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September 13, 2016

Citizen Tax Preference Commission
PO Box 40910
Olympia, WA 98504-0910

RE: Customer Generated Power | Public Utility Tax

Thank you for the opportunity to comment on the JLARC preliminary report on the performance of the tax benefit created under RCW 82.16.130. The report appears generally accurate when conveying data related to systems installed and incentives paid but fails to accurately portray how the tax benefit works and who benefits from the incentives.

The summary characterizes the credit as being equal to the amount a utility pays their customers for the power generated. This is not an accurate statement. The amount paid by the utility is equal to the incentive amount, as set by the legislature. This amount is far in excess of what a utility pays for power when adhering to least cost principles.

The characterization of who are direct and indirect beneficiaries under the program is equally inaccurate. Utilities are listed as direct beneficiaries of the policy due to a reduction in the amount of Public Utility Tax paid when, in fact, utilities are simply a “pass through entity” and do not see any reduction in dollars distributed. The utility merely pays incentives to customers rather than a tax to the state; a zero sum activity at best. The incentive is actually an additional cost to the utility, rather than a benefit, because the utility must manage the program to ensure accurate tracking of power generated, distribution of incentives and interact with customers to explain the program and comply with the statute. This is a significant administrative burden on the utility that is paid by all customers, not only participants in the program.

The parties listed in the “Indirect Beneficiaries” section of the report are those who are the direct beneficiaries of the incentives. Participants receive incentive payments annually. Washington state manufacturers are given favor over out of state competitors by the incentive structure and work is created for installers that would not exist absent incentives. These are clearly direct benefits to these groups.

The section addressing “Revenue and Economic Impacts” does not recognize that the incentive program reduces tax revenue collected by the state in favor of a very small number of citizens of the state. With most utilities no longer accepting participants, the conclusion can be easily drawn that the state is foregoing at least $8,000,000 annually for the benefit of less than 20,000 citizens.

Please consider these comments before releasing a final version of this report. These reports are relied upon by legislators and must be as factually correct as possible.

Sincerely,

John Francisco
Chief of Energy Resources
Inland Power and Light