CHAPTER 149
[Substitute House Bill No. 1419]
ENERGY—CONSERVATION AND RENEWABLE RESOURCE GENERATION—
RATES—PUBLIC UTILITY TAX EXEMPTION

AN ACT Relating to energy resources; adding a new section to chapter 80.28 RCW; adding a
new section to chapter 82.16 RCW; and creating a new section.

Be it enacted by the Legislature of the State of Washington:

NEW SECTION. Section 1. The legislature finds and declares that the
potential for meeting future energy needs through conservation measures,
including energy conservation loans, energy audits, and the use of renewable
resources, such as solar energy, wind energy, wood, wood waste, municipal
waste, agricultural products and wastes, hydroelectric energy, geothermal
energy, and end-use waste heat, may not be realized without incentives to
public and private energy utilities. The legislature therefore finds and de-
clarers that actions and incentives by state government to promote conserva-
tion and the use of renewable resources would be of great benefit to the
citizens of this state by encouraging efficient energy use and a reliable sup-
ply of energy based upon renewable energy resources.

NEW SECTION. Sec. 2. There is added to chapter 80.28 RCW a new
section to read as follows:

In establishing rates for each gas and electric company regulated by this
chapter, the commission shall adopt policies to encourage meeting or re-
ducing energy demand through cogeneration as defined in RCW 82.35.020,
measures which improve the efficiency of energy end use, and new projects
which produce or generate energy from renewable resources, such as solar
energy, wind energy, hydroelectric energy, geothermal energy, wood, wood
waste, municipal wastes, agricultural products and wastes, and end-use
waste heat. These policies shall include but are not limited to allowing a re-
turn on investment in measures to improve the efficiency of energy end use,
cogeneration, or projects which produce or generate energy from renewable
resources which return is established by adding an increment of two percent
to the rate of return on common equity permitted on the company's other
investment. Measures or projects encouraged under this section are those
for which construction or installation is begun after the effective date of this
act and before January 1, 1990, and which, at the time they are placed in
the rate base, are reasonably expected to save, produce, or generate energy
at a total incremental system cost per unit of energy delivered to end use
which is less than or equal to the incremental system cost per unit of energy
delivered to end use from similarly available conventional energy resources
which utilize nuclear energy or fossil fuels and which the gas or electric
company could acquire to meet energy demand in the same time period.
The rate of return increment shall be allowed for a period not to exceed thirty years after the measure or project is first placed in the rate base.

**NEW SECTION.** Sec. 3. There is added to chapter 82.16 RCW a new section to read as follows:

1. In computing tax under this chapter there shall be deducted from the gross income:
   a. An amount equal to the cost of production at the plant for consumption within the state of Washington of:
      i. Electrical energy produced or generated from cogeneration as defined in RCW 82.35.020; and
      ii. Electrical energy or gas produced or generated from renewable energy resources such as solar energy, wind energy, hydroelectric energy, geothermal energy, wood, wood wastes, municipal wastes, agricultural products and wastes, and end-use waste heat; and
   b. Those amounts expended to improve consumers' efficiency of energy end use or to otherwise reduce the use of electrical energy or gas by the consumer.

2. This section applies only to new facilities for the production or generation of energy from cogeneration or renewable energy resources or measures to improve the efficiency of energy end use on which construction or installation is begun after the effective date of this act and before January 1, 1990.

3. Deductions under subsection 1(a) of this section shall be allowed for a period not to exceed thirty years after the project is placed in operation.

4. Measures or projects encouraged under this section shall at the time they are placed in service be reasonably expected to save, produce, or generate energy at a total incremental system cost per unit of energy delivered to end use which is less than or equal to the incremental system cost per unit of energy delivered to end use from similarly available conventional energy resources which utilize nuclear energy or fossil fuels and which the gas or electric utility could acquire to meet energy demand in the same time period.

5. The department of revenue, after consultation with the utilities and transportation commission in the case of investor-owned utilities and the governing bodies of locally regulated utilities, shall determine the eligibility of individual projects and measures for deductions under this section.

Passed the House March 12, 1980.
Passed the Senate March 12, 1980.
Approved by the Governor April 1, 1980.
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