

Overview of Customer-Generator Systems Incentives Program For Renewable Energy Development

Background:

Substitute Senate Bill (SSB) 5101, relating to providing incentives to support renewable energy and adding new sections to Chapter 82.16 RCW, was passed during the 2005 Regular Session of the 59th Legislature, State of Washington. The bill created a tax incentive to support certain renewable energy sources within the State effective July 1, 2005.

Individuals, businesses, and local government entities that are not in the light and power business or gas distribution business will be able to apply to their light and power provider for payments up to \$2,000 per year for the generation of electricity by a qualified renewable energy system. Light and power providers participating in the program will be able to offset amounts paid to customers by taking a credit against their public utility tax liability.

Through June 2014, Washington State utilities have the option of participating in this incentive program for Washington State ratepayers to install and produce solar, wind, and/or biomass generated electrical energy on their own property. Based on available Program funding, customer-generators meeting program requirements may receive incentives ranging from \$0.12 - \$0.54 per economic development kilowatt-hour, not to exceed \$2,000.00 per program year.

Public Utility District No. 2 of Pacific County has decided to participate in this State incentive program beginning with energy production during the State's 2009 FY.

Definitions:

“Customer-generated electricity” – alternating current electricity is generated from a renewable energy system located on an individual's, business, or local government's real property. A system located on a leasehold interest does not qualify under this definition.

“Renewable energy system” – 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” – any device or combination of devices or elements that relies upon direct sunlight as an energy source for use in the generation of electricity.

Who Qualifies:

Individuals, businesses, and local government entities not in the light and power business or gas distribution business qualify for the cost recovery incentive program. Participants must generate electricity on their own property with an anaerobic digester or a wind or solar energy system approved by the Department of Revenue and apply to their light and power company for a cost recovery incentive.

Cost Recovery Incentive Schedule:

The investment cost recovery incentive equals \$0.15 per economic development kilowatt-hour multiplied by the following rates as described in the table below. Eligible systems composed of one or more items under the Alternative Energy Source column items may be entitled to the corresponding base rate multiplier(s).

Customer-Generator Alternative Energy Source	A Base Rate	B Base Rate Multiplier	A x B Incentive per kWh
WA manufactured solar modules	\$0.15/kWh	2.4	\$0.36
WA manufactured inverter for solar or wind generating equipment	\$0.15/kWh	1.2	\$0.18
WA manufactured solar modules and inverters	\$0.15/kWh	3.6	\$0.54
WA manufactured anaerobic digester OR other solar equipment OR wind generator w/blades	\$0.15/kWh	1.0	\$0.15
All other wind generators	\$0.15/kWh	0.8	\$0.12

- Example 1) A Customer-Generator wind generator with Washington State manufactured inverter (1.2) and blades (1.0) receives a Base rate Multiplier of 2.2; $2.2 \times \$0.15/\text{kWh} = \$0.33/\text{kWh}$
- Example 2) A Customer-Generator solar PV System with Washington State manufactured solar modules (2.4) and inverter (1.2) receives a Base rate Multiplier of 3.6; $3.6 \times \$0.15/\text{kWh} = \$0.54/\text{kWh}$

Payments are calculated by

- a. multiplying the total kilowatt hours generated by your P.U.D. approved system (within the July 1st through June 30th program year) by
- b. a base rate of \$0.15/kilowatt hour, multiplied by the highest applicable incentive factors (ranging from 0.8 to 3.6) for which the Customer-Generator system is eligible.

Metering Requirements:

All meter bases associated with this Program must meet or exceed P.U.D. No. 2 of Pacific County and National Electrical Code (NEC) installation and grounding requirements.

To ensure that the Customer-Generators renewable energy systems receive all applicable program incentives, the Incentives Program requires one or more District installed revenue grade production meters. Complex renewable energy systems, e.g., battery back-up, hybrid (e.g., solar & wind), and/or add-on systems (new solar PV system added to older PV system) may require separate customer-installed revenue grade production meters for each major system component to be eligible for maximum incentive levels.

Program Fees:

Under SSB 5101, utilities are authorized to recover program costs, including program administration, required metering equipment, engineering coordination, installation and labor associated with the installation of revenue grade production meters.

The District will collect an application fee at the time the Customer-Generator signs up for this Incentives Program. An additional charge will be assessed to cover the cost of the meter(s) and installation.

Specific Requirements of Program:

For the applicant-

- The renewable energy system must be interconnected to the P.U.D.'s electrical distribution system.
- Applicant must own or is purchasing property and has an account with the District where the renewable energy system is installed.
- New owners of a previously certified renewable energy system must reapply in their name.
- The renewable energy system must be certified by the Washington Department of Revenue.
- Incentive payments are limited to \$2,000 per year per individual, business, or local government.
- No incentive will be paid for kilowatt-hours generated before July 1, 2005, or after June 30, 2014.
- The P.U.D. determines whether incentive payments will be authorized or denied.
- The P.U.D. has the right to assess against the applicant, with interest, for any overpayment of incentive payments made to the applicant.
- Applicant will pay the District, prior to interconnection, for any metering cost associated with the electric production meter.
- The incentive payment may be applied by the District as a credit to the applicant's electric billing, at the option of the applicant.
- Applicant shall keep and preserve, for a period of at least 5 years, suitable records as may be necessary to determine the amount of incentive applied for and received. Such records shall be open for examination at any time upon reasonable notice by the P.U.D.
- Ownership of renewable energy credits (REC's) associated with the generation remains with the applicant.

For the District-

- Incentive payments are limited to \$2,000 per year per individual, business, or local government.
- The credit taken by the P.U.D. against their power distribution public utility tax liability is limited to 0.25 percent of taxable power sales or \$25,000, whichever is greater.
- The credit taken by the District may not exceed the annual tax due.
- Refunds shall not be granted in place of credits.
- Amounts paid in one fiscal year and not taken as a credit cannot be carried over to the next year and taken as a credit.
- If requests for the investment cost recovery incentive payments exceed the amount of funds available for credit to the District, the incentive payments shall be reduced proportionately for qualifying applicants.
- No incentive will be paid for kilowatt-hours generated before July 1, 2005, or after June 30, 2014.

Getting Started:

Step 1: Interested persons should contact P.U.D. No. 2 of Pacific County and apply for participation in the Customer-Generator Systems Incentives Program for Renewable Energy Development by completing an S100 form and paying the application fee. All paperwork concerning the Program, including the Interconnection Standards and the Customer-Generator Systems Incentive Program will be provided at that time.

Step 2: First-time applicants must submit to the Department of Revenue and the Climate and Rural Energy Development Center at Washington State University a certification form providing:

- Information that the electricity is generated by a renewable energy system and meets the definition of “customer-generated electricity”.
- Location of the renewable energy system.
- Information on where equipment was manufactured.
- Verification that the electricity can be transformed or transmitted for entry into or operation in parallel with electricity transmission and distribution systems.
- Date that the renewable energy system received its final electrical permit from the applicable local jurisdiction.

Certification forms are available on the Department of Revenue’s web site at <http://dor.wa.gov>.

Step 3: Applicants will be notified in writing from the Department of Revenue within 30 days whether their renewable energy system qualifies for the incentive program.

Step 4: Once certified, the applicant must enter into an Application for Interconnecting a Generating Facility no Larger than 100 kW and Net Metering Power Purchase Agreement with P.U.D. No. 2 of Pacific County, if not already in place. The Customer-Generator must then enter into an Agreement for Customer-Generator Systems Incentives Program for Renewable Energy Development with the District and provide a copy of the certification form from the Department of Revenue for their renewable energy system.

Step 5: The District will provide the applicant with a wiring schematic for connection of their renewable energy system with the P.U.D.'s electrical distribution system. The renewable energy system must first be inspected and approved by the Department of Labor & Industries prior to being connected and metered.

Step 6: By August 1st of the next year and annually thereafter by this date, the applicant must submit an application for the incentive payment. The application must include the applicant's tax registration number (if applicable) and a statement of the amount of kilowatt-hours generated by the renewable energy system in the prior fiscal year. The P.U.D. will notify the applicant within 60 days on whether the incentive payment is authorized or denied.

The applicant should contact the P.U.D. for a copy of the Application for Incentive Payment form.

Step 7: The District will pay the applicant the incentive payment that is authorized by December 15th.