

Dear Chairman Morris,

Four solar organizations are joining in their responses to the proposed Substitute HB 1301, "Creating clean energy jobs in Washington state through renewable energy incentives", which was circulated by Ms. Vasavada on Wednesday. Three solar installation companies, A & R Solar, Sunergy Systems and Western Solar, and a non-profit organization Community Energy Solutions. Together, we have installed over three megawatts of solar energy in the State and spoken to over a thousand people about the advantages of doing so. Being intimately involved in the solar industry in Washington, we are grateful for your leadership in ensuring that it remains vibrant and that job growth continues.

Our comments below are made with the intention of maintaining three core elements; smooth program continuity, removing risk and uncertainty in the incentive payments, and ensuring adequate credit availability for projects under Phase II.

- 1) Expiration of the Phase I Incentive Payments. Sec 2(1) (a) & Sec. 3(7). We believe that shortening the expiration from 2023 to 2020 will adversely affect current demand, to the detriment of the industry and job creation. One quick result will be that efforts which each of us are undertaking now to generate business will be severely curtailed. To ensure that the industry remains healthy in time for the implementation of Phase II, it is recommended that the expiration be set back to 2023, as was provided in Sec. 3 (10)(b) of the Original Bill.
- 2) Removal of the \$5,000 Incentive Cap. Allowing for greater flexibility in system size by removing the \$5,000 per year incentive cap is welcome, to an extent. We have the distinct sense that "the law of unintended consequences" will occur here. This is because there is nothing currently in the Bill which limits large projects from using up the available credits in Phase II, to the detriment of smaller projects, which are the cornerstone of market demand. Our recommendation is to set an annual incentive cap on Phase II projects at \$20,000. This makes sense, as projects which require a larger payout will be natural contenders for the "green jobs competitive pool".
- 3) Phase II Incentives Payments. It is welcome to see clarification that the incentive payments in Phase II will be made pursuant to ten-year contracts (Sec. 2(2)). We remain concerned however that the "market correction factor" (Sec. 2(10) (b)) will serve to lower the incentive payments of those projects which had been approved in previous years. It is essential that risk and uncertainty be removed wherever possible to ensure healthy demand and job creation. So just has been done for projects awarded incentives through the "green jobs

competitive pool” (Sec. 4(c) (ix) (d)), it is recommended that there be fixed incentive payments for Phase II projects for the entire ten year contract.

4) Phase II Tax Credit Availability. The amount of credits stipulated for Phase II runs the risk of being substantially less than what will be needed to meet demand. Having less funds available will undoubtedly have negative consequences on demand, and hence job creation. We anticipate a slowing down of hiring, and eventual laying off of skilled workers. It is noted that the credits available under the “green jobs competitive pool” is substantially larger than what is available under Phase II. Because the cornerstone of market demand will be in Phase II, this imbalance needs to be addressed; which we see done in two ways. The first would be to ensure that the credit availability matches the current growth rate in demand. We believe that analysis will show that the 2X factor will need to be revised upwards. The second would be to strengthen the mechanisms in place in the Bill to transfer funds when needed from the “green jobs competitive pool” to Phase II. Specifically this can be done by replacing in Sec. 4(6) “...a light and power business may request...” to “...a light and power business shall request...”, and replacing in Sec. 4(8) “...the commission may transfer credits...” to “...the commission must transfer credits...”.

5) Limitation of Total Credit Availability – Percentage of Taxable Power Sales. We applaud the boldness of this Bill, and continuing on the subject of credit availability, believe that now is a good time to revisit the percentage of a utility’s taxable power sales that can be applied towards incentivizing renewable energy. Currently, that percentage is one-half percent (Sec. 3(5)). That percentage had been previously one percent. At the time of the revision (made, I believe, during the 2009 Legislative session) it didn’t really make any difference. But with the changes now being made here, we believe that there is now a clear need to go back to one per cent.

HB1301 has a number of excellent objectives; among them modifying the aging cost recovery incentive program, establishing a fund to develop clean energy manufacturing in Washington, and establishing performance milestones. With the above modifications, we are certain that this Bill can lead to greater job creation in the solar industry in Washington. We would be pleased to be of assistance to your leadership to make that happen.

Finest regards,

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