Whatcom County Climate Impact Advisory Committee
322 N. Commercial Street
Bellingham, WA 98225

January 19, 2023

Dear Executive Sidhu and Councilmembers,

We write to recommend that Whatcom County advocate for state legislation that will accelerate the pace of local renewable energy development and to create climate resilience and equity in our energy system. We need to remove the barriers that now limit the use of solar energy to a small minority of Whatcom County residents.

Again and again, we are struck by the urgency of the climate crisis that is unfolding around us versus the snail's pace of our collective public response. Electrification of space and water heating with renewable energy is a major strategy for reducing GHG emissions. However, solar still supplies less than 1% of our current electric power in Washington and other states are far ahead of us.[1] When we contrast this performance with our goal of 45% community reduction of GHGs in Whatcom County by 2030 - *at the present pace we simply won't get there*.

Whatcom County can achieve multiple goals in the Climate Action Plan, including climate resilience, equity, and reduced carbon emissions, by local generation of electricity from solar photovoltaics or wind and battery storage.

Climate resilience, and "resilience" in general in our energy system is achieved by decentralization of electricity generation, creating renewable energy and energy efficiency *locally* through Distributed Energy Resources or DERs. DERs increase the local availability of electricity and decrease our dependence on, and the expense of new, long distance transmission capacity. DERs encompass energy generation, energy storage, and energy management. DERs are often equated with rooftop solar, but they also include community-scale solar, wind, and storage resources. The U.S, Department of Energy[2] and the Washington 2021 State Energy Strategy[3] endorse the rapid deployment of DERs during this decade because the preferred utility-scale option often requires additional transmission, which is expensive and can take a decade or more to permit and build. Rooftop solar can be rapidly deployed, targeted to improve equity, and does not adversely impact agriculture, forestry, or wildlife habitat, which is often a downside of utility-scale facilities.

Rooftop solar, along with local community solar when paired with energy storage, adds resiliency by diversifying our energy system and providing back-up power and security. Widespread adoption

[1] Solar State by State, data current through Q3 2022, seia.org. Washington's percentage of statewide electricity from solar is 0.4%. Washington State ranks 37th nationally in the amount of statewide electricity from solar.
[2] U.S. Dept of Energy, DOE Announces New Initiatives and Growing Support to Rapidly Increase Community Solar Deployment, Jan 25, 2022: https://www.energy.gov/eere/articles/doe-announces-new-initiatives-and-growing-support-rapidly-increase-community-solar
[3] Washington 2021 State Energy Strategy. Pg 126, section 2.3: https://www.commerce.wa.gov/growing-the-economy/energy/2021-state-energy-strategy/

fosters resiliency in another way too, by unlocking the sense of pride and confidence people feel in successfully preparing for the challenges of climate change, in turn increasing their willingness to support more ambitious public climate action. Low-income households and disadvantaged communities must be part of this picture.

Whatcom County is well positioned to capture federal dollars flowing through the Inflation Reduction Act (IRA) to create climate resilience and equity in our local energy system. However, accelerating the spread of local DERs is hampered by outdated state laws[4] that fail to assure that individuals who are willing to commit private dollars for the initial cost of a solar installation, will continue to see the level of savings promised at installation, regardless of the individuals' income level. Investors in larger arrays that could be installed on buildings such as apartment complexes, or commercial, industrial, and public buildings, also need assurance of continued savings from the operation of the facilities.

Therefore, we recommend the County advocates for these legislative changes at the state level:

1. **Raise the solar project size limit and overall cap for net metering.[5] (HB 1427)** Prepare the regulatory environment for a burst of local solar installations and electrification purchases under the IRA by increasing the size limit on solar projects eligible for net metering. This regulatory change would increase renewable energy generation and the capture of efficiencies of scale. In addition, raise the cap[6] on net metering, which currently eliminates net metering when Washington reaches ~1% net metered solar generation of electricity. This penetration of solar generation is much lower than states including Oregon and Idaho that have already exceeded 3 to 4% solar, respectively, in their electricity under net metering. It has been shown that lowering the net metering credit below the retail rate can stifle private funding of solar.[7]

2. **Require utilities to offer Virtual Net Metering (VNM, HB 1509).** VNM is arguably the most important mechanism when we consider equity, access to clean energy, and impact on low-income communities. VNM allows those customers who for any number of reasons cannot or do not install panels on their own property to join other such customers in a community solar arrangement and receive kWh credits in proportion to their ownership of that solar panel installation. We have a huge opportunity here to transition in a just and equitable way. VNM and Community Solar are a proven vehicle to do so.[8]

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[4] Washington State RCW 80.60 and subsequent amendments.

[5] Net metering is one way in which rooftop solar owners are compensated for the energy they send back to the grid when they have excess generation. Monthly bills for these customers are calculated by "netting" the kilo-Watt hours (kWh) they send to the grid against those they take from the grid, usually on a one-to-one basis.

[6] The cap was previously set at 4% of 1996 peak power by the Washington Legislature. Based on today's annual energy use, this equates to 1% solar in our statewide electricity.

[7] California is only now eliminating net metering with 27% solar in their electricity generation. https://www.brookings.edu/research/rooftop-solar-net-metering-is-a-net-benefit/

[8] Rhode Island, which has virtual net metering, enabled a group of nine public housing authorities to pool resources to operate a 21 MW solar farm that is going to save the housing authorities an estimated $30 million that will be redirected to provide low-income housing. https://energynews.us/2021/11/05/virtual-net-metering-alliance-unlocks-savings-for-rhode-island-public-housing/

VNM is essentially billing software that allows individuals to receive credit on their utility bill if they have invested in a community solar project. The solar project could be sponsored by their landlord, a community group, or another public or private institution, with the solar array onsite or nearby. Electric utilities should be required to provide VNM to their customers, as is already the case in several other states, including Maine,[9] Vermont, New Hampshire, and Illinois. VNM enables the Illinois Solar for All program to channel funds to income-eligible homeowners and renters, non-profit organizations, and public facilities to make solar more affordable.[10]

3. **Transfer excess annual solar credits (HB1427)**. Adopt a policy like Oregon's that requires investor-owned utilities to transfer the excess (unused) annual production credits of net meter customers to assist customers in low-income bill assistance programs.[11] Current Washington State law (RCW 80.60.030) requires any excess carryover credits present on March 31 of each year to go back to the utility.

4. **Change how renewable energy systems are taxed (HB 1756)**. Currently, renewable energy capital investments such as a large utility- or community-scale solar or wind farms, are taxed like any other large-scale capital investment. This means equipment on site depreciates quickly, leading to a big influx in property tax revenue early in the life of the project, followed by a quick decline in revenue. Switching to an excise tax system would benefit local governments by spreading out the income stream more evenly over the life of the project, while incentivizing renewable energy investments by reducing developer costs early in a project's lifespan.

5. **Develop a Building Energy Upgrade Navigator (HB 1391)**. The Inflation Reduction Act (IRA) has many provisions for different groups to help with solar, batteries, EV chargers, heat pumps, but how does an individual, builder, or developer navigate these opportunities, and know what they qualify for in the form of rebates or tax deductions? A state-funded incentives "navigator" would simplify this process, providing tools to help people investing in this technology know what rebates and tax incentives are available. The goal is to capture as much Federal and State money as possible to reduce emissions and create climate resilience. The navigator will also help state legislators understand where funding from the Climate Commitment Act can be used to fill gaps where Federal funding alone is insufficient for low-income communities.

6. **Improve the State's Response to Climate Change by Updating the GMA (SB 5203, HB 1181).** This bill would include climate risk planning into the state's comprehensive plan framework and provide funding for local governments to revise their comprehensive plans using this framework.

[9] https://ilsr.org/rule/net-metering/updated-states-supporting-virtual-net-metering/
[10] https://ilsr.org/illinois-community-solar-program/
[11] A description of Oregon's policy: https://programs.dsireusa.org/system/program/detail/39

In summary, we need to remove the barriers which so far have limited the adoption of solar to only a small number of Whatcom County residents who can afford rooftop systems. We can do so by aggressively deploying a variety of DERs this decade to support electrification. To achieve these goals, our state policies need to encourage, not discourage, public and private investments. Many policies that encourage more investment in DERs are a win-win for low- to middle-income electricity customers. Such policies will help Washington State take advantage of IRA funding that accelerates electrification efforts by lowering energy bills and decreasing the payback time on new systems.

Respectfully submitted by the Climate Impact Advisory Committee,

Ellyn Murphy, chair