
SUBSTITUTE SENATE BILL 6203

State of Washington**65th Legislature****2018 Regular Session**

By Senate Energy, Environment & Technology (originally sponsored by Senators Carlyle, Ranker, Palumbo, Nelson, Pedersen, Frockt, Billig, Rolfes, McCoy, Keiser, Wellman, Lias, Hunt, Chase, Saldaña, and Kuderer; by request of Governor Inslee)

1 AN ACT Relating to reducing carbon pollution by investing in
2 rural economic development and a clean energy economy; amending RCW
3 46.17.005, 46.17.350, 46.17.365, 19.285.030, and 19.285.040; adding
4 new sections to chapter 43.31 RCW; adding a new chapter to Title 82
5 RCW; adding a new chapter to Title 43 RCW; adding a new chapter to
6 Title 70 RCW; creating a new section; providing an effective date;
7 providing a contingent expiration date; and providing expiration
8 dates.

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

10 NEW SECTION. **Sec. 1.** (1) Greenhouse gas pollution, including
11 carbon, is a significant contributor to climate change, and has
12 devastating negative impacts on Washington's economy, environment,
13 natural resources, and communities. Our state is already experiencing
14 rising sea levels, depleting snowpack, increased flooding, acidifying
15 oceans, and more frequent and severe wildfires. These impacts impair
16 our prosperity and have already hurt our businesses and communities.

17 (2) Transitioning to a clean energy economy can help our citizens
18 and businesses thrive without increasing carbon pollution that leads
19 to climate change. Building a vibrant and successful clean energy
20 economy can serve as an example to other regions, will put Washington
21 on the cutting edge of twenty-first century economies, create new

1 jobs, and support the health and prosperity of all residents of
2 Washington.

3 (3) Washington state is home to some of the world's most
4 innovative companies, a highly skilled workforce, and important
5 industries. As our state transitions away from fossil fuels, we must
6 do so in a way that protects these assets, and allows our businesses
7 to thrive. By launching a bold new set of investments in carbon
8 reduction infrastructure and natural resource resilience, we can
9 reduce our state's carbon emissions while preparing our economy for
10 the future. In doing so, we recognize that some industries are energy
11 dependent and trade-exposed, and thus have independent incentive to
12 be energy efficient. These industries are exempt from carbon taxation
13 in order to allow them to remain globally competitive and ensure
14 these industries and jobs remain in Washington.

15 (4) Fossil fuel combustion also is responsible for other
16 pollutants, like NOx, carbon monoxide, benzene, and others that
17 contribute to respiratory diseases like asthma and lung cancer that
18 compromise public health and shorten life expectancy. This pollution
19 burden overwhelmingly falls on low-income communities, communities of
20 color, and the vulnerable parts of our population. Reducing our
21 reliance on fossil fuels, therefore, will contribute to improved air
22 quality and better public health.

23 (5) This act establishes a tax to account for the economic and
24 environmental impacts of carbon pollution. The revenue will
25 facilitate the transition from fossil fuels to clean energy and fund
26 investments that will benefit our businesses, our families, and our
27 communities. It will also invest in adapting to the impacts of
28 climate change and protecting our rural communities and key economic
29 sectors including agriculture, shellfish, and forestry.

30 (6) Further, in general, low-income rural and urban communities
31 are disproportionately impacted by carbon pollution and are less able
32 to respond to climate change. This act provides targeted economic
33 stimulus to ensure that the job creation and health benefits of this
34 measure are focused in the communities that can most benefit from
35 these investments.

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Part I
Carbon Pollution Tax

1 NEW SECTION. **Sec. 101.** DEFINITIONS. The definitions in this
2 section apply throughout this chapter unless the context clearly
3 requires otherwise.

4 (1) "Aircraft fuel" has the same meaning as provided in RCW
5 82.42.010.

6 (2) "Asset controlling supplier" means any entity that owns or
7 operates interconnected electricity generating facilities or serves
8 as an exclusive marketer for these facilities even though it does not
9 own them, and is assigned a supplier-specific identification number
10 and system emission factor by the department of ecology, in
11 consultation with the department of commerce, for the wholesale
12 electricity procured from its system and sold into Washington. Asset
13 controlling suppliers are considered specified sources of
14 electricity.

15 (3) "Carbon calculation" means a calculation made by the
16 department of ecology, in consultation with the department of
17 commerce, for purposes of determining the carbon dioxide emissions
18 from the complete combustion or oxidation of fossil fuels and the
19 carbon dioxide emissions in electricity for use in calculating the
20 carbon pollution tax pursuant to section 102 of this act.

21 (4) "Carbon dioxide emissions content inherent in electricity"
22 means the carbon dioxide generated by the production of electricity
23 from fossil fuels.

24 (5) "Carbon dioxide equivalent" means a metric measure used to
25 compare the emissions from various greenhouse gases based on their
26 global warming potential.

27 (6) "Carbon pollution tax" means the tax created in section 102
28 of this act.

29 (7) "Coal" means a readily combustible rock of carbonaceous
30 material, including anthracite coal, bituminous coal, subbituminous
31 coal, lignite, waste coal, syncoal, and coke of any kind.

32 (8) "Consumer price index" means the consumer price index for all
33 urban consumers, all items, that covers areas exclusively within the
34 boundaries of this state and the greatest number of people, compiled
35 by the bureau of labor statistics of the United States department of
36 labor.

37 (9) "Department" means the department of revenue.

38 (10) "Direct access electricity customer" means a person who
39 purchases electricity from any seller other than a seller registered

1 with the department for purposes of paying taxes due under chapter
2 82.04 or 82.16 RCW.

3 (11) "Direct access gas customer" means a person who purchases
4 natural gas from any seller other than a seller registered with the
5 department for purposes of paying taxes due under chapter 82.04 or
6 82.16 RCW.

7 (12) "Direct service industrial customer" has the same meaning as
8 provided in RCW 82.16.0495.

9 (13) "Energy-intensive trade-exposed manufacturing business"
10 means a manufacturing business that meets the numerical criteria
11 established by the department of commerce in section 103(3)(b) of
12 this act, or has a proper primary North American industry
13 classification system code as provided in section 103(3)(c) of this
14 act.

15 (14) "Fossil fuel" means motor vehicle fuel, special fuel, dyed
16 special fuel, aircraft fuel, natural gas, coal, and any form of
17 solid, liquid, or gaseous fuel derived from natural gas, coal,
18 petroleum, or crude oil, including without limitation still gas,
19 propane, and petroleum residuals including bunker fuel, provided,
20 that any coal used in generating electricity that constitutes coal
21 transition power as defined in RCW 80.80.010 is not "fossil fuel" for
22 the purposes of this chapter.

23 (15) "Gas distribution business" has the same meaning as provided
24 in RCW 82.16.010.

25 (16) "Greenhouse gas" means carbon dioxide (CO₂), methane (CH₄),
26 nitrogen trifluoride (NF₃), nitrous oxide (N₂O), sulfur hexafluoride
27 (SF₆), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and other
28 fluorinated greenhouse gases.

29 (17) "Highly impacted communities" means those areas designated
30 pursuant to section 502 of this act.

31 (18) "Light and power business" has the same meaning as provided
32 in RCW 82.16.010.

33 (19) "Motor vehicle fuel" has the same meaning as provided in RCW
34 82.38.020.

35 (20) "Natural gas" means naturally occurring mixtures of
36 hydrocarbon gases and vapors consisting principally of methane,
37 whether in gaseous or liquid form, including methane clathrate.

38 (21) "Person" has the same meaning as provided in RCW 82.04.030.

39 (22) "Sale" has the same meaning as provided in RCW 82.04.040.

1 (23) "Special fuel" has the same meaning as provided in RCW
2 82.38.020.

3 (24) "Taxpayer" means a person subject to the carbon pollution
4 tax imposed in this chapter.

5 (25)(a) "Use," "used," "using," or "put to use" means, with
6 respect to any fossil fuel, the consumption in this state of the
7 fossil fuel by the taxpayer or the possession or storage in this
8 state of the fossil fuel by the taxpayer preparatory to subsequent
9 consumption of the fossil fuel within this state by the taxpayer.

10 (b) For purposes of this subsection (25), "possession" means the
11 control of fossil fuel located within this state and includes either
12 actual and/or constructive possession. "Actual possession" occurs
13 when the person with control has physical possession. "Constructive
14 possession" occurs when the person with control does not have
15 physical possession. "Control" means the power to sell or use a
16 fossil fuel or to authorize the sale or use by another.

17 (26) "Year" means the twelve-month period commencing January 1st
18 and ending December 31st unless otherwise specified.

19 NEW SECTION. **Sec. 102.** CARBON POLLUTION TAX. (1)(a) Beginning
20 July 1, 2019, a carbon pollution tax is imposed on:

21 (i) The sale or use within this state of all fossil fuels,
22 including fossil fuels used in generating electricity; or

23 (ii) The sale or consumption within this state of electricity
24 generated through the combustion of fossil fuels.

25 (b) The measure of the carbon pollution tax is the carbon dioxide
26 emissions:

27 (i) Resulting from the complete combustion or oxidation of fossil
28 fuels sold or used by the taxpayer within this state; or

29 (ii) Inherent in electricity sold or consumed within this state.

30 (c)(i) The tax rate is equal to ten dollars per metric ton of
31 carbon dioxide.

32 (ii) Beginning July 1, 2021, the department must adjust the
33 previous year's tax rate by two dollars per metric ton until reaching
34 thirty dollars per metric ton of carbon dioxide. The department must
35 calculate tax rate adjustments under this subsection (1)(c)(ii) in
36 July of each year and publish on its web site the tax rate for any
37 year by January 1st of that year.

38 (2) For the purposes of this chapter:

39 (a) The carbon pollution tax is imposed:

1 (i) Only once with respect to the same unit of fossil fuel or
2 electric energy;

3 (ii) At the time and place of the first taxable event within this
4 state, consistent with (b) of this subsection, including the first
5 sale or use within this state of fossil fuels or the first sale or
6 consumption within this state of electricity generated through the
7 combustion of fossil fuels, occurring on or after the effective date
8 of this section, regardless of whether the fossil fuel or electricity
9 was previously sold, used, or consumed within this state before the
10 effective date of this section; and

11 (iii) Upon the first taxable person within this state, consistent
12 with (b) of this subsection.

13 (b)(i) For electricity, the carbon pollution tax is imposed on a
14 light and power business, as defined in RCW 82.16.010, when it sells
15 electricity to a consumer of the electricity in this state.

16 (ii)(A) Except as provided in (b)(ii)(B) of this subsection, for
17 natural gas, the carbon pollution tax is imposed on a gas
18 distribution business, as defined in RCW 82.16.010, when it sells
19 natural gas to a consumer of the natural gas in this state.

20 (B) The carbon pollution tax on natural gas sold to or used by a
21 light and power business for the purposes of generating electricity
22 is imposed consistent with (b)(i) of this subsection.

23 (c) For motor vehicle fuel and special fuel, the carbon pollution
24 tax is imposed on the seller or user of the fuel at the points of
25 taxation specified in RCW 82.38.030(9).

26 (d) The carbon pollution tax does not apply to the sale or
27 consumption within this state of electricity generated using fossil
28 fuels upon which the tax under this chapter has been imposed.

29 (e) The carbon pollution tax applies only to:

30 (i) Persons who are required to be registered with the department
31 under RCW 82.32.030(1);

32 (ii) The state, its political subdivisions, and municipal
33 corporations; and

34 (iii) Persons who maintain a place of business in this state but
35 who are not required to be registered with the department under RCW
36 82.32.030(1).

37 (f) A sale of fossil fuel takes place in this state when the
38 fossil fuel is delivered in this state to the purchaser or a person
39 designated by the purchaser, notwithstanding any contract terms
40 designating a location outside of this state as the place of sale.

1 (g) Each sale within this state of a fossil fuel or electricity
2 must indicate on the invoice or other document of sale the amount of
3 carbon pollution tax paid or to be paid with respect to the fossil
4 fuel or electricity and the rate of such tax paid or to be paid, who
5 paid or is liable to pay the tax, and any other information as may be
6 prescribed by the department by rule. If a purchaser of fossil fuels
7 or electricity sold within this state fails to obtain an invoice or
8 document of sale that complies with this subsection (2)(g), the
9 department may collect the carbon pollution tax from the purchaser.

10 (3) For purposes of determining the carbon pollution tax due
11 under this chapter:

12 (a) The department must use the carbon calculation for all fossil
13 fuels sold or used within the state or inherent in electricity sold
14 or consumed within this state;

15 (b) For the sale or consumption of electricity sourced from an
16 asset controlling supplier, including but not limited to the
17 Bonneville power administration, the department must calculate and
18 publish on its web site the system emissions factors for the data
19 year for all asset controlling suppliers recognized by the
20 department. Asset controlling suppliers are considered specified
21 sources of electricity;

22 (c) For the sale or consumption of electricity where the source
23 used to generate the electricity is unknown or unspecified, the
24 carbon dioxide inherent in that electricity must be an amount,
25 expressed in metric tons of carbon dioxide per megawatt-hour, equal
26 to the default emission factor for unspecified electricity set forth
27 in section 95111(b)(1) of the regulations for the mandatory reporting
28 of greenhouse gas emissions of the California air resources board,
29 California Code of Regulations, Title 17, section 95111(b)(1);

30 (d) For fossil fuels used to refine fossil fuels, the department
31 of ecology, in consultation with the department of commerce, must
32 adopt by rule criteria for making the carbon calculation; and

33 (e) For the sale or consumption of electricity where the source
34 of fossil fuels used to generate the electricity is incompletely or
35 insufficiently provided through chapter 19.29A RCW, as determined by
36 the department of ecology in consultation with the department of
37 commerce, the department of ecology may require such other
38 information as the department of ecology deems necessary for purposes
39 of determining the carbon calculation under this chapter.

1 (4) For taxpayers who are also subject to any of the taxes
2 imposed under chapter 82.04, 82.08, 82.12, or 82.16 RCW, the
3 frequency of reporting and payment of the carbon pollution tax must,
4 to the extent practicable, coincide with a taxpayer's reporting
5 periods for the taxes imposed under chapter 82.04, 82.08, 82.12, or
6 82.16 RCW.

7 (5) Except for natural gas, the carbon pollution tax on the sale
8 or use of fossil fuels is imposed on the seller or user of the fossil
9 fuel.

10 (6) The carbon pollution tax on the sale or consumption of
11 natural gas is imposed as follows:

12 (a) Natural gas transported through the state that is not
13 produced or delivered in the state is exempt from the carbon
14 pollution tax imposed by this section. Natural gas possessed or
15 stored in this state is exempt from the carbon pollution tax imposed
16 by this section unless taxed under (b), (c), or (d) of this
17 subsection;

18 (b) For natural gas sold by a gas distribution business to a
19 retail customer in the state, the carbon pollution tax is imposed on
20 the gas distribution business upon the sale of such natural gas to
21 the retail customer;

22 (c) For natural gas sold to a light and power business for the
23 purpose of generation of electricity in the state, the carbon
24 pollution tax is imposed on the light and power business upon the
25 consumption of such natural gas by the light and power business for
26 the generation of electricity; and

27 (d) For natural gas sold to a direct access gas customer in the
28 state, the carbon pollution tax is imposed on the direct access gas
29 customer upon the consumption of such natural gas by the direct
30 access gas customer.

31 (7) The carbon pollution tax on the sale or consumption of
32 electricity is imposed as follows:

33 (a) Subject to (d) of this subsection, for electricity produced
34 in the state, the carbon pollution tax on the sale or consumption of
35 electricity is imposed on the person required to be registered with
36 the department for purposes of paying taxes due under chapter 82.04
37 or 82.16 RCW that owns or operates the electrical generation facility
38 producing the electricity;

39 (b) Subject to (d) of this subsection, for electricity produced
40 outside the state and ultimately consumed in the state, the carbon

1 pollution tax on the sale of electricity is imposed on the first
2 person required to be registered with the department for purposes of
3 paying taxes due under chapter 82.04 or 82.16 RCW that imports such
4 electricity to or delivers such electricity in the state;

5 (c) Electricity transmitted through the state that is not
6 produced or consumed in the state including, but not limited to,
7 imports of electricity that are netted by exports of electricity by
8 the same entity within the same hour, is exempt from the carbon
9 pollution tax imposed by this section; and

10 (d) A light and power business with an approved clean energy
11 investment plan that purchases electricity from a person subject to
12 the carbon pollution tax under (a) or (b) of this subsection has the
13 right of first refusal to assume the carbon pollution tax liability
14 of such person. If the light and power business does not elect to
15 assume the carbon pollution tax pursuant to such right of first
16 refusal, the carbon pollution tax on the sale of electricity is
17 imposed pursuant to (a) or (b) of this subsection, as applicable.

18 (8) The department must develop and make available worksheets,
19 tax tables, and guidance documents it deems necessary to calculate
20 the carbon dioxide emissions of fossil fuels or the carbon dioxide
21 emissions inherent in electricity.

22 NEW SECTION. **Sec. 103.** EXEMPTIONS AND CREDITS. (1) The carbon
23 pollution tax does not apply to:

24 (a) Fossil fuels brought into this state by means of the primary
25 fuel supply tank of a motor vehicle, vessel, locomotive, or aircraft,
26 actively supplying fuel for combustion upon entry into the state, and
27 any electricity generated by such fossil fuels;

28 (b) Fossil fuels or electricity that the state is prohibited from
29 taxing under the state Constitution or the Constitution or laws of
30 the United States;

31 (c)(i) Fossil fuels or electricity exported from this state.
32 Export to Indian country located within the boundaries of this state
33 is not considered export outside this state. For purposes of this
34 subsection, "Indian country" has the same meaning as provided in RCW
35 37.12.160.

36 (ii) An exporter of fossil fuels or electricity upon which
37 another person previously paid the carbon pollution tax is entitled
38 to a credit or refund of the tax paid, if the exporter can establish
39 to the department's satisfaction that the tax under this chapter was

1 previously paid on the exported fossil fuels or electricity. The
2 person who paid the carbon pollution tax is not entitled to an
3 exemption under this subsection (1)(c) when any other person is
4 entitled to a refund or credit under this subsection (1)(c)(ii). For
5 purposes of this subsection, "exporter" means a person who exports
6 fossil fuels or electricity from this state;

7 (d) The sale or use of coal transition power as defined in RCW
8 80.80.010;

9 (e) Diesel fuel, biodiesel fuel, or aircraft fuel when these
10 fuels are used solely for agricultural purposes by a farm fuel user,
11 as those terms are defined in RCW 82.08.865;

12 (f) Biogas, which includes renewable liquid natural gas or liquid
13 compressed natural gas made from biogas; biodiesel, cellulosic
14 ethanol, renewable diesel, and cellulosic ethanol;

15 (g) Aircraft fuel as defined in RCW 82.42.010;

16 (h) Fossil fuels and electricity sold to or used by any business
17 described in RCW 82.04.260(12); and

18 (i) Facilities that manufacture equipment used to generate
19 electricity from eligible renewable resources as defined in RCW
20 19.285.030(21).

21 (2)(a) For any electricity and fossil fuels subject to the carbon
22 pollution tax imposed by section 102 of this act that are also
23 subject to a comparable carbon pollution tax or charge on carbon
24 content imposed by another jurisdiction, including the federal
25 government or allowances required to be purchased by another
26 jurisdiction, the entity may take a credit against the tax imposed by
27 this act up to the amount of the similar tax or charge paid to the
28 other jurisdiction, provided that the taxpayer claiming the credit
29 provides evidence acceptable to the department that the equivalent
30 tax has been paid.

31 (b) If the federal government imposes a comparable carbon
32 pollution tax or charge on the carbon content of any electricity or
33 fossil fuels above what is imposed in section 102 of this act, the
34 entity may take a credit for the difference against the tax imposed
35 in section 102 of this act, provided that the taxpayer claiming the
36 credit provides evidence acceptable to the department that the
37 equivalent tax has been paid.

38 (c) For the purposes of this section, a comparable carbon
39 pollution tax or charge means a tax or charge that is not generally
40 imposed on other activities or privileges that is:

1 (i) Imposed on:
2 (A) The sale, use, possession, transfer, or consumption of fossil
3 fuels; or
4 (B) The sale, consumption, or generation of electricity produced
5 through the combustion of fossil fuels; and
6 (ii) Measured in terms of greenhouse gas emissions by the
7 greenhouse gas emissions resulting from the complete combustion or
8 oxidation of such fossil fuels or by the greenhouse gases inherent in
9 such electricity.

10 (3)(a) The carbon pollution tax imposed in section 102 of this
11 act does not apply to fossil fuels and electricity sold to or used
12 on-site for manufacturing processes by an energy-intensive trade-
13 exposed facility.

14 (b) The department of commerce will establish objective numerical
15 criteria for both energy intensity and trade exposure for the purpose
16 of identifying energy-intensive trade-exposed manufacturing
17 businesses. The criteria will take into consideration approaches used
18 by other jurisdictions with existing carbon reduction or carbon
19 pricing programs, and the impact of the carbon pollution tax on
20 manufacturing activity, including manufacturers with a 2017 North
21 American industry classification system code 31-33 as developed by
22 the office of management and budget. A manufacturing business that
23 can demonstrate to the department of commerce that it meets the
24 criteria must be issued a certificate denoting energy-intensive
25 trade-exposed exempt status.

26 (c) Notwithstanding the criteria established in (b) of this
27 subsection, the department must issue a certificate denoting energy-
28 intensive trade-exposed exempt status to:

29 (i) Any business described in RCW 82.04.260(12); or
30 (ii) A manufacturing business with a proper primary North
31 American industry classification system code based on the following
32 activities:

33 112310: Chicken egg production;
34 112320: Broilers and other meat type chicken production;
35 112330: Turkey production;
36 112340: Poultry hatcheries;
37 112390: Other poultry production;
38 311211: Flour milling;
39 311221: Wet corn milling;
40 311224: Soybean and other oilseed processing;

1 311225: Fats and oils refining and blending;
2 311230: Breakfast cereal manufacturing;
3 311411: Frozen fruit, juice, and vegetable manufacturing;
4 311412: Frozen specialty food manufacturing;
5 311421: Fruit and vegetable canning;
6 311422: Specialty canning;
7 311423: Dried and dehydrated food manufacturing;
8 311511: Fluid milk manufacturing;
9 311512: Creamery butter manufacturing;
10 311513: Cheese manufacturing;
11 311514: Dry, condensed, and evaporated dairy product
12 manufacturing;
13 311520: Ice cream and frozen dessert manufacturing;
14 311611: Animal (except poultry) processing;
15 311612: Meat processed from carcasses;
16 311613: Rendering and meat by-product processing;
17 311615: Poultry processing;
18 311710: Seafood product preparation and packaging;
19 311812: Commercial bakeries;
20 311821: Cookie and cracker manufacturing;
21 311824: Flour mixes and dough manufacturing from purchased flour;
22 311830: Tortilla manufacturing;
23 311911: Roasted nuts and peanut butter manufacturing;
24 311919: Other snack food manufacturing;
25 311930: Flavoring syrup and concentrate manufacturing;
26 311941: Mayonnaise, dressing, and other prepared sauce
27 manufacturing;
28 311942: Spice and extract manufacturing;
29 311991: Perishable prepared food manufacturing;
30 311999: All other miscellaneous food manufacturing;
31 312112: Bottled water manufacturing;
32 322110: Pulp mills;
33 322121: Paper (except newsprint) mills;
34 322122: Newsprint mills;
35 322130: Paperboard mills;
36 324110: Petroleum refineries;
37 325188: All other basic inorganic chemical manufacturing;
38 325199: All other basic organic chemical manufacturing;
39 325311: Nitrogenous fertilizer manufacturing;
40 327211: Flat glass manufacturing;

1 327213: Glass container manufacturing;
2 327310: Cement manufacturing;
3 327410: Lime manufacturing;
4 327420: Gypsum product manufacturing;
5 331110: Iron and steel mills;
6 331312: Primary aluminum production;
7 331313: Aluminum refining and primary aluminum production;
8 331315: Aluminum sheet, plate, and foil manufacturing;
9 334413: Semiconductor and related device manufacturing;
10 336411: Aircraft manufacturing;
11 336413: Other aircraft parts and auxiliary equipment
12 manufacturing.

13 (4) Up to one hundred percent of the taxes owed under section 102
14 of this act by a light and power business or a gas distribution
15 business that chooses to claim a credit pursuant to section 302 of
16 this act.

17 NEW SECTION. **Sec. 104.** REFINERY OFFSETS. (1) The definitions in
18 this subsection apply throughout this section unless the context
19 clearly requires otherwise.

20 (a) "Department" means the department of commerce.

21 (b) "Petroleum refinery" or "refinery" means any industrial
22 process plant where crude oil is transformed and refined into
23 products including but not limited to petroleum naphtha, gasoline,
24 diesel fuel, asphalt base, heating oil, kerosene, liquefied petroleum
25 gas, jet fuel, and fuel oils.

26 (2) Beginning July 1, 2019, a petroleum refinery may claim a
27 credit against the carbon pollution tax imposed in section 102 of
28 this act, not to exceed ten percent of the taxes owed in the same
29 calendar year. To be eligible for this credit a petroleum refinery
30 must have received approval by the department of an emissions
31 reduction plan pursuant to this section.

32 (3) A refinery claiming this credit must establish and maintain a
33 separate emissions reduction account into which it deposits amounts
34 equal to the credit taken under this section. Moneys in this account
35 may only be expended for implementation of an approved emissions
36 reduction plan, and any funds not so expended within ten years of
37 deposit will reduce eligibility for the credit by that amount.

1 (4) To be eligible for this tax credit a refinery must develop
2 and maintain an approved emissions reduction plan, which identifies
3 approved funding for emissions reductions. The plan may include:

4 (a) Emissions reductions to be achieved at the refinery facility
5 through efficiency measures, changes to lower carbon intensity fuels,
6 carbon dioxide capture, storage, or sequestration, or other measures;

7 (b) Carbon dioxide equivalent emissions reductions or offsets in
8 areas within fifty miles of the facility; or

9 (c) Reduction of other pollutant emissions that will provide
10 significant public health benefits, and that will also achieve carbon
11 dioxide equivalent emissions reductions.

12 (5) In developing the plan the refinery must solicit public input
13 including input from communities in areas near the refinery.

14 (6) The department must review a proposed plan within sixty days
15 of receipt. It must approve the plan when it determines that the plan
16 demonstrates that the proposed projects and activities will achieve
17 significant reductions in carbon dioxide equivalent at a reasonable
18 cost over a reasonable time frame, and that the cost of the emissions
19 reductions and the time necessary to achieve the reductions are
20 equivalent to the reductions to be achieved through investments from
21 the energy transformation account created in section 401 of this act.

22 NEW SECTION. **Sec. 105.** RULE MAKING AND OTHER ADMINISTRATIVE
23 AUTHORITY. (1) The provisions of chapter 82.32 RCW apply to this
24 chapter.

25 (2) The department, department of ecology, and the department of
26 commerce may adopt rules as they deem necessary to administer this
27 chapter.

28 (3) The department must convene a stakeholder work group to
29 examine the efficient and consistent integration of carbon pricing in
30 electricity markets within the state and transactions with markets
31 outside the state, including the market operated by the California
32 independent system operator. To assist in its examination of the
33 issues identified in this subsection, as well as any other issues
34 pertinent to its review, the work group must, at a minimum, consist
35 of light and power businesses, gas distribution businesses,
36 stakeholders, and other agencies. The work group must prepare a
37 report to the legislature of its findings and recommendations to
38 improve the carbon transparency and market liquidity in electricity

1 markets and submit the report, in compliance with RCW 43.01.036, by
2 no later than December 1, 2020.

3 NEW SECTION. **Sec. 106.** REPORT BY THE DEPARTMENT OF COMMERCE.

4 (1) On or before December 31, 2020, and each year thereafter, and in
5 compliance with RCW 43.01.036, the department of commerce, with
6 support from the department of revenue, must submit a report to the
7 joint committee on climate programs oversight under section 801 of
8 this act. The initial report must include recommendations for
9 establishing a process to audit account uses and allow for public
10 input. Each annual report must contain specific recommendations for
11 modifications or improvements to this act to ensure the goals of this
12 act are being met in addition to the following with respect to the
13 annual period ending the December 31st immediately preceding the
14 reporting date:

15 (a) The total carbon pollution tax collected during the reporting
16 period and a list of the taxpayers who have paid the tax under
17 section 102 of this act;

18 (b) Estimated costs incurred by the department, the department of
19 commerce, the department of ecology, and the Washington State
20 University extension energy program directly associated with
21 administration of the carbon pollution tax, shown both in dollar
22 amounts and as a percentage of the total amount of carbon pollution
23 tax revenues collected. The department of ecology, the department of
24 commerce, and Washington State University extension energy program
25 must report their estimated administrative costs under this
26 subsection to the department of commerce each year at least one month
27 before the deadline for the report required under this section;

28 (c) The estimated overall net revenue gain or loss calculated by
29 comparison of this subsection and subsection (2) of this section in
30 dollar amounts and the estimated costs determined under subsection
31 (2) of this section as a percentage of carbon pollution tax revenues
32 collected;

33 (d) The impact on the economic health of Washington state,
34 including verifiable data on emissions leakage and any job loss since
35 the implementation of the carbon pollution tax under section 102 of
36 this act;

37 (e) An analysis of whether the point of taxation is appropriate
38 under section 102 of this act;

1 (f) A review of refinery offsets under section 104 of this act
2 and analysis of whether it should be expanded to include industrial
3 facilities;

4 (g) A summary of the investments made through its administration
5 of the energy transformation account created in section 401 of this
6 act and the rural economic development account created in section 701
7 of this act. The summary must include amounts invested in each
8 program area, project descriptions, names of grant recipients, an
9 estimate of the greenhouse gas emissions reductions achieved or
10 anticipated via the investments, and other pertinent information or
11 information as periodically requested by the legislature; and

12 (h) A summary of the progress made by utilities implementing
13 their plans under the clean energy investment program created in
14 parts II and III of this act. The summary must include aggregate
15 totals of anticipated greenhouse gas reductions called for by plans
16 and progress made toward achieving these reductions; an accounting of
17 funds spent and average cost per ton of verified greenhouse gas
18 reductions achieved through program investments.

19 (2) On or before December 1, 2030, the department of commerce
20 must provide specific recommendations to the joint committee on
21 climate programs oversight under section 801 of this act on whether
22 or not the current year's carbon pollution tax rate under section 102
23 of this act will need to be adjusted upward or downward or will be
24 sufficient to meet the net cumulative reduction of greenhouse gas
25 emissions of twenty-five percent below 1990 levels by the year 2035.

26 NEW SECTION. **Sec. 107.** TECHNICAL ASSISTANCE. Upon request of
27 the department, the department of commerce, the department of
28 ecology, and the Washington State University extension energy program
29 must provide technical assistance to the department as may be
30 necessary for the department to effectively administer this chapter.

31 NEW SECTION. **Sec. 108.** CARBON POLLUTION REDUCTION ACCOUNT. The
32 carbon pollution reduction account is created in the state treasury.
33 All receipts from the carbon pollution tax under section 102 of this
34 act, and other moneys directed to the account by the legislature,
35 must be deposited into the account. Moneys in the account may only be
36 spent after appropriation. Moneys in the account must be first
37 appropriated to the department of revenue and other appropriate

1 agencies for the administration of this chapter. Expenditures from
2 the account must be distributed by the state treasurer as follows:

3 (1) One hundred million dollars to the multimodal transportation
4 account;

5 (2) The remainder must be deposited by the state treasurer as
6 follows:

7 (a) Fifty percent of the moneys to the energy transformation
8 account created in section 401 of this act;

9 (b) Twenty percent of the moneys to the water and natural
10 resources resilience account created in section 601 of this act;

11 (c) Fifteen percent of the moneys for the transition assistance
12 account created in section 501 of this act;

13 (d) Fifteen percent of the moneys for the rural economic
14 development account created in section 701 of this act.

15 Part II

16 Clean Energy Investment Fund for Investor-Owned Energy Utilities

17 NEW SECTION. **Sec. 201.** DEFINITIONS. The definitions in this
18 section apply throughout this chapter unless the context clearly
19 requires otherwise.

20 (1) "Commission" means the utilities and transportation
21 commission.

22 (2) "Consumer-owned energy utility" means any consumer-owned gas
23 distribution business or consumer-owned light and power business.

24 (3) "Consumer-owned gas distribution business" means any gas
25 distribution business not subject to regulation by the commission of
26 the rates, tolls, rentals, contracts or charges, or service rendered,
27 or the adequacy or sufficiency of the facilities, equipment,
28 instrumentalities, or buildings, or the reasonableness of rules or
29 regulations made, furnished, used, supplied, or in force affecting
30 any gas plant owned and operated by such gas distribution business.

31 (4) "Consumer-owned light and power business" means any light and
32 power business not subject to regulation by the commission of the
33 rates, tolls, rentals, contracts or charges, or service rendered, or
34 the adequacy or sufficiency of the facilities, equipment,
35 instrumentalities, or buildings, or the reasonableness of rules or
36 regulations made, furnished, used, supplied, or in force affecting
37 any electric plant owned and operated by such light and power
38 business.

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

2 (6) "Gas distribution business" has the same meaning as provided
3 in RCW 82.16.010.

4 (7) "Investor-owned energy utility" means any investor-owned gas
5 distribution business or investor-owned light and power business.

6 (8) "Investor-owned gas distribution business" means any gas
7 distribution business subject to regulation by the commission of the
8 rates, tolls, rentals, contracts or charges, or service rendered, or
9 the adequacy or sufficiency of the facilities, equipment,
10 instrumentalities, or buildings, or the reasonableness of rules or
11 regulations made, furnished, used, supplied, or in force affecting
12 any gas plant owned and operated by such gas distribution business.

13 (9) "Investor-owned light and power business" means any light and
14 power business subject to regulation by the commission of the rates,
15 tolls, rentals, contracts or charges, or service rendered, or the
16 adequacy or sufficiency of the facilities, equipment,
17 instrumentalities, or buildings, or the reasonableness of rules or
18 regulations made, furnished, used, supplied, or in force affecting
19 any electric plant owned and operated by such light and power
20 business.

21 (10) "Light and power business" has the same meaning as provided
22 in RCW 82.16.010.

23 (11) "Low income" means at or below or below eighty percent of
24 area median income or two hundred percent of the federal poverty
25 level.

26 NEW SECTION. **Sec. 202.** CREDITS FOR CLEAN ENERGY INVESTMENTS OF
27 INVESTOR-OWNED ENERGY UTILITIES. (1) Except as provided in subsection
28 (2) of this section, beginning July 1, 2019, each investor-owned
29 energy utility may claim a credit against the carbon pollution tax
30 imposed in section 102 of this act for clean energy investments
31 approved pursuant to this chapter, not to exceed one hundred percent
32 of the taxes owed under section 102 of this act in the same calendar
33 year.

34 (2) For electricity produced by a generating facility that burns
35 coal as the primary fuel source and the electricity is not otherwise
36 exempt from the carbon pollution tax imposed in section 102 of this
37 act, the department of revenue will adopt a schedule for each
38 facility to calculate the credits such that beginning January 1,

1 2020, the credit decreases on a pro rata basis annually until
2 reaching zero percent in 2036.

3 (3) To be eligible for the credit under this section for clean
4 energy investment, an investor-owned energy utility must, as of the
5 date the credit is claimed, have received approval by the commission
6 of a clean energy investment plan pursuant to section 205 of this
7 act. Remaining revenues collected pursuant to the carbon pollution
8 tax imposed in section 102 of this act, if any, must be remitted to
9 the department of revenue and deposited in the carbon pollution
10 reduction account created in section 108 of this act.

11 (4) Each investor-owned energy utility claiming a credit pursuant
12 to this section must establish and maintain a separate clean energy
13 investment account into which it must deposit amounts equal to the
14 credit taken under this section. Moneys in the clean energy
15 investment account must be deposited in an interest-bearing account
16 in a financial institution as defined by RCW 30A.22.040 that is
17 separate from other accounts and that credits all interest earned on
18 the funds to that account. Moneys in the clean energy investment
19 account may only be expended for the purposes identified in this
20 chapter.

21 (5) An investor-owned energy utility may not earn a rate of
22 return from the portion of investments paid for with moneys from the
23 clean energy investment account.

24 (6) Moneys in the separate clean energy investment account are
25 considered gross operating revenue for the purpose of RCW 80.24.010,
26 and may not be considered gross income for the purposes of chapters
27 82.04 and 82.16 RCW.

28 NEW SECTION. **Sec. 203.** TECHNICAL STANDARDS COMMITTEE CREATED.

29 (1) The commission must create a technical standards committee for
30 the purpose of advising the commission and other state agencies, the
31 legislature, utilities, and local governments on utility reinvestment
32 of moneys credited pursuant to section 202 of this act. The technical
33 standards committee must develop standards and guidelines used by the
34 commission to evaluate, quantify, and verify greenhouse gas emissions
35 reductions proposed by utility plans pursuant to section 205 of this
36 act. The duties of the technical standards committee include, but are
37 not limited to:

1 (a) Establishing standard protocols for verification and
2 evaluation of greenhouse gas emissions reductions from utility
3 investments;

4 (b) Developing common planning assumptions for use in utility
5 clean energy investment plans;

6 (c) Developing a standard reporting format to be adopted by the
7 commission for all investments and activities supported by the clean
8 energy investment accounts; and

9 (d) Other duties consistent with the purpose of this section, as
10 required by the commission.

11 (2) The technical standards committee established in this section
12 constitutes a class one group under RCW 43.03.220. Expenses for the
13 technical standards committee are an appropriate administrative
14 expense for the purpose of section 205(7)(b)(x) of this act. Staff
15 support must be provided by the commission.

16 (3) This section expires July 1, 2020.

17 NEW SECTION. **Sec. 204.** WASHINGTON CLEAN ENERGY INVESTMENT
18 PROGRAMS ESTABLISHED FOR INVESTOR-OWNED ENERGY UTILITIES—RULE MAKING.
19 By July 1, 2019, the commission must adopt rules concerning the
20 process, timelines, reporting, and documentation required to ensure
21 the proper implementation of this chapter. Such rules must also
22 establish requirements for review, approval, performance standards,
23 and independent monitoring and evaluation of clean energy investment
24 plans of investor-owned energy utilities. The department of commerce
25 and the commission must, to the extent practicable, adopt rules that
26 are similar enough to ensure coordinated and consistent
27 implementation of this chapter for consumer-owned and investor-owned
28 energy utilities.

29 NEW SECTION. **Sec. 205.** CLEAN ENERGY INVESTMENT PLANS FOR
30 INVESTOR-OWNED ENERGY UTILITIES. (1) To be eligible for the tax
31 credit under section 202 of this act, an investor-owned energy
32 utility must develop and maintain an approved clean energy investment
33 plan, which identifies approved funding for clean energy investments
34 over a ten-year period, pursuant to subsection (5) of this section.
35 The clean energy investment plan must seek to the maximum extent
36 practicable to fully eliminate any tax obligation imposed by this act
37 associated with electricity by the year 2050.

1 (2) When developing and updating its clean energy investment
2 plan, an investor-owned energy utility must solicit public input
3 through public processes under the oversight of the commission.

4 (3) Beginning July 1, 2019, an investor-owned energy utility
5 seeking a credit under section 202 of this act must submit:

6 (a) A clean energy investment plan;

7 (b) A summary of the public input received during development of
8 the plan; and

9 (c) A schedule for independent evaluation of activities financed
10 through the clean energy investment plan, including verification of
11 carbon emissions reductions. The reasonable costs of such independent
12 evaluations may be included in a utility's clean energy investment
13 plan and paid for from a utility's clean energy investment account.

14 (4) An investor-owned energy utility's clean energy investment
15 plan may use methods and calculations that deviate from the common
16 protocols and planning assumptions recommended by the technical
17 standards committee when approved by the commission.

18 (5) Each clean energy investment plan must include the following:

19 (a) A demonstration that the portfolio of funded activities will
20 achieve significant reductions in carbon dioxide emissions at a
21 reasonable cost over the shortest reasonable time frame;

22 (b) An estimate, based on protocols developed by the technical
23 standards committee, of the cost per ton of emissions reductions for
24 the portfolio of projects in the clean energy investment plan;

25 (c) A demonstration that expenditures in the clean energy
26 investment plan will be additional to expenditures necessary to meet
27 other emissions reduction, energy conservation, low-income programs,
28 or renewable energy requirements in the absence of this act; and

29 (d) Sufficient funding, as determined by the commission, to
30 mitigate any increase in gas or electric bills to qualifying low-
31 income customers as a result of the carbon pollution tax imposed in
32 section 102 of this act. Such moneys must be additional to other
33 funding for low-income energy assistance.

34 (6) Each clean energy investment plan may include the following:

35 (a) A customer education and outreach program to promote
36 widespread participation by consumers and businesses; and

37 (b) Up to ten percent of the moneys collected by an investor-
38 owned energy utility pursuant to this section may be dedicated for
39 research and development by the investor-owned energy utility that

1 will promote energy conservation, or the deployment of zero-emission
2 energy resources.

3 (7)(a) A clean energy investment plan must include programs for
4 investments or expenditures that are incremental to investments or
5 expenditures that the investor-owned energy utility would have
6 pursued in the absence of such clean energy investment plan; and

7 (i) Reduce or offset carbon dioxide emissions of the investor-
8 owned energy utility; or

9 (ii) Advance market transformation, educate consumers, develop
10 new low carbon fuels such as renewable natural gas, increase
11 participation in programs that incentivize consumers to choose low
12 carbon alternatives, or increase carbon sequestration.

13 (b) Eligible investments may include contributions in aid of
14 construction or expenditures for the following:

15 (i) Additional conservation in excess of the target established
16 under RCW 19.285.040(1), other state obligations, or other obligation
17 established by the commission in effect on the effective date of this
18 section;

19 (ii) Market transformation for energy efficiency products;

20 (iii) Eligible renewable resources as defined by RCW 19.285.030,
21 in excess of the target established under RCW 19.285.040(2) in effect
22 on the effective date of this section;

23 (iv) Low-income weatherization;

24 (v) Infrastructure to support electrification of the
25 transportation sector including, but not limited to:

26 (A) Equipment on an electrical company's transmission and
27 distribution system to accommodate electric vehicle connections, and
28 smart grid systems, that enable electronic interaction between the
29 company and charging systems, and facilitate company utilization of
30 vehicle batteries for system needs;

31 (B) Incentives for car dealers to sell electric vehicles;

32 (C) Incentives for property owners to install charging equipment
33 for electric vehicles; and

34 (D) Incentives for the electrification of vehicle fleets;

35 (vi) Investment in clean distributed energy resources and grid
36 modernization to facilitate distributed resources and improved grid
37 resiliency;

38 (vii) Research and development that will promote energy
39 conservation, or the deployment of zero-emission energy resources;

1 (viii) Investments in renewable natural gas production, including
2 equipment to condition biogas, or equipment used solely for the
3 purpose of delivering biogas for consumption;

4 (ix) Contributions to self-directed investments in the following
5 measures to serve the sites of large industrial gas and electrical
6 customers; conservation; new renewable energy resources; behind-the-
7 meter technology that facilitates demand response cooperation to
8 reduce peak loads; infrastructure to support electrification of
9 transportation needs and heating loads; or renewable natural gas
10 production, including gas conditioning equipment for biogas; and

11 (x) The reasonable costs of administration of the clean energy
12 investment program, as determined by the commission.

13 (8) Funds from a clean energy investment account may be expended
14 by an investor-owned utility to replace all or some of the debt
15 financing portion of capital projects identified in the utility's
16 approved clean energy investment plan, if the commission determines
17 that such treatment would reduce the overall cost of the project to
18 customers, and is otherwise consistent with the purposes of this
19 section.

20 NEW SECTION. **Sec. 206.** CLEAN ENERGY INVESTMENT PROGRAM
21 EXPENDITURE MONITORING, AUDITING, AND OVERSIGHT FOR INVESTOR-OWNED
22 ENERGY UTILITIES. (1) Upon approval of a clean energy investment
23 plan, an investor-owned energy utility must expend moneys from its
24 clean energy investment account in accordance with the clean energy
25 investment plan approved by the commission.

26 (2) In order to maintain eligibility for the tax credit under
27 section 202 of this act and to retain authority to expend money from
28 a clean energy investment account, an investor-owned energy utility
29 must submit and receive approval of an updated clean energy
30 investment plan every two years, and submit annual reports to the
31 commission, including:

32 (a) The status of projects approved in the previous clean energy
33 investment plan;

34 (b) Demonstration that the plan has met performance standards
35 established by the commission by order;

36 (c) An accounting of verified emissions reductions, and the cost
37 per ton of emissions reductions compared to estimates of the cost per
38 ton in emissions reductions contained in the clean energy investment
39 plan; and

1 (d) An updated estimate of future emissions reductions and the
2 estimated cost per ton.

3 (3) If the commission determines that the plan or any project in
4 the plan did not meet performance standards, the commission may
5 require the utility to remit remaining tax moneys dedicated for the
6 nonperforming plan or project to the department of revenue.

7 (4) The commission must provide information upon request to the
8 department of revenue to assist the department in administering the
9 credit in section 202 of this act.

10 **Part III**

11 **Clean Energy Investment Fund for Consumer-Owned Energy Utilities**

12 NEW SECTION. **Sec. 301.** CARBON POLLUTION TAX CREDIT. (1)
13 Beginning July 1, 2019, each consumer-owned energy utility may claim
14 a credit against the carbon pollution tax imposed in section 102 of
15 this act for clean energy investments approved pursuant to this
16 chapter, not to exceed one hundred percent of the taxes owed under
17 section 102 of this act in the same calendar year.

18 (2) To be eligible for the credit under this section for clean
19 energy investment, a consumer-owned energy utility must, as of the
20 date the credit is claimed, have a plan, approved by the governing
21 body of a consumer-owned energy utility, to reinvest an equivalent
22 amount of revenues collected from customers for the purposes of this
23 chapter during that year, the preceding year, or any of the three
24 subsequent years. Remaining revenues collected pursuant to the carbon
25 pollution tax imposed in section 102 of this act must be remitted to
26 the department of revenue and deposited in the carbon pollution
27 reduction account created in section 108 of this act.

28 (3) Each consumer-owned energy utility claiming a credit pursuant
29 to this section must establish and maintain a separate clean energy
30 investment account into which it must deposit amounts equal to the
31 credit taken under this section. Moneys in this account must be kept
32 separate from other accounts, and may only be expended for the
33 purposes identified in this chapter. Interest accrued on this account
34 must be expended only for purposes identified in this chapter.

35 (4) Moneys retained in the separate clean energy investment
36 account are considered gross operating revenue for the purpose of RCW
37 80.24.010, and are not considered gross income for the purpose of
38 chapter 82.16 RCW.

1 NEW SECTION. **Sec. 302.** TECHNICAL ADVISORY COMMITTEE CREATED.

2 (1) The department must create a broadly representative technical
3 advisory committee for the purpose of advising the department, other
4 state agencies, the legislature, utilities, and local governments on
5 consumer-owned energy utility reinvestment of moneys credited
6 pursuant to section 301 of this act. The advisory committee will
7 advise on guidelines developed or adopted by the department to
8 evaluate, quantify, and verify greenhouse gas emissions reductions
9 proposed by utility plans pursuant to section 304 of this act. The
10 duties of the technical advisory committee include, but are not
11 limited to:

12 (a) Advising on standard protocols for verification and
13 evaluation of greenhouse gas emissions reductions from utility
14 investments;

15 (b) Recommending common planning assumptions for use in utility
16 clean energy investment plans;

17 (c) Advising on a standard reporting format to be adopted by the
18 department for all investments and activities supported by the clean
19 energy investment accounts; and

20 (d) Other duties consistent with the purpose of this section, as
21 required by the department.

22 (2) The technical advisory committee established in this section
23 constitutes a class one group under RCW 43.03.220. Expenses for the
24 technical advisory committee are an appropriate administrative
25 expense for the purpose of section 304(6)(k) of this act. Staff
26 support must be provided by the department.

27 (3) This section expires July 1, 2020.

28 NEW SECTION. **Sec. 303.** WASHINGTON CLEAN ENERGY INVESTMENT
29 PROGRAMS ESTABLISHED—RULE MAKING. By July 1, 2019, the department
30 must adopt rules concerning only the process, timelines, reporting,
31 and documentation required to ensure the proper implementation of
32 this chapter. Such rules may include rules associated with utility
33 development, implementation, and evaluation of clean energy
34 investment plans. The department and the commission must, to the
35 extent practicable, adopt rules that are similar enough to ensure
36 coordinated and consistent implementation of this chapter for
37 consumer-owned and investor-owned energy utilities.

1 NEW SECTION. **Sec. 304.** CLEAN ENERGY INVESTMENT PLANS. (1) To be
2 eligible for the tax credit under section 301 of this act, a
3 consumer-owned energy utility must develop and maintain a clean
4 energy investment plan that is approved by its governing body. The
5 clean energy investment plan must seek to the maximum extent
6 practicable to fully eliminate any tax obligation imposed by this act
7 associated with electricity by the year 2050.

8 (2) When developing and updating its clean energy investment
9 plan, a consumer-owned energy utility must solicit public input
10 through public processes under the oversight of its governing body.

11 (3) Each clean energy investment plan must include:

12 (a) A summary of the public input received during development of
13 the plan; and

14 (b) A schedule for independent evaluation of activities financed
15 through the clean energy investment plan, including verification of
16 carbon emissions reductions. The reasonable costs of such independent
17 evaluations may be included in a utility's clean energy investment
18 plan and paid for from a utility's clean energy investment account.

19 (4) A consumer-owned energy utility's clean energy investment
20 plan may use methods and calculations that deviate from the common
21 protocols and planning assumptions recommended by the technical
22 advisory committee when approved by the governing body.

23 (5) A clean energy investment plan must include:

24 (a) Programs for investments or expenditures that:

25 (i) Are incremental to investments or expenditures that the
26 utility would have pursued in the absence of such clean energy
27 investment plan; and

28 (ii)(A) Reduce or offset carbon dioxide emissions of the utility;
29 or

30 (B) Advance market transformation, educate consumers, develop new
31 low carbon fuels such as renewable natural gas, and increase
32 participation in programs that enable consumers to choose low carbon
33 alternatives;

34 (b) A demonstration that the portfolio of funded activities can
35 reasonably be expected to achieve reductions in greenhouse gas
36 emissions;

37 (c) An estimate, based on protocols developed by the technical
38 advisory committee or other protocol as authorized under subsection
39 (4) of this section, of the metric tons of emissions reductions and

1 the cost per metric ton of emissions reductions for the portfolio of
2 projects in the clean energy investment plan;

3 (d) A demonstration that expenditures in the clean energy
4 investment plan will be additional to expenditures necessary to meet
5 other emissions reductions, energy conservation, or renewable energy
6 requirements not to exceed an average cost per metric ton of
7 greenhouse gases abated at three hundred percent of the carbon tax
8 rate or to be determined by the department as appropriate;

9 (e) A customer education and outreach program; and

10 (f) Sufficient funding, as determined by the department, to
11 mitigate any increase in gas or electric bills to qualifying low-
12 income customers as a result of the carbon pollution tax imposed in
13 section 102 of this act. Such moneys must be additional to other
14 funding for low-income energy assistance.

15 (6) A clean energy investment plan may only include the following
16 types of investments or expenditures:

17 (a) Additional conservation in excess of the target established
18 under RCW 19.285.040(1), other state obligations, or other obligation
19 established by the commission;

20 (b) Market transformation for energy efficiency products;

21 (c) Eligible renewable resources as defined by RCW 19.285.030, in
22 excess of the target established under RCW 19.285.040(2);

23 (d) Low-income weatherization;

24 (e) Infrastructure to support electrification of the
25 transportation sector including, but not limited to:

26 (i) Equipment on an electrical company's transmission and
27 distribution system to accommodate electric vehicle connections, and
28 smart grid systems, that enable electronic interaction between the
29 company and charging systems, and facilitate company utilization of
30 vehicle batteries for system needs;

31 (ii) Incentives for car dealers to sell electric vehicles;

32 (iii) Incentives for property owners to install charging
33 equipment for electric vehicles; and

34 (iv) Incentives for the electrification of vehicle fleets;

35 (f) Investment in clean distributed energy resources and grid
36 modernization to facilitate distributed resources and improved grid
37 resiliency;

38 (g) Research and development that will promote energy
39 conservation, or the deployment of zero-emission energy resources;

1 (h) Investments in renewable natural gas production, including
2 gas conditioning equipment for biogas;

3 (i) Investments in the following measures to serve the sites of
4 large industrial gas and electrical customers: Conservation; new
5 renewable energy resources; behind-the-meter technology that
6 facilitates demand response cooperation to reduce peak loads;
7 infrastructure to support electrification of transportation needs and
8 heating loads; or renewable natural gas production, including gas
9 conditioning equipment for biogas;

10 (j) Other measures determined by the governing body to meet the
11 requirements of subsection (5) of this section; and

12 (k) The reasonable costs of administration of the clean energy
13 investment program, as determined by the department.

14 (7) In order to maintain eligibility for the tax credit under
15 section 301 of this act and to continue to retain authority to expend
16 money from the utility's clean energy investment account, a consumer-
17 owned energy utility must submit and receive approval from the
18 governing body of the consumer-owned energy utility of an updated
19 clean energy investment plan every three years.

20 NEW SECTION. **Sec. 305.** AGGREGATION OF THE CARBON POLLUTION TAX
21 CREDIT AND JOINT DEVELOPMENT OF CLEAN ENERGY INVESTMENT PLANS. (1) A
22 consumer-owned energy utility may enter into an agreement with a
23 joint operating agency organized under chapter 43.52 RCW on or before
24 January 1, 2017, to aggregate their claims against the carbon
25 pollution tax imposed in section 102 of this act and to develop and
26 implement a joint clean energy investment plan. Implementation of a
27 joint clean energy investment plan may not begin until the governing
28 bodies of all member utilities have approved the plan through a
29 public process. The purpose of this section is to facilitate broad,
30 equitable, and efficient use of the carbon pollution tax credit.

31 (2) Each utility that enters into an agreement authorized in
32 subsection (1) of this section must empower the joint operating
33 agency to, on their behalf, claim the credit against the carbon
34 pollution tax imposed in section 102 of this act. The joint operating
35 agency must establish and maintain a separate clean energy investment
36 account and deposit into that account amounts equal to the credits
37 taken under this section. Moneys in this account must be kept
38 separate from other accounts, and may only be expended for the
39 purposes identified in this chapter.

1 NEW SECTION. **Sec. 306.** CLEAN ENERGY INVESTMENT PROGRAM
2 EXPENDITURE MONITORING AND OVERSIGHT. (1) A consumer-owned energy
3 utility must submit annual reports to the department including, but
4 not limited to:
5 (a) The status of projects approved in the previous clean energy
6 investment plan; and
7 (b) Using the protocols included in the approved clean energy
8 investment plan:
9 (i) An accounting of greenhouse gas emissions reductions achieved
10 and the cost per metric ton of emissions reductions compared to
11 estimates of the cost per metric ton in emissions reductions
12 contained in the clean energy investment plan; and
13 (ii) An updated estimate of future greenhouse gas emissions
14 reductions and the estimated cost per metric ton.
15 (2) The state auditor is responsible for auditing compliance with
16 the approved plan and the attorney general is responsible for
17 enforcing that compliance.
18 (3) Penalties for noncompliance with an approved plan may include
19 a reduction or elimination of the credit a utility may claim against
20 the carbon pollution tax imposed in section 102 of this act for clean
21 energy investments.

22 **Part IV**
23 **Energy Transformation Account Funds**

24 NEW SECTION. **Sec. 401.** A new section is added to chapter 43.31
25 RCW to read as follows:

26 ENERGY TRANSFORMATION ACCOUNT. (1) The energy transformation
27 account is created in the state treasury. The account must receive
28 moneys distributed to the account from the carbon pollution reduction
29 account created in section 108 of this act as well as other moneys
30 directed to the account by the legislature. Moneys in the account
31 must be used for projects and incentive programs that yield
32 verifiable reductions in carbon pollution in excess of current
33 practices, and may only be spent after appropriation.

34 (2) The department must solicit proposals and award grants for
35 projects and incentive programs that reduce greenhouse gas emissions
36 in Washington state or reduce emissions directly connected to energy
37 use and other activity in Washington state.

1 (a) Grant awards must be aligned to a strategy, which when
2 combined with the utility clean energy investments plans in sections
3 205 and 304 of this act, are anticipated to achieve a net cumulative
4 reduction of greenhouse gas emissions of twenty-five percent below
5 1990 levels by the year 2035 within the amounts as appropriated.

6 (b)(i) The department of commerce must consider the
7 recommendation of the Washington State University extension energy
8 program in section 403 of this act in determining the award amount
9 offered for a given project and the appropriate process or method for
10 awarding proposals in that program area.

11 (ii) The award amounts must reflect the impact of the carbon
12 pollution tax in section 102 of this act, and the availability of
13 other public incentives or credits to determine the minimum level
14 necessary to catalyze investment of each project type but avoid
15 windfall profits in projects.

16 (iii) Award amounts from the energy transformation account may
17 not exceed one hundred dollars in 2017 dollars per ton of carbon
18 dioxide equivalent or reduced emissions of greenhouse gases; however
19 the total project cost may exceed that amount provided additional
20 funding from another source.

21 (3) The department must consult with the department of ecology
22 and the Washington State University extension energy program in the
23 design and operation of the fund and must follow the guidelines and
24 obligations set forth in the implementation plan created in section
25 403 of this act.

26 (4) Priority must be given to the following:

27 (a) Projects and activities that provide benefits to low-income
28 communities, communities of color, and communities of indigenous
29 peoples provided the projects achieve equivalent net emissions
30 reductions and are cost-competitive compared to other proposals;

31 (b) Applications from consumer-owned energy utilities with
32 retained credit amounts of less than five million dollars annually
33 for comparable incentives for utility customers who otherwise would
34 not have access to the programs, services, and investments offered in
35 a clean energy investment plan as provided in sections 205 and 304 of
36 this act; and

37 (c) Projects with a high leverage ratio of nonenergy
38 transformation account funds to energy transformation account funds,
39 excluding funding sourced from utility credits as provided in
40 sections 205 and 304 of this act.

1 (5)(a) Projects and incentive programs must meet all of the
2 following criteria to be eligible for funding. Emissions reductions
3 from projects and incentive programs must be:

4 (i) Real, specific, identifiable, and quantifiable;

5 (ii) Permanent: The department will look to other jurisdictions
6 in setting this standard and will make a reasonable determination on
7 length of time recognizing the advantages of near-term reductions and
8 the potential for future technology to mitigate the long-term release
9 of greenhouse gas emissions into the atmosphere;

10 (iii) Enforceable by the state of Washington;

11 (iv) Verifiable; and

12 (v) Not eligible for funding, if an emissions reduction is
13 required by another statute, rule, or other legal requirement, or is
14 approved under a clean energy investment plan as provided in sections
15 205 and 304 of this act, or can be reasonably assumed to occur absent
16 additional funding in the near future. Emissions reductions resulting
17 in part or in whole from the policies listed in (a)(v)(A) through (D)
18 of this subsection (5) are eligible under this program:

19 (A) Commute trip reduction programs as established through RCW
20 70.94.527 under WAC 173-442-160(3);

21 (B) Carbon dioxide emissions from the industrial combustion of
22 biomass in the form of fuel wood, wood waste, wood by-products, and
23 wood residuals are carbon neutral and result in zero CO₂ emissions as
24 defined under RCW 70.235.030(3);

25 (C) Washington's carbon dioxide mitigation standard for fossil-
26 fueled electric generation facilities, through an energy facility
27 site evaluation council site certificate or by chapter 80.70 RCW; and

28 (D) The acquisition of conservation and energy efficiency in
29 excess of the targets required by the energy independence act under
30 RCW 19.285.040.

31 (b) Funding may be provided for incremental carbon reductions
32 from projects which have already secured funding, but can furnish
33 more carbon reductions with additional resources.

34 (6) The department must consider projects and incentive programs
35 for the following activities: Transportation activities; combined
36 heat and power activities; energy activities; livestock and
37 agricultural activities; waste and wastewater activities; industrial
38 sector activities; certain energy facility site evaluation council
39 recognized emissions reductions; sequestration activities, including

1 wood product substitution; and other activities on a technology-
2 neutral basis which conform to established protocols.

3 (7) Recipients of funding for projects must submit to the
4 department a progress report at a date or dates to be determined by
5 the department. The progress report must include the following in
6 addition to any other information the department may require:

7 (a) A summary of the investments made and technology or other
8 changes installed and deployed; and

9 (b) Verification of the avoided greenhouse gas emissions since
10 the date of the signed contract or the last report from a qualified
11 third party, as identified by the department of commerce. The
12 qualified third party must report on:

13 (i) Whether the project was built or implemented according to the
14 proposed design and any protocols or methodologies that were
15 referenced in the proposal, as approved in the funding contract;

16 (ii) A verification plan that details the methods used to
17 evaluate the project;

18 (iii) Their review of the recipient's accounting of current and
19 projected emissions reductions;

20 (iv) The site visits conducted by verifiers; and

21 (v) Any additional data as the department identifies by rule to
22 sufficiently evaluate the project and to provide the highest level of
23 integrity and verification for the emissions reductions.

24 (8) The department must design project funding contracts, monitor
25 project implementation, and track contract performance, to actively
26 assist the project proponent in securing the expected project
27 outcomes. The department may suspend or terminate funding when
28 projects do not achieve projected reductions as provided in the
29 funding agreement and, in cases of gross misuse of funds, may require
30 a return of grant funding.

31 (9) Amounts must be appropriated to the department from the
32 account for the department's and other agencies' costs to administer
33 the projects and programs in this section.

34 (10) The department may adopt rules necessary to implement this
35 section.

36 (11) Public entities, including but not limited to state
37 agencies, municipal corporations, and federally recognized Indian
38 tribes, and private entities, both not-for-profit and for-profit, are
39 eligible to receive energy transformation account funds authorized by
40 this section.

1 (12) The department must develop an electronic database available
2 to the public to track projects and incentive programs receiving
3 funding under this section. Projects will be ranked and sortable
4 based on quantitative performance metrics, including the avoided cost
5 of a ton of carbon dioxide.

6 NEW SECTION. **Sec. 402.** SEQUESTRATION OF CARBON. Funds
7 appropriated from the account created in section 401 of this act may
8 be used for the following carbon sequestration activities:

9 (1) Sequestration of carbon in aquatic marine and freshwater
10 natural resources. The department of natural resources must develop
11 procedures and criteria for a program to provide grants for blue
12 carbon projects, such as wetland and seagrass restoration projects
13 that result in aquatic carbon sequestration outcomes and also provide
14 multiple benefits for coastal and wetland habitat restoration;

15 (2) Sequestration of carbon in agricultural lands and soils. The
16 department of agriculture must develop procedures and criteria for a
17 program to increase soil sequestration and reduce emissions from the
18 loss and disturbance of soils and conversion of grassland and
19 cropland soils to urban development;

20 (3) Sequestration of carbon in terrestrial, riparian, and aquatic
21 habitats. The recreation and conservation office must develop
22 procedures and criteria for a program to protect and prevent the loss
23 of ecosystems that provide fish and wildlife habitat and carbon
24 sequestration values;

25 (4) Sequestration of carbon in working forests. The account may
26 be used to fund grants through a working forest conservation program
27 developed and administered by the recreation and conservation office.
28 The office must consult with Indian tribes and develop procedures and
29 criteria for the working forest conservation program to provide
30 grants for conservation easements or fee simple title acquisitions
31 with deed restrictions that result in enhanced carbon sequestration.
32 The program must prioritize projects that implement improved forest
33 management, provide compensation for agreements that sequester carbon
34 on lands owned by small forest landowners as defined in RCW
35 76.09.450, and create economic benefits in rural communities
36 including sustainable jobs, safeguard critical habitat, prevent
37 conversion, and protect the forestland base. The program is not
38 intended to fund legal responsibilities under the forest practices
39 act or other applicable land use regulations, or land management

1 responsibilities that are otherwise applicable. Procedures and
2 criteria for the program must also provide sufficient flexibility to
3 serve as a source of matching funds from other sources and a portion
4 of individual grant awards may support long-term stewardship for
5 lands conserved under this program.

6 (5) The projects funded under this section must prioritize and
7 rank projects considering the comparative need of the applicants, to
8 satisfy a diversity of potential ecological benefits, and to achieve
9 carbon sequestration. Associated benefits that must also be
10 considered include improving landscape scale ecological functions to
11 protect water, soils, and provide improved fish and wildlife habitat.

12 NEW SECTION. **Sec. 403.** A new section is added to chapter 43.31
13 RCW to read as follows:

14 IMPLEMENTATION PLAN FOR THE ENERGY TRANSFORMATION ACCOUNT. (1)
15 The department must, by June 30, 2019, develop an implementation plan
16 for the investment of the energy transformation account. This
17 planning and preparation must include:

18 (a) Analysis, to be implemented in partnership with the
19 Washington State University extension energy program, to further
20 determine overall carbon pollution abatement opportunities in
21 Washington. The analysis may include the development of a marginal
22 abatement cost curve for Washington that may be used by the
23 department to recommend appropriate award amounts per metric ton of
24 carbon dioxide equivalent of greenhouse gas emissions reductions for
25 a variety of clean energy, efficiency, transportation,
26 electrification, and other project portfolio types. By March 1, 2021,
27 and by March 1st of each odd-numbered year thereafter, the Washington
28 State University extension energy program and the department of
29 commerce must update the recommended amounts per metric ton of
30 emissions reductions for the following two-year period;

31 (b) Preparation of robust monitoring and evaluation systems to
32 ensure that the effects and cost-effectiveness of grants are
33 rigorously assessed and that such assessments are used over time to
34 inform and strengthen the grant-making process;

35 (c) Assessment and development of efficient and transparent
36 grant-making strategies designed to ensure program objectives are met
37 and taxpayer interests are protected including, but not limited to,
38 leveraging investments through partnerships, reverse auctions, and
39 pay-for-performance mechanisms in which funding is released upon

1 emissions reductions verifications and the development of incentive
2 programs; and

3 (d) Outreach and education to engage eligible recipients for
4 grant funding and to prepare them to develop and submit grant
5 applications for priority projects.

6 (2) The department must implement a performance management
7 system, complete an independent audit every two years, and report the
8 results of each assessment to the joint committee on climate programs
9 oversight created in section 801 of this act and to the appropriate
10 committees of the legislature.

11 **Part V**
12 **Transition Assistance**

13 NEW SECTION. **Sec. 501.** TRANSITION ASSISTANCE ACCOUNT. (1) The
14 legislature finds that increased energy expenses will have a
15 disproportionate impact upon the finances of low-income households
16 engaging in life-sustaining activities including but not limited to
17 heating, cooling, and transportation. The legislature therefore
18 creates the transition assistance account to provide a financially
19 equitable transition to a clean energy economy by providing economic,
20 financial, and public health supports, programs, services, and
21 assistance to low-income households.

22 (2) The transition assistance account is created in the state
23 treasury. The account must receive moneys distributed to the account
24 from the carbon pollution reduction account created in section 108 of
25 this act as well as other moneys directed to the account by the
26 legislature. Moneys in the account may only be used for the purposes
27 described in this section and sections 503 and 504 of this act, and
28 may only be spent after appropriation.

29 NEW SECTION. **Sec. 502.** (1) By December 31, 2018, for the
30 purposes of mitigating harm from climate change and dangerous air
31 pollutants that impact human health or the environment and are
32 regulated under the federal clean air act or chapter 70.94 RCW, the
33 department of health must conduct or adopt a cumulative impact
34 analysis to designate the communities highly impacted by fossil fuel
35 pollution and climate change in Washington.

1 (2) The cumulative impact analysis must map, rank, and designate
2 a percentile of census tracts as highly impacted communities based on
3 an index of criteria, including:

4 (a) Vulnerable population characteristics including, but not
5 limited to, socioeconomic factors, like unemployment, housing and
6 transportation burden, and linguistic isolation, and sensitivity,
7 such as low birth weight and hospitalizations; and

8 (b) Environmental burden characteristics including, but not
9 limited to, exposures to air, water, and toxics and environmental
10 effects such as toxic sites, hazardous waste, and climate impacts.

11 (3) The department of health must conduct meaningful consultation
12 with vulnerable communities in Washington and consult the University
13 of Washington department of environmental and occupational health
14 sciences in developing the analysis, or adopt an analysis that
15 included this consultation.

16 (4) The cumulative impact analysis may integrate with and build
17 upon other population tracking resources used by the department of
18 health and analysis done by the University of Washington department
19 of environmental and occupational health sciences.

20 (5) By March 1, 2023, and every two years thereafter, the
21 department of health, under advisement from the environmental justice
22 panel, must update the designation of highly impacted communities
23 pursuant to this section. By March 1, 2025, and every four years
24 thereafter, the department of health must review and consider
25 revisions to the cumulative impacts methodology for
26 designating highly impacted communities to reflect best practices.

27 NEW SECTION. **Sec. 503.** ENERGY TRANSITION ASSISTANCE TO LOW-
28 INCOME HOUSEHOLDS. (1) Using funds appropriated from the account
29 created in section 501 of this act, the department of commerce must
30 provide for an equitable transition to a clean energy economy by
31 providing funding to assist low-income households during that
32 transition with increased energy prices that will have a
33 disproportionate impact upon such households. For the purposes of
34 this section, the term "low income" means at or below eighty percent
35 of area median income or two hundred percent of the federal poverty
36 level.

37 (2) Transition assistance under this chapter may include direct
38 financial assistance in the form of a grant, subsidy, rebate, or
39 other similar financial benefit or product including:

1 (a) Through expansion of or increases to existing programs and
2 authorizations administered by the department of social and health
3 services;

4 (b) Expansion or increases to existing regional community health
5 programs administered by the health care authority; or

6 (c) New programs that efficiently enable direct financial
7 assistance.

8 (3) The assistance may include but is not limited to programs
9 such as energy bill pay subsidies, energy efficiency and
10 weatherization assistance and services, public health programs and
11 services, affordable transportation services and options, affordable
12 housing, improved community services, and reductions in vehicle fees
13 as provided in sections 506, 507, and 508 of this act.

14 (4) The department must form a transition assistance advisory
15 group comprised of appropriate state agencies, local governments,
16 Indian tribes, social service agencies, and low-income and community
17 advocacy organizations to develop an implementation plan that selects
18 the most efficient and financially equitable delivery of transition
19 assistance to low-income households across the state. The department
20 must consult with and take into strong consideration the
21 recommendations of the advisory group. The advisory group may consist
22 of a subcommittee of the panel created under section 805 of this act.
23 The implementation plan together with recommendations for
24 appropriations and recommended legislative action must be provided to
25 the joint committee on climate programs oversight created in section
26 801 of this act and to the governor and appropriate committees of the
27 senate and house of representatives not later than December 31, 2018.

28 NEW SECTION. **Sec. 504.** ENERGY TRANSITION ASSISTANCE TO
29 DISPLACED WORKERS. (1) Using funds appropriated from the account
30 created in section 501 of this act, the department of commerce, with
31 the assistance of the employment security department and in
32 consultation with business and labor organizations, must develop a
33 program and provide assistance to eligible displaced fossil fuel-
34 related industries workers.

35 (2) The assistance provided for in subsection (1) of this section
36 may include, but is not limited to:

37 (a) Wage, pension, and health benefits replacement for up to two
38 years; the replacement assistance must be based on the average of the
39 worker's previous two years' wages received, pension contributions

1 made by the employer for the worker's benefit, and the cost to the
2 employer of the worker's health insurance benefits while the worker
3 was working in the fossil fuel-related industry;

4 (b) For a worker who is within five years of eligibility for a
5 union pension or social security, the period of time the replacement
6 assistance described in (a) of this subsection may be paid continues
7 until the worker is eligible for the union pension or full social
8 security benefits, whichever is later;

9 (c) Training and education costs not to exceed the average cost
10 of two years tuition and fees at Washington state's community and
11 technical colleges;

12 (d) Peer counseling services;

13 (e) Enhanced job placement services; and

14 (f) Relocation expenses and assistance.

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

17 (a) "Eligible displaced fossil fuel-related industries worker"
18 means a fossil fuel-related industries worker who:

19 (i)(A) Has been terminated or received notice of termination from
20 employment and is unlikely to return to employment in the
21 individual's principal occupation or previous industry because of a
22 diminishing demand for the individual's skills in that occupation or
23 industry; or

24 (B) Is self-employed and has been displaced from the individual's
25 business because of the diminishing demand for the business'
26 services; and

27 (ii) Was working at a fossil fuel-related industries facility
28 when at least one of the following situations occurs with respect to
29 the facility:

30 (A) Any permanent fossil fuel facility or major portion thereof
31 is permanently closed or curtailed, or closed or curtailed for more
32 than six months;

33 (B) A facility reduces production by more than three percent
34 relative to its average production over the previous three years; or

35 (C) A facility's production is replaced by an increase in fossil
36 fuels imported into the state from foreign or domestic sources.

37 (b) "Fossil fuel-related industries" means petroleum refining,
38 natural gas distribution, oil and gas pipeline construction and
39 transportation, petroleum bulk stations and terminals, and fossil
40 fuel-based electric power generation in Washington state.

1 (c) "Fossil fuel-related industries worker" means a full-time
2 worker who is covered under a collective bargaining agreement, and is
3 a nonsupervisory worker; or is a full-time independent contractor
4 working in the fossil fuel-related industries.

5 NEW SECTION. **Sec. 505.** REPORTING. The department of commerce
6 must provide reports on assistance provided to low-income persons
7 under section 503 of this act and to displaced fossil fuel-related
8 industry workers under section 504 of this act to the joint committee
9 on climate programs oversight created under section 801 of this act
10 at such intervals as the committee requests.

11 **Sec. 506.** RCW 46.17.005 and 2010 c 161 s 501 are each amended to
12 read as follows:

13 (1)(a) A person who applies for a vehicle registration or for any
14 other right to operate a vehicle on the highways of this state
15 (~~shall~~) must pay a three dollar filing fee in addition to any other
16 fees and taxes required by law.

17 (b) Subsection (1)(a) of this section does not apply to a person
18 with an income at or below two hundred percent of the federal poverty
19 line. On the last day of January, April, July, and October of each
20 year, the state treasurer, based upon information provided by the
21 department, must transfer from the transition assistance account
22 created in section 501 of this act for distribution under RCW
23 46.68.400 a sum equal to the dollar amount that would otherwise have
24 been distributed under subsection (3) of this section during the
25 prior calendar quarter but for the exemption provided in this
26 subsection (1)(b).

27 (2) A person who applies for a certificate of title shall pay a
28 four dollar filing fee in addition to any other fees and taxes
29 required by law.

30 (3) The filing fees established in this section must be
31 distributed under RCW 46.68.400.

32 **Sec. 507.** RCW 46.17.350 and 2014 c 30 s 2 are each amended to
33 read as follows:

34 (1) Except as provided in subsection (2) of this section, before
35 accepting an application for a vehicle registration, the department,
36 county auditor or other agent, or subagent appointed by the director

1 (~~shall~~) must require the applicant, unless specifically exempt, to
2 pay the following vehicle license fee by vehicle type:

3	VEHICLE TYPE	INITIAL	RENEWAL	DISTRIBUTED
4		FEE	FEE	UNDER
5	(a) Auto stage, six seats or	\$ 30.00	\$ 30.00	RCW 46.68.030
6	less			
7	(b) Camper	\$ 4.90	\$ 3.50	RCW 46.68.030
8	(c) Commercial trailer	\$ 34.00	\$ 30.00	RCW 46.68.035
9	(d) For hire vehicle, six	\$ 30.00	\$ 30.00	RCW 46.68.030
10	seats or less			
11	(e) Mobile home (if	\$ 30.00	\$ 30.00	RCW 46.68.030
12	registered)			
13	(f) Moped	\$ 30.00	\$ 30.00	RCW 46.68.030
14	(g) Motor home	\$ 30.00	\$ 30.00	RCW 46.68.030
15	(h) Motorcycle	\$ 30.00	\$ 30.00	RCW 46.68.030
16	(i) Off-road vehicle	\$ 18.00	\$ 18.00	RCW 46.68.045
17	(j) Passenger car	\$ 30.00	\$ 30.00	RCW 46.68.030
18	(k) Private use single-axle	\$ 15.00	\$ 15.00	RCW 46.68.035
19	trailer			
20	(l) Snowmobile	\$ 50.00	\$ 50.00	RCW 46.68.350
21	(m) Snowmobile, vintage	\$ 12.00	\$ 12.00	RCW 46.68.350
22	(n) Sport utility vehicle	\$ 30.00	\$ 30.00	RCW 46.68.030
23	(o) Tow truck	\$ 30.00	\$ 30.00	RCW 46.68.030
24	(p) Trailer, over 2000	\$ 30.00	\$ 30.00	RCW 46.68.030
25	pounds			
26	(q) Travel trailer	\$ 30.00	\$ 30.00	RCW 46.68.030
27	(r) Wheeled all-terrain	\$ 12.00	\$ 12.00	RCW 46.09.540
28	vehicle, on-road use			
29	(s) Wheeled all-terrain	\$ 18.00	\$ 18.00	RCW 46.09.510
30	vehicle, off-road use			

31 (2) Subsection (1)(a), (d), (e), (h), (j), (n), and (o) of this
32 section do not apply to an applicant with an income at or below two
33 hundred percent of the federal poverty line. On the last day of
34 January, April, July, and October of each year, the state treasurer,

1 based upon information provided by the department, must transfer from
2 the transition assistance account created in section 501 of this act
3 for distribution under RCW 46.68.030 a sum equal to the dollar amount
4 that would otherwise have been distributed under subsection (1) of
5 this section during the prior calendar quarter but for the exemption
6 provided in this subsection (2).

7 (3) The vehicle license fee required in subsection (1) of this
8 section is in addition to the filing fee required under RCW
9 46.17.005, and any other fee or tax required by law.

10 **Sec. 508.** RCW 46.17.365 and 2015 3rd sp.s. c 44 s 202 are each
11 amended to read as follows:

12 (1) Except as provided in subsection (2) of this section, a
13 person applying for a motor vehicle registration and paying the
14 vehicle license fee required in RCW 46.17.350(1) (a), (d), (e), (h),
15 (j), (n), and (o) (~~shall~~) must pay a motor vehicle weight fee in
16 addition to all other fees and taxes required by law.

17 (a) For vehicle registrations that are due or become due before
18 July 1, 2016, the motor vehicle weight fee:

19 (i) Must be based on the motor vehicle scale weight;

20 (ii) Is the difference determined by subtracting the vehicle
21 license fee required in RCW 46.17.350 from the license fee in
22 Schedule B of RCW 46.17.355, plus two dollars; and

23 (iii) Must be distributed under RCW 46.68.415.

24 (b) For vehicle registrations that are due or become due on or
25 after July 1, 2016, the motor vehicle weight fee:

26 (i) Must be based on the motor vehicle scale weight as follows:

WEIGHT	FEE
4,000 pounds	\$ 25.00
6,000 pounds	\$ 45.00
8,000 pounds	\$ 65.00
16,000 pounds and over	\$ 72.00;

27
28
29
30
31
32 (ii) If the resultant motor vehicle scale weight is not listed in
33 the table provided in (b)(i) of this subsection, must be increased to
34 the next highest weight; and

35 (iii) Must be distributed under RCW 46.68.415 unless prior to
36 July 1, 2023, the actions described in (b)(iii)(A) or (B) of this
37 subsection occur, in which case the portion of the revenue that is

1 the result of the fee increased in this subsection must be
2 distributed to the connecting Washington account created under RCW
3 46.68.395.

4 (A) Any state agency files a notice of rule making under chapter
5 34.05 RCW for a rule regarding a fuel standard based upon or defined
6 by the carbon intensity of fuel, including a low carbon fuel standard
7 or clean fuel standard.

8 (B) Any state agency otherwise enacts, adopts, orders, or in any
9 way implements a fuel standard based upon or defined by the carbon
10 intensity of fuel, including a low carbon fuel standard or clean fuel
11 standard.

12 (C) Nothing in this subsection acknowledges, establishes, or
13 creates legal authority for the department of ecology or any other
14 state agency to enact, adopt, order, or in any way implement a fuel
15 standard based upon or defined by the carbon intensity of fuel,
16 including a low carbon fuel standard or clean fuel standard.

17 (2) Subsection (1) of this section does not apply to a person
18 with an income at or below two hundred percent of the federal poverty
19 line, but only if the person's motor vehicle falls under the 4,000
20 pounds or 6,000 pounds fee schedule in subsection (1)(b)(i) of this
21 section. On the last day of January, April, July, and October of each
22 year, the state treasurer, based upon information provided by the
23 department, must transfer from the transition assistance account
24 created in section 501 of this act for distribution under subsection
25 (1)(b)(iii) of this section a sum equal to the dollar amount that
26 would otherwise have been distributed under subsection (1)(b)(iii) of
27 this section during the prior calendar quarter but for the exemption
28 provided in this subsection (2).

29 (3) A person applying for a motor home vehicle registration
30 (~~shall~~) must, in lieu of the motor vehicle weight fee required in
31 subsection (1) of this section, pay a motor home vehicle weight fee
32 of seventy-five dollars in addition to all other fees and taxes
33 required by law. The motor home vehicle weight fee must be
34 distributed under RCW 46.68.415.

35 (~~(3)~~) (4) Beginning July 1, 2022, in addition to the motor
36 vehicle weight fee as provided in subsection (1) of this section, the
37 department, county auditor or other agent, or subagent appointed by
38 the director must require an applicant to pay an additional weight
39 fee of ten dollars, which must be distributed to the multimodal
40 transportation account under RCW 47.66.070 unless prior to July 1,

1 2023, the actions described in (a) or (b) of this subsection occur,
2 in which case the portion of the revenue that is the result of the
3 fee increased in this subsection must be distributed to the
4 connecting Washington account created under RCW 46.68.395.

5 (a) Any state agency files a notice of rule making under chapter
6 34.05 RCW for a rule regarding a fuel standard based upon or defined
7 by the carbon intensity of fuel, including a low carbon fuel standard
8 or clean fuel standard.

9 (b) Any state agency otherwise enacts, adopts, orders, or in any
10 way implements a fuel standard based upon or defined by the carbon
11 intensity of fuel, including a low carbon fuel standard or clean fuel
12 standard.

13 (c) Nothing in this subsection acknowledges, establishes, or
14 creates legal authority for the department of ecology or any other
15 state agency to enact, adopt, order, or in any way implement a fuel
16 standard based upon or defined by the carbon intensity of fuel,
17 including a low carbon fuel standard or clean fuel standard.

18 ~~((4))~~ (5) The department ~~((shall))~~ must:

19 (a) Rely on motor vehicle empty scale weights provided by vehicle
20 manufacturers, or other sources defined by the department, to
21 determine the weight of each motor vehicle; and

22 (b) Adopt rules for determining weight for vehicles without
23 manufacturer empty scale weights.

24 **Part VI**
25 **Climate Resilience**

26 NEW SECTION. **Sec. 601.** WATER AND NATURAL RESOURCES RESILIENCE
27 ACCOUNT. (1) The water and natural resources resilience account is
28 created in the state treasury. The account must receive moneys
29 distributed to the account from the carbon pollution reduction
30 account created in section 108 of this act as well as other moneys
31 directed to the account by the legislature. Moneys in the account may
32 only be used for the purposes described in sections 602 and 603 of
33 this act. Within this account on a biennial basis, fifty percent of
34 the funding appropriated from the account must be provided for the
35 purposes set forth in section 602 of this act. The remaining moneys
36 must be deposited to two subaccounts hereby created in the state
37 treasury as follows:

1 (a) Twenty-five percent to the fire prevention and suppression
2 account; and

3 (b) Seventy-five percent to the forest resilience account.

4 (2) Moneys in the account may not be used for projects that would
5 violate tribal treaty rights or result in long-term damage to
6 critical habitat or ecological functions.

7 (3) The departments of ecology and natural resources must prepare
8 such progress reports as required by the joint committee on climate
9 programs oversight created under section 801 of this act, and prepare
10 information as necessary to inform the government-to-government
11 consultation with Indian tribes required under section 802 of this
12 act.

13 NEW SECTION. **Sec. 602.** WATER-RELATED PROJECTS AND ACTIVITIES.

14 (1) From funds appropriated by the legislature from the account
15 created in section 601 of this act, the department of ecology may
16 provide grants and loans for water-related projects and activities
17 described in this section. The department may not sign contracts or
18 financially obligate funds from the account created in section 601 of
19 this act before the legislature has appropriated funds for a specific
20 list of project and activities. The department must develop an
21 implementation plan for such expenditures using extensive public
22 involvement. The department must consult with appropriate state
23 agencies in developing the plan and making funding decisions.

24 (2) The department may fund projects and activities that include
25 but are not limited to:

26 (a) Project-specific planning, design, and construction projects
27 that reduce stormwater impacts from existing infrastructure and
28 development. Grants must be made available to public and private
29 entities for projects that reduce stormwater impacts from existing
30 infrastructure and development, where there is a substantial water
31 quality benefit and the project is not required by court order or
32 required as a condition of a local or state permit;

33 (b) Reducing the risk of flooding by restoring natural floodplain
34 ecological functions, protecting against damage caused by floods, and
35 protecting or restoring naturally functioning areas where floods
36 occur;

37 (c) Improving the availability and reliability of water supplies
38 for instream and out-of-stream uses, including groundwater mapping
39 and modeling;

1 (d) Construction by the department of transportation of fish
2 barrier correction projects at state highways required by the
3 injunction entered in *United States v. Washington (Civ No CV9213RSM)*.
4 Where the department determines that the amounts appropriated exceed
5 the current biennial appropriation necessary to meet the overall
6 timeline for compliance with the injunction, the department may
7 provide funding for fish barrier correction projects on state or
8 local roadways, with the highest priority for funding to be accorded
9 to projects with the greatest restoration of fish habitat access. In
10 making awards for projects not subject to the injunction, the
11 department must obtain the recommendations of the fish passage
12 barrier removal board created in RCW 77.95.160; and

13 (e) Increasing the ability to adapt to and remediate the impacts
14 of ocean acidification. This may include the activities of the
15 Kenneth K. Chew center for shellfish research and restoration. The
16 department must consult with the recreation and conservation office,
17 and the climate impacts group and ocean acidification center at the
18 University of Washington in developing the implementation for
19 investments under this subsection (2)(e).

20 (3) The department must provide information about the projects
21 when the government-to-government consultation with Indian tribes is
22 conducted under section 802 of this act.

23 (4) The department must adopt rigorous performance-based criteria
24 and objectives for funding decisions, and incorporate project
25 implementation monitoring and evaluation requirements into the
26 projects. Examples of numeric performance criteria include the
27 quantity of offstream water supplies made available or more secure
28 during drought, the number of rivers and streams meeting minimum flow
29 standards, miles of river and stream habitat made available through
30 passage barrier removals, and the number of municipal stormwater
31 discharges meeting state and federal standards.

32 (5) The department must require annual progress reports by all
33 recipients of funding under this section, and provide summaries of
34 those reports and assessment of achievement of the performance-based
35 criteria and objectives to the joint committee on climate programs
36 oversight created under section 801 of this act at such intervals as
37 the committee requests.

38 (6) The department must establish a citizen advisory group to
39 provide input on the development of project funding criteria and

1 project funding decisions, and must seek input from the panel created
2 under section 805 of this act.

3 NEW SECTION. **Sec. 603.** NATURAL RESOURCES-RELATED PROJECTS AND
4 ACTIVITIES. (1) From funds appropriated by the legislature from the
5 account created in section 601 of this act, the department of natural
6 resources may provide grants and loans for natural resources-related
7 projects and activities described in this section. The department
8 must develop an implementation plan for such expenditures using
9 extensive public involvement. The department must consult with
10 appropriate state agencies in developing the plan and making funding
11 decisions.

12 (2) Funds appropriated by the legislature from the forest
13 resilience account must be used to improve forest and natural lands
14 health and resilience to the impacts of climate change. The projects
15 and activities that may be funded include but are not limited to
16 thinning or prescribed fires, with priority given to projects
17 prioritized subject to RCW 76.06.200 and 79.10.530 across any
18 combination of local, state, federal, tribal, and private ownerships.
19 The department must consider the benefits of supporting cross-
20 laminated timber and other mass timber technologies in its funding
21 decisions. The department may utilize the forest health advisory
22 committee established in RCW 76.06.200 for input on forest health
23 projects funded under this section. The department may also provide
24 funding for small forest landowner fish passage barrier projects
25 authorized under RCW 76.09.420.

26 (3) The department of natural resources in partnership with the
27 board for community and technical colleges will develop a center of
28 excellence to research and promote renewable forest products and
29 research to improve forest health and reduce fire risk.

30 (4) Funds appropriated by the legislature from the fire
31 prevention and suppression account may be used to undertake agency
32 activities and provide grants for:

33 (a) Wildland fire prevention; and

34 (b) Projects and activities that reduce the risk of wildland
35 fires to communities and improve their ability to adapt to wildfires.

36 (5) The department must adopt rigorous performance-based criteria
37 and objectives for funding decisions, and incorporate project
38 implementation monitoring and evaluation requirements into the
39 projects. Examples of numeric performance criteria include the number

1 of acres thinned or otherwise treated to improve forest health, acres
2 of forest for which wildland fire prevention measures have been
3 implemented, and the number of communities in the wildland urban
4 interface for which wildfire resilience and defense measures have
5 been implemented.

6 (6) The department must require annual progress reports by all
7 recipients of funding under this section, and must also periodically
8 summarize the department's activities. It must submit those reports
9 and an assessment of the achievement of the performance-based
10 criteria and objectives to the joint committee on climate programs
11 oversight created under section 801 of this act at such intervals as
12 the committee requests.

13 (7) The department may not provide funding to projects that would
14 violate tribal treaty rights or result in significant long-term
15 damage to critical habitat or ecological functions. The department
16 must provide information about the projects when the government-to-
17 government consultation with Indian tribes is conducted under section
18 802 of this act.

19 (8) The department must establish a citizen advisory group to
20 provide input on the development of project funding criteria and
21 project funding decisions, and must seek input from the panel created
22 under section 805 of this act.

23 **Part VII**

24 **Rural Economic Development Account**

25 NEW SECTION. **Sec. 701.** A new section is added to chapter 43.31
26 RCW to read as follows:

27 RURAL ECONOMIC DEVELOPMENT ACCOUNT. (1) The rural economic
28 development account is created in the state treasury. The account
29 must receive moneys distributed to the account from the carbon
30 pollution reduction account created in section 108 of this act as
31 well as other moneys directed to the account by the legislature.
32 Moneys in the account may only be used for the purposes described in
33 this section, and may only be spent after appropriation.

34 (2) Using funds appropriated from the account, the department
35 must provide assistance to rural communities. The assistance may
36 include support for low-carbon innovation and entrepreneurship,
37 providing for increased affordable transportation options and
38 services, and encouraging telecommuting by funding the expansion of

1 broadband and telecommunication services as provided under section
2 702 of this act.

3 (3) The department must develop a grant application process to
4 competitively select small businesses as defined under RCW
5 19.85.020(3) to receive grant awards to assist with projects eligible
6 for funding under the energy transformation account in section 401 of
7 this act.

8 (4)(a) The state board for community and technical colleges must
9 use funds deposited into this account to establish two clean energy
10 centers for excellence in the state community and technical college
11 system located in rural counties, with one center each devoted to:

12 (i) Renewable energy integration and generation; and

13 (ii) Smart grid technology and the next generation of hydropower
14 resources.

15 (b) The centers must work with industry to ensure their program
16 offerings are aligned with local employer needs. In addition, the
17 state's energy research institutions must facilitate research and
18 development, help attract investment in clean energy, and promote
19 clean energy jobs across a range of sectors.

20 (5) The department may adopt rules necessary to implement this
21 section.

22 NEW SECTION. **Sec. 702.** RURAL BROADBAND. The legislature intends
23 that the sum of thirty million dollars, or as much thereof as may be
24 necessary, be appropriated for the fiscal year ending June 30, 2020,
25 from the rural economic development account to the department of
26 commerce for the purpose of providing local governments, communities,
27 public and private entities, and consumer-owned and investor-owned
28 energy utilities to develop strategies and plans for deployment of
29 broadband infrastructure and access to broadband services to unserved
30 and underserved areas of the state.

31 **Part VIII**

32 **Oversight of Climate Programs**

33 NEW SECTION. **Sec. 801.** JOINT COMMITTEE ON CLIMATE PROGRAMS
34 OVERSIGHT. (1) The joint committee on climate programs oversight is
35 created. The committee must consist of:

36 (a) The governor or the governor's designee;

1 (b) The commissioner of public lands or the commissioner's
2 designee;

3 (c) The state auditor or the auditor's designee;

4 (d) Two members of the senate, appointed by the president of the
5 senate, one from each major political party; and

6 (e) Two members of the house of representatives, appointed by the
7 speaker, one from each major political party.

8 (2) The committee must select a chair from among its members. The
9 committee must have staff support from the senate and house of
10 representatives. All state agencies must provide information and
11 assistance as requested by the committee in order to perform its
12 responsibilities.

13 (3) The committee is responsible for ongoing review of the
14 implementation of the carbon pollution tax and funding from the
15 revenues of that tax to ensure the fairest, most efficient, and
16 timely achievement of objectives in this act regarding greenhouse gas
17 emissions reductions, transition assistance, jobs development, and
18 climate resilience. The committee's responsibilities include but are
19 not limited to:

20 (a) Reviewing the report by the department of commerce under
21 section 106 of this act;

22 (b) Reviewing the plans for implementing the funding programs
23 authorized in sections 401, 501, 601, and 701 of this act;

24 (c) Reviewing the criteria for funding allocations and project
25 award decisions;

26 (d) Reviewing project and activity funding decisions as well as
27 summary reports and information regarding implementing projects; and

28 (e) Providing recommendations for standards by which to measure
29 emissions reductions outcomes from investments of funds under
30 sections 205 and 304 of this act.

31 (4) The committee may contract for independent evaluative
32 expertise in its review of the performance of the carbon pollution
33 tax and funding programs in meeting this act's objectives regarding
34 greenhouse gas emissions reductions, transition assistance, job
35 creation, rural economic development, and climate resilience.

36 (5) Beginning July 1, 2019, the committee must meet at least
37 quarterly.

38 (6) The committee has no appropriation authority.

1 NEW SECTION. **Sec. 802.** GOVERNMENT-TO-GOVERNMENT CONSULTATION.

2 To ensure mutual respect for the rights, interests, and obligations
3 of each sovereign Indian tribe, the governor must develop a framework
4 for government-to-government consultation with Indian tribes
5 consistent with the centennial accord, chapter 43.376 RCW, and
6 applicable tribal policies. The consultation must ensure meaningful
7 tribal involvement in the implementation of this act, including
8 programmatic and project level decisions. Within this framework, the
9 governor at least once each year must invite all federally recognized
10 Indian tribes to meet in government-to-government consultation. The
11 governor must also invite the joint committee on climate programs
12 oversight to the meeting. The purpose of the meeting is to share
13 information, views, and recommendations regarding the progress of
14 implementing the carbon pollution tax and providing funding from
15 revenues of the tax to reduce emissions, to strengthen climate
16 resilience in communities throughout the state, to strengthen climate
17 resilience in the water and natural resources shared by all citizens
18 in the state, and to ensure a just transition to a clean energy
19 economy.

20 NEW SECTION. **Sec. 803.** INDIAN TRIBE CONSULTATION. (1) In order
21 to achieve the goals set forth in this act, any state agency
22 receiving carbon tax revenue must consult with Indian tribes on all
23 decisions that may affect Indian tribes' rights and interests in
24 their tribal lands. Such consultation must occur pursuant to chapter
25 43.376 RCW and must be independent of any public participation
26 process required by state law, or by a state agency, and regardless
27 of whether the agency receives a request for consultation from an
28 Indian tribe. A consultation framework must be developed in
29 coordination with tribal governments that includes best practices,
30 protocols for communication, and collaboration with Indian tribes.

31 (2) No project that impacts tribal lands may be funded prior to
32 meaningful consultation with affected Indian tribes. If any project
33 that impacts tribal lands is funded under this act without
34 consultation with Indian tribes, an affected Indian tribe may request
35 that all further action on the project cease until consultation with
36 any directly impacted Indian tribe is completed.

37 NEW SECTION. **Sec. 804.** POLLUTION CLEANUP FUND ADVISORY BOARD.

38 (1) The pollution cleanup fund advisory board is established within

1 the executive office of the governor. The purpose of the board is to
2 oversee implementation of this act toward reducing pollution and
3 facilitating the transition to a clean energy economy equitably,
4 sustainably, and efficiently.

5 (2)(a) The board must have twenty-one voting members. Voting
6 members of the board must be appointed by the governor. The board
7 must include, at a minimum, representatives from tribal, local
8 government, business, environmental, labor, land conservation, and
9 public health organizations. At least one-third of the appointees
10 must be members of the panel established in section 805 of this act.
11 The board may also appoint representatives from public agencies as
12 nonvoting board members.

13 (b) The governor must appoint members of the board by January 1,
14 2019. Any member appointed by the governor may be removed by the
15 governor for cause. The governor must appoint board members to
16 achieve a board membership with balanced representation by geography,
17 gender, and ethnicity.

18 (3) The board has the following powers and duties:

19 (a) Providing advice and recommendations to the governor, the
20 legislature, the oversight committee created in section 801 of this
21 act, and state agencies regarding the implementation of this act,
22 including evaluating biannually the tax imposed pursuant to section
23 102 of this act;

24 (b) Monitoring the implementation of this act to ensure it
25 furthers the intent and purposes of this act and does not lead to
26 inequitable environmental or economic impacts, including but not
27 limited to leakage of emissions related to energy-intensive trade-
28 exposed manufacturing businesses; and

29 (c) Reporting periodically to the legislature, the governor, and
30 the oversight committee created in section 801 of this act on such
31 matters.

32 NEW SECTION. **Sec. 805.** ECONOMIC AND ENVIRONMENTAL JUSTICE
33 OVERSIGHT PANEL. (1) An economic and environmental justice oversight
34 panel is established as a subcommittee of the pollution cleanup fund
35 advisory board created in section 804 of this act. The board will
36 appoint the panel members consistent with this section, and the panel
37 will coordinate its work with the governor's office, the department
38 of commerce, the department of health, and such other state
39 departments or divisions as the governor may determine. The

1 membership of the economic and environmental justice oversight panel
2 must consist of at least seven persons, based on the nomination of
3 statewide organizations that represent the following interests:

4 (a) Five or more members, representative of vulnerable
5 populations and residing in highly impacted communities, as
6 identified in section 502 of this act; and

7 (b) Two members representing union labor with expertise in
8 economic dislocation, clean energy economy, or energy-intensive
9 trade-exposed industries.

10 (2) The purpose of the panel is to:

11 (a) Provide a forum for analysis of whether the policies adopted
12 in this act lead to improvements within highly impacted communities.
13 This subcommittee must also advise the board created in section 804
14 of this act in the performance of its responsibilities;

15 (b) Make recommendations on the cumulative impact analysis and
16 highly impacted communities designation required by section 502 of
17 this act;

18 (c) Make recommendations on the investment allocations authorized
19 by parts II through VII of this act, including its evaluation of the
20 projected performance of the investments to meet the criteria and
21 objectives developed in specific implementation plans; and

22 (d) Provide recommendations to implementation agencies for
23 meaningful consultation with vulnerable populations.

24 **Part IX**
25 **Preemption**

26 NEW SECTION. **Sec. 901.** (1) No state agency may adopt or enforce
27 a statewide program that sets a greenhouse gas emissions cap or
28 charge except as provided in this chapter.

29 (2) As of the effective date of this section, chapter 173-442 WAC
30 (the clean air rule) and associated amendments to chapter 173-441 WAC
31 previously adopted by the department of ecology may not be enforced
32 by the department of ecology. Nothing in this subsection
33 acknowledges, establishes, or creates legal authority for the
34 department of ecology or any other state agency to enact, adopt,
35 order, or in any way implement a rule or policy establishing a
36 statewide limit, cap, or standard to control the amount of greenhouse
37 gas emissions occurring during a period of time.

1 (6) "Conservation" means any reduction in electric power
2 consumption resulting from increases in the efficiency of energy use,
3 production, or distribution.

4 (7) "Cost-effective" has the same meaning as defined in RCW
5 80.52.030.

6 (8) "Council" means the Washington state apprenticeship and
7 training council within the department of labor and industries.

8 (9) "Customer" means a person or entity that purchases
9 electricity for ultimate consumption and not for resale.

10 (10) "Department" means the department of commerce or its
11 successor.

12 (11) "Distributed generation" means an eligible renewable
13 resource where the generation facility or any integrated cluster of
14 such facilities has a generating capacity of not more than five
15 megawatts.

16 (12) "Eligible renewable resource" means:

17 (a) Electricity from a generation facility powered by a renewable
18 resource other than freshwater that commences operation after March
19 31, 1999, where: (i) The facility is located in the Pacific
20 Northwest; or (ii) the electricity from the facility is delivered
21 into Washington state on a real-time basis without shaping, storage,
22 or integration services;

23 (b) Incremental electricity produced as a result of efficiency
24 improvements completed after March 31, 1999, to hydroelectric
25 generation projects owned by a qualifying utility and located in the
26 Pacific Northwest where the additional generation does not result in
27 new water diversions or impoundments;

28 (c) Hydroelectric generation from a project completed after March
29 31, 1999, where the generation facility is located in irrigation
30 pipes, irrigation canals, water pipes whose primary purpose is for
31 conveyance of water for municipal use, and wastewater pipes located
32 in Washington where the generation does not result in new water
33 diversions or impoundments;

34 (d) Qualified biomass energy;

35 (e) For a qualifying utility that serves customers in other
36 states, electricity from a generation facility powered by a renewable
37 resource other than freshwater that commences operation after March
38 31, 1999, where: (i) The facility is located within a state in which
39 the qualifying utility serves retail electrical customers; and (ii)
40 the qualifying utility owns the facility in whole or in part or has a

1 long-term contract with the facility of at least twelve months or
2 more; ((~~or~~))

3 (f)(i) Incremental electricity produced as a result of a capital
4 investment completed after January 1, 2010, that increases, relative
5 to a baseline level of generation prior to the capital investment,
6 the amount of electricity generated in a facility that generates
7 qualified biomass energy as defined under subsection (18)(c)(ii) of
8 this section and that commenced operation before March 31, 1999.

9 (ii) Beginning January 1, 2007, the facility must demonstrate its
10 baseline level of generation over a three-year period prior to the
11 capital investment in order to calculate the amount of incremental
12 electricity produced.

13 (iii) The facility must demonstrate that the incremental
14 electricity resulted from the capital investment, which does not
15 include expenditures on operation and maintenance in the normal
16 course of business, through direct or calculated measurement;

17 (g) That portion of incremental electricity produced as a result
18 of efficiency improvements completed after March 31, 1999,
19 attributable to a qualifying utility's share of the electricity
20 output from hydroelectric generation projects whose energy output is
21 marketed by the Bonneville power administration where the additional
22 generation does not result in new water diversions or impoundments;
23 or

24 (h) The environmental attributes, including renewable energy
25 credits, from (g) of this subsection transferred to investor-owned
26 utilities pursuant to the Bonneville power administration's
27 residential exchange program.

28 (13) "Investor-owned utility" has the same meaning as defined in
29 RCW 19.29A.010.

30 (14) "Load" means the amount of kilowatt-hours of electricity
31 delivered in the most recently completed year by a qualifying utility
32 to its Washington retail customers.

33 (15)(a) "Nonpower attributes" means all environmentally related
34 characteristics, exclusive of energy, capacity reliability, and other
35 electrical power service attributes, that are associated with the
36 generation of electricity from a renewable resource, including but
37 not limited to the facility's fuel type, geographic location,
38 vintage, qualification as an eligible renewable resource, and avoided
39 emissions of pollutants to the air, soil, or water, and avoided
40 emissions of carbon dioxide and other greenhouse gases.

1 (b) "Nonpower attributes" does not include any aspects, claims,
2 characteristics, and benefits associated with the on-site capture and
3 destruction of methane or other greenhouse gases at a facility
4 through a digester system, landfill gas collection system, or other
5 mechanism, which may be separately marketable as greenhouse gas
6 emission reduction credits, offsets, or similar tradable commodities.
7 However, these separate avoided emissions may not result in or
8 otherwise have the effect of attributing greenhouse gas emissions to
9 the electricity.

10 (16) "Pacific Northwest" has the same meaning as defined for the
11 Bonneville power administration in section 3 of the Pacific Northwest
12 electric power planning and conservation act (94 Stat. 2698; 16
13 U.S.C. Sec. 839a).

14 (17) "Public facility" has the same meaning as defined in RCW
15 39.35C.010.

16 (18) "Qualified biomass energy" means electricity produced from a
17 biomass energy facility that: (a) Commenced operation before March
18 31, 1999; (b) contributes to the qualifying utility's load; and (c)
19 is owned either by: (i) A qualifying utility; or (ii) an industrial
20 facility that is directly interconnected with electricity facilities
21 that are owned by a qualifying utility and capable of carrying
22 electricity at transmission voltage.

23 (19) "Qualifying utility" means an electric utility, as the term
24 "electric utility" is defined in RCW 19.29A.010, that serves more
25 than twenty-five thousand customers in the state of Washington. The
26 number of customers served may be based on data reported by a utility
27 in form 861, "annual electric utility report," filed with the energy
28 information administration, United States department of energy.

29 (20) "Renewable energy credit" means a tradable certificate of
30 proof, except as provided in RCW 19.285.040(2)(m), of at least one
31 megawatt-hour of an eligible renewable resource where, except as
32 provided in subsection (12)(h) of this section, the generation
33 facility is not powered by freshwater. The certificate includes all
34 of the nonpower attributes associated with that one megawatt-hour of
35 electricity, and the certificate is verified by a renewable energy
36 credit tracking system selected by the department.

37 (21) "Renewable resource" means: (a) Water; (b) wind; (c) solar
38 energy; (d) geothermal energy; (e) landfill gas; (f) wave, ocean, or
39 tidal power; (g) gas from sewage treatment facilities; (h) biodiesel
40 fuel as defined in RCW 82.29A.135 that is not derived from crops

1 raised on land cleared from old growth or first-growth forests where
2 the clearing occurred after December 7, 2006; or (i) biomass energy.

3 (22) "Rule" means rules adopted by an agency or other entity of
4 Washington state government to carry out the intent and purposes of
5 this chapter.

6 (23) "Year" means the twelve-month period commencing January 1st
7 and ending December 31st.

8 **Sec. 1002.** RCW 19.285.040 and 2017 c 315 s 2 are each amended to
9 read as follows:

10 (1) Each qualifying utility (~~shall~~) must pursue all available
11 conservation that is cost-effective, reliable, and feasible.

12 (a) By January 1, 2010, using methodologies consistent with those
13 used by the Pacific Northwest electric power and conservation
14 planning council in the most recently published regional power plan
15 as it existed on June 12, 2014, or a subsequent date as may be
16 provided by the department or the commission by rule, each qualifying
17 utility shall identify its achievable cost-effective conservation
18 potential through 2019. Nothing in the rule adopted under this
19 subsection precludes a qualifying utility from using its utility
20 specific conservation measures, values, and assumptions in
21 identifying its achievable cost-effective conservation potential. At
22 least every two years thereafter, the qualifying utility (~~shall~~)
23 must review and update this assessment for the subsequent ten-year
24 period.

25 (b) Beginning January 2010, each qualifying utility (~~shall~~)
26 must establish and make publicly available a biennial acquisition
27 target for cost-effective conservation consistent with its
28 identification of achievable opportunities in (a) of this subsection,
29 and meet that target during the subsequent two-year period. At a
30 minimum, each biennial target must be no lower than the qualifying
31 utility's pro rata share for that two-year period of its cost-
32 effective conservation potential for the subsequent ten-year period.

33 (c)(i) Except as provided in (c)(ii) and (iii) of this
34 subsection, beginning on January 1, 2014, cost-effective conservation
35 achieved by a qualifying utility in excess of its biennial
36 acquisition target may be used to help meet the immediately
37 subsequent two biennial acquisition targets, such that no more than
38 twenty percent of any biennial target may be met with excess
39 conservation savings.

1 (ii) Beginning January 1, 2014, a qualifying utility may use
2 single large facility conservation savings in excess of its biennial
3 target to meet up to an additional five percent of the immediately
4 subsequent two biennial acquisition targets, such that no more than
5 twenty-five percent of any biennial target may be met with excess
6 conservation savings allowed under all of the provisions of this
7 section combined. For the purposes of this subsection (1)(c)(ii),
8 "single large facility conservation savings" means cost-effective
9 conservation savings achieved in a single biennial period at the
10 premises of a single customer of a qualifying utility whose annual
11 electricity consumption prior to the conservation savings exceeded
12 five average megawatts.

13 (iii) Beginning January 1, 2012, and until December 31, 2017, a
14 qualifying utility with an industrial facility located in a county
15 with a population between ninety-five thousand and one hundred
16 fifteen thousand that is directly interconnected with electricity
17 facilities that are capable of carrying electricity at transmission
18 voltage((τ)) may use cost-effective conservation from that industrial
19 facility in excess of its biennial acquisition target to help meet
20 the immediately subsequent two biennial acquisition targets, such
21 that no more than twenty-five percent of any biennial target may be
22 met with excess conservation savings allowed under all of the
23 provisions of this section combined.

24 (d) In meeting its conservation targets, a qualifying utility may
25 count high-efficiency cogeneration owned and used by a retail
26 electric customer to meet its own needs. High-efficiency cogeneration
27 is the sequential production of electricity and useful thermal energy
28 from a common fuel source, where, under normal operating conditions,
29 the facility has a useful thermal energy output of no less than
30 thirty-three percent of the total energy output. The reduction in
31 load due to high-efficiency cogeneration ((~~shall~~)) must be: (i)
32 Calculated as the ratio of the fuel chargeable to power heat rate of
33 the cogeneration facility compared to the heat rate on a new and
34 clean basis of a best-commercially available technology
35 combined-cycle natural gas-fired combustion turbine; and (ii) counted
36 towards meeting the biennial conservation target in the same manner
37 as other conservation savings.

38 (e) The commission may determine if a conservation program
39 implemented by an investor-owned utility is cost-effective based on
40 the commission's policies and practice.

1 (f) The commission may rely on its standard practice for review
2 and approval of investor-owned utility conservation targets.

3 (2)(a) Except as provided in (j) and (l) of this subsection, each
4 qualifying utility (~~(shall)~~) must use eligible renewable resources or
5 acquire equivalent renewable energy credits, or any combination of
6 them, to meet the following annual targets:

7 (i) At least three percent of its load by January 1, 2012, and
8 each year thereafter through December 31, 2015;

9 (ii) At least nine percent of its load by January 1, 2016, and
10 each year thereafter through December 31, 2019; and

11 (iii) At least fifteen percent of its load by January 1, 2020,
12 and each year thereafter.

13 (b) A qualifying utility may count distributed generation at
14 double the facility's electrical output if the utility: (i) Owns or
15 has contracted for the distributed generation and the associated
16 renewable energy credits; or (ii) has contracted to purchase the
17 associated renewable energy credits.

18 (c) In meeting the annual targets in (a) of this subsection, a
19 qualifying utility (~~(shall)~~) must calculate its annual load based on
20 the average of the utility's load for the previous two years.

21 (d) A qualifying utility (~~(shall be)~~) is considered in compliance
22 with an annual target in (a) of this subsection if: (i) The utility's
23 weather-adjusted load for the previous three years on average did not
24 increase over that time period; (ii) after December 7, 2006, the
25 utility did not commence or renew ownership or incremental purchases
26 of electricity from resources other than coal transition power or
27 renewable resources other than on a daily spot price basis and the
28 electricity is not offset by equivalent renewable energy credits; and
29 (iii) the utility invested at least one percent of its total annual
30 retail revenue requirement that year on eligible renewable resources,
31 renewable energy credits, or a combination of both.

32 (e) The requirements of this section may be met for any given
33 year with renewable energy credits produced during that year, the
34 preceding year, or the subsequent year. Each renewable energy credit
35 may be used only once to meet the requirements of this section.

36 (f) In complying with the targets established in (a) of this
37 subsection, a qualifying utility may not count:

38 (i) Eligible renewable resources or distributed generation where
39 the associated renewable energy credits are owned by a separate
40 entity; or

1 (ii) Eligible renewable resources or renewable energy credits
2 obtained for and used in an optional pricing program such as the
3 program established in RCW 19.29A.090.

4 (g) Where fossil and combustible renewable resources are cofired
5 in one generating unit located in the Pacific Northwest where the
6 cofiring commenced after March 31, 1999, the unit (~~shall be~~) is
7 considered to produce eligible renewable resources in direct
8 proportion to the percentage of the total heat value represented by
9 the heat value of the renewable resources.

10 (h)(i) A qualifying utility that acquires an eligible renewable
11 resource or renewable energy credit may count that acquisition at one
12 and two-tenths times its base value:

13 (A) Where the eligible renewable resource comes from a facility
14 that commenced operation after December 31, 2005; and

15 (B) Where the developer of the facility used apprenticeship
16 programs approved by the council during facility construction.

17 (ii) The council (~~shall~~) must establish minimum levels of labor
18 hours to be met through apprenticeship programs to qualify for this
19 extra credit.

20 (i) A qualifying utility (~~shall be~~) is considered in compliance
21 with an annual target in (a) of this subsection if events beyond the
22 reasonable control of the utility that could not have been reasonably
23 anticipated or ameliorated prevented it from meeting the renewable
24 energy target. Such events include weather-related damage, mechanical
25 failure, strikes, lockouts, and actions of a governmental authority
26 that adversely affect the generation, transmission, or distribution
27 of an eligible renewable resource under contract to a qualifying
28 utility.

29 (j)(i) Beginning January 1, 2016, only a qualifying utility that
30 owns or is directly interconnected to a qualified biomass energy
31 facility may use qualified biomass energy to meet its compliance
32 obligation under this subsection.

33 (ii) A qualifying utility may no longer use electricity and
34 associated renewable energy credits from a qualified biomass energy
35 facility if the associated industrial pulping or wood manufacturing
36 facility ceases operation other than for purposes of maintenance or
37 upgrade.

38 (k) An industrial facility that hosts a qualified biomass energy
39 facility may only transfer or sell renewable energy credits
40 associated with qualified biomass energy generated at its facility to

1 the qualifying utility with which it is directly interconnected with
2 facilities owned by such a qualifying utility and that are capable of
3 carrying electricity at transmission voltage. The qualifying utility
4 may only use an amount of renewable energy credits associated with
5 qualified biomass energy that are equivalent to the proportionate
6 amount of its annual targets under (a)(ii) and (iii) of this
7 subsection that was created by the load of the industrial facility. A
8 qualifying utility that owns a qualified biomass energy facility may
9 not transfer or sell renewable energy credits associated with
10 qualified biomass energy to another person, entity, or qualifying
11 utility.

12 (1) Beginning January 1, 2019, a qualifying utility may use
13 eligible renewable resources as identified under RCW 19.285.030(12)
14 (g) and (h) to meet its compliance obligation under this subsection
15 (2). A qualifying utility may not transfer or sell these eligible
16 renewable resources to another utility for compliance purposes under
17 this chapter.

18 (m) Renewable energy credits allocated under RCW
19 19.285.030(12)(h) may not be transferred or sold to another
20 qualifying utility for compliance under this chapter.

21 (3) Utilities that become qualifying utilities after December 31,
22 2006, shall meet the requirements in this section on a time frame
23 comparable in length to that provided for qualifying utilities as of
24 December 7, 2006.

25 Part XI

26 Miscellaneous Provisions

27 NEW SECTION. Sec. 1101. The provisions of RCW 82.32.805 and
28 82.32.808 do not apply to this act.

29 NEW SECTION. Sec. 1102. Part I of this act constitutes a new
30 chapter in Title 82 RCW.

31 NEW SECTION. Sec. 1103. Sections 402, 501 through 505, and 702
32 of this act and parts II, III, VIII, and IX of this act constitute a
33 new chapter in Title 43 RCW.

34 NEW SECTION. Sec. 1104. Part VI of this act constitutes a new
35 chapter in Title 70 RCW.

1 NEW SECTION. **Sec. 1105.** If any provision of this act or its
2 application to any person or circumstance is held invalid, the
3 remainder of the act or the application of the provision to other
4 persons or circumstances is not affected.

5 NEW SECTION. **Sec. 1106.** Section 102 of this act takes effect
6 July 1, 2019.

7 NEW SECTION. **Sec. 1107.** CONTINGENT EXPIRATION DATE. (1) This
8 act expires on the earlier of the date that any of the following
9 statutes, rules, or measures takes effect:

10 (a) Any statewide law that places a charge, tax, or cap on the
11 level of carbon emissions within the state; or

12 (b) A statewide initiative measure by the people that creates a
13 charge, tax, or cap upon the emission of greenhouse gases that is
14 imposed broadly upon those persons subject to the state carbon
15 pollution tax imposed under section 102 of this act.

16 (2) The department must provide written notice of the expiration
17 date of this act to affected parties, the chief clerk of the house of
18 representatives, the secretary of the senate, the office of the code
19 reviser, and others as deemed appropriate by the department.

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