

New Washington State Renewable Energy System Incentive Program

A new incentive program for citizens and businesses of Washington recently passed the Washington State Legislature and was signed into law by Governor Inslee. Engrossed Substitute Senate Bill 5939¹ modifies tax incentives for renewable energy systems and provides guidance for recycling related components. The Washington State University (WSU) Energy Program will administer the new incentive program.

The start date for this new program is July 1, 2017. And, because of some time needed to ramp up administratively, the Legislature directed the WSU Energy Program to begin administering this new program October 1, 2017. Until then, the Washington State Department of Revenue (DOR) is the administrator of the legacy program, and the WSU Energy Program is working closely with DOR to ensure a smooth transition.

Online applications will be available October 1, 2017. Applications for incentives will be accepted through June 30, 2021.

The new program requires a detailed application – including, at a minimum, system operation data (e.g., tilt, azimuth, and shading) and supporting documentation, such as an executed interconnection agreement and documentation of system price.

Projects eligible for incentives under the new program include renewable energy systems such as solar photovoltaic energy systems, anaerobic digesters, or wind generators used for producing electricity.

Legislation reference: p. 5, lines 1-7

The system categories are highlighted below:

- **Residential-scale system:** Combined nameplate capacity at a single site of 12 kW or less.
Legislation reference: p. 11, lines 32-34
- **Commercial-scale system:** Combined nameplate capacity greater than 12 kW.
Legislation reference: p. 10, starting at line 36
- **Shared commercial solar project:** Owned or administered by an electric utility with a combined nameplate capacity greater than 1 MW and up to 5 MW.
Legislation reference: p. 11, lines 36-40
- **Community solar project:** No larger than 1,000 kW.
Legislation reference, p. 11, lines 3-6; and Section 7

Incentive rates for the new program are based on the fiscal year that the system is certified, project type, and made-in-Washington bonus. Incentive rates are listed in the chart below.

¹ The legislation references in this document refer to [SB 5939](#) and the [Session Law](#) bill document.

Incentive Rates

Fiscal year of system certification	Base rate residential-scale	Base rate commercial-scale	Base rate community solar	Base rate shared commercial solar	Made-in-Washington bonus
2018	\$0.16	\$0.06	\$0.16	\$0.06	\$0.05
2019	\$0.14	\$0.04	\$0.14	\$0.04	\$0.04
2020	\$0.12	\$0.02	\$0.12	\$0.02	\$0.03
2021	\$0.10	\$0.02	\$0.10	\$0.02	\$0.02

Incentive payments will be made for eight fiscal years, or until cumulative incentive payments reach 50 percent of the total system price, whichever occurs first. These payments are subject to incentive program limits.

The new program’s cumulative incentive budget over the life of the program is capped at \$110 million.

If a renewable energy system is already certified by the DOR as part of the state’s previous renewable energy system cost recovery program, an application must be submitted to the WSU Energy Program by April 30, 2018, in order to continue receiving incentive payments through June 30, 2020.

Legislation reference: Section 6: p. 17, line 33-35

The frequently asked questions below provide more detailed information about the new program.

Application/certification process for new renewable energy systems

Will applicants be in more direct contact with the WSU Energy Program instead of their serving utility?

Applicants will need to first work with their utility to ensure that the utility is participating in the incentive program and to apply for their interconnection agreement. The WSU Energy Program will provide support to applicants throughout the application and certification process. Annually, the WSU Energy Program will work directly with utilities to calculate incentive payments based on provided kWh generation. Participating utilities will issue annual incentive payments.

What constitutes a complete application?

All required fields in the application form must be completed, including the supplementary documentation, and the application fee of \$125 must be submitted with the application.

Who pays the application fee – the customer or the utility?

The \$125 application fee will be paid directly by the applicant.

Legislation reference: p. 20, lines 37-40

What should I expect after I submit a complete application for my renewable energy system?

Upon receipt of a complete application, the WSU Energy Program has 30 days to review it, notify the applicant by mail or electronically if certification has been granted, and notify the utility that serves the location of the renewable energy system (except when the utility is the applicant). The certification notice will state the rate to be paid per kWh of electricity generated by the system subject to any applicable program terms or incentive cap(s).

Legislation reference: p. 16, line 1, (9) and p. 11, lines 21-28

If I certify my system in 2019, can I add capacity at a later date?

Where the residential-scale or commercial-scale participant makes an investment that results in an expansion of their system's nameplate capacity, the WSU Energy Program may issue a recertification. However, recertifications expire on the same day as the original certification, and apply to the entire system, the incentive rates, and the program rules in effect as of the recertification date.

For example, if a 5kW residential-scale system is certified in February 2019 and is eligible for the \$0.14 incentive rate, and 2kW of capacity is added in February 2021 (without a separate production meter) and the system is recertified, the incentive rate (\$0.10 in this example) will apply to all future incentive payments of the entire 7kW. And, incentive payments will end in 2026.

If 2kW is added in February 2021 with its own production meter, that addition can be certified separately and the \$0.10 rate would apply only to the production from this separate system and would end in 2029.

Legislation reference: p. 12, beginning line 37

Incentive payments

What is the program term for incentive payments? For example, if the system is certified by the WSU Energy Program on February 1, 2018, how long are the production incentives paid?

The program is designed to deliver incentive payments over eight fiscal years. If the system is certified by the WSU Energy Program on February 1, 2018, that date is five months from the end of fiscal year 2018. Incentives for the first fiscal year will be calculated for electricity production from February 1 to June 30, 2018. For the remaining seven fiscal years, incentives would be issued for electricity production measured from July 1 through June 30 each year the system meets all requirements, through June 30, 2025, or when cumulative incentive payments reach 50 percent of the total system price – whichever comes first – and they are subject to incentive program limits.

Legislation reference: p. 11, lines 21-28

How often are incentives disbursed to participating customers?

Incentive payments are issued annually by the serving utilities.

Legislation reference: p. 19, lines 33-40

Made-in-Washington equipment bonus

How does a project qualify for a made-in-Washington bonus?

A made-in-Washington bonus rate is applicable to renewable energy systems with solar modules and/or wind turbines or towers that are made in Washington. Made-in-Washington inverters are no longer required in order to receive a made-in-Washington bonus.

The WSU Energy Program is developing a made-in-Washington equipment list that will be posted online by October 1, 2017. Currently certified Washington-made solar modules will remain eligible for the made-in-Washington bonus in the new program.

Legislation reference: p. 16, starting on line 38

Changes in renewable energy system ownership

What happens if I sell my house that has a certified renewable energy system?

System certification follows the system. The new owner must notify the WSU Energy Program of the transfer and provide a newly executed interconnection agreement with the serving utility.

Legislation reference: p. 16, lines 23-30 (11)

What happens if I terminate my share in a community solar project?

System certification follows the system. The administrator of a community solar project must notify the WSU Energy Program and provide updated project participant information.

Legislation reference: p. 16, lines 31-37 (11)

Community solar and shared commercial solar projects

For community-scale or shared commercial solar processing, it seems that the WSU Energy Program has to take the total project production and multiply it by project participant share to calculate incentive amounts by participant. What about a project that is not fully invested?

The WSU Energy Program will calculate incentive amounts for each participant. Incentives will be calculated based on the share that is invested, and limited by applicable incentive limits.

If a participant invests in a community solar or shared commercial solar project at a 15 percent level, they would receive 15 percent of the incentive less any administrative fees. If a project has investors for 80 percent of the project, then it will receive 80 percent of the incentive.

Legislation reference: Sections 7 and 8.

Precertification process

What is the precertification process?

The precertification process is currently under development, and is a requirement that is applicable only to community solar and shared commercial solar projects. This process will be available to potential applicants no later than October 1, 2017.

Legislation reference: p. 15, lines 24-33

Old (legacy) program

Are systems certified in the old program part of the new program?

No. However, participants previously certified in the legacy program may continue to receive incentive payments through June, 30, 2020, provided they apply to the WSU Energy Program by April 30, 2018.

This application for continued incentive payments under the legacy program will be available by November 1, 2017.

Legislation reference: p. 8, (8-12) and p. 9, lines 1-9

Is there a fee for a legacy program reapplication?

No

Will the WSU Energy Program administer all aspects of the legacy program or will my utility notify their customers?

The WSU Energy Program will work with the utilities to manage the legacy program process.

If a participant who is certified through the legacy program installs a new renewable energy system, can they enroll the new system in this new incentive program?

Yes, but the new system must meet the program requirements, and its energy output must be measured separately. The new systems are also subject to the new program requirements, including applicable incentive limits.

Legislation reference: p. 12, lines 32-36

Utility participation

Do utilities have to participate in this new program?

No. Utility participation is voluntary. The WSU Energy Program has already requested a letter from eligible utilities indicating their participation in the new program. A utility may terminate its voluntary participation in the future, at which time the WSU Energy Program will post notification on its website.

Legislation reference: p. 13, lines 5-24

Will I continue to receive incentive payments if my utility decides to drop out of the program after my renewable energy system is certified?

Yes. If a utility decides to terminate participation in the program, it must notify the WSU Energy Program in writing and continue to make annual incentive payments for electricity generated by systems that were certified prior to the effective date of the utility's notice to terminate participation. The WSU Energy Program will continue to process and issue certifications for renewable energy systems that were received before the effective date of the notice of termination.

Legislation reference: p. 13, lines 25-32

Do utilities have to broaden the opportunities to low-income and non-owner residents? If so, how should we do this?

No. However, the WSU Energy Program will convene meetings with interested parties to explore ideas to make the program more accessible to low- and moderate-income households.

Legislation reference: p. 21, starting line 21

What happens when the program reaches the \$110 million cap?

When that cap is reached, no further renewable energy projects will be certified for incentive payments.

Legislation reference: p. 17, lines 33-35

What happens if utilities reach the 1.5 percent cap?

The WSU Energy Program will no longer accept new applications in that utility's service territory.

Will the WSU Energy Program create clear deadlines for utility responsibilities?

Yes. The deadlines are under development.

Will utilities still be required to process annual applications for payment as they were required to do under the old program?

After August 1, 2017, there will no longer be "application for payment." Per the legislation, the WSU Energy Program must calculate incentive amounts for each participant. Utilities can opt to perform this calculation and provide the WSU Energy Program with their results.

Legislation reference: p. 5, line 23; p. 19, lines 17-24

Do utilities have to allow shared commercial, community solar, and businesses to participate?

The incentive program outlined in the legislation includes residential-scale, commercial-scale, community solar, and shared commercial solar projects, but does not override existing utility standards.

Can utilities impose size limits under the new program?

The legislation defines the system size limits for each of the project categories, but does not override existing utility standards.

When will the rule-making committee come out with interpretations of the new bill?

No rule-making is planned. The WSU Energy Program is examining the legislation in order to effectively administer the program, and is working with the Washington State Department of Revenue, the Washington State Department of Ecology, and the Washington Utilities and Transportation Commission on items that fall within their scope. The WSU Energy Program looks forward to working with the industry moving forward.

Utility fees

Fees for reporting: who pays them and to whom?

The WSU Energy Program is establishing a reporting and fee-for-service system to accept electricity production data from the utility or customer that is not reported electronically. These details will be available by January 1, 2018.

Legislation reference: p. 14, lines 4-19

Will the fee-for-service system affect the utility's tax credit?

Fees-for-service for annual processing of power generation amounts may be applied against the 1.5 percent utility tax credit. Utilities can also receive credits for the fees-for service payments that they make.

Legislation reference: p. 9, line 12-18, p. 14, lines 4-19.