

Multiple Agency Fiscal Note Summary

| | |
|-----------------------------|--|
| Bill Number: 1048 HB | Title: Renewable energy promotion |
|-----------------------------|--|

Estimated Cash Receipts

| Agency Name | 2017-19 | | 2019-21 | | 2021-23 | |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | GF- State | Total | GF- State | Total | GF- State | Total |
| Department of Revenue | (14,970,000) | (14,964,000) | (33,115,000) | (33,115,000) | (37,866,000) | (37,866,000) |
| Washington State University | 0 | 614,000 | 0 | 1,350,000 | 0 | 0 |
| Department of Ecology | 0 | 76,266 | 0 | 84,183 | 0 | 11,934 |
| Total \$ | (14,970,000) | (14,273,734) | (33,115,000) | (31,680,817) | (37,866,000) | (37,854,066) |

Estimated Expenditures

| Agency Name | 2017-19 | | | 2019-21 | | | 2021-23 | | |
|--|------------|-----------------|--------------------|------------|----------------|------------------|------------|------------|------------------|
| | FTEs | GF-State | Total | FTEs | GF-State | Total | FTEs | GF-State | Total |
| Joint Legislative Audit and Review Committee | .2 | 54,400 | 54,400 | .0 | 3,200 | 3,200 | .0 | 0 | 0 |
| Office of Attorney General | .0 | 0 | 0 | .0 | 0 | 0 | .0 | 0 | 0 |
| Department of Commerce | .0 | 16,905 | 16,905 | .0 | 0 | 0 | .0 | 0 | 0 |
| Department of Revenue | .1 | 14,800 | 14,800 | .0 | 0 | 0 | .0 | 0 | 0 |
| Washington State University | 2.1 | 0 | 1,035,000 | 1.6 | 0 | 862,000 | .7 | 0 | 273,000 |
| Department of Ecology | .3 | 0 | 76,266 | .4 | 0 | 84,183 | .1 | 0 | 11,934 |
| Total | 2.7 | \$86,105 | \$1,197,371 | 2.0 | \$3,200 | \$949,383 | 0.8 | \$0 | \$284,934 |

| | | | | | | | | | |
|---------------------|--|--|--|--|--|--|--|--|--|
| 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: Breann Boggs, OFM | Phone: (360) 902-0563 | Date Published: Revised 4/ 3/2017 |
|---------------------------------------|---------------------------------|---|

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 48572

FNS029 Multi Agency rollup

Individual State Agency Fiscal Note

| | | |
|-----------------------------|--|---|
| Bill Number: 1048 HB | Title: Renewable energy promotion | Agency: 014-Joint Legislative Audit and Review Committee |
|-----------------------------|--|---|

Part I: Estimates

☐

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

| | FY 2018 | FY 2019 | 2017-19 | 2019-21 | 2021-23 |
|--------------------------|---------|---------|---------|---------|---------|
| FTE Staff Years | 0.1 | 0.3 | 0.2 | 0.0 | 0.0 |
| Account | | | | | |
| General Fund-State 001-1 | 9,600 | 44,800 | 54,400 | 3,200 | 0 |
| Total \$ | 9,600 | 44,800 | 54,400 | 3,200 | 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: Nikkole Hughes | Phone: 360-786-7156 | Date: 01/05/2017 |
| Agency Preparation: Rachel Murata | Phone: 360-786-5293 | Date: 01/10/2017 |
| Agency Approval: Keenan Konopaski | Phone: 360-786-5187 | Date: 01/10/2017 |
| OFM Review: Derek Rutter | Phone: (360) 902-0409 | Date: 01/10/2017 |

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 brief the bill:

- Modifies and extends the expiration dates of the existing renewable energy investment cost recovery incentive program, with the stated intent to increase the effectiveness of the existing program by reducing the maximum incentive rates over the period of the program and broadening participation by lower income persons and others.
- Includes a tax preference performance statement directing JLARC, as part of its tax preference review process, to evaluate the incentives and preference in 2019 based on the amount of solar energy capacity installed through 2021.
- States the Legislature intends the revised program to promote system installations through 2021, after which time the state's renewable energy industry is expected to be capable of sustained growth and vitality without the cost recovery program.
- Increases the amount of PUT credits allowed to light and power businesses for incentive payments they make from ½% to 2% of the businesses' taxable power sales generated in CY 2014 and or \$250,000 (increased from \$100,000), whichever is greater
- Establishes a new system for decommissioning and recycling solar modules.
- Moves the expiration date earlier— to June 30, 2017—for a sales and use tax exemption for certain machinery and equipment used directly to generate electricity from solar energy producing no more than 500 KW of electricity and associated labor and services to install such machinery and equipment (RCWs 82.08.962; 82.12.962).
- Moves the expiration date earlier— to June 30, 2017—for a second sales and use tax exemption for certain machinery and equipment used directly to generate electricity from solar energy and associated labor and services to install such machinery and equipment (RCWs 82.08.963; 82.12.963).

INCENTIVE PAYMENTS MADE BY UTILITIES TO CUSTOMERS

Sec. 3: The bill ends eligibility for application for the incentive after June 30, 2017.

Beginning July 1, 2017, WSU energy will take over program management, technical review, and tracking responsibilities from the Department of Revenue.

The expiration date for the right to earn credits under RCW 82.16.120 is extended from June 30, 2020, to June 30, 2029 and the date to use those credits extended from June 30, 2021, to June 30, 2030.

Sec. 4: The bill allows existing participants whose incentive payments were proportionately reduced in previous years to apply for a one-time payment to make whole the rates they anticipated when they first received notice of eligibility.

PUBLIC UTILITY TAX CREDITS FOR UTILITIES MAKING INCENTIVE PAYMENTS

Sec. 5. The bill increases the amount of PUT credits allowed to light and power businesses for incentive payments they make from ½% to 2% of the businesses' taxable power sales generated in CY 2014 and or \$250,000 (increased from \$100,000), whichever is greater. The 5% limit for the percent of payment to company-owned community solar projects is removed. The bill adds a 25% limit for the percent of payments that may go to commercial-scale systems.

Sec. 7: Beginning July 1, 2017, customer-owners of a renewable energy system or a nonprofit organization or utility that administers a community solar project meeting certain eligibility requirements can apply to WSU energy to receive certification to remit an annual production incentive for electricity generated by a renewable energy system.

WSU energy may authorize annual incentive payments up to: \$5,000 per project participant for community solar projects; \$5,000 for residential-scale systems; and \$25,000 for commercial-scale systems. To receive such payments, persons must submit an application to WSU energy, including specific information detailed in the bill. Certification is valid for 10 years.

WSU energy must determine the total incentive rate for new renewable energy system certifications which include base and bonus rates depending on the type of system.

OTHER

Sec. 8: The bill adds a new section to RCW 82.16 to allow a utility or nonprofit organization to organize and administer a community solar program. Details on requirements for such programs are detailed in the bill.

Sec. 9: The bill creates a new solar module decommissioning and recycling program.

Sec. 10 & 12: The bill changes the expiration date from June 30, 2020, to June 30, 2017, for a sales and use tax exemption for certain machinery and equipment used directly to generate electricity from solar energy producing no more than 500 KW of electricity and associated labor and services to install such machinery and equipment (RCWs 82.08.962; 82.12.962).

Sec 11 & 13: The bill changes the expiration date from June 30, 2018, to June 30, 2017, for a second sales and use tax exemption for certain machinery and equipment used directly to generate electricity from solar energy and associated labor and services to install such machinery and equipment (RCWs 82.08.963; 82.12.963).

The bill has an emergency clause and takes effect immediately.

TAX PERFORMANCE STATEMENT DETAILS

The bill includes a tax performance statement that:

- Categorizes the PUT preference as one intended to induce a certain behavior by taxpayers (utility companies, in this case) and to create or retain jobs (RCW 82.32.808(2)(a) and (c)).
- Identifies the public policy objectives to: 1) Increase energy independence from fossil fuels; 2) Promote economic development through clean energy technology; and 3) Increase the number of jobs in and enhance the sustainability of clean energy technology in Washington.

The bill instructs JLARC to review the incentives and PUT preference as part of its tax preference performance reviews in 2019. The Legislature intends the Legislative Auditor to determine the incentive has achieved its desired outcomes if the following objectives are achieved:

1. 115 megawatts of solar photovoltaic capacity is installed between July 1, 2017 and June 30, 2021; and
2. There is growth in solar-related employment from 2015 levels, evidenced by:
 - a. An increased per capita rate of solar energy-related jobs in WA, to be determined by a relevant trade association in WA.
 - b. Improved national ranking for solar energy-related employment and per capita solar energy-related employment, as reported in a nationally recognized report.

JLARC is instructed to obtain data needed to perform this review from the WSU energy program and the Employment Security Department. The bill instructs all recipients of tax credits or incentive payments to provide any data requested by the WSU energy program or JLARC for reporting purposes. If they fail to do so, they may lose the following year's tax credit or incentive payment.

Because the review is scheduled in 2019 and the performance metrics relate to installation data through 2021, JLARC staff will need to project future installations based on the data available in 2019.

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.

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.

JLARC staff will contact the WSU energy program, the Department of Revenue, and the Employment Security Department immediately after passage of the bill to ensure data collection methods were implemented to gather various data and detail required for its 2019 report. JLARC staff would also work with these agencies to establish a 2015 baseline from which to evaluate performance of the incentive. Also, JLARC would identify and review other data sources mentioned in the bill such as a relevant trade association and nationally ranked report to ensure the detail is available and collected. JLARC staff would ensure that the data necessary to conduct the 2019 review is annually collected.

The tax preference review may require additional resources. The audit will be conducted and presented to JLARC consistent with the processes used for other tax preference reviews in 2019. JLARC will assess all of the tax preference reviews mandated in the 2017 legislative session. Based on all tax preference legislation that is passed, JLARC may subsequently determine that it can absorb the costs for this proposed bill in its base budget, if the workload of other enacted tax preference legislation does not exceed current staffing.

This audit will require an estimated 4 audit months.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst's time for a month, together with related administrative, support, and goods/services costs. JLARC's anticipated 2017-19 costs are calculated at approximately \$16,000 per audit month.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

| | FY 2018 | FY 2019 | 2017-19 | 2019-21 | 2021-23 |
|--------------------------------------|---------|----------|----------|---------|---------|
| FTE Staff Years | 0.1 | 0.3 | 0.2 | | |
| A-Salaries and Wages | 6,400 | 29,800 | 36,200 | 2,100 | |
| B-Employee Benefits | 2,000 | 9,500 | 11,500 | 700 | |
| C-Professional Service Contracts | | | | | |
| E-Goods and Other Services | 1,100 | 5,000 | 6,100 | 400 | |
| G-Travel | 100 | 500 | 600 | | |
| 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: | \$9,600 | \$44,800 | \$54,400 | \$3,200 | \$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 2018 | FY 2019 | 2017-19 | 2019-21 | 2021-23 |
|--------------------|---------|---------|---------|---------|---------|---------|
| Research Analyst | 95,283 | 0.1 | 0.2 | 0.2 | | |
| Support staff | 65,053 | | 0.1 | 0.1 | | |
| Total FTE's | 160,336 | 0.1 | 0.3 | 0.2 | | 0.0 |

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.

Individual State Agency Fiscal Note

| | | |
|-----------------------------|--|---|
| Bill Number: 1048 HB | Title: Renewable energy promotion | Agency: 100-Office of Attorney General |
|-----------------------------|--|---|

Part I: Estimates

☒ No Fiscal Impact

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: Nikkole Hughes | Phone: 360-786-7156 | Date: 01/05/2017 |
| Agency Preparation: Cam Comfort | Phone: (360) 664-9429 | Date: 01/10/2017 |
| Agency Approval: Deborah Feinstein | Phone: 360-586-3003 | Date: 01/10/2017 |
| OFM Review: Gwen Stamey | Phone: (360) 902-9810 | Date: 01/11/2017 |

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.

No fiscal impact. This legislation is not expected to generate any costs or savings for the Attorney General's Office (AGO).

The AGO completed an analysis for legal services and fiscal impact from the most likely state agencies.

The AGO's Ecology Division has reviewed this bill and determined it will not increase or decrease the division's workload in representing the Department of Ecology. This level of legal services is nominal and costs are not included in this request. Section 9 of this bill is very closely modeled on the Mercury-Containing Lights Stewardship Law (RCW 70.275), except that it's for solar modules. Based on its experience with the Mercury-Containing Lights Stewardship Law, the division expects that any need for legal services will be negligible.

The AGO's Revenue and Finance Division (REV) has reviewed this bill and determined it will not increase or decrease the division's workload in representing the Department of Revenue (DOR). This bill may generate a request for review of two DOR rules, but that review should cumulatively take less than 20 hours of time. DOR and the AGO REV division anticipate that this bill will not generate any need for litigation services.

The AGO's Washington State University Division (WSU) has reviewed this bill and determined it will not increase or decrease the division's workload in representing Washington State University. Although this bill includes many new administrative duties for the Washington State University Extension Energy Program, it does not appear particularly complex, legally. The AGO WSU division will provide any additional legal services within existing resources and staffing.

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.

None.

Part III: Expenditure Detail

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.

None.

Individual State Agency Fiscal Note

| | | |
|-----------------------------|--|---|
| Bill Number: 1048 HB | Title: Renewable energy promotion | Agency: 103-Department of Commerce |
|-----------------------------|--|---|

Part I: Estimates

☐

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

| | FY 2018 | FY 2019 | 2017-19 | 2019-21 | 2021-23 |
|--------------------------|---------|---------|---------|---------|---------|
| Account | | | | | |
| General Fund-State 001-1 | 16,905 | 0 | 16,905 | 0 | 0 |
| Total \$ | 16,905 | 0 | 16,905 | 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.

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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: Nikkole Hughes | Phone: 360-786-7156 | Date: 01/05/2017 |
| Agency Preparation: Glenn Blackmon | Phone: 360-725-3115 | Date: 01/11/2017 |
| Agency Approval: Michael Furze | Phone: 360-725-2962 | Date: 01/11/2017 |
| OFM Review: Shane Hamlin | Phone: (360) 902-0547 | Date: 01/12/2017 |

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.

Section 7(16) requires the Department of Commerce to provide assistance to the Washington State University Extension Energy Program in the development of technical specifications and guidelines to ensure consistent and predicable determinations on the eligibility of renewable energy systems for bonus rates established under subsection 7(12).

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)

ASSUMPTIONS: The department 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, beginning in July, 2017, to develop technical specifications and guidelines.

FTE Salaries and Benefits:

The department estimates 0.1 FTE (200 hours) Senior Energy Policy Specialist in FY18 to consult with and assist the Washington State University Extension Energy Program in the development of technical specifications and guidelines to ensure consistent and predicable determinations of the eligibility of renewable energy systems for bonus rates.

FY18: \$13,278

Goods and Other Services (G&S):

FY18: \$3,627

-- Standard G&S \$2,903

-- Space and utilities \$724

Summary of the Estimated Costs:

FY18: \$16,905

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

| | FY 2018 | FY 2019 | 2017-19 | 2019-21 | 2021-23 |
|--------------------------------------|----------|---------|----------|---------|---------|
| FTE Staff Years | | | | | |
| A-Salaries and Wages | 10,160 | | 10,160 | | |
| B-Employee Benefits | 3,118 | | 3,118 | | |
| C-Professional Service Contracts | | | | | |
| E-Goods and Other Services | 3,627 | | 3,627 | | |
| 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: | \$16,905 | \$0 | \$16,905 | \$0 | \$0 |

III. C - Expenditures By Program (optional)

| Program | FY 2018 | FY 2019 | 2017-19 | 2019-21 | 2021-23 |
|--|---------|---------|---------|---------|---------|
| Agency Administration (Indirect) (100) | 2,818 | | 2,818 | | |
| Energy Division (500) | 14,087 | | 14,087 | | |
| Total \$ | 16,905 | | 16,905 | | |

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: 1048 HB | Title: Renewable energy promotion | Agency: 140-Department of Revenue |
|-----------------------------|--|--|

Part I: Estimates



No Fiscal Impact

Estimated Cash Receipts to:

| Account | FY 2018 | FY 2019 | 2017-19 | 2019-21 | 2021-23 |
|---|-------------|--------------|--------------|--------------|--------------|
| GF-STATE-State 01 - Taxes 01 - Retail Sales Tax | 3,908,000 | 199,000 | 4,107,000 | 120,000 | |
| GF-STATE-State 01 - Taxes 35 - Public Utilities Tax | (7,092,000) | (11,985,000) | (19,077,000) | (33,235,000) | (37,866,000) |
| Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax | 6,000 | | 6,000 | | |
| Total \$ | (3,178,000) | (11,786,000) | (14,964,000) | (33,115,000) | (37,866,000) |

Estimated Expenditures from:

| | FY 2018 | FY 2019 | 2017-19 | 2019-21 | 2021-23 |
|----------------------|---------|---------|---------|---------|---------|
| FTE Staff Years | 0.2 | | 0.1 | | |
| Account | | | | | |
| GF-STATE-State 001-1 | 14,800 | | 14,800 | | |
| Total \$ | 14,800 | | 14,800 | | |

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>

Request # 1048-4-4

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: | Nikkole Hughes | Phone: 360-786-7156 | Date: 01/05/2017 |
| Agency Preparation: | Marianne McIntosh | Phone: 360-534-1505 | Date: 03/07/2017 |
| Agency Approval: | Don Gutmann | Phone: 360-534-1510 | Date: 03/07/2017 |
| OFM Review: | Kathy Cody | Phone: (360) 902-9822 | Date: 03/07/2017 |

Request # 1048-4-4

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 a revision to the revenue impacts, and supersedes fiscal note number 1048-3.

Note: This fiscal note reflects language in HB 1048, 2017 Legislative Session, and only addresses the sections of the bill that impact the Department of Revenue (Department).

- End applications to the existing renewable energy cost recovery incentive program and incentives paid under the existing renewable energy cost recovery incentive program on June 30, 2017. All responsibilities for administering the existing program are transferred from the Department to the Washington State University Energy Extension Program (WSU), beginning July 1, 2017. Participants of the existing program must apply to WSU for a certification to continue receiving incentives through June 30, 2020, at the rates provided when qualifying systems were first certified under the existing program.

- Create a new incentive program allowing WSU to certify, beginning July 1, 2017, and ending June 30, 2021, new participants to receive 8 years of annual incentive payments. For systems certified in Fiscal Year 2018, base rates for incentive payments are \$0.16 per kilowatt-hour (kW-hr) for residential-scale systems, \$0.06 per kW-hr for commercial-scale systems, \$0.16 kW-hr for community solar systems, and a bonus rate of \$0.08 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 credit is expanded to include any fees paid by the utility to WSU to collect electricity production data from the utility or its customers. 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. The right to earn credits is extended to June 30, 2029 (credits may not be claimed after June 30, 2030.)

- 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, 2017, 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.

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(PUT) 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.

- Due to utilities prorating the incentive rates under the existing program, the current law rates are discounted by 24.6% based on a weighted average percentage of the kW installed by the utilities and the total credit taken in FY 2016.
- The estimate reflects per utility caps on tax credits for current and proposed law.
- The estimate does not reflect the caps on the annual incentive payments for the residential-scale and commercial-scale systems and community solar projects.
- The per utility PUT cap is increased under this proposal. This allows utilities who met the cap under current law and reduced incentive rates for all systems to resume paying the original incentive rates for systems installed prior to June 30, 2017. This increases the credit amount.
- Participants who received reduced rates may receive a one-time payment to make up for lost incentive payments. The Department does not have the data necessary to determine the fiscal impact of these payments and therefore they are not included in the fiscal note.
- Estimate is based on utility participation as of September 30, 2016. Additional utility participation may increase costs.
- 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 116 MW by the end of Fiscal Year 2021.
- Growth rate mirrors Economic Revenue and Forecast Council's November 2016 forecast for the electric power sales public utility tax.
- Fees paid by the utilities to WSU to collect electricity production data are optional and therefore are not included in the public utility tax credit calculation. It is assumed fees will be minimal and not affect the new caps.
- 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 - 2016 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, 2017, a utility is allowed a credit equal to incentive payments made in any fiscal year under section 4 and 7.

Projected costs increase due to prorated rates returning to full rate and savings from expiring applications to participate in the legacy solar incentive program as of June 30, 2017 (cash basis, \$000):

| | |
|---------------|--------|
| FY 2018 - (\$ | 1,657) |
| FY 2019 - (\$ | 244) |
| FY 2020 - \$ | 1,122 |
| FY 2021 - \$ | 1,615 |
| FY 2022 - \$ | 0 |
| FY 2022 - \$ | 0 |

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

FY 2018 - (\$ 5,435)
FY 2019 - (\$ 9,052)
FY 2020 - (\$ 7,985)
FY 2021 - (\$ 6,970)
FY 2022 - (\$ 0)
FY 2023 - (\$ 0)

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

FY 2018 - \$ 0
FY 2019 - (\$ 2,689)
FY 2020 - (\$ 7,962)
FY 2021 - (\$ 13,055)
FY 2022 - (\$ 17,810)
FY 2023 - (\$ 20,056)

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

FY 2018 - (\$ 7,092)
FY 2019 - (\$ 11,985)
FY 2020 - (\$ 14,825)
FY 2021 - (\$ 18,410)
FY 2022 - (\$ 17,810)
FY 2023 - (\$ 20,056)

Retail Sales Tax

Repeal of Sales Tax Exemption for solar installations effective June 30, 2017 (cash basis, \$000):

FY 2018 - \$ 3,908
FY 2019 - \$ 199
FY 2020 - \$ 120
FY 2021 - \$ 0
FY 2022 - \$ 0
FY 2022 - \$ 0

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2018 - (\$ 3,178)
FY 2019 - (\$ 11,786)
FY 2020 - (\$ 14,705)
FY 2021 - (\$ 18,410)
FY 2022 - (\$ 17,810)
FY 2023 - (\$ 20,056)

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

FY 2018 - \$ 1,527
FY 2019 - \$ 77
FY 2020 - \$ 47
FY 2021 - \$ 0
FY 2022 - \$ 0
FY 2023 - \$ 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:

- 60 taxpayers will be affected by this legislation.
- The Department will transfer the certification process to Washington State University (WSU) Energy Program. WSU Energy Program will implement and process the new program.
- 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.
- A taxpayer claiming this new tax preference must file an annual survey (RCW 82.32.808).
- The Department will absorb the cost of filing and reviewing the annual survey.

FIRST YEAR COSTS:

The Department will incur total costs of \$14,800 in Fiscal Year 2018. These costs include:

Labor Costs - Time and effort equates to 0.2 FTE.

- Amend three administrative rules. Due to the efficiency of amending rules simultaneously expenditures reflect the cost of two amendments.

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 2018 | FY 2019 | 2017-19 | 2019-21 | 2021-23 |
|----------------------------|-----------------|---------|-----------------|---------|---------|
| FTE Staff Years | 0.2 | | 0.1 | | |
| A-Salaries and Wages | 9,500 | | 9,500 | | |
| B-Employee Benefits | 2,800 | | 2,800 | | |
| E-Goods and Other Services | 1,600 | | 1,600 | | |
| J-Capital Outlays | 900 | | 900 | | |
| Total \$ | \$14,800 | | \$14,800 | | |

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 2018 | FY 2019 | 2017-19 | 2019-21 | 2021-23 |
|--------------------|----------------|------------|---------|------------|---------|---------|
| ADM ASST 5 | 49,308 | 0.0 | | 0.0 | | |
| EMS BAND 4 | 108,926 | 0.0 | | 0.0 | | |
| EMS BAND 5 | 127,250 | 0.0 | | 0.0 | | |
| HEARINGS SCHEDULER | 34,284 | 0.0 | | 0.0 | | |
| TAX POLICY SP 2 | 64,620 | 0.0 | | 0.0 | | |
| TAX POLICY SP 3 | 73,140 | 0.1 | | 0.0 | | |
| TAX POLICY SP 4 | 78,732 | 0.0 | | 0.0 | | |
| Total FTE's | 536,260 | 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.

Should this legislation become law, the Department will use the standard rule-making process to amend WAC 458-20-273, titled: "Renewable energy system cost recovery". The Department will use the expedited process to amend WAC 458-20-263, titled: "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, titled: "Annual surveys for certain tax adjustments". 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.

Individual State Agency Fiscal Note

| | | |
|-----------------------------|--|--|
| Bill Number: 1048 HB | Title: Renewable energy promotion | Agency: 365-Washington State University |
|-----------------------------|--|--|

Part I: Estimates

☐

No Fiscal Impact

Estimated Cash Receipts to:

| ACCOUNT | FY 2018 | FY 2019 | 2017-19 | 2019-21 | 2021-23 |
|---|---------|---------|---------|-----------|---------|
| Institutions of Higher Education - Dedicated Local Account-Non-Appropriated 148-6 | 271,000 | 343,000 | 614,000 | 1,350,000 | |
| Total \$ | 271,000 | 343,000 | 614,000 | 1,350,000 | |

Estimated Expenditures from:

| | FY 2018 | FY 2019 | 2017-19 | 2019-21 | 2021-23 |
|--|---------|---------|-----------|---------|---------|
| FTE Staff Years | 2.6 | 1.6 | 2.1 | 1.6 | 0.7 |
| Account | | | | | |
| Institutions of Higher Education - Dedicated Local Account-Non-Appropriated 148-6 | 604,000 | 431,000 | 1,035,000 | 862,000 | 273,000 |
| Total \$ | 604,000 | 431,000 | 1,035,000 | 862,000 | 273,000 |

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.

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: Nikkole Hughes | Phone: 360-786-7156 | Date: 01/05/2017 |
| Agency Preparation: Chris Jones | Phone: 509-335-9682 | Date: 01/17/2017 |
| Agency Approval: Kelley Westhoff | Phone: 5093350907 | Date: 01/17/2017 |
| OFM Review: Breann Boggs | Phone: (360) 902-0563 | Date: 01/18/2017 |

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.

Section 3 (9) of HB 1048 ends the current investment cost recovery incentive program for renewable energy systems as of June 30, 2017 and Section 3 (10) transfers the program management, technical review, and tracking responsibilities of the program's existing participants from the Department of Revenue to the WSU Energy Program as of July 1, 2017.

Section 7 (1) allows eligible persons to apply to the WSU Energy Program for certification to receive energy production incentives under a newly created program. Section 7 (10) states that the certification is valid for eight years.

Section 7 (26) states that the WSU Energy Program may collect a one-time fee per applicant of \$100 to cover the programs established in RCW 82.316.120 and Sections 4, 7, and 8 of the bill.

Section 7 (5) states that the WSU Energy Program must establish a fee-for service system to accept electricity production data from the utility or the customer.

Section 7 (17) states that the WSU Energy Program may assess an equipment certification fee to recover the costs of determining a manufacturer's eligibility of the bonus rate described in Section 7 (12).

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 \$100 per applicant to the new program in Section 7 (26). The estimated number of new participants by fiscal year are:

FY18: 2,714
FY19: 3,429
FY20: 6,500
FY21: 7,000

A second potential revenue stream in Section 7 (5), which requires the WSU Energy Program to establish a fee-for-service system to accept electricity production data from the utility or the customer. This fee-for-service is dependent upon whether or not the utility decides to report electronically, by mail, or via reports from individual program participants. If the utility decides to report by mail or via individual participant responses, then the fee-for-service arrangement must be negotiated with the WSU Energy Program. WSU's current assumption is that the fee-for-service arrangement will not be required by the utilities, therefore no receipts or expenditures are estimated for Section 7 (5).

A third potential revenue stream is associated with Section 7 (17) concerning responsibilities in certifying equipment as made in Washington. The WSU Energy Program is not required to develop a fee and does not anticipate significant activity related to this section.

Section 7 (26) requires the fee revenue to be deposited into the State General Fund.

Section 7 (25) states that no certification may be issued after June 30, 2021; therefore, the WSU Energy Program does not anticipate collecting additional fee revenue for the incentive program beyond fiscal year 2021.

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.

HB 1048 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. Under the current program, the WSU Energy Office provides technical assistance to the Department of Revenue, but will assume all responsibilities for program development and management under HB 1048. Also, 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

One-time costs associated with startup activities: \$173,000 and 1.0 FTE in FY 2018

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

Recurring costs associated with ongoing activities: \$431,000 and 1.6 FTE through FY 2021, \$273,000 and 1.4 FTE in FY 2022 as program begins to close out

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

| | FY 2018 | FY 2019 | 2017-19 | 2019-21 | 2021-23 |
|--------------------------------------|------------------|------------------|--------------------|------------------|------------------|
| FTE Staff Years | 2.6 | 1.6 | 2.1 | 1.6 | 0.7 |
| A-Salaries and Wages | 168,000 | 97,000 | 265,000 | 194,000 | 90,000 |
| B-Employee Benefits | 96,000 | 57,000 | 153,000 | 114,000 | 53,000 |
| C-Professional Service Contracts | | | | | |
| E-Goods and Other Services | 333,000 | 270,000 | 603,000 | 540,000 | 125,000 |
| G-Travel | 7,000 | 7,000 | 14,000 | 14,000 | 5,000 |
| 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: | \$604,000 | \$431,000 | \$1,035,000 | \$862,000 | \$273,000 |

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 2018 | FY 2019 | 2017-19 | 2019-21 | 2021-23 |
|-----------------------------|----------------|------------|------------|------------|------------|------------|
| Application Systems Analyst | 73,000 | 0.6 | 0.4 | 0.5 | 0.4 | 0.2 |
| Energy Professional | 43,000 | 0.6 | 0.4 | 0.5 | 0.4 | 0.2 |
| Energy Program Coordinator | 63,000 | 1.0 | 0.6 | 0.8 | 0.6 | 0.3 |
| Manager | 123,000 | 0.2 | 0.1 | 0.2 | 0.1 | 0.1 |
| Senior Project Manager | 87,000 | 0.2 | 0.1 | 0.2 | 0.1 | 0.1 |
| Total FTE's | 389,000 | 2.6 | 1.6 | 2.1 | 1.6 | 0.7 |

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.

Individual State Agency Fiscal Note

| | | |
|-----------------------------|--|--|
| Bill Number: 1048 HB | Title: Renewable energy promotion | Agency: 461-Department of Ecology |
|-----------------------------|--|--|

Part I: Estimates

☐

No Fiscal Impact

Estimated Cash Receipts to:

| ACCOUNT | FY 2018 | FY 2019 | 2017-19 | 2019-21 | 2021-23 |
|--|---------|---------|---------|---------|---------|
| SOLAR MODULE RECYCLING ACCOUNT-Non-Appropriated NEW- 6 | 40,775 | 35,491 | 76,266 | 84,183 | 11,934 |
| Total \$ | 40,775 | 35,491 | 76,266 | 84,183 | 11,934 |

Estimated Expenditures from:

| | FY 2018 | FY 2019 | 2017-19 | 2019-21 | 2021-23 |
|---|---------|---------|---------|---------|---------|
| FTE Staff Years | 0.3 | 0.4 | 0.3 | 0.4 | 0.1 |
| Account | | | | | |
| SOLAR MODULE RECYCLING ACCOUNT-Non-Appropriated NEW-6 | 40,775 | 35,491 | 76,266 | 84,183 | 11,934 |
| Total \$ | 40,775 | 35,491 | 76,266 | 84,183 | 11,934 |

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: Nikkole Hughes | Phone: 360-786-7156 | Date: 01/05/2017 |
| Agency Preparation: My-Hanh Mai | Phone: 360-407-6996 | Date: 01/10/2017 |
| Agency Approval: Erik Fairchild | Phone: 360-407-7005 | Date: 01/10/2017 |
| OFM Review: Linda Steinmann | Phone: 360-902-0573 | Date: 01/12/2017 |

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.

HB 1048 relating to renewable energy promotion is essentially the same bill as E2SHB 2346 from the 2016 session, with dates updated. Only section 9 of HB 1048 would have impact on Ecology. (Compared to 2016 E2SHB 2346, the dates in HB 1048 have moved up one year, and the fiscal note assumptions for Ecology are substantially the same as last session's fiscal note, except for updates to the agency standard costs and the number of participating manufacturers.)

Under current law, the Department of Ecology (Ecology) oversees an electronic products recycling system in Washington State, but this does not cover solar panels.

This bill would modify renewable energy system tax incentives and establish a self-directed, manufacturer-funded solar module stewardship and takeback program.

Subsection 9(3) would require Ecology to establish a process to develop guidance for a solar module stewardship and takeback program by January 1, 2018. The guidance development process with manufacturers and stewardship plan guidance, including Ecology's approval process, would have to be completed by January 1, 2019.

Subsection 9(4) would require a product stewardship organization (PSO) who acts as an agent on behalf of a manufacturer to provide Ecology a list of manufacturers and brand names they represent to Ecology.

Subsection 9(5) would require each manufacturer to prepare and submit a stewardship plan to Ecology by January 1, 2020, or within thirty days of their first sale into the state.

Subsection 9(6) would require Ecology to review and approve a stewardship plan submitted by a manufacturer as outlined in the department's guidance.

Subsection 9(7) would require a manufacturer to submit an annual report as outlined in subsection 9(4) and subsection 9(6) to Ecology beginning April 1, 2022, and annually thereafter.

Subsection 9(8) would ban the sale, and the offer for sale of solar modules, in or into the state unless a manufacturer has an approved stewardship plan by Ecology beginning January 1, 2021. It would authorize enforcement authority for Ecology.

Subsection 9(9) would authorize Ecology to collect a flat fee from participating manufacturers to recover costs associated with the plan guidance, review, and approval process described in subsection 9 (3). In addition to the flat fee, Ecology would be authorized to collect an annual fee based on the manufacturer's pro rata share of sales in Washington to cover the department's annual implementation costs.

Subsection 9(10) would create a new solar module recycling account.

Subsection 9(11) would authorize Ecology to adopt rules for the purpose of implementing, administering, and enforcing this bill.

Subsection 9(12) would allow manufacturers to participate in a national program instead of this state program, if Ecology determines that the national program would achieve equivalent environmental outcomes.

Section 16 would provide that this bill would take effect immediately.

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.

Subsection 9(8) would ban the sale and the offer for sale of a solar module in or into the state unless a manufacturer has an approved stewardship plan by Ecology beginning January 1, 2021. It would authorize Ecology enforcement authority. Ecology assumes one manufacturer would be out of compliance, and it would send a written warning to that manufacturer to inform them to submit a plan or participate in a plan within thirty days of the notice.

Subsection 9(8) would also authorize Ecology to assess a penalty of up to ten thousand dollars for each sale of a solar module in or into the state after the initial written warning. No cash receipts are estimated as a result of civil penalties. It is assumed that it is the intent of the bill to provide for penalties in order to ensure compliance.

Subsection 9(9) would authorize Ecology to collect a flat fee from participating manufacturers to recover costs associated with the plan guidance, review, and approval process described in subsection 9(3). Upon consultation with WSU, Ecology assumes seventy solar module manufacturers would participate in the program. The estimated total cost to implement subsection 9(3) is approximately \$41,000 divided by seventy participating manufacturers would result in a one-time flat fee of \$586 for each manufacturer in FY18. Ecology assumes it would recover costs for guidance, review, and the approval process in subsection 9(3) from seventy participating manufacturers in FY18.

In addition to the flat fee, Ecology would be authorized to collect an annual fee based on the manufacturer's pro rata share of sales in Washington to cover the department's annual implementation costs including plan review and approval, enforcement, and rulemaking according to when the costs are incurred. Manufacturers would pay a fee based on their percentage of the total unit market share in the state of Washington. Ecology assumes the annual fee calculation would be calculated by dividing Ecology's administrative costs by seventy manufacturers' pro rata share of the Washington state solar module sales in the most recent preceding calendar year.

Once rulemaking and the first review of the manufacturer's plans were completed by FY 21, annual cash receipts of \$5,967 would offset annual costs for report review and fee calculation and management. In FY 25 and every five years thereafter, approximately \$17,969 is estimated, to offset the estimated cost of the five-year review as required per subsections 9(3), 9(5) and 9(6).

Subsection 9(10) would create a new solar module recycling account. Ecology would collect these fees and deposit them in the new account.

Section 16 would provide that this bill would take effect immediately.

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.

Subsection 9(3) would require Ecology to establish a process to develop guidance for a solar module stewardship

and takeback program by January 1, 2018. The process would be fully implemented and stewardship plan guidance completed by January 1, 2019. Ecology assumes establishing a successful process would require four stakeholder meetings including but not limited to manufacturers, PSOs, and WSU. Ecology estimates for FY18 0.20 FTE of an Environmental Specialist 5 (ES-5) would be required to research, develop, and write guidance, in addition to a one-time \$12,000 cost to hire a professional facilitator to run the stakeholder meetings. Ecology assumes this process would lay significant groundwork and make for a quick rulemaking process.

Subsection 9(4) would require a product stewardship organization (PSO) who acts as an agent on behalf of a manufacturer to provide a list of manufacturers and brand names to Ecology. Ecology assumes submittals from the PSOs would occur between January 2019 and January 2020 after the guidance would be complete and before the stewardship plans would be due to Ecology by January 1, 2020. Ecology assumes it would need to track this information for purposes of administering this program. Developing a simple spreadsheet could be accomplished within existing resources.

Subsection 9(5) would require each manufacturer to prepare and submit a stewardship plan to Ecology by January 1, 2020, or within thirty days of first sale into the state. Ecology assumes stewardship plans would be updated once every five years and that this would be written in the guidance.

Subsection 9(6) would require Ecology to review and approve a stewardship plan submitted by a manufacturer as outlined in the department's guidelines. Stewardship plans are due to Ecology by January 1, 2020. Ecology assumes two stewardship plans would be submitted to Ecology by January 2020. Ecology estimates 0.10 FTE of an ES-5 would be required to review and approve the manufacturer's plans in FY20 and once every five years thereafter.

Subsection 9(7) would require a manufacturer to submit an annual report as outlined in subsections (5)(7) to Ecology beginning April 1, 2022 and annually thereafter. Ecology assumes two annual reports would be submitted to Ecology for review and comment beginning in FY22 and annually thereafter. Assuming the guidance established under section 2 would specify the contents of the annual report, this would be a simple review and could be done with 0.01 FTE of an ES-5 in FY22 and annually thereafter.

Subsection 9(8) would ban the sale or offer for sale of solar modules in or into the state unless a manufacturer has an approved stewardship plan by Ecology beginning January 1, 2021. It would authorize Ecology enforcement authority. Ecology assumes one manufacturer would be out of compliance, and it would send a written warning to that manufacturer to inform them to submit a plan or participate in a plan within thirty days of the notice. Ecology estimates 0.01 FTE of an ES-5 would be required to work with this manufacturer and bring them into compliance in FY21. Ecology assumes any enforcement thereafter would be complaint-driven. Any significant cost incurred for that purpose would be charged to the new solar module recycling account.

Subsection 9(9) would authorize Ecology to collect a flat fee from participating manufacturers to recover costs associated with the plan guidance, review, and approval process described in subsection 9(3). In addition to the flat fee, Ecology would be authorized to collect an annual fee based on the manufacturer's pro rata share to cover the department's annual implementation costs. Ecology estimates it would require 0.05 FTE of an Environmental Specialist 3 to calculate fees, send bills, collect and track payments starting in FY18, and annually thereafter.

Ecology assumes it would recover costs for guidance, review, and approval process in subsection 9(3) from seventy participating manufacturers in FY18. Ecology further assumes it would collect an annual fee to recover Ecology's costs for plan review and approval, enforcement, and rulemaking in FY19 – FY21.

Subsection 9(11) would authorize Ecology to adopt rules for the purpose of implementing, administering, and enforcing this chapter. Upon consultation with the Attorney General's Office, rules are required for enforcement. Ecology assumes 0.25 FTE ES-5, and 0.25 FTE of an Economic Analyst 3 (EA-3) would be required for rulemaking from January 2019 through June 2020 (0.125 ES-5, 0.125 EA-3 FY19, and 0.25 ES-5, 0.25 EA-3 FY20).

Subsection 9(12) would allow manufacturers to participate in a national program instead of this state program, if Ecology determines that program will achieve equivalent environmental outcomes. The Solar Energy Industries Association is advertising a National Recycling Program, with preferred recycling partners, with special benefits to members of their organization, <http://www.seia.org/seia-national-pv-recycling-program>. Ecology would need to closely examine this program to see if it meets the intent of the state program created by this bill. Ecology estimates no fiscal impact for this provision.

Ecology assumes that the legislative intent is to establish an effective, self-directed solar module collection and recycling program; thus, Ecology would have very limited oversight.

Notes on costs by object:

Salary estimates are current actual rates at step I, the agency average for new hires.

Benefits are the agency average of 36% of salaries.

Professional Service Contracts includes \$12,000 for a facilitator in FY18.

Goods and Services are the agency average of \$3,784 per direct program FTE.

Travel is the agency average of \$2,368 per direct program FTE.

Equipment is the agency average of \$868 per direct program FTE.

Agency Administrative Overhead is calculated at the federally approved agency indirect rate of 28.6% of direct program salaries and benefits, and is shown as object 9. Agency Administrative Overhead FTEs are included at 0.15 FTE per direct program FTE, and are identified as Fiscal Analyst 2 and IT Specialist 2.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

| | FY 2018 | FY 2019 | 2017-19 | 2019-21 | 2021-23 |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| FTE Staff Years | 0.3 | 0.4 | 0.3 | 0.4 | 0.1 |
| A-Salaries and Wages | 15,449 | 19,089 | 34,538 | 45,284 | 6,342 |
| B-Employee Benefits | 5,562 | 6,872 | 12,434 | 16,303 | 2,284 |
| C-Professional Service Contracts | 12,000 | | 12,000 | | |
| E-Goods and Other Services | 946 | 1,135 | 2,081 | 2,686 | 454 |
| G-Travel | 592 | 710 | 1,302 | 1,681 | 284 |
| J-Capital Outlays | 217 | 261 | 478 | 616 | 104 |
| 9-Agency Administrative Overhead | 6,009 | 7,424 | 13,433 | 17,613 | 2,466 |
| Total: | \$40,775 | \$35,491 | \$76,266 | \$84,183 | \$11,934 |

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 2018 | FY 2019 | 2017-19 | 2019-21 | 2021-23 |
|-------------------------------|---------|---------|---------|---------|---------|---------|
| ECONOMIC ANALYST 3 | 67,884 | | 0.1 | 0.1 | 0.1 | |
| ENVIRONMENTAL SPECIALIST | 50,496 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| 3 ENVIRONMENTAL SPECIALIST | 64,620 | 0.2 | 0.1 | 0.2 | 0.2 | 0.0 |
| 5 FISCAL ANALYST 2 | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| IT SPECIALIST 2 | | 0.0 | 0.0 | 0.0 | 0.0 | |
| Total FTE's | 183,000 | 0.3 | 0.4 | 0.3 | 0.4 | 0.1 |

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.

Subsection 9(11) would authorize Ecology to adopt rules for the purpose of implementing, administering, and enforcing this chapter. Based upon consultation with the Attorney General's Office, we assume rules would be required for enforcement.

LOCAL GOVERNMENT FISCAL NOTE

Revised

Department of Commerce

| | |
|-----------------------------|--|
| Bill Number: 1048 HB | Title: Renewable energy promotion |
|-----------------------------|--|

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

Legislation Impacts:

- ☒ Cities: One-time cost to apply for incentive program; indeterminate revenue for cities who qualify for incentive program
- ☒ Counties: Same as above
- ☒ Special Districts: Same as above
- ☒ Specific jurisdictions only: PUDs would receive additional revenue from sales tax exemptions from the purchase of machinery and equipment used in select solar energy systems; decreased administrative costs associated with calculating the cost recovery investment payment by
- ☒ 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: \$100 fee for local jurisdictions choosing to apply for incentive program
- ☒ Legislation provides local option: Local jurisdictions may choose to invest in renewable energy production and apply for the incentive program; PUDs may determine how to assess and remit the fee charged for the electricity production data; bonus rate for made-in-Washington renewable energy production equipment
- ☒ Key variables cannot be estimated with certainty at this time: Number of new or expanded renewable energy systems; number of made-in-Washington renewable energy production equipment and their production rates

Estimated revenue impacts to:

| |
|----------------------|
| Indeterminate Impact |
|----------------------|

Estimated expenditure impacts to:

| |
|----------------------|
| Indeterminate Impact |
|----------------------|

Part III: Preparation and Approval

| | | |
|--|-----------------------|------------------|
| Fiscal Note Analyst: Renee Martine-Tebow | Phone: 360-725-5045 | Date: 04/03/2017 |
| Leg. Committee Contact: Nikkole Hughes | Phone: 360-786-7156 | Date: 01/05/2017 |
| Agency Approval: Steve Salmi | Phone: (360) 725 5034 | Date: 04/03/2017 |
| OFM Review: Breann Boggs | Phone: (360) 902-0563 | Date: 04/03/2017 |

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 bill would modify the renewable energy tax system to include local renewable energy incentives.

Sec. 1 states the Legislature's intention to provide an incentive sufficient to promote installation of renewable energy systems through 2021.

Sec. 2 requires all recipients of the tax credits or incentive payments to provide data requested by the Washington State University (WSU) Extension Energy Program.

Sec. 3 removes the provision requiring utilities to proportionally reduce incentive payments if requests for the investment cost recovery incentive exceed the amount of funds available for credit. The last date that local governments may apply for the investment cost recovery incentive payment is June 30, 2017.

Sec. 4 authorizes WSU to administer certifications to existing customers. Existing customers may authorize WSU to remit a one-time investment cost recovery payment to recover amounts not paid due to proportional reductions by utilities. Applicants for certification of the public utility tax credit (PUT) must be notified by WSU that certification is voided as of June 30, 2017, if the applicant fails to provide data by that date.

Sec. 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. Incentive payments for electricity produced by commercial-scale systems may only account for up to 25 percent of the allowable credit. The amount of tax credits taken is not considered confidential taxpayer information. This section also states PUT credits expire June 30, 2029. Credits may not be claimed after June 30, 2029.

Sec. 6 adds a new section to chapter 82. 16 RCW to define terms applied to sections 6, 7 and 8.

Sec. 7 states utilities are not liable for incentive payments to customers who have violated their customer service agreement. Utility participation is voluntary and must be elected in writing to the WSU Extension Energy Program. Tax incentives for commercial-scale systems are limited to \$25,000. 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 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. The amount a residential system or community solar project may receive in incentive payments is limited to \$5,000. A one-time fee of \$100 may be collected by WSU for applications for certification. Utilities may determine how to assess and remit the fee charged by WSU for its electricity production data system. Certification is valid for seven years either from the date the system commences operation or is certified, whichever is later. WSU must define when a renewable energy system commences operation and provide notice of such date to the recipient and the utility serving the situs of the system. The base rates for residential-scale and community solar systems are increased, as is the made in Washington bonus in years 2018 through 2021. If a utility opts to report data either by mail or by requiring program participants to report individually, it must negotiate the fee-for-service arrangement with WSU.

Sec. 8 allows a public utility district (PUD) engaged in distributing electricity to more than one retail electric customer and a joint operating agency organized on or before January 1, 2017, may enter into an agreement to construct and own a community solar project. The project must be constructed on property that is owned by a joint operating agency or on property that receives electric service from a participating public utility district. Project participants must be customers of at least one public utility district that is a party to the agreement with a joint operating agency.

Sections 9 through 12 sets expiration dates for retail sales and use tax exemptions provided for the purchase and use of machinery and equipment used to generate electricity using solar energy, or for labor and services rendered to install such machinery and equipment.

Sec. 13 amends RCW 82.12.963 to state the exemption does not apply to machinery and equipment used directly in the generation of electricity using solar energy and capable of generating no more than 500 kilowatts or to sales of or charges made for labor and services rendered when installing such machinery or equipment, when the occurrence is after June 30, 2017. The exemption also does not apply to any other machinery and equipment used directly in the generation of electricity using solar energy or to sales of or charges made for labor and services rendered when installing such machinery or equipment, when the occurrence is after December 31, 2019.

Sec. 14 requires sellers of solar modules to provide customer-owners with current information regarding the tax incentives available under Washington law, including expiration dates and maximum benefit time periods.

Sections 15 and 16 states this act would take effect immediately.

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.

Local jurisdictions choosing to invest in renewable energy production and applying to receive tax incentives under this legislation would incur a one-time fee of \$100. It is unknown how many local jurisdictions would apply therefore, the cost is indeterminate.

Public utility districts (PUDs) would experience a decrease in administrative costs associated with calculating the cost recovery investment payment. 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.

The bill requires public utilities to report the gross kilowatt hours (kWh) generated annually. PUDS may choose to provide this data by mail, or may require 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. Therefore, costs associated with this data collection are unknown. PUDs would need to negotiate a fee-for-service arrangement with WSU for reporting done by mail or directly by customers.

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.

Exemption of the sales tax in this bill would result in an increase in revenue to local jurisdictions who choose to invest in renewable energy and qualify for incentives, according to the Department of Revenue (DOR). It is unknown how many new local jurisdictions would choose to invest in the ownership of renewable energy systems as a result of this bill.

SALES AND USE TAX REFUND REVENUE IMPACTS:

Qualifying jurisdictions would receive the following incentives before the respective expiration dates of the sales and use tax incentives for solar equipment:

Fiscal year 2018: \$1,440,450

Fiscal year 2019: \$58,410

Fiscal year 2020: \$6,630

NEW RENEWABLE ENERGY INCENTIVE REVENUES:

Local jurisdictions choosing to invest in renewable energy systems who qualify for the incentives, would enjoy the following incentive rates. A renewable energy system with solar modules or wind turbines made in Washington would be eligible for an additional incentive rate added to their base rate. A limit would apply to the amount each participant may receive per year.

| Fiscal year of system certification | Commercial | Community Solar | Made in WA incentive |
|-------------------------------------|------------|-----------------|----------------------|
| 2018 | \$0.06 | \$0.16 | \$0.08 |
| 2019 | \$0.04 | \$0.14 | \$0.07 |
| 2020 | \$0.02 | \$0.12 | \$0.07 |
| 2021 | \$0.02 | \$0.10 | \$0.06 |
| Per year cap | \$25,000 | \$5,000 | |

BACKGROUND:

According to information published by DOR 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. 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

Department of Revenue Renewable Energy Cost Recovery Program

Local Government Fiscal Note program E2SHB 2346 (2016) fiscal note

Washington State University Energy Program Assistant Director



Multiple Agency Ten-Year Analysis Summary

| Bill Number | Title |
|-------------|----------------------------|
| 1048 HB | Renewable energy promotion |

This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

Estimated Cash Receipts

| | Fiscal Year 2018 | Fiscal Year 2019 | Fiscal Year 2020 | Fiscal Year 2021 | Fiscal Year 2022 | Fiscal Year 2023 | Fiscal Year 2024 | Fiscal Year 2025 | Fiscal Year 2026 | Fiscal Year 2027 | 2018-27 TOTAL |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|------------------|
| Joint Legislative Audit and Review Committee | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Office of Attorney General | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Department of Commerce | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Department of Revenue | 3,914,000 | 199,000 | 120,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,233,000 |
| Washington State University Partially Indeterminate Impact | 271,000 | 343,000 | 650,000 | 700,000 | 0 | 0 | 0 | 0 | 0 | 0 | 1,964,000 |
| Department of Ecology | 40,775 | 35,491 | 78,216 | 5,967 | 5,967 | 5,967 | 5,967 | 17,969 | 5,967 | 5,967 | 208,253 |
| Total | 4,225,775 | 577,491 | 848,216 | 705,967 | 5,967 | 5,967 | 5,967 | 17,969 | 5,967 | 5,967 | 6,405,253 |



Ten-Year Analysis

| | | |
|-------------------------------|--|---|
| Bill Number 1048 HB | Title Renewable energy promotion | Agency 014 Joint Legislative Audit and Review Committee |
|-------------------------------|--|---|

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

☒ **No Cash Receipts** ☐ **Partially Indeterminate Cash Receipts** ☐ **Indeterminate Cash Receipts**

| Name of Tax or Fee | Acct Code | | | | | | | | | | | |
|--------------------|-----------|--|--|--|--|--|--|--|--|--|--|--|
|--------------------|-----------|--|--|--|--|--|--|--|--|--|--|--|

| | | |
|-----------------------------------|-----------------------|----------------------------|
| Agency Preparation: Rachel Murata | Phone: 360-786-5293 | Date: 1/10/2017 9:21:45 am |
| Agency Approval: Keenan Konopaski | Phone: 360-786-5187 | Date: 1/10/2017 9:21:45 am |
| OFM Review: Breann Boggs | Phone: (360) 902-0563 | Date: 2/13/2017 2:17:44 pm |



Ten-Year Analysis

| | | |
|-------------------------------|--|---|
| Bill Number 1048 HB | Title Renewable energy promotion | Agency 100 Office of Attorney General |
|-------------------------------|--|---|

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp> .

Estimates

☒ **No Cash Receipts** ☐ **Partially Indeterminate Cash Receipts** ☐ **Indeterminate Cash Receipts**

| | | | | | | | | | | | | |
|--------------------|-----------|--|--|--|--|--|--|--|--|--|--|--|
| Name of Tax or Fee | Acct Code | | | | | | | | | | | |
|--------------------|-----------|--|--|--|--|--|--|--|--|--|--|--|

Narrative Explanation (Required for Indeterminate Cash Receipts)

None.

| | | |
|------------------------------------|-----------------------|----------------------------|
| Agency Preparation: Cam Comfort | Phone: (360) 664-9429 | Date: 1/10/2017 2:46:26 pm |
| Agency Approval: Deborah Feinstein | Phone: 360-586-3003 | Date: 1/10/2017 2:46:26 pm |
| OFM Review: Breann Boggs | Phone: (360) 902-0563 | Date: 2/13/2017 2:17:44 pm |



Ten-Year Analysis

| | | |
|-------------------------------|--|---|
| Bill Number 1048 HB | Title Renewable energy promotion | Agency 103 Department of Commerce |
|-------------------------------|--|---|

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

☒ **No Cash Receipts** ☐ **Partially Indeterminate Cash Receipts** ☐ **Indeterminate Cash Receipts**

| Name of Tax or Fee | Acct Code | | | | | | | | | | | |
|--------------------|-----------|--|--|--|--|--|--|--|--|--|--|--|
|--------------------|-----------|--|--|--|--|--|--|--|--|--|--|--|

Narrative Explanation (Required for Indeterminate Cash Receipts)

This bill does not require the Department of Commerce to collect any new fees or taxes.

| | | |
|------------------------------------|-----------------------|----------------------------|
| Agency Preparation: Glenn Blackmon | Phone: 360-725-3115 | Date: 1/11/2017 1:49:40 pm |
| Agency Approval: Michael Furze | Phone: 360-725-2962 | Date: 1/11/2017 1:49:40 pm |
| OFM Review: Breann Boggs | Phone: (360) 902-0563 | Date: 2/13/2017 2:17:44 pm |



Ten-Year Analysis

| | | |
|--------------------|----------------------------|---------------------------|
| Bill Number | Title | Agency |
| 1048 HB | Renewable energy promotion | 140 Department of Revenue |

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

☐

No Cash Receipts

☐

Partially Indeterminate Cash Receipts

☐

Indeterminate Cash Receipts

Estimated Cash Receipts

| Name of Tax or Fee | Acct Code | Fiscal Year 2018 | Fiscal Year 2019 | Fiscal Year 2020 | Fiscal Year 2021 | Fiscal Year 2022 | Fiscal Year 2023 | Fiscal Year 2024 | Fiscal Year 2025 | Fiscal Year 2026 | Fiscal Year 2027 | 2018-27 TOTAL |
|--------------------|-----------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Retail Sales Tax | 001 | 3,908,000 | 199,000 | 120,000 | | | | | | | | 4,227,000 |
| Retail Sales Tax | 553 | 6,000 | | | | | | | | | | 6,000 |
| | | | | | | | | | | | | |
| Total | | 3,914,000 | 199,000 | 120,000 | | | | | | | | 4,233,000 |

Biennial Totals

4,113,000

120,000

4,233,000

Narrative Explanation (Required for Indeterminate Cash Receipts)

Note: This fiscal note reflects a revision to the revenue impacts, and supersedes fiscal note number 1048-3.

Note: This fiscal note reflects language in HB 1048, 2017 Legislative Session, and only addresses the sections of the bill that impact the Department of Revenue (Department).

- End applications to the existing renewable energy cost recovery incentive program and incentives paid under the existing renewable energy cost recovery incentive program on June 30, 2017. All responsibilities for administering the existing program are transferred from the Department to the Washington State University Energy Extension Program (WSU), beginning July 1, 2017. Participants of the existing program must apply to WSU for a certification to continue receiving incentives through June 30, 2020, at the rates provided when qualifying systems were first certified under the existing program.

- Create a new incentive program allowing WSU to certify, beginning July 1, 2017, and ending June 30, 2021, new participants to receive 8 years of annual incentive payments. For systems certified in Fiscal Year 2018, base rates for incentive payments are \$0.16 per kilowatt-hour (kW-hr) for residential-scale systems, \$0.06 per kW-hr for commercial-scale systems, \$0.16 kW-hr for community solar systems, and a bonus rate of \$0.08 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



Ten-Year Analysis

| Bill Number | Title | Agency |
|-------------|----------------------------|---------------------------|
| 1048 HB | Renewable energy promotion | 140 Department of Revenue |

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

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 credit is expanded to include any fees paid by the utility to WSU to collect electricity production data from the utility or its customers. 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. The right to earn credits is extended to June 30, 2029 (credits may not be claimed after June 30, 2030.)

- 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, 2017, 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.

ASSUMPTIONS

- The Public Utility Tax(PUT) 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.

- Due to utilities prorating the incentive rates under the existing program, the current law rates are discounted by 24.6% based on a weighted average percentage of the kW installed by the utilities and the total credit taken in FY 2016.

- The estimate reflects per utility caps on tax credits for current and proposed law.

- The estimate does not reflect the caps on the annual incentive payments for the residential-scale and commercial-scale systems and community solar projects.

- The per utility PUT cap is increased under this proposal. This allows utilities who met the cap under current law and reduced incentive rates for all systems to resume paying the original incentive rates for systems installed prior to June 30, 2017. This increases the credit amount.

- Participants who received reduced rates may receive a one-time payment to make up for lost incentive payments. The Department does not have the data necessary to determine the fiscal impact of these payments and therefore they are not included in the fiscal note.

- Estimate is based on utility participation as of September 30, 2016. Additional utility participation may increase costs.

- 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 116 MW by the end of Fiscal Year 2021.



Ten-Year Analysis

| Bill Number | Title | Agency |
|-------------|----------------------------|---------------------------|
| 1048 HB | Renewable energy promotion | 140 Department of Revenue |

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

- Growth rate mirrors Economic Revenue and Forecast Council's November 2016 forecast for the electric power sales public utility tax.
- Fees paid by the utilities to WSU to collect electricity production data are optional and therefore are not included in the public utility tax credit calculation. It is assumed fees will be minimal and not affect the new caps.
- 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 - 2016 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, 2017, a utility is allowed a credit equal to incentive payments made in any fiscal year under section 4 and 7.

Projected costs increase due to prorated rates returning to full rate and savings from expiring applications to participate in the legacy solar incentive program as of June 30, 2017 (cash basis, \$000):

FY 2018 - (\$ 1,657)
 FY 2019 - (\$ 244)
 FY 2020 - \$ 1,122
 FY 2021 - \$ 1,615
 FY 2022 - \$ 0
 FY 2022 - \$ 0

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

FY 2018 - (\$ 5,435)
 FY 2019 - (\$ 9,052)
 FY 2020 - (\$ 7,985)
 FY 2021 - (\$ 6,970)
 FY 2022 - (\$ 0)



Ten-Year Analysis

| Bill Number | Title | Agency |
|-------------|----------------------------|---------------------------|
| 1048 HB | Renewable energy promotion | 140 Department of Revenue |

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

FY 2023 - (\$ 0)

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

FY 2018 - \$ 0
FY 2019 - (\$ 2,689)
FY 2020 - (\$ 7,962)
FY 2021 - (\$ 13,055)
FY 2022 - (\$ 17,810)
FY 2023 - (\$ 20,056)

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

FY 2018 - (\$ 7,092)
FY 2019 - (\$ 11,985)
FY 2020 - (\$ 14,825)
FY 2021 - (\$ 18,410)
FY 2022 - (\$ 17,810)
FY 2023 - (\$ 20,056)

Retail Sales Tax

Repeal of Sales Tax Exemption for solar installations effective June 30, 2017 (cash basis, \$000):

FY 2018 - \$ 3,908
FY 2019 - \$ 199
FY 2020 - \$ 120
FY 2021 - \$ 0
FY 2022 - \$ 0
FY 2023 - \$ 0

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2018 - (\$ 3,178)



Ten-Year Analysis

| Bill Number | Title | Agency |
|-------------|----------------------------|---------------------------|
| 1048 HB | Renewable energy promotion | 140 Department of Revenue |

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp> .

Narrative Explanation (Required for Indeterminate Cash Receipts)

| |
|--|
| FY 2019 - (\$ 11,786) |
| FY 2020 - (\$ 14,705) |
| FY 2021 - (\$ 18,410) |
| FY 2022 - (\$ 17,810) |
| FY 2023 - (\$ 20,056) |
| Local Government, if applicable (cash basis, \$000): |
| FY 2018 - \$ 1,527 |
| FY 2019 - \$ 77 |
| FY 2020 - \$ 47 |
| FY 2021 - \$ 0 |
| FY 2022 - \$ 0 |
| FY 2023 - \$ 0 |

| | | |
|---------------------------------------|-----------------------|----------------------------|
| Agency Preparation: Marianne McIntosh | Phone: 360-534-1505 | Date: 3/7/2017 10:23:57 am |
| Agency Approval: Don Gutmann | Phone: 360-534-1510 | Date: 3/7/2017 10:23:57 am |
| OFM Review: Breann Boggs | Phone: (360) 902-0563 | Date: 2/13/2017 2:17:44 pm |



Ten-Year Analysis

| | | |
|-------------------------------|--|--|
| Bill Number 1048 HB | Title Renewable energy promotion | Agency 365 Washington State University |
|-------------------------------|--|--|

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

☐

No Cash Receipts

☒

Partially Indeterminate Cash Receipts

☐

Indeterminate Cash Receipts

Estimated Cash Receipts

| Name of Tax or Fee | Acct Code | Fiscal Year 2018 | Fiscal Year 2019 | Fiscal Year 2020 | Fiscal Year 2021 | Fiscal Year 2022 | Fiscal Year 2023 | Fiscal Year 2024 | Fiscal Year 2025 | Fiscal Year 2026 | Fiscal Year 2027 | 2018-27 TOTAL |
|--------------------|-----------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------|
| Certification Fee | 148 | 271,000 | 343,000 | 650,000 | 700,000 | | | | | | | 1,964,000 |
| Total | | 271,000 | 343,000 | 650,000 | 700,000 | | | | | | | 1,964,000 |
| Biennial Totals | | 614,000 | 1,350,000 | | | | 1,964,000 | | | | | |

Narrative Explanation (Required for Indeterminate Cash Receipts)

The bill has several potential revenue streams attached to it. The primary one is a specified fee of \$100 per applicant to the new program in Section 7 (26). The estimated number of new participants by fiscal year are:

FY18: 2,714
FY19: 3,429
FY20: 6,500
FY21: 7,000

A second potential revenue stream in Section 7 (5), which requires the WSU Energy Program to establish a fee-for-service system to accept electricity production data from the utility or the customer. This fee-for-service is dependent upon whether or not the utility decides to report electronically, by mail, or via reports from individual program participants. If the utility decides to report by mail or via individual participant responses, then the fee-for-service arrangement must be negotiated with the WSU Energy Program. WSU's current assumption is that the fee-for-service arrangement will not be required by the utilities, therefore no receipts or expenditures are estimated for Section 7 (5).

A third potential revenue stream is associated with Section 7 (17) concerning responsibilities in certifying equipment as made in Washington. The WSU Energy Program is not required to develop a fee and does not anticipate significant activity related to this section.



Ten-Year Analysis

| Bill Number | Title | Agency |
|-------------|----------------------------|---------------------------------|
| 1048 HB | Renewable energy promotion | 365 Washington State University |

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

Section 7 (26) requires the fee revenue to be deposited into the State General Fund.

Section 7 (25) states that no certification may be issued after June 30, 2021; therefore, the WSU Energy Program does not anticipate collecting additional fee revenue for the incentive program beyond fiscal year 2021.

| | | |
|----------------------------------|-----------------------|----------------------------|
| Agency Preparation: Chris Jones | Phone: 509-335-9682 | Date: 1/17/2017 4:34:09 pm |
| Agency Approval: Kelley Westhoff | Phone: 5093350907 | Date: 1/17/2017 4:34:09 pm |
| OFM Review: Breann Boggs | Phone: (360) 902-0563 | Date: 2/13/2017 2:17:44 pm |



Ten-Year Analysis

| | | |
|-------------------------------|--|--|
| Bill Number 1048 HB | Title Renewable energy promotion | Agency 461 Department of Ecology |
|-------------------------------|--|--|

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

☐

No Cash Receipts

☐

Partially Indeterminate Cash Receipts

☐

Indeterminate Cash Receipts

Estimated Cash Receipts

| Name of Tax or Fee | Acct Code | Fiscal Year 2018 | Fiscal Year 2019 | Fiscal Year 2020 | Fiscal Year 2021 | Fiscal Year 2022 | Fiscal Year 2023 | Fiscal Year 2024 | Fiscal Year 2025 | Fiscal Year 2026 | Fiscal Year 2027 | 2018-27 TOTAL |
|--------------------------------------|-----------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|
| SOLAR MODULE PRODUCT STEWARDSHIP FEE | NEW | 40,775 | 35,491 | 78,216 | 5,967 | 5,967 | 5,967 | 5,967 | 17,969 | 5,967 | 5,967 | 208,253 |
| Total | | 40,775 | 35,491 | 78,216 | 5,967 | 5,967 | 5,967 | 5,967 | 17,969 | 5,967 | 5,967 | 208,253 |

Biennial Totals

76,266

84,183

11,934

23,936

11,934

208,253

Narrative Explanation (Required for Indeterminate Cash Receipts)

Under current law, the Department of Ecology (Ecology) oversees an electronic products recycling system in Washington State, but this does not cover solar panels.

This bill would modify renewable energy system tax incentives and establish a self-directed, manufacturer- funded solar module stewardship and take-back program.

Subsection 9(9) would authorize Ecology to collect a flat fee from participating manufacturers to recover costs associated with the plan guidance, review, and approval process described in subsection 9(3). Upon consultation with WSU, Ecology assumes seventy solar module manufacturers would participate in the program. The estimated total cost to implement subsection 9(3) is approximately \$41,000 divided by seventy participating manufacturers, which would result in a one-time flat fee of \$586 for each manufacturer in FY18.

In addition to the flat fee, Ecology would be authorized to collect an annual fee based on the manufacturer's pro rata share of sales in Washington to cover the department's annual implementation costs including plan review and approval, enforcement, and rulemaking according to when the costs are incurred. Ecology assumes the annual fee would be calculated by dividing Ecology's administrative costs by seventy manufacturers' pro rata share of the Washington state solar module sales in the most recent preceding calendar year.

Once rulemaking and the first review of the manufacturer's plans were completed by FY 21, annual cash receipts of \$5,967 would offset annual costs for report review and fee calculation and management. In FY 25 and every five years thereafter, approximately \$17,969 is estimated, to offset the estimated cost of the five-year review as



Ten-Year Analysis

| Bill Number | Title | Agency |
|-------------|----------------------------|---------------------------|
| 1048 HB | Renewable energy promotion | 461 Department of Ecology |

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp> .

Narrative Explanation (Required for Indeterminate Cash Receipts)

required per subsections 9(3), 9(5) and 9(6).

| | | |
|---------------------------------|-----------------------|----------------------------|
| Agency Preparation: My-Hanh Mai | Phone: 360-407-6996 | Date: 1/10/2017 4:55:40 pm |
| Agency Approval: Erik Fairchild | Phone: 360-407-7005 | Date: 1/10/2017 4:55:40 pm |
| OFM Review: Breann Boggs | Phone: (360) 902-0563 | Date: 2/13/2017 2:17:44 pm |