    rate due to the location of the customer in the light and power  
21    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 the  
6 customer's current total annual light and power expenses;

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

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

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

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

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

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

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

34 (1)(a) A qualified light and power business customer may apply to  
35 the customer's light and power business for a one-time battery  
36 incentive between July 1, 2026, and June 30, 2036, for the kilowatt-  
37 hours of installed storage from a residential battery energy storage  
38 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 will 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 (2)(a) Before submitting an application for a battery incentive  
13 to the light and power business, the qualified light and power  
14 business customer must submit to the department and to the Washington  
15 State University extension energy program, a certification in a form  
16 and manner prescribed by the department that includes, but is not  
17 limited to, the information described in (c) of this subsection. The  
18 department may not accept certifications submitted to the department  
19 under this subsection (2)(a) after September 30, 2037.

20 (b) The certification must include:

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

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

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

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

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

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

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

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

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

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

16 (c) A qualified light and power business customer receiving  
17 incentive payments must keep and preserve, for a period of five  
18 years, suitable records as may be necessary to determine the amount  
19 of incentive applied for and received. Such records must be open for  
20 examination at any time upon notice by the light and power business  
21 that made the payment or by the department. If upon examination of  
22 any records or from other information obtained by the business or  
23 department it appears that an incentive has been paid in an amount  
24 that exceeds the correct amount of incentive payable, the business  
25 may assess against the person for the amount found to have been paid  
26 in excess of the correct amount of incentive payable and must add  
27 thereto interest on the amount. Interest is assessed in the manner  
28 that the department assesses interest upon delinquent tax under RCW  
29 82.32.050.

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

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

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

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

- 1 (a) Incentive payments made in any fiscal year under section 4 of  
2 this act; and
- 3 (b) Expenses and upgrades associated with an approved battery  
4 storage program as described in section 3 of this act. The credit for  
5 expenses and upgrades may not exceed 20 percent of the total tax  
6 credit for any fiscal year and may include:
- 7 (i) Advanced metering infrastructure; and  
8 (ii) Applicable subscription fees paid by the light and power  
9 business to operators of a virtual power plant.
- 10 (2) The credits must be taken in a form and manner as required by  
11 the department. The credit taken under this section for the fiscal  
12 year may not exceed 1.5 percent of the business's taxable Washington  
13 power sales generated in calendar year 2022 and due under RCW  
14 82.16.020(1)(b), for battery incentive payments made under section 4  
15 of this act.
- 16 (3) The credit may not exceed the tax that would otherwise be due  
17 under this chapter. Refunds may not be granted in the place of  
18 credits. Expenditures not used to earn a credit in one fiscal year  
19 may be used to earn a credit in subsequent years.
- 20 (4) (a) For any business that has claimed credit for amounts that  
21 exceed the correct amount of the incentive payable under RCW  
22 82.16.120, the amount of tax against which credit was claimed for the  
23 excess payments is immediately due and payable. The department may  
24 deduct amounts due from future credits claimed by the business.
- 25 (b) The department must assess interest but not penalties on the  
26 taxes against which the credit was claimed. Interest must be assessed  
27 at the rate provided for delinquent excise taxes under chapter 82.32  
28 RCW, retroactively to the date the credit was claimed, and accrues  
29 until the taxes against which the credit was claimed are repaid.
- 30 (5) The amount of credit taken under this section is not  
31 confidential taxpayer information under RCW 82.32.330 and is subject  
32 to disclosure.
- 33 (6) Beginning July 1, 2026, a tax credit can be earned for  
34 incentive payments made under section 4 of this act. No tax credits  
35 may be earned after June 30, 2036, and no tax credit may be claimed  
36 after June 30, 2038.
- 37 (7) This section expires June 30, 2040.

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

1 (1) This section is the tax preference performance statement for  
2 the tax preference contained in section 4, chapter . . . , Laws of  
3 2025 (section 4 of this act). This performance statement is only  
4 intended to be used for subsequent evaluation of the tax preference.  
5 It is not intended to create a private right of action by any party  
6 or be used to determine eligibility for preferential tax treatment.

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

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

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

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

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

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

23 (a) Installation of 50 megawatt-hours of battery energy storage  
24 by participants in the battery incentive program between July 1,  
25 2026, and June 30, 2036; and

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

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

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

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

37 (6)(a) The Washington State University extension energy program  
38 must collect, through the application process, data from persons  
39 claiming the tax credit under section 5 of this act and persons  
40 receiving the incentive payments created in section 4 of this act, as



1 necessary, and may collect data from other interested persons as  
2 necessary to report on the performance of this act including, but not  
3 limited to:

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

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

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

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

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