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**SUBSTITUTE SENATE BILL 6131**

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**State of Washington**

**58th Legislature**

**2004 Regular Session**

**By** Senate Committee on Natural Resources, Energy & Water (originally sponsored by Senators Poulsen, Morton, Keiser, Kline, Mulliken, Winsley, Fairley, Esser and Kohl-Welles)

READ FIRST TIME 01/23/04.

1       AN ACT Relating to providing incentives to support renewable  
2 energy; adding a new chapter to Title 80 RCW; providing an effective  
3 date; 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 the use of  
6 renewable energy resources generated from local sources such as solar  
7 and wind power benefit our state by reducing the load on the state's  
8 electric energy grid, by providing nonpolluting sources of electricity  
9 generation, and by the creation of jobs for local industries that  
10 develop and sell renewable energy products and technologies.

11       The legislature finds that Washington state has become a national  
12 and international leader in the technologies related to the solar  
13 electric markets. The state can support these industries by providing  
14 incentives for the purchase of locally made renewable energy products.  
15 Locally made renewable technologies benefit and protect the state's  
16 environment. The legislature also finds that the state's economy can  
17 be enhanced through the creation of incentives to develop additional  
18 renewable energy industries in the state.

1       The legislature intends to provide incentives for the greater use  
2 of locally created renewable energy technologies, support and retain  
3 existing local industries, and create new opportunities for renewable  
4 energy industries to develop in Washington state.

5       NEW SECTION.   **Sec. 2.** The definitions in this section apply  
6 throughout this chapter unless the context clearly requires otherwise.

7       (1) "Customer-generated electricity" means the electricity that is  
8 generated from a renewable energy system located on an individual's,  
9 businesses', or local government's real property. A system located on  
10 a leasehold interest does not qualify under this definition.  
11 "Customer-generated electricity" does not include electricity generated  
12 by a light and power business or a gas distribution business.

13       (2) "Gas distribution business" has the same meaning as described  
14 in RCW 82.16.010.

15       (3) "Light and power business" has the same meaning as described in  
16 RCW 82.16.010.

17       (4) "Photovoltaic cell" means a device that converts light directly  
18 into electricity without moving parts.

19       (5) "Renewable energy system" means a solar energy system or a wind  
20 generator used for producing electricity.

21       (6) "Solar energy system" means any device or combination of  
22 devices or elements that rely upon direct sunlight as an energy source  
23 for use in the generation of electricity.

24       (7) "Solar inverter" means the device used to convert direct  
25 current to alternating current in a photovoltaic cell system.

26       (8) "Solar module" means the smallest nondivisible self-contained  
27 physical structure housing interconnected photovoltaic cells and  
28 providing a single direct current electrical output.

29       NEW SECTION.   **Sec. 3.** (1) The renewable energy incentive account  
30 is created in the custody of the state treasurer.

31       (2) Until June 30, 2013, one and three-quarters percent of the  
32 money collected under RCW 82.16.020(1), on light and power businesses  
33 and gas distribution businesses, shall be deposited into the account  
34 created in subsection (1) of this section.

35       (3) Only the director of the department of revenue or the  
36 director's designee may authorize expenditures from the account.

1 (4) The account is subject to allotment procedures under chapter  
2 43.88 RCW, but an appropriation is not required for expenditures.

3 (5) Expenditures from the account may not exceed the balance in the  
4 account.

5 NEW SECTION. **Sec. 4.** (1) Any individual, business, or local  
6 governmental entity, not in the light and power business or in the gas  
7 distribution business, may apply to the department of revenue, each  
8 fiscal year beginning on July 1, 2004, for an investment cost recovery  
9 incentive for each kilowatt-hour from a customer-generated electricity  
10 renewable energy system installed on its property. No incentive may be  
11 paid for kilowatt-hours generated prior to July 1, 2004.

12 (2)(a) Prior to submitting the application for the incentive  
13 allowed under this section, the applicant shall submit to the  
14 department of revenue and to the climate and rural energy development  
15 center at the Washington State University, established under RCW  
16 28B.30.642, a certification in a form and manner prescribed by the  
17 department that includes, but is not limited to, the following  
18 information:

19 (i) The name and address of the applicant and location of the  
20 renewable energy system;

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

22 (iii) That the electricity produced by the applicant meets the  
23 definition of "customer-generated electricity" and that the renewable  
24 energy system produces electricity with:

25 (A) A solar inverter and solar module manufactured in Washington  
26 state;

27 (B) A wind generator powered by blades manufactured in Washington  
28 state;

29 (C) A solar inverter manufactured in Washington state;

30 (D) A solar module manufactured in Washington state; or

31 (E) Solar or wind equipment manufactured outside of Washington  
32 state;

33 (iv) That the electricity can be transformed or transmitted for  
34 entry into or operation in parallel with electricity transmission and  
35 distribution systems;

36 (v) The date that the renewable energy system received its final  
37 electrical permit from the applicable local jurisdiction.

1 (b) Within thirty days of receipt of the certification the  
2 department of revenue shall advise the applicant in writing whether the  
3 renewable energy system qualifies for an incentive under this section.  
4 The department may consult with the climate and rural energy  
5 development center to determine eligibility for the incentive.  
6 Certifications and the information contained therein are subject to  
7 disclosure under RCW 82.32.330(3)(m).

8 (c) By August 1st of each year application for the incentive shall  
9 be made to the department of revenue by certification in a form and  
10 manner prescribed by the department that includes, but is not limited  
11 to, the following information:

12 (i) The name and address of the applicant and location of the  
13 renewable energy system;

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

15 (iii) The date of the letter from the department of revenue stating  
16 that the renewable energy system is eligible for the incentives under  
17 this section;

18 (iv) A statement of the amount of kilowatt-hours generated by the  
19 renewable energy system in the prior fiscal year.

20 (d) Within sixty days of receipt of the incentive certification the  
21 department shall notify the applicant in writing whether the incentive  
22 payment will be authorized or denied. The department may consult with  
23 the climate and rural energy development center to determine  
24 eligibility for the incentive payment. Incentive certifications and  
25 the information contained therein are subject to disclosure under RCW  
26 82.32.330(3)(m). The department shall authorize the payment of the  
27 incentive from the renewable energy incentive account within seven days  
28 of the issuance of a letter approving the incentive.

29 (e)(i) Persons receiving incentive payments shall keep and  
30 preserve, for a period of five years, suitable records as may be  
31 necessary to determine the amount of incentive applied for and  
32 received. Such records shall be open for examination at any time upon  
33 notice by the department of revenue. If upon examination of any  
34 records or from other information obtained by the department it appears  
35 that an incentive has been paid in an amount that exceeds the correct  
36 amount of incentive payable, the department shall assess against the  
37 person for the amount found to have been paid in excess of the correct

1 amount of incentive payable and shall add thereto interest on the  
2 amount.

3 (ii) The department shall notify the person by mail of the amount  
4 due and the amount shall be paid within thirty days from the date of  
5 the notice, or within such further time as the department may provide.  
6 Payments received shall be deposited into the renewable energy  
7 incentive account.

8 (iii) For the purposes of this section, the rate of interest to be  
9 charged to the person shall be an average of the federal short-term  
10 rate as defined in 26 U.S.C. Sec. 1274(d) plus two percentage points.  
11 The rate set for each new year shall be computed by taking an  
12 arithmetical average to the nearest percentage point of the federal  
13 short-term rate, compounded annually. That average shall be calculated  
14 using the rates from four months: January, April, and July of the  
15 calendar year immediately preceding the new year, and October of the  
16 previous preceding year.

17 (iv) If it appears that the amount of incentive paid is less than  
18 the correct amount of incentive payable the department shall authorize  
19 additional payment. The department shall notify the person by mail of  
20 the additional incentive to be paid and the amount shall be paid within  
21 thirty days from the date of the notice.

22 (v) No adjustment to the amount of incentive paid may be made by  
23 the department more than four years after the close of the tax year.

24 (vi) For any amounts that may be due the state the collection  
25 procedures of chapter 82.32 RCW apply.

26 (f) The brief adjudicative proceeding procedures of RCW 34.05.482  
27 through 34.05.494 apply to agency actions under this section.

28 (3) The investment cost recovery incentive shall be paid at the  
29 following rate unless requests exceed the amount contained in the  
30 renewable energy incentive fund:

31 (a) Forty-eight cents per kilowatt-hour for systems with solar  
32 inverters and solar modules manufactured in Washington state;

33 (b) Twenty-five cents per kilowatt-hour for systems using wind  
34 generators powered by blades manufactured in Washington state;

35 (c) Thirty-seven cents per kilowatt-hour for systems with a solar  
36 inverter or solar module manufactured in Washington state; or

37 (d) Twenty cents per kilowatt-hour for solar or wind equipment  
38 manufactured outside of Washington state.

1 (4) No individual, household, business, or local governmental  
2 entity is eligible for an incentive payment that exceeds four thousand  
3 five hundred dollars per year.

4 (5) If requests for the investment cost recovery incentive exceed  
5 the amount of funds available in the renewable energy incentive  
6 account, the incentive amounts will be reduced proportionately.

7 (6) The climate and rural energy development center at Washington  
8 State University energy program shall be reimbursed by the department  
9 of revenue five percent of annual funds allocated to the fund, to apply  
10 toward the administrative and educational expenses related to this  
11 program. The center will establish guidelines and standards for  
12 technologies that are identified as Washington manufactured and  
13 therefore most beneficial to the state's environment.

14 (7) The department of revenue shall retain one percent of each  
15 incentive payment to apply toward the administrative expenses related  
16 to this program.

17 NEW SECTION. **Sec. 5.** This act takes effect July 1, 2004.

18 NEW SECTION. **Sec. 6.** This chapter expires July 1, 2014.

19 NEW SECTION. **Sec. 7.** Sections 1 through 6 of this act constitute  
20 a new chapter in Title 80 RCW.

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