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SENATE BILL 6255

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State of Washington

60th Legislature

2008 Regular Session

By Senators Keiser, Rockefeller, Regala, Murray, Kline, and Oemig

Read first time 01/14/08. Referred to Committee on Water, Energy & Telecommunications.

1 AN ACT Relating to providing incentives for solar electric power;  
2 amending RCW 82.16.110 and 82.16.120; amending 2007 c 522 s 732  
3 (uncodified); adding a new section to chapter 84.36 RCW; adding a new  
4 section to chapter 82.04 RCW; creating a new section; making an  
5 appropriation; providing an effective date; and providing an expiration  
6 date.

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

8 NEW SECTION. **Sec. 1.** The legislature finds that solar electric  
9 generating technologies have advanced significantly in the past decade,  
10 and that solar power is becoming more cost-competitive with other  
11 traditional and renewable generation. The legislature further finds  
12 that there is a public interest in promoting greater industrial and  
13 commercial applications for solar electric generation. To this end the  
14 state should support pilot projects that employ industrial and  
15 commercial structures for solar arrays in order to promote more  
16 efficient and cost-effective solar power production. The legislature  
17 further finds that such distributed solar generation will have  
18 additional benefits in reducing transmission losses from grid-based

1 service, as well as contributing toward reducing greenhouse gas  
2 emissions from the state's electrical service sector.

3 Therefore it is the purpose of this act to increase incentives  
4 payments to businesses installing solar power for use on-site, to  
5 prevent increases in property tax valuation from solar power  
6 installation, and to provide additional incentives for solar power  
7 installation.

8 NEW SECTION. **Sec. 2.** A new section is added to chapter 84.36 RCW  
9 to read as follows:

10 (1) Property equipped with solar energy systems for the purpose of  
11 heating, cooling, or generating electrical energy is exempt from ad  
12 valorem taxation in an amount that equals any positive amount obtained  
13 by subtracting the real market value of the property, as if it were not  
14 equipped with such systems, from the real market value of the property  
15 so equipped.

16 (2) This section applies to tax years beginning prior to July 1,  
17 2020.

18 (3) This section does not apply to property used by a light and  
19 power business for the generation of electricity.

20 **Sec. 3.** RCW 82.16.110 and 2005 c 300 s 2 are each amended to read  
21 as follows:

22 The definitions in this section apply throughout this chapter  
23 unless the context clearly requires otherwise.

24 (1) "Community-based solar energy project" means a project of local  
25 citizens cooperating with a local governmental entity, which is  
26 voluntarily funded, for the installation of photovoltaic systems of  
27 less than one hundred thirty kilowatts on property owned by the  
28 participating governmental entity.

29 (2) "Customer-generated electricity" means the alternating current  
30 electricity that is generated from a renewable energy system located on  
31 an individual's, businesses', or local government's real property that  
32 is also provided electricity generated by a light and power business.  
33 Except for a community-based solar energy project, a system located on  
34 a leasehold interest does not qualify under this definition.  
35 "Customer-generated electricity" does not include electricity generated

1 by a light and power business with greater than one thousand megawatt  
2 hours of annual sales or a gas distribution business.

3 ((+2)) (3) "Economic development kilowatt-hour" means the actual  
4 kilowatt-hour measurement of customer-generated electricity multiplied  
5 by the appropriate economic development factor.

6 ((+3)) (4) "Local governmental entity" means any unit of local  
7 government of this state including, but not limited to, counties,  
8 cities, towns, municipal corporations, quasi-municipal corporations,  
9 special purpose districts, and school districts.

10 (5) "Photovoltaic cell" means a device that converts light directly  
11 into electricity without moving parts.

12 ((+4)) (6) "Renewable energy system" means a solar energy system,  
13 an anaerobic digester as defined in RCW 82.08.900, or a wind generator  
14 used for producing electricity.

15 ((+5)) (7) "Solar energy system" means any device or combination  
16 of devices or elements that rely upon direct sunlight as an energy  
17 source for use in the generation of electricity.

18 ((+6)) (8) "Solar inverter" means the device used to convert  
19 direct current to alternating current in a photovoltaic cell system.

20 ((+7)) (9) "Solar module" means the smallest nondivisible self-  
21 contained physical structure housing interconnected photovoltaic cells  
22 and providing a single direct current electrical output.

23 ~~((+8)) "Standards for interconnection to the electric distribution~~  
24 ~~system" means technical, engineering, operational, safety, and~~  
25 ~~procedural requirements for interconnection to the electric~~  
26 ~~distribution system of a light and power business.))~~

27 **Sec. 4.** RCW 82.16.120 and 2007 c 111 s 101 are each amended to  
28 read as follows:

29 (1) Any individual, business, or local governmental entity, not in  
30 the light and power business or in the gas distribution business, may  
31 apply to the light and power business serving the situs of the system,  
32 each fiscal year beginning on July 1, 2005, for an investment cost  
33 recovery incentive for each kilowatt-hour from a customer-generated  
34 electricity renewable energy system installed on its property that is  
35 not interconnected to the electric distribution system. No incentive  
36 may be paid for kilowatt-hours generated before July 1, 2005, or after  
37 June 30, ((2014)) 2020.

1 (2) When light and power businesses serving eighty percent of the  
2 total customer load in the state adopt uniform standards for  
3 interconnection to the electric distribution system, any individual,  
4 business, or local governmental entity, not in the light and power  
5 business or in the gas distribution business, may apply to the light  
6 and power business serving the situs of the system, each fiscal year,  
7 for an investment cost recovery incentive for each kilowatt-hour from  
8 a customer-generated electricity renewable energy system installed on  
9 its property that is not interconnected to the electric distribution  
10 system and from a customer-generated electricity renewable energy  
11 system installed on its property that is interconnected to the electric  
12 distribution system. Uniform standards for interconnection to the  
13 electric distribution system means those standards established by light  
14 and power businesses that have ninety percent of total requirements the  
15 same. No incentive may be paid for kilowatt-hours generated before  
16 July 1, 2005, or after June 30, (~~2014~~) 2020.

17 (3)(a) Before submitting for the first time the application for the  
18 incentive allowed under subsection (5) of this section, the applicant  
19 shall submit to the department of revenue and to the climate and rural  
20 energy development center at the Washington State University,  
21 established under RCW 28B.30.642, a certification in a form and manner  
22 prescribed by the department that includes, but is not limited to, the  
23 following information:

24 (i) The name and address of the applicant and location of the  
25 renewable energy system;

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

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

30 (A) Any solar inverters and solar modules manufactured in  
31 Washington state;

32 (B) A wind generator powered by blades manufactured in Washington  
33 state;

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

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

36 (E) Solar or wind equipment manufactured outside of Washington  
37 state;

1 (iv) That the electricity can be transformed or transmitted for  
2 entry into or operation in parallel with electricity transmission and  
3 distribution systems;

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

6 (b) Within thirty days of receipt of the certification the  
7 department of revenue shall notify the applicant by mail, or  
8 electronically as provided in RCW 82.32.135, whether the renewable  
9 energy system qualifies for an incentive under this section. The  
10 department may consult with the climate and rural energy development  
11 center to determine eligibility for the incentive. System  
12 certifications and the information contained therein are subject to  
13 disclosure under RCW 82.32.330(3)(m).

14 (4)(a) By August 1st of each year application for the incentive  
15 shall be made to the light and power business serving the situs of the  
16 system by 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) The date of the notification from the department of revenue  
23 stating that the renewable energy system is eligible for the incentives  
24 under this section;

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

27 (b) Within sixty days of receipt of the incentive certification the  
28 light and power business serving the situs of the system shall notify  
29 the applicant in writing whether the incentive payment will be  
30 authorized or denied. The business may consult with the climate and  
31 rural energy development center to determine eligibility for the  
32 incentive payment. Incentive certifications and the information  
33 contained therein are subject to disclosure under RCW 82.32.330(3)(m).

34 (c)(i) Persons receiving incentive payments shall keep and  
35 preserve, for a period of five years, suitable records as may be  
36 necessary to determine the amount of incentive applied for and  
37 received. Such records shall be open for examination at any time upon  
38 notice by the light and power business that made the payment or by the

1 department. If upon examination of any records or from other  
2 information obtained by the business or department it appears that an  
3 incentive has been paid in an amount that exceeds the correct amount of  
4 incentive payable, the business may assess against the person for the  
5 amount found to have been paid in excess of the correct amount of  
6 incentive payable and shall add thereto interest on the amount.  
7 Interest shall be assessed in the manner that the department assesses  
8 interest upon delinquent tax under RCW 82.32.050.

9 (ii) If it appears that the amount of incentive paid is less than  
10 the correct amount of incentive payable the business may authorize  
11 additional payment.

12 (5) The investment cost recovery incentive may be paid fifteen  
13 cents per economic development kilowatt-hour unless requests exceed the  
14 amount authorized for credit to the participating light and power  
15 business. For the purposes of this section, the rate paid for the  
16 investment cost recovery incentive may be multiplied by the following  
17 factors:

18 (a) For customer-generated electricity produced using solar modules  
19 manufactured in Washington state, two and four-tenths;

20 (b) For customer-generated electricity produced using a solar or a  
21 wind generator equipped with an inverter manufactured in Washington  
22 state, one and two-tenths;

23 (c) For customer-generated electricity produced using an anaerobic  
24 digester, or by other solar equipment or using a wind generator  
25 equipped with blades manufactured in Washington state, one; and

26 (d) For all other customer-generated electricity produced by wind,  
27 eight-tenths.

28 (6) No individual, household, business, or local governmental  
29 entity is eligible for incentives provided under subsection (5) of this  
30 section for more than two thousand dollars per year. For the purpose  
31 of calculating the annual incentive limit under this subsection,  
32 community-based solar projects that are located on separate parcels of  
33 property are not to be combined, as each project is individually  
34 eligible for incentives of up to two thousand dollars per year per  
35 project.

36 (7) The investment cost recovery incentive may be paid fifty-four  
37 cents per kilowatt-hour generated by a commercial or industrial  
38 customer consuming at least one-half of the electricity generated in

1 its commercial or industrial activities at the site of the generation.  
2 No incentive provided under this subsection may exceed twenty thousand  
3 dollars per utility revenue meter per year. A person claiming an  
4 incentive payment under this subsection is not eligible for the  
5 incentive provided under subsection (6) of this section for the same  
6 calendar year.

7 (8) If requests for the investment cost recovery incentive exceed  
8 the amount of funds available for credit to the participating light and  
9 power business, the incentive payments shall be reduced  
10 proportionately.

11 ((+8)) (9) The climate and rural energy development center at  
12 Washington State University energy program may establish guidelines and  
13 standards for technologies that are identified as Washington  
14 manufactured and therefore most beneficial to the state's environment.

15 ((+9)) (10) The environmental attributes of the renewable energy  
16 system belong to the applicant, and do not transfer to the state or the  
17 light and power business upon receipt of the investment cost recovery  
18 incentive.

19 **Sec. 5.** 2007 c 522 s 732 (uncodified) is amended to read as  
20 follows:

21 **FOR THE OFFICE OF FINANCIAL MANAGEMENT--STATE AGENCY GREEN ENERGY**

22	General Fund--State Appropriation (FY 2008) . . . . .	\$1,000,000
23	General Fund--State Appropriation (FY 2009) . . . . .	(( <del>\$1,000,000</del> ))
24		<u>\$1,500,000</u>
25	TOTAL APPROPRIATION . . . . .	(( <del>\$2,000,000</del> ))
26		<u>\$2,500,000</u>

27 (1) Except as provided in subsection (2) of this section, the  
28 appropriations in this section are subject to the following conditions  
29 and limitations: The appropriations in this section are provided  
30 solely for the office of financial management to provide grants to  
31 state agencies to purchase green power.

32 (2) \$500,000 of the FY 2009 appropriation is provided solely to the  
33 office of financial management for a solar electric demonstration  
34 project in western Washington. The office shall solicit proposals from  
35 property owners engaged in commercial or industrial activities, which  
36 may host the solar generation facilities and consume a substantial  
37 portion of the generation on-site. The office may enter into an

1 agreement to share the costs of solar facility installation and  
2 operation, which shall include provisions for public viewing and  
3 education regarding solar electric generation.

4 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.04 RCW  
5 to read as follows:

6 (1) Subject to the limits and provisions of this section, a credit  
7 is allowed against the tax imposed by this chapter for a taxpayer that  
8 either:

9 (a) Installs one or more solar energy systems during the taxable  
10 year for commercial or industrial purposes in the taxpayer's trade or  
11 business facility located in this state; or

12 (b) Receives certification from the department recognizing its  
13 financing of the installation, in a facility located in this state, of  
14 one or more solar energy systems during the taxable year by a third-  
15 party organization that is exempt from taxation imposed under this  
16 chapter.

17 (2) The amount of the credit is equal to ten percent of the  
18 installed cost of the solar energy system. The person who provides or  
19 installs the solar energy system must furnish the taxpayer with an  
20 accounting of the installed cost.

21 (3) The taxpayer may not cumulate total tax credits under this  
22 section exceeding twenty-five thousand dollars with respect to the same  
23 building in the same year or fifty thousand dollars in total credits in  
24 any year.

25 (4) If the allowable credit exceeds the taxes otherwise due under  
26 this chapter or if there are no taxes due under this chapter, the  
27 amount of the claim not used to offset taxes under this chapter may be  
28 carried forward for not more than five consecutive taxable years as a  
29 credit against subsequent years' tax liability.

30 (5) Co-owners of a business, including corporate partners in a  
31 partnership, may each claim only the pro rata share of the credit  
32 allowed under this section based on the ownership interest or financial  
33 investment in the system. The total of the credits allowed all such  
34 owners may not exceed the amount that would have been allowed a sole  
35 owner.

36 (6) The department must establish a procedure for identifying  
37 projects that qualify for the credit allowed under this section.

1 (a) To qualify for the credit, a taxpayer must apply in a form  
2 prescribed by the department, including:

3 (i) The projected date that the installation of the solar energy  
4 system will begin and the projected finish date;

5 (ii) The location where the solar energy system will be installed;

6 (iii) The type of solar energy system, its total cost, excluding  
7 financing costs, and the estimated annual performance level; and

8 (iv) The projected amount of the credit against the tax imposed by  
9 this chapter.

10 (b) The department must:

11 (i) Review and evaluate each submitted application;

12 (ii) Determine within thirty days after receiving the application  
13 whether it meets applicable criteria; and

14 (iii) Provide initial certification of a project to the applicant.

15 (c) Upon the completion of each certified installation, the  
16 taxpayer must certify that the installed solar energy system is  
17 operational and provide the total amount of credits to be claimed. The  
18 department must review the installation expenses and issue a credit  
19 certificate to the business.

20 (7) If at any time the department finds that a person is not  
21 eligible for a credit under this section, the amount of taxes for which  
22 the credit has been claimed are immediately due. The department must  
23 assess interest, but not penalties, on the taxes for which the person  
24 is not eligible. The interest is assessed at the rate provided for  
25 delinquent excise taxes under chapter 82.32 RCW, is retroactive to the  
26 date the credit was taken, and accrues until the taxes for which the  
27 credit has been used are repaid.

28 (8) As used in this section, "solar energy system" has the same  
29 meaning specified in RCW 82.16.110.

30 (9) This section expires June 30, 2017.

31 NEW SECTION. **Sec. 7.** Section 6 of this act takes effect July 1,  
32 2008.

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