SUBSTITUTE SENATE BILL 5910

AS AMENDED BY THE HOUSE

Passed Legislature - 2022 Regular Session

State of Washington 67th Legislature 2022 Regular Session

By Senate Environment, Energy & Technology (originally sponsored by Senators Carlyle, Billig, Conway, Hawkins, Hunt, Mullet, Saldaña, and Stanford)

READ FIRST TIME 02/03/22.

AN ACT Relating to accelerating the availability and use of renewable hydrogen in Washington state; amending RCW 82.08.816, 82.12.816, 82.29A.125, 54.04.190, and 35.92.050; adding new sections to chapter 43.330 RCW; adding a new section to chapter 84.40 RCW; adding a new section to chapter 80.28 RCW; creating new sections; and declaring an emergency.

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

NEW SECTION. **Sec. 1.** INTENT AND FINDINGS. (1) The legislature finds that while hydrogen fuel has been used in a variety of applications in the state, the source of hydrogen has been derived from fossil fuel feedstocks, such as natural gas. Hydrogen is an essential building block and energy carrier molecule that is necessary in the production of conventional and renewable fuels and a valuable decarbonization tool when used in sectors such as marine, aviation, steel, aluminum, and cement, as well as surface transportation including heavy-duty vehicles, such as transit, trucking, and drayage equipment. Hydrogen can be a carbon-free fuel with an energy per unit mass that is three to four times greater than jet fuel, whose energy can be extracted either through thermochemical (combustion) or electrochemical (fuel cell) processes. In both cases, the only by-product is water, instead of the greenhouse gases and

other conventional and toxic pollutants that are emitted from using fossil fuels.

(2) The legislature further finds that the use of renewable hydrogen and hydrogen produced from carbon-free feedstocks through electrolysis is an essential tool to a clean energy ecosystem and emissions reduction for challenging infrastructure needs. Clean hydrogen fuel can be produced or "charged" closer to the generation of the electricity when the electrical supply grid has surplus energy, at times of low electricity use, such as evenings, then made available at times of higher need and convenient locations, such as fueling stations, avoiding the need to build or upgrade larger electrical infrastructure, including distribution systems, to meet higher peak demand for electricity.

(3) Therefore, the legislature intends by this act to establish policies and a framework for the state to become a national and global leader in the production and use of these hydrogen fuels. This act will create an office of renewable fuels to: Promote partnerships among industrial, transportation, agriculture, and commercial interests as well as fuel producers, the technology research sector, and public sector agencies; identify barriers to and opportunities for market development; provide greater clarity and certainty in regulatory and siting standards; provide incentives and financial assistance in the deployment of hydrogen fuel infrastructure; support a clean and just energy transition; help create good quality, clean energy jobs; and improve air quality in degraded areas, particularly in communities that have borne disproportionate levels of air pollution from the combustion of fossil fuels.

Part 1
OFFICE OF RENEWABLE FUELS

NEW SECTION. **Sec. 101.** A new section is added to chapter 43.330 RCW to read as follows:

The definitions in this section apply throughout sections 102, 103, and 104 of this act unless the context clearly requires otherwise.

(1) "Department" means the department of commerce.

(2) "Green electrolytic hydrogen" means hydrogen produced through electrolysis and does not include hydrogen manufactured using steam

reforming or any other conversion technology that produces hydrogen from a fossil fuel feedstock.

(3) "Office" means the statewide office of renewable fuels established in section 102 of this act.

(4) "Overburdened communities" has the same meaning as defined in RCW 70A.02.010.

(5) "Renewable fuel" means fuel produced using renewable resources and includes renewable hydrogen.

(6) "Renewable hydrogen" has the same meaning as defined in RCW 54.04.190.

(7) "Renewable resource" has the same meaning as defined in RCW 19.405.020.

NEW SECTION. **Sec. 102.** A new section is added to chapter 43.330 RCW to read as follows:

(1) The statewide office of renewable fuels is established within the department. The office shall report to the director of the department. The office may employ staff as necessary to carry out the office's duties as prescribed by this act, subject to the availability of amounts appropriated for this specific purpose.

(2) The purpose of the office is to leverage, support, and integrate with other state agencies to:

(a) Accelerate comprehensive market development with assistance along the entire life cycle of renewable fuel projects;

(b) Support research into and development and deployment of renewable fuel and the production, distribution, and use of renewable and green electrolytic hydrogen and their derivatives, as well as product engineering and manufacturing relating to the production and use of such hydrogen and its derivatives;

(c) Drive job creation, improve economic vitality, and support the transition to clean energy;

(d) Enhance resiliency by using renewable fuels and green electrolytic hydrogen to support climate change mitigation and adaptations; and

(e) Partner with overburdened communities to ensure communities equitably benefit from renewable and clean fuels efforts.

NEW SECTION. **Sec. 103.** A new section is added to chapter 43.330 RCW to read as follows:

(1) The office shall:

(a) Coordinate with federally recognized tribes, local government, state agencies, federal agencies, private entities, the state's public four-year institutions of higher education, labor unions, and others to facilitate and promote multi-institution collaborations to drive research, development, and deployment efforts in the production, distribution, and use of renewable fuels including, but not limited to, green electrolytic hydrogen;

(b) Review existing renewable fuels and green electrolytic hydrogen initiatives, policies, and public and private investments;

(c) Consider funding opportunities that provide for the coordination of public and private funds for the purposes of developing and deploying renewable fuels and green electrolytic hydrogen;

(d) Assess opportunities for and barriers to deployment of renewable fuels and green electrolytic hydrogen in hard to decarbonize sectors of the state economy;

(e) Request recommendations from the Washington state association of fire marshals regarding fire and other safety standards adopted by the United States department of energy and recognized national and international fire and safety code development authorities regarding renewable fuels and green electrolytic hydrogen;

(f) By December 1, 2023, develop a plan and recommendations for consideration by the legislature and governor on renewable fuels and green electrolytic hydrogen policy and public funding including, but not limited to, project permitting, state procurement, and pilot projects; and

(g) Encourage new and support existing public-private partnerships to increase coordinated planning and deployment of renewable fuels and green electrolytic hydrogen.

(2) The office may take all appropriate steps to seek and apply for federal funds for which the office is eligible, and other grants, and accept donations, and must deposit these funds in the renewable fuels accelerator account created in section 104 of this act.

(3) In carrying out its duties, the office must collaborate with the department, the department of ecology, the department of transportation, the utilities and transportation commission, electric utilities in Washington state, the Washington State University extension energy program, and all other relevant state agencies. The office must also consult with and seek to involve federally recognized tribes, project developers, labor and industry trade

groups, and other interested parties, in the development of policy analysis and recommended programs or projects.

(4) The office may cooperate with other state agencies in compiling data regarding the use of renewable fuels and green electrolytic hydrogen in state operations, including motor vehicle fleets, the state ferry system, and nonroad equipment.

NEW SECTION. **Sec. 104.** A new section is added to chapter 43.330 RCW to read as follows:

The renewable fuels accelerator account is created in the state treasury. Revenues to the account consist of appropriations made by the legislature, federal funds, gifts or grants from the private sector or foundations, and other sources deposited in the account. Moneys in the account may be spent only after appropriation. Expenditures from the account may be used only for purposes designated in sections 102, 103, and 201 of this act. Only the director or the director's designee may authorize expenditures from the account.

Part 2
FEDERAL FUNDING

NEW SECTION. **Sec. 201.** (1)(a) The legislature finds that the federal infrastructure investment and jobs act, P.L. 117-58, provides $8,000,000,000 over five years to support the development of regional clean hydrogen hubs. The federal infrastructure investment and jobs act requires the United States secretary of energy to establish a program to fund at least four regional hubs to aid in achieving a hydrogen fuel production carbon intensity standard provided in that legislation; to demonstrate the production, processing, delivery, storage, and end use of hydrogen; and that can be developed into a national network to facilitate a clean hydrogen economy. The federal infrastructure investment and jobs act requires the secretary of energy to select regional hubs that demonstrate a diversity of feedstocks, a diversity of end uses, and a diversity of geographic regions of the country. The federal infrastructure investment and jobs act requires the secretary of energy to solicit proposals for regional hubs by May 15, 2022, and to make selections of the hubs within one year after the deadline for submission of proposals.

(b) The legislature further finds that Washington state is strongly positioned to develop a regional clean energy hub meeting the criteria of the federal infrastructure investment and jobs act because the state:

(i) Has adopted a state energy strategy that recognizes hydrogen as an integral part of the state's decarbonization pathway;

(ii) Has an abundance of low cost, low carbon, reliable electricity as the primary energy resource for production of clean hydrogen;

(iii) Already has under construction the nation's first renewable hydrogen electrolyzer and has several hydrogen fueling facilities as well as production facilities in planning and design phases;

(iv) Has multiple manufacturers designing, engineering, and manufacturing fuel cell electric engines and zero-emission vehicles, vessels, and airplanes;

(v) Has numerous industrial, maritime, and freight shipping concerns that are moving toward cleaner fuels and that would help provide demand for hydrogen, as well as state and local governments currently considering hydrogen uses;

(vi) Has a demonstrated track record of building partnerships across the public and private sector to advance clean energy technologies;

(vii) Has policies in place supporting and engaging overburdened communities, including the healthy environment for all act, which will facilitate alignment with the justice40 initiative; and

(viii) Has policies, including tax incentives, that support high labor standards in clean energy production.

(c) The legislature further finds that the state may help to promote and strengthen applications for regional hydrogen hub federal funding through state funding assistance to support a timely and competitive application to the United States department of energy by a public-private partnership entity that leverages private sector leadership and is composed of multiple interests, including public and private project developers, manufacturers and end users, research institutions, academia, government, and communities around the state.

(2) Subject to amounts appropriated for this specific purpose, the director of the department of commerce must provide support to a public-private partnership entity as described in subsection (1)(c) of this section, which may include department staff support and direct funding. The entity should:

(a) Agree to prepare a timely and responsive application for federal funding to develop a regional clean hydrogen hub in Washington state, consistent with the requirements of the federal application process and the policies and strategy of the state of Washington;

(b) Demonstrate meaningful engagement with a range of entities across the state, including federally recognized tribes, labor unions, and communities around the state including overburdened communities, in the development of a hydrogen hub;

(c) Include entities that provide training and expand employment opportunities for the hydrogen workforce, including labor organizations, institutions of higher education, community and technical colleges, and vocational institutions; and

(d) Include specific commitments, as required by the federal application, from industries, transportation agencies, utilities, and other public and private sector entities to assist in funding the application and to develop plans to either construct infrastructure for or to incorporate, or both, the production, distribution, and end use of renewable hydrogen and green electrolytic hydrogen fuels into their transition to cleaner energy.

(3) In addition to the assistance in applying for federal funding provided through subsection (2) of this section, the legislature intends that the state fully support a regional clean energy hub in the state, including further direct financial assistance in developing the hub and the acquisition of hydrogen fuels for state agency and local government uses.

Part 3
VALUATION OF PROPERTY RELATED TO RENEWABLE ENERGY

NEW SECTION. **Sec. 301.** A new section is added to chapter 84.40 RCW to read as follows:

(1) It is the policy of this state to promote the development of renewable energy projects to support the state's renewable energy goals.

(2) The department must publish guidance, in cooperation with industry stakeholders, to advise county assessors when appraising renewable energy facilities for determining true and fair value, in accordance with RCW 84.40.030. This guidance must include a cost-based appraisal method, and the development of industry-specific

valuation tables for the following types of renewable energy property:

(a) A cost-based appraisal method and industry-specific valuation tables for equipment used to generate solar power must be published by January 1, 2023, for property taxes levied for collection in calendar year 2024;

(b) A cost-based appraisal method and industry-specific valuation tables for equipment used to generate wind power must be published by January 1, 2023, for property taxes levied for collection in calendar year 2024; and

(c) A cost-based appraisal method and industry-specific valuation tables for equipment used to store electricity must be published by January 1, 2024, for property taxes levied for collection in calendar year 2025.

(3) County assessors must refer to this guidance, including cost-based appraisal method and industry-specific valuation tables, when valuing renewable energy property but may also consider one or more additional valuation methods in determining the true and fair value of a property when there is a compelling reason to do so.

(4) For the purposes of this section, "renewable energy property" means property that uses solar or wind energy as the sole fuel source for the generation of at least one megawatt of nameplate capacity, alternating current, and all other equipment and materials that comprise the property, including equipment used to store electricity from the property to be released at a later time. "Renewable energy property" does not include any equipment or materials attached to a single-family residential building.

Part 4
EXPANDING THE PRODUCTION, DISTRIBUTION, AND USE OF HYDROGEN NOT PRODUCED FROM A FOSSIL FUEL FEEDSTOCK

Sec. 401. RCW 82.08.816 and 2019 c 287 s 11 are each amended to read as follows:

(1) The tax imposed by RCW 82.08.020 does not apply to:

(a) The sale of batteries or fuel cells for electric vehicles, including batteries or fuel cells sold as a component of an electric bus at the time of the vehicle's sale;

(b) The sale of or charge made for labor and services rendered in respect to installing, repairing, altering, or improving electric vehicle batteries or fuel cells;

(c) The sale of or charge made for labor and services rendered in respect to installing, constructing, repairing, or improving battery or fuel cell electric vehicle infrastructure, including hydrogen fueling stations;

(d) The sale of tangible personal property that will become a component of battery or fuel cell electric vehicle infrastructure during the course of installing, constructing, repairing, or improving battery or fuel cell electric vehicle infrastructure; and

(e) The sale of zero emissions buses.

(2) Sellers may make tax exempt sales under this section only if the buyer provides the seller with an exemption certificate in a form and manner prescribed by the department. The seller must retain a copy of the certificate for the seller's files.

(3) On the last day of January, April, July, and October of each year, the state treasurer, based upon information provided by the department, must transfer from the multimodal transportation account to the general fund a sum equal to the dollar amount that would otherwise have been deposited into the general fund during the prior calendar quarter but for the exemption provided in this section. Information provided by the department to the state treasurer must be based on the best available data, except that the department may provide estimates of taxes exempted under this section until such time as retailers are able to report such exempted amounts on their tax returns.

(4) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Battery charging station" means an electrical component assembly or cluster of component assemblies designed specifically to charge batteries within electric vehicles, which meet or exceed any standards, codes, and regulations set forth by chapter 19.28 RCW and consistent with rules adopted under RCW 19.27.540.

(b) "Battery exchange station" means a fully automated facility that will enable an electric vehicle with a swappable battery to enter a drive lane and exchange the depleted battery with a fully charged battery through a fully automated process, which meets or exceeds any standards, codes, and regulations set forth by chapter 19.28 RCW and consistent with rules adopted under RCW 19.27.540.

(c) "Electric vehicle infrastructure" means structures, machinery, and equipment necessary and integral to support a battery or fuel cell electric vehicle, including battery charging stations, rapid charging stations, battery exchange stations, fueling stations that provide hydrogen for fuel cell electric vehicles, green electrolytic hydrogen production facilities, and renewable hydrogen production facilities.

(d) "Green electrolytic hydrogen" means hydrogen produced through electrolysis, and does not include hydrogen manufactured using steam reforming or any other conversion technology that produces hydrogen from a fossil fuel feedstock.

(e) "Rapid charging station" means an industrial grade electrical outlet that allows for faster recharging of electric vehicle batteries through higher power levels, which meets or exceeds any standards, codes, and regulations set forth by chapter 19.28 RCW and consistent with rules adopted under RCW 19.27.540.

((~~(e)~~)) (f) "Renewable hydrogen" means hydrogen produced using renewable resources both as the source for hydrogen and the source for the energy input into the production process.

((~~(f)~~)) (g) "Renewable resource" means (i) water; (ii) wind; (iii) solar energy; (iv) geothermal energy; (v) renewable natural gas; (vi) renewable hydrogen; (vii) wave, ocean, or tidal power; (viii) biodiesel fuel that is not derived from crops raised on land cleared from old growth or first growth forests; or (ix) biomass energy.

((~~(g)~~)) (h) "Zero emissions bus" means a bus that emits no exhaust gas from the onboard source of power, other than water vapor.

(5) This section expires July 1, 2025.

Sec. 402. RCW 82.12.816 and 2019 c 287 s 12 are each amended to read as follows:

(1) The tax imposed by RCW 82.12.020 does not apply to the use of:

(a) Electric vehicle batteries or fuel cells, including batteries or fuel cells sold as a component of an electric bus at the time of the vehicle's sale;

(b) Labor and services rendered in respect to installing, repairing, altering, or improving electric vehicle batteries or fuel cells;

(c) Tangible personal property that will become a component of battery or fuel cell electric vehicle infrastructure during the course of installing, constructing, repairing, or improving battery or fuel cell electric vehicle infrastructure; and

(d) Zero emissions buses.

(2) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Battery charging station" means an electrical component assembly or cluster of component assemblies designed specifically to charge batteries within electric vehicles, which meet or exceed any standards, codes, and regulations set forth by chapter 19.28 RCW and consistent with rules adopted under RCW 19.27.540.

(b) "Battery exchange station" means a fully automated facility that will enable an electric vehicle with a swappable battery to enter a drive lane and exchange the depleted battery with a fully charged battery through a fully automated process, which meets or exceeds any standards, codes, and regulations set forth by chapter 19.28 RCW and consistent with rules adopted under RCW 19.27.540.

(c) "Electric vehicle infrastructure" means structures, machinery, and equipment necessary and integral to support a battery or fuel cell electric vehicle, including battery charging stations, rapid charging stations, battery exchange stations, fueling stations that provide hydrogen for fuel cell electric vehicles, green electrolytic hydrogen production facilities, and renewable hydrogen production facilities.

(d) "Green electrolytic hydrogen" means hydrogen produced through electrolysis, and does not include hydrogen manufactured using steam reforming or any other conversion technology that produces hydrogen from a fossil fuel feedstock.

(e) "Rapid charging station" means an industrial grade electrical outlet that allows for faster recharging of electric vehicle batteries through higher power levels, which meets or exceeds any standards, codes, and regulations set forth by chapter 19.28 RCW and consistent with rules adopted under RCW 19.27.540.

((~~(e)~~)) (f) "Renewable hydrogen" means hydrogen produced using renewable resources both as the source for hydrogen and the source for the energy input into the production process.

((~~(f)~~)) (g) "Renewable resource" means (i) water; (ii) wind; (iii) solar energy; (iv) geothermal energy; (v) renewable natural gas; (vi) renewable hydrogen; (vii) wave, ocean, or tidal power;

(viii) biodiesel fuel that is not derived from crops raised on land cleared from old growth or first growth forests; or (ix) biomass energy.

((~~(g)~~)) (h) "Zero emissions bus" means a bus that emits no exhaust gas from the onboard source of power, other than water vapor.

(3) On the last day of January, April, July, and October of each year, the state treasurer, based upon information provided by the department, must transfer from the multimodal transportation account to the general fund a sum equal to the dollar amount that would otherwise have been deposited into the general fund during the prior calendar quarter but for the exemption provided in this section. Information provided by the department to the state treasurer must be based on the best available data, except that the department may provide estimates of taxes exempted under this section until such time as retailers are able to report such exempted amounts on their tax returns.

(4) This section expires July 1, 2025.

Sec. 403. RCW 82.29A.125 and 2019 c 287 s 14 are each amended to read as follows:

(1) Leasehold excise tax may not be imposed on leases to tenants of public lands for purposes of installing, maintaining, and operating electric vehicle infrastructure.

(2) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Battery charging station" means an electrical component assembly or cluster of component assemblies designed specifically to charge batteries within electric vehicles, which meet or exceed any standards, codes, and regulations set forth by chapter 19.28 RCW and consistent with rules adopted under RCW 19.27.540.

(b) "Battery exchange station" means a fully automated facility that will enable an electric vehicle with a swappable battery to enter a drive lane and exchange the depleted battery with a fully charged battery through a fully automated process, which meets or exceeds any standards, codes, and regulations set forth by chapter 19.28 RCW and consistent with rules adopted under RCW 19.27.540.

(c) "Electric vehicle infrastructure" means structures, machinery, and equipment necessary and integral to support an electric vehicle, including battery charging stations, rapid charging stations, battery exchange stations, fueling stations that provide

hydrogen for fuel cell electric vehicles, green electrolytic hydrogen production facilities, and renewable hydrogen production facilities.

(d) "Green electrolytic hydrogen" means hydrogen produced through electrolysis, and does not include hydrogen manufactured using steam reforming or any other conversion technology that produces hydrogen from a fossil fuel feedstock.

(e) "Rapid charging station" means an industrial grade electrical outlet that allows for faster recharging of electric vehicle batteries through higher power levels, which meets or exceeds any standards, codes, and regulations set forth by chapter 19.28 RCW and consistent with rules adopted under RCW 19.27.540.

((~~(e)~~)) (f) "Renewable hydrogen" means hydrogen produced using renewable resources both as the source for hydrogen and the source for energy input into the production process.

((~~(f)~~)) (g) "Renewable resource" means (i) water; (ii) wind; (iii) solar energy; (iv) geothermal energy; (v) renewable natural gas; (vi) renewable hydrogen; (vii) wave, ocean, or tidal power; (viii) biodiesel fuel that is not derived from crops raised on land cleared from old growth or first growth forests; or (ix) biomass energy.

(3) This section expires July 1, 2025.

Sec. 404. RCW 54.04.190 and 2019 c 24 s 1 are each amended to read as follows:

(1) In addition to any other authority provided by law, public utility districts are authorized to produce and distribute biodiesel, ethanol, and ethanol blend fuels, including entering into crop purchase contracts for a dedicated energy crop for the purpose of generating electricity or producing biodiesel produced from Washington feedstocks, cellulosic ethanol, and cellulosic ethanol blend fuels for use in internal operations of the electric utility and for sale or distribution.

(2) In addition to any other authority provided by law:

(a) Public utility districts are authorized to produce renewable natural gas, green electrolytic hydrogen, and renewable hydrogen and utilize the renewable natural gas, green electrolytic hydrogen, or renewable hydrogen they produce for internal operations.

(b) Public utility districts may sell renewable natural gas, green electrolytic hydrogen, or renewable hydrogen that is delivered

into a gas transmission pipeline located in the state of Washington or delivered in pressurized containers:

(i) At wholesale;

(ii) To an end-use customer; or

(iii) If delivered in a pressurized container, or if the end-use customer takes delivery of the renewable natural gas, green electrolytic hydrogen, or renewable hydrogen through a pipeline, and the end-use customer is an eligible purchaser of natural gas from sellers other than the gas company from which that end-use customer takes transportation service and:

(A) When the sale is made to an end-use customer in the state of Washington, the sale is made pursuant to a transportation tariff approved by the Washington utilities and transportation commission; or

(B) When the sale to an end-use customer is made outside of the state of Washington, the sale is made pursuant to a transportation tariff approved by the state agency which regulates retail sales of natural gas.

(c) Public utility districts may sell renewable natural gas, green electrolytic hydrogen, or renewable hydrogen at wholesale or to an end-use customer through a pipeline directly from renewable natural gas, green electrolytic hydrogen, or renewable hydrogen production facilities to facilities that compress, liquefy, or dispense compressed natural gas, liquefied natural gas, green electrolytic hydrogen, or renewable hydrogen fuel for end use as a transportation fuel.

(d) Public utility districts may sell green electrolytic hydrogen or renewable hydrogen at wholesale or to an end-use customer in pressurized containers directly from green electrolytic hydrogen or renewable hydrogen production facilities to facilities that utilize green electrolytic hydrogen or renewable hydrogen as a nonutility related input for a manufacturing process.

(3) Except as provided in subsection (2)(b)(iii) of this section, nothing in this section authorizes a public utility district to sell renewable natural gas, green electrolytic hydrogen, or renewable hydrogen delivered by pipeline to an end-use customer of a gas company.

(4)(a) Except as provided in this subsection (4), nothing in this section authorizes a public utility district to own or operate

natural gas distribution pipeline systems used to serve retail customers.

(b) For the purposes of subsection (2)(b) of this section, public utility districts are authorized to own and operate interconnection pipelines that connect renewable natural gas, green electrolytic hydrogen, or renewable hydrogen production facilities to gas transmission pipelines.

(c) For the purposes of subsection (2)(c) of this section, public utility districts may own and/or operate pipelines to supply, and/or compressed natural gas, liquefied natural gas, green electrolytic hydrogen, or renewable hydrogen facilities to provide, renewable natural gas, green electrolytic hydrogen, or renewable hydrogen for end use as a transportation fuel if all such pipelines and facilities are located in the county in which the public utility district is authorized to provide utility service.

(5) Exercise of the authorities granted under this section to public utility districts does not subject them to the jurisdiction of the utilities and transportation commission, except that public utility districts are subject only to administration and enforcement by the commission of state and federal requirements related to pipeline safety and fees payable to the commission that are applicable to such administration and enforcement.

(6) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Green electrolytic hydrogen" means hydrogen produced through electrolysis, and does not include hydrogen manufactured using steam reforming or any other conversion technology that produces hydrogen from a fossil fuel feedstock.

(b) "Renewable natural gas" means a gas consisting largely of methane and other hydrocarbons derived from the decomposition of organic material in landfills, wastewater treatment facilities, and anaerobic digesters.

((~~(b)~~)) (c) "Renewable hydrogen" means hydrogen produced using renewable resources both as the source for the hydrogen and the source for the energy input into the production process.

((~~(c)~~)) (d) "Renewable resource" means: (i) Water; (ii) wind; (iii) solar energy; (iv) geothermal energy; (v) renewable natural gas; (vi) renewable hydrogen; (vii) wave, ocean, or tidal power; (viii) biodiesel fuel that is not derived from crops raised on land

cleared from old growth or first growth forests; or (ix) biomass energy.

((~~(d)~~)) (e) "Gas company" has the same meaning as in RCW 80.04.010.

Sec. 405. RCW 35.92.050 and 2002 c 102 s 3 are each amended to read as follows:

A city or town may also construct, condemn and purchase, purchase, acquire, add to, alter, maintain, and operate works, plants, facilities for the purpose of furnishing the city or town and its inhabitants, and any other persons, with gas, electricity, green electrolytic hydrogen as defined in RCW 54.04.190, renewable hydrogen as defined in RCW 54.04.190, and other means of power and facilities for lighting, including streetlights as an integral utility service incorporated within general rates, heating, fuel, and power purposes, public and private, with full authority to regulate and control the use, distribution, and price thereof, together with the right to handle and sell or lease, any meters, lamps, motors, transformers, and equipment or accessories of any kind, necessary and convenient for the use, distribution, and sale thereof; authorize the construction of such plant or plants by others for the same purpose, and purchase gas, electricity, or power from either within or without the city or town for its own use and for the purpose of selling to its inhabitants and to other persons doing business within the city or town and regulate and control the use and price thereof.

Part 5
MISCELLANEOUS

NEW SECTION. **Sec. 501.** Sections 104 and 201 of this act are necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and take effect immediately.

NEW SECTION. **Sec. 502.** If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. **Sec. 503.** If specific funding for the purposes of this act, referencing this act by bill or chapter number, is not provided by June 30, 2022, in the omnibus appropriations act, this act is null and void.

Part 6
GAS COMPANY NOTICE

NEW SECTION. **Sec. 601.** A new section is added to chapter 80.28 RCW to read as follows:

(1) A gas company must file a notice with the utilities and transportation commission prior to replacing natural gas with renewable hydrogen or green electrolytic hydrogen to serve customers. The notice must establish that the company has received all necessary siting and permitting approvals. The notice must also include a description of the following:

(a) Whether the use of clean electricity to produce hydrogen is consistent with the company's most recent integrated resource plan;

(b) Potential impacts to electrical grid reliability, including resource adequacy, resulting from renewable hydrogen and green electrolytic hydrogen production and deployment; and

(c) Standards, including safety standards, for blending of green electrolytic hydrogen and renewable hydrogen into natural gas distribution infrastructure.

(2) The commission shall consider the recommendations made by the department of commerce through its work outlined in section 103(1)(d), the information contained in the notice, and additional relevant data and analyses when making a determination on a company's request for approval of any tariff related to the use of green electrolytic hydrogen or renewable hydrogen as a replacement for natural gas.

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