

Multiple Agency Fiscal Note Summary

Bill Number: 2346 S HB	Title: Renewable energy promotion
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Estimated Cash Receipts

Agency Name	2015-17		2017-19		2019-21	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	2,944,000	2,950,000	(1,427,000)	(1,422,000)	(11,536,000)	(11,536,000)
Washington State University	0	422,500	0	862,500	0	525,000
Total \$	2,944,000	3,372,500	(1,427,000)	(559,500)	(11,536,000)	(11,011,000)

Local Gov. Courts *						
Loc School dist-SPI						
Local Gov. Other **		1,351,351		1,100,881		21,779
Local Gov. Total		1,351,351		1,100,881		21,779

Estimated Expenditures

Agency Name	2015-17			2017-19			2019-21		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Commerce	.1	18,323	18,323	.0	0	0	.0	0	0
Department of Revenue	.1	14,900	14,900	.0	0	0	.0	0	0
Washington State University	1.9	575,000	575,000	2.6	820,000	820,000	2.1	670,000	670,000
Department of Ecology	Fiscal note not available								
Total	2.1	\$608,223	\$608,223	2.6	\$820,000	\$820,000	2.1	\$670,000	\$670,000

Local Gov. Courts *									
Loc School dist-SPI									
Local Gov. Other **	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Impact

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). A fiscal analysis was prepared to show the projected ten-year cost to tax or fee payers of the proposed taxes or fees. The ten-year projection can be viewed at

<http://www.ofm.wa.gov/tax/default.asp>

Prepared by: Monica Jenkins, OFM	Phone: (360) 902-0561	Date Published: Preliminary 2/ 3/2016
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 43529

FNS029 Multi Agency rollout

Individual State Agency Fiscal Note

Bill Number: 2346 S HB	Title: Renewable energy promotion	Agency: 103-Department of Commerce
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Part I: Estimates

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No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	0.0	0.1	0.1	0.0	0.0
Account					
General Fund-State 001-1	0	18,323	18,323	0	0
Total \$	0	18,323	18,323	0	0

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). A fiscal analysis was prepared to show the projected ten-year cost to tax or fee payers of the proposed taxes or fees. The ten-year projection can be viewed at

<http://www.ofm.wa.gov/tax/default.asp>

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐

If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☒

If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐

Capital budget impact, complete Part IV.

☐

Requires new rule making, complete Part V.

Legislative Contact: Jasmine Vasavada	Phone: 360-786-7301	Date: 01/27/2016
Agency Preparation: Glenn Blackmon	Phone: 360-725-3115	Date: 02/02/2016
Agency Approval: Tony Usibelli	Phone: 360-725-3110	Date: 02/02/2016
OFM Review: Shane Hamlin	Phone: (360) 902-0547	Date: 02/03/2016

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Differences between the substitute bill and the original bill:

Section 6(28) of the original bill that requires the Department of Commerce to report to the Legislature by December 1, 2018, the actual or estimated cost of class A, class B, and community solar systems, including system components and installation costs, for the previous fiscal quarter and to estimate incentive rates to replace the rates under section 6(11)(b) for new system certifications beginning January 1, 2019, with rates that are expected to result in a ten-year payback of the system component and installation costs to the customer-owner or community solar project participant is removed.

In section 7(26), which was section 6(25) of the original bill, the department is required, in the event that the extension energy program notifies the Governor that it cannot implement the program within the funds provided by the seventy-five dollar fee, to consult with the Department of Revenue on a request for proposal to identify an entity that will assume the responsibilities otherwise delegated to the extension energy office.

Summary of the substitute bill:

Section 7(16) requires the Department of Commerce to provide assistance to the Washington State University extension energy program, to develop technical specifications and guidelines to ensure consistent and predictable determination of eligibility for renewable energy systems (which include solar units, wind turbines, stirring converters and anaerobic digesters).

Section 7(26) requires the department, in the event that the extension energy program notifies the Governor that it cannot implement the program within the funds provided by the seventy-five dollar fee, to consult with the Department of Revenue on a request for proposal to identify an entity that will assume the responsibilities otherwise delegated to the extension energy office.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

NONE

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Section 7(16) and 7(26)

ASSUMPTIONS: Commerce assumes that the Washington State University extension energy program would be designated as the program administrator and there will be a minimum of fifteen meetings to develop technical specifications and guidelines beginning in July, 2016.

FTE Salaries and Wages

Commerce estimates 0.1 FTE EMS Band 2 (Senior Energy Policy Specialist) in FY17 to consult with the Washington State University extension energy program on the development of technical specifications and guidelines to ensure consistent and predictable determination of eligibility and, in the event that the extension energy program notifies the Governor that it cannot implement the program within the funds provided by the seventy-five dollar fee, to consult with the Department of Revenue on a request for proposal to identify an entity that will assume the responsibilities otherwise delegated to the extension energy office.

FY17: \$12,973

Goods and Other Services

FY16: \$5,350

--standard G&S \$4,626

--space and utilities \$724

Note: Standard goods and services costs include supplies and materials, employee development and training, mandatory state seat of government and Department of Enterprise Services charges, and Commerce agency administration. Commerce administration provides general governmental services including, but not limited to: administration, management, financial services, human resources, information technology, facilities management, public affairs and Interagency Payments. The department is in the process of seeking federal approval for a revised indirect rate for the cost allocation of administrative costs. If approved, the department intends to use the same rates and basis for allocating administrative costs for state grant programs. The cost estimate in this fiscal note represents the currently approved indirect rate and is subject to change.

Summary of Estimated Costs

FY17: \$18,323

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years		0.1	0.1		
A-Salaries and Wages		9,980	9,980		
B-Employee Benefits		2,993	2,993		
C-Professional Service Contracts					
E-Goods and Other Services		5,350	5,350		
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	\$0	\$18,323	\$18,323	\$0	\$0

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2016	FY 2017	2015-17	2017-19	2019-21
Administrative Services - Indirect	69,552		0.0	0.0		
EMS Band 2	99,804		0.1	0.1		
Total FTE's	169,356		0.1	0.1		0.0

III. C - Expenditures By Program (optional)

Program	FY 2016	FY 2017	2015-17	2017-19	2019-21
Agency Administration (Indirect) (100)		4,541	4,541		
Energy (500)		13,782	13,782		
Total \$		18,323	18,323		

Part IV: Capital Budget Impact

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

NONE

Department of Revenue Fiscal Note

Bill Number: 2346 S HB	Title: Renewable energy promotion	Agency: 140-Department of Revenue
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Part I: Estimates



No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2016	FY 2017	2015-17	2017-19	2019-21
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax		3,691,000	3,691,000	3,007,000	60,000
GF-STATE-State 01 - Taxes 35 - Public Utilities Tax		(747,000)	(747,000)	(4,434,000)	(11,596,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax		6,000	6,000	5,000	
Total \$		2,950,000	2,950,000	(1,422,000)	(11,536,000)

Estimated Expenditures from:

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	0.2		0.1		
Account					
GF-STATE-State 001-1	14,900		14,900		
Total \$	14,900		14,900		

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). A fiscal analysis was prepared to show the projected ten-year cost to tax or fee payers of the proposed taxes or fees. The ten-year projection can be viewed at

<http://www.ofm.wa.gov/tax/default.asp>

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Jasmine Vasavada	Phone: 360-786-7301	Date: 01/27/2016
Agency Preparation:	Marianne McIntosh	Phone: 360-535-1505	Date: 02/03/2016
Agency Approval:	Don Gutmann	Phone: 360-534-1510	Date: 02/03/2016
OFM Review:	Kathy Cody	Phone: (360) 902-9822	Date: 02/03/2016

Request # 2346-2-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Note: This fiscal note reflects language in SHB 2346, 2016 Legislative Session, and only addresses the sections of the bill that impact the Department of Revenue (Department). These sections:

- End applications to and incentives paid under the existing renewable energy cost recovery incentive program on June 30, 2016. All responsibilities for administering the existing program are transferred from the Department to the Washington State University Energy Extension Program (WSU), beginning July 1, 2016. Participants of the existing program must apply to WSU by July 1, 2016, to continue receiving incentives, at the rates provided when qualifying systems were first certified under the existing program, through June 30, 2020. WSU may assess reasonable fees to cover the costs of issuing certificates to those who reapply for certification.

- Create a new incentive program allowing WSU to certify, beginning July 1, 2016, and ending June 30, 2020, new participants to receive 10 years of annual incentive payments. For systems certified in Fiscal Year 2017, base rates for incentive payments are \$0.12 per kilowatt-hour (kW-hr) for residential-scale systems, \$0.07 per kW-hr for commercial-scale systems, \$0.11 kW-hr for community solar systems, and a bonus rate of \$0.05 kW-hr for made-in-Washington solar modules, wind turbines or towers. These rates decline each fiscal year. Incentive payments to community solar project participants and commercial systems may each account for up to 25 percent of the total allowable credit in any fiscal year.

- Extend the public utility tax credit to incentive payments made under the newly created program. The per-utility limit is increased to the greater of 2 percent of a utility's Calendar Year 2014 taxable power sales or \$250,000. Extends the right to earn credits to June 30, 2030 (credits may not be claimed after June 30, 2031.)

- Provide that information about incentive payments, system certifications, and total tax credit claimed is subject to disclosure and not confidential taxpayer information.

- Set expiration dates of June 30, 2016, for sales and use tax exemptions provided by RCW 82.08.962, 82.12.962, 82.08.963, and 82.12.963 for machinery and equipment used to generate electricity using solar energy, or labor and services rendered in respect to installing such machinery and equipment, and capable of generating no more than 500 kW of electricity.

- Within five days of the effective date of the bill, requires WSU to notify the Governor and the Department if WSU determines it cannot implement the new program within the funds provided by the fees established in the bill. If WSU determines that it cannot implement the program within these funds, the Department, in consultation with the Department of Commerce, must issue a request for a proposal to identify an entity that will administer the new program within the funds provided by the fee.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS

- The Public Utility Tax credit on a new installation is taken the fiscal year following the fiscal year in which the system was installed.
- To adjust for systems installed throughout a fiscal year, 50 percent of the projected installed megawatts was utilized to calculate the payments paid immediately after the fiscal year in which the system was installed.
- The average size of a solar installation is assumed to be 7 kW.

- The average production rate is assumed to 1038 kWh per kW of installed capacity for residential and 1153 kWh per kW for non-residential.
- The mix of system type and size is projected by comparing the financial payback given the specific incentive rates proposed in the legislation.
- The estimate reflects per utility caps on tax credits for current law, but not for the proposed law. It is assumed the new caps will not be reached with the increased credit thresholds.
- The estimate does not reflect the caps on the annual incentive payments for the residential-scale and commercial-scale systems and community solar projects.
- Beginning July 1, 2017, the cap is increased under this proposal. This allows utilities who met the cap under current law to increase the payments and therefore credits on systems installed prior to June 30, 2016.
- No projection for sales of systems greater than 500kW as currently there are no systems that large.
- All participants in the current program will recertify their systems to continue their repayments through June 30, 2021.
- Small wind power installation will continue at the same level as the past ten years.
- Under this proposal it is expected that the installation of new solar energy systems will reach 113 MW by the end of Fiscal Year 2020.
- Growth rate mirrors Economic Revenue and Forecast Council's November 2015 forecast for the electric power sales public utility tax.
- This legislation takes effect immediately.

DATA SOURCES

- Department's excise tax return data
- Washington Department of Commerce forecast for solar system installations
- Washington State University Energy Program
- Economic Revenue and Forecast Council - 2015 November forecast

REVENUE ESTIMATES

Public Utility Tax Credit (PUT)

Participants in the current program will continue to receive production payments at the rates in the current program, and utilities will be able to claim a state public utility tax credit on their tax return for those payments. Beginning July 1, 2016, a utility is allowed a credit equal to incentive payments made in any fiscal year under section 4 and 6.

Projected Costs Savings if legacy solar incentive program expires June 30, 2016 (cash basis, \$000):

FY 2016 -	\$ 0
FY 2017 -	\$ 0
FY 2018 -	\$ 1,814
FY 2019 -	\$ 4,268
FY 2020 -	\$ 6,132
FY 2021 -	\$ 7,553

Projected Costs of Proposed cap increase per utility for systems installed under legacy solar incentive program (cash basis, \$000):

FY 2016 -	\$ 0
FY 2017 -	(\$ 747)
FY 2018 -	(\$ 1,897)
FY 2019 -	(\$ 1,646)
FY 2020 -	(\$ 1,402)
FY 2021 -	(\$ 1,146)

Projected Costs of Proposed Solar Program (cash basis, \$000):

FY 2016 -	\$ 0
FY 2017 -	\$ 0
FY 2018 -	(\$ 1,695)
FY 2019 -	(\$ 5,278)
FY 2020 -	(\$ 9,233)
FY 2021 -	(\$ 13,500)

Net projected PUT credits (cash basis, \$000):

FY 2016 -	\$ 0
FY 2017 -	(\$ 747)
FY 2018 -	(\$ 1,778)
FY 2019 -	(\$ 2,656)
FY 2020 -	(\$ 4,503)
FY 2021 -	(\$ 7,093)

Retail Sales Tax

Repeal of Sales Tax Exemption for solar installations effective June 30, 2016 (cash basis, \$000):

FY 2016 -	\$ 0
FY 2017 -	\$ 3,691
FY 2018 -	\$ 2,869
FY 2019 -	\$ 138
FY 2020 -	\$ 60
FY 2021 -	\$ 0

TOTAL REVENUE IMPACT:

The net impact of this proposal is to increase state revenues by \$3.0 million in the 2015-17 Biennium and decrease state revenues by \$1.4 million in the 2017-19 Biennium.

This proposal also increases local revenues by \$1.4 million in the 2015-17 Biennium and by \$1.1 million in the 2017-19 Biennium.

State Government (cash basis, \$000):

FY 2016 -	\$ 0
FY 2017 -	\$ 2,950
FY 2018 -	\$ 1,096
FY 2019 -	(\$ 2,518)
FY 2020 -	(\$ 4,443)
FY 2021 -	(\$ 7,093)

Local Government, if applicable (cash basis, \$000):

FY 2016 -	\$ 0
FY 2017 -	\$ 1,365
FY 2018 -	\$ 1,061
FY 2019 -	\$ 51
FY 2020 -	\$ 22
FY 2021 -	\$ 0

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS

- This bill affects 60 taxpayers.
- Currently, the Department does not receive funding for the processing and review of the application, payment for the renewable energy, correcting any errors nor communicating with the taxpayers.
- Washington State University (WSU) Energy Program will implement and process the new program.
- The Department will transfer the certification process to WSU Energy Program.

FIRST YEAR COSTS

The Department will incur total costs of \$14,900 in Fiscal Year 2016. These costs include:

- Labor Costs – Time and effort equates to 0.16 FTEs.
- Amend administrative rules.

ONGOING COSTS

The Department will not incur any further costs with the implementation of this legislation.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	0.2		0.1		
A-Salaries and Wages	9,300		9,300		
B-Employee Benefits	2,800		2,800		
E-Goods and Other Services	1,900		1,900		
J-Capital Outlays	900		900		
Total \$	\$14,900		\$14,900		

III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2016	FY 2017	2015-17	2017-19	2019-21
ADM ASST 5	48,432	0.0		0.0		
EMS BAND 4	107,000	0.0		0.0		
EMS BAND 5	125,000	0.0		0.0		
HEARINGS SCHEDULER	33,672	0.0		0.0		
TAX POLICY SP 2	63,480	0.0		0.0		
TAX POLICY SP 3	71,844	0.1		0.0		
TAX POLICY SP 4	77,340	0.0		0.0		
Total FTE's	526,768	0.2		0.1		

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Persons affected by this rule making would include: solar energy system owners, including individual home owners, businesses, and local governmental entities not in the light and power business; utilities; and community solar projects.

Should this legislation become law, the Department will use the standard rule-making process to amend one rule: WAC 458-20-273, titled: "Renewable energy system cost recovery" and use one expedited process to amend two rules; WAC 458-20-263 "Exemptions from retail sales and use taxes for qualifying electric generating and thermal heat producing systems using renewable energy sources" and WAC 458-20-268 "Annual surveys for certain tax adjustments".

Individual State Agency Fiscal Note

Bill Number: 2346 S HB	Title: Renewable energy promotion	Agency: 365-Washington State University
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Part I: Estimates

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No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2016	FY 2017	2015-17	2017-19	2019-21
Institutions of Higher Education - Dedicated Local Account-Non-Appropriated 148-6	80,000	342,500	422,500	862,500	525,000
Total \$	80,000	342,500	422,500	862,500	525,000

Estimated Expenditures from:

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	0.9	2.9	1.9	2.6	2.1
Account					
General Fund-State 001-1	115,000	460,000	575,000	820,000	670,000
Total \$	115,000	460,000	575,000	820,000	670,000

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). A fiscal analysis was prepared to show the projected ten-year cost to tax or fee payers of the proposed taxes or fees. The ten-year projection can be viewed at

<http://www.ofm.wa.gov/tax/default.asp>

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

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- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Jasmine Vasavada	Phone: 360-786-7301	Date: 01/27/2016
Agency Preparation: Chris Jones	Phone: 509-335-9682	Date: 02/02/2016
Agency Approval: Kelley Westhoff	Phone: 5093350907	Date: 02/02/2016
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 02/02/2016

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

In SHB 2346, the current investment cost recovery incentive for renewable energy systems ends and a newly created program allows the WSU Energy Program to certify, beginning July 1, 2016 new participants to receive 10 years of annual incentive payments. The bill describes the certification requirements and states that the WSU Energy Program may collect a one-time fee per applicant.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

The bill has several potential revenue streams attached to it. The primary one is a specified fee of \$75 per applicant to the new program in Section 7.(26). Estimates of these cash receipts are included above.

A second potential revenue stream in Section 4.(5) is derived from participants in the legacy program that are required to re-apply to participate in the program under WSU. WSU is permitted to develop and charge a fee for these transitioning customers. As we have not established a fee, the revenues are indeterminate; however, WSU estimates that the market might accept a fee of \$10 to \$30 per applicant. The revenue projection above is based on approximately two-thirds of the current participants paying \$20 to transition to the new program.

A third potential revenue stream in Section 7.(5) is associated with fee-for-service work that utilities can ask the Energy Program to perform. WSU's current assumption is that there will be no costs and no revenues associated with this fee-for-service work, but regardless SHB 2346 requires the Energy Program to recover its costs for that work. Therefore, there is no revenue associated with this effort above, and there are no costs associated with it in the proposed expenditures.

A fourth potential revenue stream is associated with Section 7.(17) concerning responsibilities in certifying equipment as made in Washington. The Energy Program is not required to develop a fee, and it does not expect much activity in this area. Therefore, while the revenues are indeterminate, the related costs are expected to be quite small and are built into the proposed expenditures.

Note: The Energy Program at Washington State University does not anticipate collecting additional fee revenue for the incentive program after June 30, 2020.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

For purposes of this fiscal note, WSU is providing estimated costs for the WSU Energy Program to administer the solar production incentive program.

The current version of the bill contains no additional funding for the solar production incentive program, which is significantly greater in scope than the existing incentive program. WSU would not be able to complete all activities associated with the incentive program without new funding.

SHB 2346 would increase the WSU Energy Program's volume of work compared to the existing energy

investment cost recovery incentive program under RCW 82.16.120. The number of systems eligible for incentives have increased exponentially since the beginning of the existing program. This increase is expected to continue under the new program, leading to increased costs for the WSU Energy Program to certify new systems and administer the incentive program. The WSU Energy Program would have expenditures associated with the following activities:

Startup Activities:

- Online application setup
- Develop and publish program eligibility guidelines, procedures, and fee structure
- Develop or acquire the rights to a software tracking system to meet reporting and transparency requirements
- Review and implement process for reviewing requests by utilities for program participation or termination
- Develop publicly available website with timely program information and activity summaries
- Develop technical specifications / guidelines to determine eligibility for the Made in Washington incentive
- Establish all other administrative functions that are necessary for the program

Ongoing Activities:

- Administer program fees
- Application review
- Provide detailed customer-specific data to utilities for incentive distribution
- Communicate with applicants and respective utilities upon receipt of application
- Maintain publicly available website with timely program information
- Report on program status / recommendations to the legislature
- Continue interaction with developers, installers, manufacturers, utilities and prospective system owners
- Provide data as needed
- Provide all other administrative functions as required by the program

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	0.9	2.9	1.9	2.6	2.1
A-Salaries and Wages	46,000	185,000	231,000	320,000	260,000
B-Employee Benefits	25,000	100,000	125,000	170,000	140,000
C-Professional Service Contracts					
E-Goods and Other Services	44,000	175,000	219,000	330,000	270,000
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	\$115,000	\$460,000	\$575,000	\$820,000	\$670,000

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2016	FY 2017	2015-17	2017-19	2019-21
Application Systems Analyst	69,500	0.2	0.7	0.5	0.4	0.3
Energy Professional	40,600	0.2	0.6	0.4	0.6	0.5
Energy Program Coordinator	59,700	0.3	1.2	0.8	1.2	1.0
Manager	116,700	0.1	0.2	0.2	0.2	0.2
Senior Project Manager	82,600	0.1	0.2	0.2	0.2	0.2
Total FTE's	369,100	0.9	2.9	1.9	2.6	2.1

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 2346 S HB **Title:** Renewable energy promotion

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☒ Cities: Increased revenue due to repeal of retail sales tax in certain years; participating cities will have to pay an application fee to remain in the renewable energy cost recovery program
- ☒ Counties: Same as above
- ☒ Special Districts: Same as above
- ☒ Specific jurisdictions only: Public utility districts (PUDs) would receive an increase in public utility tax credits; decreased administrative costs associated with calculating cost recovery incentive payments
- ☒ Variance occurs due to: PUDs that organize and administer community solar projects must publish procedures and may charge a fee

Part II: Estimates

- ☐ No fiscal impacts.
- ☒ Expenditures represent one-time costs: \$75 application fee for 10-year certifications
- ☒ Legislation provides local option: PUDs can choose to calculate the amount of incentive payments to participants; PUDs can require customers to report the gross kilowatt-hours generated annually
- ☒ Key variables cannot be estimated with certainty at this time: Number of new or expanded renewable energy systems, community solar projects, and resulting applications for certification of the public utility tax credit; number of new interconnection agreements with public utilities

Estimated revenue impacts to:

Jurisdiction	FY 2016	FY 2017	2015-17	2017-19	2019-21
City		442,973	442,973	360,869	7,139
County		462,432	462,432	376,721	7,453
Special District		445,946	445,946	363,291	7,187
TOTAL \$		1,351,351	1,351,351	1,100,881	21,779
GRAND TOTAL \$					2,474,011

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: Amber Siefer	Phone: 360-725-2733	Date: 02/03/2016
Leg. Committee Contact: Jasmine Vasavada	Phone: 360-786-7301	Date: 01/27/2016
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 02/03/2016
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 02/03/2016

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

This substitute bill includes new definitions for commercial and residential-scale systems for the purposes of renewable energy system investment cost recovery payments. Base rate reductions are made for residential and commercial-scale, and community solar systems. A one-time fee amount of \$75 is established for program participants.

SECTIONS WITH LOCAL GOVERNMENT IMPACT:

New Section 2 All recipients of the tax credits or incentive payments must provide data requested by the Washington State University (WSU) extension energy program.

Section 3 -- Local governments not in the light and power business or in the gas distribution business may apply for an investment cost recovery incentive payment for each kilowatt-hour from a customer-generated electricity renewable energy system through June 30, 2016. First-time applications for the incentive must be submitted no later than June 30, 2016. Utilities must reduce the incentive payments proportionally if the requests for the incentive exceed the amount of funds available for the credit. System certifications and information contained therein are not confidential.

New Section 4 -- Allows existing participants to continue to receive payments through June 30, 2020, and requires them to obtain a certification from the WSU extension energy program.

Section 5 -- Increases tax credits available to public utilities from 0.5 to 2 percent of the business' taxable power sales generated in calendar year 2014 or \$250,000, whichever is greater. And extends the right to earn tax credits by 10 years, to expire June 30, 2030. The amount of tax credits taken is not considered confidential taxpayer information.

New Section 7 -- Utility participation is voluntary and must be elected in writing to the WSU Extension Energy Program. Tax incentives for residential-scale systems are limited to \$5,000, and \$25,000 for commercial-scale systems. Certification is valid for 10 years either from the date the system commences operation or is certified, whichever is later. Not more than 25 percent of the total renewable energy tax credit may be authorized for community solar projects, nor if it is likely to result in incentive payments exceeding the utility's available funds for credit. Utilities, or the customer at the utilities' option, must report annually the amount of gross kilowatt-hours generated by each renewable energy system. Utilities may opt to calculate the amount of the incentive payment due to each participant, and must report this information to the WSU. A fee for service must be negotiated by utilities with WSU if they opt to calculate incentive payments. Utilities must issue the incentive payment within 30 days. A one-time \$75 fee is established for program participants.

New Section 8 -- Authorizes utilities and nonprofit organizations to organize and administer community solar project. Each project must establish and publish procedures. A fee may be established to cover project costs.

Sections 10 through 13 -- Remove retail sales and use tax exemptions provided for the purchase of machinery and equipment used in generating renewable energies for generating electricity or producing thermal heat, expiring January 1, 2020 for sections 10 and 12, and June 30, 2018 for sections 11 and 13.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

This bill would require PUDs pay a one-time \$75 application fee to remain participants or to begin receiving public utility tax credits for renewable energy investment cost recovery payments issued to customers. PUDs would experience a decrease in administrative costs associated with calculating the cost recovery investment payment by an indeterminate, but potentially significant amount, according to the Washington Public Utilities District Association (WPUDA). The total number of PUDs that would choose to calculate cost recovery payments for their customers, and then remit such data to the Washington State University (WSU) Extension Energy Program are unknown.

Applications for certification of the public utility tax credit would be managed by WSU or by another entity that would charge an application fee to cover program costs not to exceed \$75. WSU may choose to work with the Department of Revenue and the Department of Commerce to issue a request for proposals to identify a new entity to assume responsibilities of the program within the fee amount prescribed. A fee will not be charged in the case of community solar projects. The total number of PUDs that would opt into the program as a result of this bill are unknown.

The total number of new interconnection agreements that would occur as a result of this bill are unknown. Utilities typically recover

interconnection costs in the normal course of business, and any new agreements would not represent a significant cost increase (WPUDA).

The bill requires public utilities to report the gross kilowatt hours (kWh) generated annually. PUDS may choose to require this reporting be done directly by customers. WSU would work with utilities to identify data that should be captured on each installation as it is initiated, and therefore, costs associated with this data collection are unknown at this time.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

The Department of Revenue's previous calculation for local government revenue impacts based upon the repeal of retail sales tax are not altered as a result of this substitute bill.

METHODOLOGY:

The distributions in this note for cities, counties, and special districts are based on DOR data for local sales and use tax distributions from Calendar Year 2014. Mitigation payments and distributions to hospital benefit zones are not factored into this distribution. This results in a distribution of 34.22 percent to counties, 32.78 percent to cities, and 33.00 percent to special districts. The 1 percent DOR administrative fee has also been deducted.

It is unknown how many new local governments would choose to invest in the ownership of renewable energy systems as a result of this bill. Local governments that are customers of utilities currently qualify as one customer for the cost recovery payment with a limit of \$5,000.

According to information published by the Department of Revenue for the Renewable Energy Cost Recovery Program, the numbers of utilities and tax credits claimed has steadily increased since 2006. In Calendar Year 2013, \$3,831,735 in tax credits were claimed by 34 utilities. Total taxable sales in Fiscal Year 2015 were \$5,957,354,691 with a total credit cap amount of \$30,537,555 (DOR). Total taxable power sales by owners of renewable energy systems is proprietary data.

RESOURCES:

Department of Revenue Fiscal Note

Department of Revenue Local Tax Distributions

Local Government Fiscal Note HB 2346 (2016), which includes:

Department of Revenue Renewable Energy Cost Recovery Program information

Washington Public Utilities District Association Energy Services Director

Washington State University Energy Extension Program

Washington State Energy Office

HB 2346 Bill Digest (2016)