Renewable Energy System Cost Recovery Program - Production Incentive

Effective July 1, 2009, Engrossed Substitute Senate Bill (ESSB) 6170 (Chapter 469, Laws of 2009), specifically Sections 504-506, amended 82.16 RCW to provide additional incentives for renewable energy systems. The maximum amount of customer investment cost recovery incentive payments (“incentive payments”) allowed per participant has increased from $2,000 to $5,000 per year. The incentive payments are intended to help offset the costs associated with the applicant’s purchase and use of renewable energy systems. Renewable energy systems are solar energy systems, anaerobic digesters as defined in RCW 82.08.900, or wind generators used for producing electricity.

ESSB 6170 also extended the cost-recovery incentive program for renewable energy systems to include community solar projects. As a result, community solar projects are now eligible to receive cost recovery incentive payments (“incentive payments”) from participating light and power businesses at a base incentive rate of $0.30 for each economic development kilowatt-hour of energy produced. Incentive payments for all other renewable energy systems remain at a base rate of $0.15 for each economic development kilowatt-hour of energy produced.

Light and power businesses participating in the program may offset amounts paid to customers by taking a credit against their public utility tax liability subject to specified limitations. Prior to July 1, 2009, the credit was limited to the greater of $25,000 or 0.25 percent. Effective July 1, 2009, ESSB 6170 increased the amount of this credit to $100,000 or 1 percent of the utility’s taxable power sales, whichever is greater. However, incentive payments to participants in a utility-owned community solar project may only account for up to 25 percent of the total allowable credit.

No incentive payments will be paid for kilowatt-hours generated after June 30, 2020. Moreover, claims for incentive payments from community solar projects may not be made for kilowatt-hours generated prior to July 1, 2009. See WAC 458-20-273 for general information about this program.

How are incentive payment rates determined under this program?
Incentive payments are calculated as follows:

\[ \text{incentive payment} = \text{Base rate} \times \text{kilowatt-hours generated} \times \text{economic development factor} \]

Base rate: With the exception of community solar projects, the base rate for incentive payments is $0.15 per economic development kilowatt-hour. Community solar projects are paid a base rate of $0.30 per economic development kilowatt-hour.

Kilowatt-hours generated: The measure of the electricity produced.

Economic development factors:
• Two and four-tenths (2.4) if your system generates electricity using only solar modules manufactured in Washington;
• One and two-tenths (1.2) if your solar or wind system uses an inverter manufactured in Washington;
• One (1.0) if your wind system uses only blades manufactured in Washington, or if your system is an anaerobic digester, or if your solar system is other than described above; and
• Eight-tenths (0.8) if your system is a wind generator with blades not manufactured in Washington.

The above factors are cumulative. For example, if your system is solar and has both solar modules and an inverter manufactured in Washington, you would compute your economic development hours by using the factor three and six-tenths (3.6) (computed 2.4 plus 1.2).

What limitations are placed on incentive payments made under this program?
• Beginning July 1, 2009, incentive payments are limited to $5,000 per year per individual, household, business, local government, and for each participant in a community solar project. Prior to July 1, 2009, annual incentive payments were limited to $2,000.
• If requests for the investment cost recovery incentive payments exceed the amount of funds available for credit to the participating light and power business, the incentive payments shall be reduced proportionately for qualifying customers of that business.
• No incentive payments will be paid for kilowatt-hours generated after June 30, 2020.
• Claims for incentive payments from community solar projects may not be made for kilowatt-hours generated prior to July 1, 2009.

What limitations are placed on credits available to participating light and power businesses making incentive payments?
• The credit taken for the fiscal year against a power distribution business' public utility tax liability is limited to 1 percent of the business' power sales taxable under RCW 82.16.020(1)(b) or $100,000, whichever is greater. Prior to July 1, 2009, the credit was limited to the greater of $25,000 or 0.25 percent of the business' taxable power sales.
• Incentive payments to participants in a utility-owned community solar project may only account for up to 25 percent of the total allowable credit.
• The credit taken by power companies may not exceed the taxes due.
• Incentive payments made in one fiscal year and not taken as a credit cannot be carried over to the next year and taken as a credit.
• Refunds cannot be granted in place of credits for incentive payments.

Who may apply for incentive payments?
Individuals, businesses and local government entities that are not in the light and power business or gas distribution business, and participants in a community solar project may apply to their light and power provider for annual incentive payments for customer-generated electricity by a qualified renewable energy system.

“Customer-generated electricity” means a community solar project or the alternating current electricity that is generated from a renewable energy system located on an individual’s, business’, or local government’s real property that is also provided electricity generated by a light and power business. Except for community solar projects, a system located on a leasehold interest does not qualify.

How do I apply for the program?
Step 1: Contact your light and power company and find out if the company participates in the program. Light and power companies are not required to participate.

Step 2: Submit a Renewable Energy Cost Recovery Certification or Community Solar Project - Renewable Energy System Cost Recovery Certification form to the Department of Revenue (the “Department”). Both forms are available on the Department’s web site at http://dor.wa.gov under “Get a form or publication.”

Step 3: You will be notified in writing (by mail or electronically) within 30 days of the Department’s receipt of the certification form whether your renewable energy system qualifies for the incentive program.
Once I’m certified, how do I apply for an incentive payment?
Submit either a **Renewable Energy System Cost Recovery Annual Incentive Payment Application** or a **Community Solar Project - Renewable Energy System Cost Recovery Annual Incentive Payment Application** to the light and power business by August 1 of each year. The light and power business will notify you within 60 days of receipt whether the incentive payment is authorized or denied. Both forms are available on our web site at http://dor.wa.gov under “Get a form or publication.”

What are the definitions I need to know?
“**Anaerobic digester**” means a facility that processes manure from livestock into biogas and dried manure using microorganisms in a decomposition process within a closed, oxygen-free container (RCW 82.08.900).

“**Economic development kilowatt-hour**” means the actual kilowatt-hour measurement of customer-generated electricity multiplied by the appropriate economic development factor.

“**Light and power business**” means the business of operating a plant or system for the generation, production or distribution of electrical energy for hire or sale and/or for the wheeling of electricity for others.

“**Local governmental entity**” means any unit of local government of this state including, but not limited to, counties, cities, towns, municipal corporations, quasi-municipal corporations, special purpose districts, and school districts.

“**Nonprofit organization**” means an organization exempt from taxation under Title 26 U.S.C. Sec. 501(c)(3) of the federal internal revenue code of 1986, as amended, as of January 1, 2009.

“**Renewable energy system**” means a solar energy system, an anaerobic digester as defined in RCW 82.08.900, or a wind generator used for producing electricity.

“**Solar energy system**” means any device or combination of devices or elements that rely upon direct sunlight as an energy source for use in the generation of electricity.

“**Utility**” means a light and power business, an electric cooperative, or a mutual corporation that provides electricity service.

Where can I get more information?
For more information, contact the Department’s Telephone Information Center at 1-800-647-7706. You can also visit our Tax Incentives page online at http://dor.wa.gov. Under “Quick Clicks,” select “Tax incentive programs.”

See WAC 458-20-273 for general information about this program.