
SENATE BILL 5659

State of Washington

68th Legislature

2023 Regular Session

By Senators Boehnke and Liiias

1 AN ACT Relating to incentivizing gas companies to develop and
2 acquire renewable energy resources; amending RCW 80.28.385; adding a
3 new section to chapter 82.08 RCW; adding a new section to chapter
4 82.12 RCW; adding a new section to chapter 80.28 RCW; adding a new
5 section to chapter 19.27A RCW; adding a new section to chapter 70A.65
6 RCW; creating new sections; and providing expiration dates.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** The legislature finds that renewable
9 energy resources are a critical component to reducing overall carbon
10 emissions. The legislature further finds it prudent to incentivize
11 development of multiple types of renewable energy infrastructure in
12 order to maintain energy reliability, resiliency, and security as the
13 state transitions toward decarbonizing its energy resources.
14 Incentivizing development of renewable and sustainable energy
15 resources includes both electric and gaseous fuel resources and
16 should be made widely available to all interests, regardless of
17 business structure or type. The legislature further finds that
18 gaseous fuels are an important energy resource and intends to support
19 the development of this resource as part of a diversified clean
20 energy strategy that utilizes existing infrastructure that has been
21 built out over the years through the regulated utility compact

1 embodied in chapter 80.24 RCW. Therefore, it is the intent of the
2 legislature to provide tax incentives to encourage the development of
3 increased methane capture and processing for use as renewable natural
4 gas and provide explicit regulatory certainty that will encourage
5 utilities invest in carbon reduction, capture, and offset efforts on
6 behalf of their customers.

7 NEW SECTION. **Sec. 2.** (1) This section is the tax preference
8 performance statement for the tax preference contained in sections 3
9 and 4, chapter . . ., Laws of 2023 (sections 3 and 4 of this act).
10 This performance statement is only intended to be used for subsequent
11 evaluation of the tax preference. It is not intended to create a
12 private right of action by any party or to be used to determine
13 eligibility for preferential tax treatment.

14 (2) The legislature categorizes this tax preference as one
15 intended to induce certain designated behavior by taxpayers, as
16 indicated in RCW 82.32.808(2) (a).

17 (3) It is the legislature's specific public policy objective to
18 promote the development of renewable natural gas projects.

19 (4) If a review finds that the total number of methane emission
20 capture projects increase in number over the time of adoption of this
21 exemption and the majority of those projects process the methane into
22 renewable natural gas that is sold in Washington the legislature
23 intends to extend the expiration date of this tax preference.

24 (5) In order to obtain the data necessary to perform the review
25 in subsection (4) of this section, the joint legislative audit and
26 review committee may refer to any data collected by the state.

27 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.08
28 RCW to read as follows:

29 (1)(a) Beginning January 1, 2024, and subject to the requirements
30 of this section, the tax imposed by RCW 82.08.020 does not apply to
31 sales of machinery and equipment used directly in generating
32 renewable natural gas, or the charges made for labor and services
33 rendered in respect to installing such machinery and equipment
34 including, but not limited to, machinery, equipment, and labor for a
35 facility capable of connecting to the existing natural gas
36 infrastructure.

37 (b) Beginning January 1, 2024, and subject to the requirements of
38 this section, the tax imposed by RCW 82.08.020 does not apply to

1 sales of machinery and equipment used directly in connecting a
2 renewable natural gas facility to an end user of the renewable
3 natural gas or to the existing natural gas infrastructure, or the
4 charges made for labor and services rendered in respect to installing
5 such machinery and equipment.

6 (2) A person claiming an exemption under this section must keep
7 records necessary for the department to verify eligibility under this
8 section. Sellers may make tax exempt sales under this section if the
9 buyer provides the seller with an exemption certification in a form
10 and manner prescribed by the department. The seller must retain a
11 copy of the certification for the seller's files.

12 (3) The definitions in this subsection apply throughout this
13 section and section 3 of this act unless the context clearly requires
14 otherwise.

15 (a)(i) "Machinery and equipment" means fixtures, devices, and
16 support facilities that are integral and necessary to the generation
17 of renewable natural gas or the connecting to the existing natural
18 gas infrastructure. "Machinery and equipment" does not include: (A)
19 Hand-powered tools; (B) property with a useful life of less than one
20 year; (C) repair parts required to restore machinery and equipment to
21 normal working order; (D) replacement parts that do not increase
22 productivity, improve efficacy, or extend the useful life of
23 machinery and equipment; (E) buildings; or (F) building fixtures that
24 are not integral and necessary to the generation of renewable natural
25 gas or connecting to existing natural gas infrastructure that are
26 permanently affixed to and become a physical part of a building.

27 (ii)(A) Machinery and equipment is "used directly" in the
28 generation of renewable natural gas if it gathers and processes
29 methane into a usable form of natural gas that would otherwise be
30 released into the atmosphere.

31 (B) Machinery and equipment is "used directly" in the connection
32 to existing natural gas infrastructure if it provides a mechanism to
33 link a renewable natural gas facility to a natural gas pipeline.

34 (b) "Renewable natural gas" has the same meaning as defined in
35 RCW 19.405.020.

36 (4) A person claiming the retail sales tax exemption under this
37 section must file an annual tax preference report with the department
38 as required in RCW 82.32.534.

39 (5) This section expires January 1, 2035.

1 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.12
2 RCW to read as follows:

3 (1) (a) Beginning January 1, 2024, the provisions of this chapter
4 do not apply to the use of machinery and equipment used directly in
5 generating renewable natural gas, and labor and services rendered in
6 respect to installing such machinery and equipment including, but not
7 limited to, machinery, equipment, and labor at a facility capable of
8 connecting to the existing natural gas infrastructure.

9 (b) Beginning January 1, 2024, the provisions of this chapter do
10 not apply to the use of machinery and equipment used directly in
11 connecting a renewable natural gas facility to an end user of the
12 renewable natural gas or to the existing natural gas infrastructure,
13 and labor and services rendered in respect to installing such
14 machinery and equipment.

15 (2) The eligibility requirements, conditions, and definitions in
16 section 3 of this act apply to this section, including the filing of
17 an annual tax preference report with the department under RCW
18 82.32.534.

19 (3) This section expires January 1, 2035.

20 NEW SECTION. **Sec. 5.** A new section is added to chapter 80.28
21 RCW to read as follows:

22 (1) Every gas company may construct and maintain facilities and
23 projects that reduce greenhouse gas emissions from the full
24 combustion of natural gas delivered to customers in the state and
25 from the consumption of electricity generated from fossil fuels by
26 retail electric customers in the state, and every gas company may
27 factor investments into these facilities and projects into rates and
28 charges. These investments may include, but are not limited to:

29 (a) Residential and commercial rooftop solar, including battery
30 storage and supplemental solar;

31 (b) Community solar projects designed to offset carbon associated
32 with the use of conventional natural gas;

33 (c) Ground source heat pumps as a compliance strategy under
34 chapter 70A.65 RCW for district heating and targeted load reduction
35 in new buildings;

36 (d) Renewable gaseous fuels projects, including renewable natural
37 gas and hydrogen, along with associated facility and pipeline
38 infrastructure, upgrades, and improvements;

1 (e) Carbon capture and sequestration projects associated with
2 natural gas projects and facilities; and

3 (f) Research, development, and pilot efforts pertaining to carbon
4 neutral natural gas equipment and technologies.

5 (2) The commission shall consider purchases of energy derived
6 from and investments in projects outlined in subsection (1) of this
7 section as being in the state's interest, including investments in
8 projects located outside of Washington state, if the carbon emissions
9 from these projects are booked and claimed only in Washington state.

10 NEW SECTION. **Sec. 6.** A new section is added to chapter 19.27A
11 RCW to read as follows:

12 (1) Any state or local restrictions or limitations on the use of
13 natural gas in buildings do not apply to buildings where:

14 (a) The amount of natural gas consumed in the building is equal
15 to an amount of renewable natural gas acquired by the natural gas
16 utility serving the site of the building;

17 (b) There is a real estate covenant on the building provided to
18 the county from the builder confirming that only renewable natural
19 gas will be provided to the building; and

20 (c) There is a certification provided to the utilities and
21 transportation commission from the gas company serving the building
22 confirming that the gas company will provide only renewable natural
23 gas to the building.

24 (2) Dual fuel heat pumps that use both natural gas and
25 electricity may be installed in any building for use as a peaking
26 resource alternative under chapter 19.405 RCW when natural gas space
27 and water heating supplements electric space and water heat pumps in
28 a manner to reduce the consumption of electricity when ambient
29 temperatures fall below 40 degrees Fahrenheit.

30 **Sec. 7.** RCW 80.28.385 and 2019 c 285 s 13 are each amended to
31 read as follows:

32 (1) A natural gas company may propose a renewable natural gas
33 program under which the company would supply renewable natural gas
34 for a portion of the natural gas sold or delivered to its retail
35 customers. The renewable natural gas program is subject to review and
36 approval by the commission. ~~((The customer charge for a renewable
37 natural gas program may not exceed five percent of the amount charged
38 to retail customers for natural gas.))~~

1 (2) The environmental attributes of renewable natural gas
2 provided under this section must be retired using procedures
3 established by the commission and may not be used for any other
4 purpose. The commission must approve procedures for banking and
5 transfer of environmental attributes.

6 (3) As used in this section, "renewable natural gas" includes
7 renewable natural gas as defined in RCW 54.04.190. The commission may
8 approve inclusion of other sources of gas if those sources are
9 produced without consumption of fossil fuels.

10 NEW SECTION. **Sec. 8.** A new section is added to chapter 70A.65
11 RCW to read as follows:

12 (1) A gas company may claim investments in residential and
13 commercial rooftop solar, including associated battery storage, and
14 community solar projects undertaken in section 5 of this act as
15 reductions against its carbon compliance obligations under this
16 chapter.

17 (2) In order to claim investments in residential and commercial
18 rooftop solar, including associated battery storage, and community
19 solar projects as a reduction in greenhouse gas emissions required
20 under this chapter, a gas company must surrender renewable energy
21 credits produced by the utility's investments made under this
22 section. One renewable energy credit equates to one ton of carbon
23 dioxide equivalent.

24 (3) For the purposes of this section, "renewable energy credit"
25 means a tradable certificate of proof of one megawatt-hour of a
26 renewable resource. The certificate includes all of the nonpower
27 attributes associated with that one megawatt-hour of electricity and
28 the certificate is verified by a renewable energy credit tracking
29 system that has been selected by the department of commerce.

--- END ---