
SENATE BILL 5727

State of Washington

69th Legislature

2025 Regular Session

By Senators Slatter, Shewmake, and Cortes

Read first time 02/11/25. Referred to Committee on Environment,
Energy & Technology.

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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