

EFFECT P2SSB 6203

- Adds intent language about the ability of working forests to absorb carbon with lumber and other forest products.
- Narrows Department of Commerce (DOC) rule-making to the provisions of the bill relating to determining energy intensive trade exposed facilities.
- Specifies that the state auditor will assist with the initial DOC report that includes recommendations for auditing account uses.
- Specifies that the exemptions for energy-intensive trade-exposed (EITE) facilities apply only to electricity and fossil fuels used on-site by manufacturers.
- Establishes an application process for EITE facilities to qualify for an exemption.
- Requires that a facility erroneously qualifying for an EITE must repay exempted amounts plus interest.
- Provides an exemption for facilities that produce components or materials used exclusively to manufacture eligible renewable resources.
- Makes technical clarifying changes to the tax provisions of the proposed substitute.
- Allows the UTC to set an annual fee of up to 1% of the moneys in each clean energy investment account to pay for administering the clean energy investment fund for investor-owned utilities (IOUs).
- Clarifies that a clean energy investment plan for IOUs must eliminate to the extent feasible and at a reasonable cost any carbon tax obligation associated with electricity by 2050.
- Adds to the list of eligible investments under the clean energy plan for IOUs:
 - Investments that support the use of alternative fuels in the transportation sector for medium- and heavy-duty vehicles and equipment that reduce GHG emissions if the UTC determines the alternative fuel is more cost-effective and commercially accepted than electrification.
 - Pumped storage facilities whose development does not conflict with existing state and federal fish recovery plans and laws and regulations.
- Adds low carbon architecture to the categories of projects that Commerce may consider under the Energy Transformation Account.
- Requires the Recreation and Conservation Office, with technical assistance from the Department of Natural Resources, to award grants for carbon sequestration projects and activities.
- Adds that priority uses of funds in the working forest conservation program must be to prevent the loss of working forests and purchase non-forested land for afforestation and establishing working forests.

- Clarifies that grants for rural electrification projects must be awarded in counties with a population of 250,000 served by a consumer-owned utility with an existing portfolio of 90% renewable resources.
- Provides a definition of "cap" under state preemption provisions.
- Includes direction to agencies to use the cumulative impact analysis that expenditures prioritize highly impacted communities in several provisions throughout the bill.
- Requires consultation with the Climate Impacts Group at the University of Washington and Indian Tribes in several provisions throughout the bill.
- Delays the effective date for the exemptions for vehicle registration fees for low-income individuals (Sections 507-509) until April, 2019.

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 effective dates; and
7 providing a contingent expiration date.

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

9 NEW SECTION. **Sec. 1.** (1) Greenhouse gas pollution, including
10 carbon, is a significant contributor to climate change, and has
11 devastating negative impacts on Washington's economy, environment,
12 natural resources, and communities. Our state is already experiencing
13 rising sea levels, depleting snowpack, increased flooding, acidifying
14 oceans, and more frequent and severe wildfires. These impacts impair
15 our prosperity and have already hurt our businesses and communities.
16 (2) Transitioning to a clean energy economy can help our
17 residents and businesses thrive without increasing carbon pollution
18 that leads to climate change. Building a vibrant and successful clean
19 energy economy can serve as an example to other regions, will put
20 Washington on the cutting edge of twenty-first century economies,

1 create new jobs, and support the health and prosperity of all
2 residents of 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) Washington is home to more than ten million acres of working
16 forestlands, including private landowners and state trust lands.
17 These lands represent the foundation of a forest products industry
18 that sequesters massive amounts of carbon from the atmosphere simply
19 through its standard, baseline operations. These working forests are
20 one of the state's greatest natural assets in combating global carbon
21 emissions. A statewide carbon policy must support and maintain the
22 ecosystem values provided by the forest products industry. Healthy,
23 working forests maximize the forests' ability to absorb carbon with
24 lumber and other forest products continuing to sequester that carbon.

25 (5) Fossil fuel combustion also is responsible for other
26 pollutants, like nitrous oxide, carbon monoxide, benzene, and others
27 that contribute to respiratory diseases like asthma and lung cancer
28 that compromise public health and shorten life expectancy. This
29 pollution burden overwhelmingly falls on low-income communities,
30 communities of color, and the vulnerable parts of our population.
31 Reducing our reliance on fossil fuels, therefore, will contribute to
32 improved air quality and better public health.

33 (6) This act establishes a tax to account for the economic and
34 environmental impacts of carbon pollution. The revenue will
35 facilitate the transition from fossil fuels to clean energy and fund
36 investments that will benefit our businesses, our families, and our
37 communities. It will also invest in adapting to the impacts of
38 climate change and protecting our rural communities and key economic
39 sectors including agriculture, shellfish, and forestry.

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

7 **Part I**
8 **Carbon Pollution Tax**

9 NEW SECTION. **Sec. 101.** DEFINITIONS. The definitions in this
10 section apply throughout this chapter unless the context clearly
11 requires otherwise.

12 (1) "Aircraft fuel" has the same meaning as provided in RCW
13 82.42.010.

14 (2) "Asset controlling supplier" means any entity that owns or
15 operates interconnected electricity generating facilities or serves
16 as an exclusive marketer for these facilities even though it does not
17 own them, and is assigned a supplier-specific identification number
18 and system emission factor by the department of ecology, in
19 consultation with the department of commerce, for the wholesale
20 electricity procured from its system and sold into Washington.

21 (3) "Carbon calculation" means a calculation made by the
22 department of ecology, in consultation with the department of
23 commerce, for purposes of determining the carbon dioxide emissions
24 from the complete combustion or oxidation of fossil fuels and, for
25 each specified source, the carbon dioxide emissions in electricity
26 for use in calculating the carbon pollution tax pursuant to section
27 102 of this act.

28 (4) "Carbon dioxide emissions content inherent in electricity"
29 means the carbon dioxide generated by the production of electricity
30 from fossil fuels.

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

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

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

1 (8) "Department" means the department of revenue.

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

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

10 (11) "Direct service industrial customer" has the same meaning as
11 provided in RCW 82.16.0495.

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

18 (13) "Facility" means any physical property, plant, building,
19 structure, source, or stationary equipment located on one or more
20 contiguous or adjacent properties in actual physical contact or
21 separated solely by a public roadway or other public right-of-way and
22 under common ownership or common control, that emits or may emit any
23 greenhouse gas.

24 (14) "Fossil fuel" means motor vehicle fuel, special fuel, dyed
25 special fuel, aircraft fuel, natural gas, coal, and any form of
26 solid, liquid, or gaseous fuel derived from natural gas, coal,
27 petroleum, or crude oil, including without limitation still gas,
28 propane, and petroleum residuals including bunker fuel.

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

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

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

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

1 (19) "Motor vehicle fuel" has the same meaning as provided in RCW
2 82.38.020.

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

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

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

8 (23) "Special fuel" has the same meaning as provided in RCW
9 82.38.020.

10 (24) "Specified source" means an electrical generation facility
11 serving Washington customers in which the taxpayer directly or
12 indirectly has full or partial ownership in the facility or unit or
13 is party to a written contract or other agreement to procure
14 electricity generated by that facility.

15 (25) "Taxpayer" means a person subject to the carbon pollution
16 tax imposed in this chapter.

17 (26) "Tribal lands" has the same meaning as "Indian country" as
18 provided in 18 U.S.C. Sec. 1151, and also includes sacred sites,
19 traditional cultural properties, burial grounds and other tribal
20 sites protected by federal or state law.

21 (27) "Unspecified source" means electricity from a source other
22 than a specified source.

23 (28)(a) "Use," "used," "using," or "put to use" means, with
24 respect to any fossil fuel other than natural gas, the consumption in
25 this state of the fossil fuel by the taxpayer or the possession or
26 storage in this state of the fossil fuel by the taxpayer preparatory
27 to subsequent consumption of the fossil fuel within this state by the
28 taxpayer.

29 (b) "Use," "used," "using," or "put to use" means, with respect
30 to natural gas, the consumption in this state of the fossil fuel by
31 the taxpayer.

32 (c) For purposes of this subsection (28), "possession" means the
33 control of fossil fuel located within this state and includes either
34 actual and/or constructive possession. "Actual possession" occurs
35 when the person with control has physical possession. "Constructive
36 possession" occurs when the person with control does not have
37 physical possession. "Control" means the power to sell or use a
38 fossil fuel or to authorize the sale or use by another.

39 (29) "Western interconnection" means the area comprising those
40 states and provinces, or portions thereof, in western Canada,

1 northern Mexico, and the western United States in which members of
2 the western electricity coordinating council, or any successor
3 thereto, operate synchronously connected transmission systems.

4 (30) "Year" means the twelve-month period commencing January 1st
5 and ending December 31st unless otherwise specified.

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

8 (i) The sale or use within this state of all fossil fuels, except
9 fossil fuels used to generate electricity in the state; or

10 (ii) The generation within or import for consumption to this
11 state of electricity generated through the combustion of fossil
12 fuels.

13 (b) The measure of the carbon pollution tax is the carbon dioxide
14 emissions:

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

17 (ii) Inherent in electricity generated within or imported for
18 consumption to this state.

19 (c)(i) The tax rate is equal to twelve dollars per metric ton of
20 carbon dioxide.

21 (ii) Beginning July 1, 2021, the department must annually adjust
22 the previous year's tax rate by one dollar and eighty cents per
23 metric ton until reaching thirty dollars per metric ton of carbon
24 dioxide. The department must calculate tax rate adjustments under
25 this subsection (1)(c)(ii) in July of each year and publish on its
26 web site the tax rate for any year by January 1st of that year.

27 (2) For the purposes of this chapter, the carbon pollution tax is
28 imposed:

29 (a) Only once with respect to the same unit of fossil fuel or
30 electric energy;

31 (b) At the time and place of the first taxable event within this
32 state, except as otherwise provided in this section, occurring on or
33 after the effective date of this section, regardless of whether the
34 fossil fuel or electricity was previously sold, used, or consumed
35 within this state before the effective date of this section; and

36 (c) Upon the first taxable person within this state, except as
37 otherwise provided in this section. A taxable person is:

38 (i) A person required to be registered with the department under
39 RCW 82.32.030(1);

1 (ii) The state, its political subdivisions, and municipal
2 corporations; and

3 (iii) A person who maintains a place of business in this state
4 but who is not required to be registered with the department under
5 RCW 82.32.030(1).

6 (3) As provided in this section, the carbon pollution tax on the
7 sale or use of fossil fuels is imposed on the seller or user of the
8 fossil fuel.

9 (4) The carbon pollution tax on the sale or use of natural gas is
10 imposed as follows:

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

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

21 (c) For natural gas sold to a light and power business for the
22 purpose of generation of electricity in the state, the carbon
23 pollution tax is imposed on the light and power business as provided
24 for in subsection (5)(a) of this section; and

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

29 (5) The carbon pollution tax on the generation or import of
30 electricity for consumption in this state is imposed as follows:

31 (a) For electricity produced in the state, the carbon pollution
32 tax is imposed on the person required to be registered with the
33 department for purposes of paying taxes due under chapter 82.04 or
34 82.16 RCW that owns or operates the electrical generation facility
35 producing the electricity; and

36 (b) For electricity produced outside the state and imported for
37 consumption in the state, the carbon pollution tax is imposed on the
38 first person that imports or delivers such electricity to or within
39 the state.

1 (6) For motor vehicle fuel and special fuel, the carbon pollution
2 tax is imposed on the seller or user of the fuel at the points of
3 taxation specified in RCW 82.38.030(9).

4 (7)(a) The carbon pollution tax does not apply to the sale or use
5 of fossil fuels or consumption of electricity upon which the tax
6 under this chapter has been imposed.

7 (b) A sale of fossil fuel takes place in this state when the
8 fossil fuel is delivered in this state to the purchaser or a person
9 designated by the purchaser, notwithstanding any contract terms
10 designating a location outside of this state as the place of sale.

11 (c) All taxable sales within this state of a fossil fuel or
12 electricity must document the amount of carbon pollution tax paid in
13 accordance with rules adopted by the department.

14 (d)(i) The carbon pollution tax liability imposed on a person
15 consistent with (a) and (b) of this subsection may be assumed by a
16 light and power business when it purchases electricity if the light
17 and power business meets the following requirements:

18 (A) A light and power business must have a clean energy
19 investment plan approved by a responsible entity.

20 (B) A light and power business must apply to the responsible
21 entity, in a manner and form acceptable to the responsible entity,
22 for approval to assume liability for the carbon pollution tax
23 pursuant to this subsection (7)(d).

24 (C) Upon approval of an application pursuant to (d)(i)(B) of this
25 subsection, the entity must issue a certificate or other
26 documentation, as prescribed by the department, authorizing the light
27 and power business to assume liability for the carbon pollution tax
28 pursuant to this subsection (7)(d).

29 (D) A light and power business that elects to assume liability
30 for the carbon pollution tax as authorized under this subsection
31 (7)(d) must present the certificate or documentation issued pursuant
32 to (d)(i)(C) of this subsection to a person selling electricity to
33 the light and power business. Acceptance of the certificate or
34 documentation presented by a light and power business under this
35 subsection (7)(d) relieves that person from paying the carbon
36 pollution tax due on such a sale. Acceptance of the certificate or
37 documentation may not be unreasonably withheld. The person selling
38 electricity must keep a copy of the certificate or documentation in
39 its records pursuant to RCW 82.32.070. If the light and power
40 business does not elect to assume the carbon pollution tax, the

1 carbon pollution tax on the sale of electricity is imposed pursuant
2 to (a) or (b) of this subsection, as applicable.

3 (ii) For the purposes of this subsection (7)(d), "responsible
4 entity" means the entity responsible for approving the clean energy
5 investment plan of a light and power business pursuant to sections
6 201 through 206 or 301 through 306 of this act, whichever is
7 applicable.

8 (8) For purposes of determining the carbon pollution tax due
9 under this chapter:

10 (a) The department must use the carbon calculation for all fossil
11 fuels sold or used within the state or inherent in electricity
12 generated or imported for consumption within this state;

13 (b) For fossil fuels, the department of ecology, in consultation
14 with the department of commerce, must adopt by rule criteria for
15 making the carbon calculation;

16 (c) For the import of electricity sourced from an asset
17 controlling supplier, including the Bonneville power administration
18 and others as approved by the department of ecology, the department
19 of ecology must calculate and publish on its web site no later than
20 December 1st of each year the system emissions factors for each asset
21 controlling supplier for the previous calendar year. Such system
22 emissions factors must be used to determine the carbon tax associated
23 with power sourced from asset controlling supplier systems for the
24 upcoming calendar year. Asset controlling suppliers are considered
25 specified sources of electricity;

26 (d) For the generation or import of electricity from an
27 unspecified source, the carbon dioxide inherent in that electricity
28 is equal to the default emission factor adopted by the department of
29 ecology, in consultation with the department of commerce, in a manner
30 consistent with the default emission factors for electricity
31 established for other markets in the western interconnection, or, if
32 the department of ecology has not adopted a default emission factor
33 by rule, 0.437 metric tons of carbon dioxide per megawatt-hour;

34 (e) For the generation or import of electricity from a specified
35 source, the carbon dioxide inherent in that electricity must be based
36 on the carbon calculation for that source established by the
37 department of ecology. The department of ecology, in consultation
38 with the department of commerce, must adopt by rule criteria for
39 making the carbon calculation for specified sources; and

1 (f) The department of ecology may require additional information
2 to existing reporting programs as necessary, in consultation with the
3 department of commerce, for determining the carbon calculation under
4 this chapter.

5 (9) For taxpayers who are also subject to any of the taxes
6 imposed under chapter 82.04, 82.08, 82.12, or 82.16 RCW, the
7 frequency of reporting and payment of the carbon pollution tax must,
8 to the extent practicable, coincide with a taxpayer's reporting
9 periods for the taxes imposed under chapter 82.04, 82.08, 82.12, or
10 82.16 RCW.

11 (10) The department must develop and make available worksheets,
12 tax tables, and guidance documents it deems necessary to calculate
13 the carbon dioxide emissions of fossil fuels or the carbon dioxide
14 emissions inherent in electricity.

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

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

21 (b) Fossil fuels or electricity that the state is prohibited from
22 taxing under the state Constitution or the Constitution or laws of
23 the United States;

24 (c)(i) Fossil fuels or electricity exported from this state.
25 Export from this state includes electricity transmitted through the
26 state that is not produced or consumed in the state including, but
27 not limited to, imports of electricity that are netted by exports of
28 electricity with a comparable carbon content by the same entity
29 within or for the same hour. Export to Indian country located within
30 the boundaries of this state is not considered export from this
31 state. For purposes of this subsection, "Indian country" has the same
32 meaning as provided in RCW 37.12.160.

33 (ii) An exporter of fossil fuels or electricity upon which
34 another person previously paid the carbon pollution tax is entitled
35 to a credit or refund of the tax paid, if the exporter can establish
36 to the department's satisfaction that the tax under this chapter was
37 previously paid on the exported fossil fuels or electricity. The
38 person who paid the carbon pollution tax is not entitled to an
39 exemption under this subsection (1)(c) when any other person is

1 entitled to a refund or credit under this subsection (1)(c)(ii). For
2 purposes of this subsection, "exporter" means a person who exports
3 fossil fuels or electricity from this state;

4 (d) The sale or use of coal transition power as defined in RCW
5 80.80.010;

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

9 (f) Biogas, which includes renewable liquid natural gas or liquid
10 compressed natural gas made from biogas, landfill gas, biodiesel,
11 renewable diesel, and cellulosic ethanol;

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

13 (h) Facilities that manufacture equipment used to generate
14 electricity from eligible renewable resources as defined in RCW
15 19.285.030(21) or facilities that produce components or materials
16 used exclusively to manufacture eligible renewable resources;

17 (i) The portion of fossil fuels purchased in the state and
18 combusted outside the state by interstate motor carriers and vessels
19 used primarily in interstate or foreign commerce. The department must
20 provide a methodology by rule to apportion fossil fuels consumed
21 inside the state of Washington by interstate motor carriers and
22 vessels used primarily in interstate or foreign commerce;

23 (j) Activities or property of Indian tribes and individual
24 Indians that are exempt from state taxation as a matter of federal
25 law or state law, whether by statute, rule, or compact; and

26 (k) Fossil fuels used for transporting logs as described in RCW
27 82.16.010(5).

28 (2)(a) For any electricity and fossil fuels subject to the carbon
29 pollution tax imposed by section 102 of this act that are also
30 subject to a comparable carbon pollution tax or charge on carbon
31 content imposed by another jurisdiction, including the federal
32 government or allowances required to be purchased by another
33 jurisdiction, the entity may take a credit against the tax imposed
34 under this chapter by the amount of the comparable pollution tax or
35 charge paid to the other jurisdiction up to the amount of tax owed
36 under this chapter, provided that the taxpayer claiming the credit
37 provides evidence acceptable to the department that the equivalent
38 tax has been paid.

1 (b) For the purposes of this section, a comparable carbon
2 pollution tax or charge means a tax or charge that is not generally
3 imposed on other activities or privileges that is:

4 (i) Imposed on:

5 (A) The sale, use, possession, transfer, or consumption of fossil
6 fuels; or

7 (B) The sale, consumption, or generation of electricity produced
8 through the combustion of fossil fuels; and

9 (ii) Measured in terms of greenhouse gas emissions by the
10 greenhouse gas emissions resulting from the complete combustion or
11 oxidation of such fossil fuels or by the greenhouse gases inherent in
12 such electricity.

13 (3)(a) The carbon pollution tax imposed in section 102 of this
14 act does not apply to fossil fuels and electricity sold to or used
15 on-site for manufacturing processes by an energy-intensive trade-
16 exposed facility. The fossil fuel exemption does not apply to fossil
17 fuels used for generation of electricity which is not used on site by
18 the facility.

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

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

35 (A) Any facility engaged in an activity described in RCW
36 82.04.260(12); or

37 (B) A facility primarily engaged in an activity encompassed
38 within any of the following North American industry classification
39 system codes (2017):

40 112310: Chicken egg production;

1 112320: Broilers and other meat type chicken production;
2 112330: Turkey production;
3 112340: Poultry hatcheries;
4 112390: Other poultry production;
5 311211: Flour milling;
6 311221: Wet corn milling;
7 311224: Soybean and other oilseed processing;
8 311225: Fats and oils refining and blending;
9 311230: Breakfast cereal manufacturing;
10 311411: Frozen fruit, juice, and vegetable manufacturing;
11 311412: Frozen specialty food manufacturing;
12 311421: Fruit and vegetable canning;
13 311422: Specialty canning;
14 311423: Dried and dehydrated food manufacturing;
15 311511: Fluid milk manufacturing;
16 311512: Creamery butter manufacturing;
17 311513: Cheese manufacturing;
18 311514: Dry, condensed, and evaporated dairy product
19 manufacturing;
20 311520: Ice cream and frozen dessert manufacturing;
21 311611: Animal (except poultry) processing;
22 311612: Meat processed from carcasses;
23 311613: Rendering and meat by-product processing;
24 311615: Poultry processing;
25 311710: Seafood product preparation and packaging;
26 311812: Commercial bakeries;
27 311821: Cookie and cracker manufacturing;
28 311824: Flour mixes and dough manufacturing from purchased flour;
29 311830: Tortilla manufacturing;
30 311911: Roasted nuts and peanut butter manufacturing;
31 311919: Other snack food manufacturing;
32 311930: Flavoring syrup and concentrate manufacturing;
33 311941: Mayonnaise, dressing, and other prepared sauce
34 manufacturing;
35 311942: Spice and extract manufacturing;
36 311991: Perishable prepared food manufacturing;
37 311999: All other miscellaneous food manufacturing;
38 312112: Bottled water manufacturing;
39 321212: Softwood veneer and plywood manufacturing;
40 321213: Sawmills;

1 322110: Pulp mills;
2 322121: Paper (except newsprint) mills;
3 322122: Newsprint mills;
4 322130: Paperboard mills;
5 324110: Petroleum refineries;
6 325188: All other basic inorganic chemical manufacturing;
7 325193: Biodiesel manufacturing;
8 325199: All other basic organic chemical manufacturing;
9 325311: Nitrogenous fertilizer manufacturing;
10 327211: Flat glass manufacturing;
11 327213: Glass container manufacturing;
12 327310: Cement manufacturing;
13 327410: Lime manufacturing;
14 327420: Gypsum product manufacturing;
15 331110: Iron and steel mills;
16 331312: Primary aluminum production;
17 331313: Aluminum refining and primary aluminum production;
18 331314: Secondary smelting and alloying of aluminum;
19 331315: Aluminum sheet, plate, and foil manufacturing;
20 331318: Other aluminum rolling, drawing, and extruding;
21 334413: Semiconductor and related device manufacturing;
22 336411: Aircraft manufacturing;
23 336412: Aircraft engine and engine parts manufacturing;
24 336413: Other aircraft parts and auxiliary equipment
25 manufacturing;
26 336414: Guided missile and space vehicle manufacturing;
27 336415: Guided missile and space vehicle propulsion unit and
28 propulsion unit parts manufacturing; and
29 336419: Other guided missile and space vehicle parts and
30 auxiliary equipment manufacturing.

31 (ii) The exemptions under (c)(i)(B) of this subsection (3) apply
32 to electricity and fossil fuels used on-site for manufacturing
33 activities by energy-intensive and trade-exposed manufacturers.

34 (d)(i) To qualify for an exemption under this subsection (3) for
35 a specific facility, a person must apply to the department in the
36 form and manner required by the department. If a person has more than
37 one potentially exempt facility, that person must submit a separate
38 application for each facility. The department may consult with the
39 department of commerce and can take whatever steps it deems necessary
40 to determine eligibility under this subsection (3), including

1 requesting additional information from the applicant or an on-site
2 visit to the facility to observe its operations.

3 (ii) If a person qualifies for an exemption for more than one
4 facility, the department must issue an exemption certificate for each
5 exempt facility. An exemption certificate issued under this
6 subsection (3) must include the name of the person operating the
7 facility, the physical location of the facility, and the activities
8 that qualify the facility for an exemption.

9 (e)(i) The department may rescind an exemption certificate issued
10 under this subsection (3) if it determines that the facility does not
11 meet the qualifications for an exemption under this subsection (3).
12 The department must notify the certificate holder of its decision to
13 rescind an exemption certificate.

14 (ii) A person receiving an exemption under this subsection (3)
15 based on a certificate issued in error must immediately repay to the
16 department the exempted amounts plus interest as provided in chapter
17 82.32 RCW. No penalties apply if amounts assessed by the department
18 under this subsection (3)(e)(ii) are paid in full by the date due.

19 (4)(a) A credit is authorized against the tax otherwise due under
20 this chapter. The credit amount may be up to one hundred percent of
21 the taxes owed under this chapter by a light and power business or a
22 gas distribution business that chooses to claim a credit pursuant to
23 sections 202 and 301 of this act.

24 (b) Any amount taken as a tax credit by a light and power
25 business or gas distribution business under subsection (1)(c)(ii) or
26 (2) of this section is not subject to the provisions of part II or
27 III of this act.

28 (5)(a) A person is entitled to a refund or credit of carbon
29 pollution tax included in the price of fossil fuels or electricity
30 purchased by the person if:

31 (i) An exemption under this chapter applies to the person or the
32 person's use or disposition of the fossil fuel or electricity;

33 (ii) The person can establish to the department's satisfaction
34 that the tax under this chapter was previously paid on the fossil
35 fuel or electricity; and

36 (iii) The person submits an application to the department in a
37 form and manner required by the department within four years after
38 the calendar year in which the person paid the carbon pollution taxes
39 for which the refund or credit is sought.

1 (b) A person is not entitled to a refund or credit of carbon
2 pollution tax under this section if any subsequent purchaser of the
3 fossil fuel or electricity is entitled to a refund or credit of that
4 tax under this subsection.

5 (c) Refunds or credits under this subsection are not subject to
6 interest.

7 (d) For purposes of this subsection (5), "person" means any
8 purchaser or consumer of fossil fuel or electricity who indirectly
9 paid carbon pollution tax included in the price of the fossil fuel or
10 electricity.

11 NEW SECTION. **Sec. 104.** RULE MAKING AND OTHER ADMINISTRATIVE
12 AUTHORITY. (1) The provisions of chapter 82.32 RCW apply to this
13 chapter.

14 (2) The department and department of ecology may adopt rules as
15 they deem necessary to administer this chapter. The department of
16 commerce may adopt rules as it deems necessary to administer section
17 103 of this act.

18 (3) The department of commerce must convene a stakeholder work
19 group to examine the efficient and consistent integration of carbon
20 pricing in electricity markets within the state and transactions with
21 markets outside the state, including the market operated by the
22 California independent system operator. To assist in its examination
23 of the issues identified in this subsection, as well as any other
24 issues pertinent to its review, the work group must, at a minimum,
25 consist of light and power businesses, gas distribution businesses,
26 the Bonneville power administration, and other agencies. The work
27 group must prepare a report to the legislature of its findings and
28 recommendations to improve the carbon transparency and market
29 liquidity in electricity markets and submit the report, in compliance
30 with RCW 43.01.036, by no later than December 1, 2020. The department
31 and the department of ecology must provide necessary data and other
32 support to the department of commerce.

33 (4) By December 31, 2025, the department of revenue, supported by
34 the departments of commerce and ecology must review the energy-
35 intensive trade-exposed process under section 103 of this act,
36 including its effectiveness in controlling leakage and minimizing any
37 unnecessary exemptions from taxation, merits of alternative exemption
38 structures such as production-based incentives, and the scope of
39 industries within the energy-intensive trade-exposed designation.

1 (5) The department of commerce must provide information on its
2 web site regarding the impacts of the carbon pollution tax under this
3 chapter on the price of electricity, natural gas, and vehicle fuels
4 by sector.

5 NEW SECTION. **Sec. 105.** REPORT BY THE DEPARTMENT OF COMMERCE.

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

17 (a) The total carbon pollution tax collected during the reporting
18 period and a list of the taxpayers and the amount of carbon pollution
19 tax paid by those taxpayers. The department must provide the
20 information required under this subsection (1)(a), which is not
21 confidential tax information under RCW 82.32.330;

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

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

37 (d) The impact on the economic health of Washington state,
38 including verifiable data on emissions leakage and any job loss since

1 the implementation of the carbon pollution tax under section 102 of
2 this act;

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

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

13 (g) A summary of the progress made by utilities implementing
14 their plans under the clean energy investment program created in
15 parts II and III of this act. The summary must include aggregate
16 totals of anticipated greenhouse gas reductions called for by plans
17 and progress made toward achieving these reductions; an accounting of
18 funds spent and average cost per ton of verified greenhouse gas
19 reductions achieved through program investments; and a review of the
20 mitigation of increased gas or electric costs to qualifying low-
21 income customers and recommendations on whether consumer-owned energy
22 utilities have the resources to mitigate these costs; and

23 (h) An analysis on the impact of section 102 and parts II and III
24 of this act on the utility rates as it affects individuals of varying
25 income levels, ethnic backgrounds, and racial backgrounds.

26 (2) On or before December 1, 2026, the department of commerce, in
27 consultation with the department of ecology, must provide specific
28 recommendations to the joint committee on climate programs oversight
29 under section 801 of this act on whether or not the carbon pollution
30 tax rate under section 102 of this act will need to be adjusted
31 upward or downward or will be sufficient to meet the net cumulative
32 reduction of greenhouse gas emissions of twenty-five percent below
33 1990 levels by the year 2035.

34 NEW SECTION. **Sec. 106.** TECHNICAL ASSISTANCE. Upon request of
35 the department, the department of commerce, the department of
36 ecology, and the Washington State University extension energy program
37 must provide technical assistance to the department as may be
38 necessary for the department to effectively administer this chapter.

1 NEW SECTION. **Sec. 107.** CARBON POLLUTION REDUCTION ACCOUNT. The
2 carbon pollution reduction account is created in the state treasury.
3 All receipts from the carbon pollution tax under section 102 of this
4 act, and other moneys directed to the account by the legislature,
5 must be deposited into the account. Moneys in the account may only be
6 spent after appropriation. Moneys in the account must be first
7 appropriated to the department of revenue and other appropriate
8 agencies for the administration of chapter . . . , Laws of 2018 (this
9 act). Expenditures from the account must be distributed by the state
10 treasurer as follows:

11 (1) Fifty percent of the moneys to the energy transformation
12 account created in section 401 of this act;

13 (2) Twenty percent of the moneys to the water and natural
14 resources resilience account created in section 601 of this act;

15 (3) Fifteen percent of the moneys for the transition assistance
16 account created in section 501 of this act;

17 (4) Fifteen percent of the moneys for the rural economic
18 development account created in section 701 of this act.

19 NEW SECTION. **Sec. 108.** TRIBAL COMPACTS. (1) The governor may
20 enter into an agreement with any federally recognized Indian tribe
21 located on a reservation within this state regarding carbon pollution
22 taxes included in the price of fuel delivered to a retail station
23 wholly owned and operated by a tribe, tribal enterprise, or tribal
24 member licensed by the tribe to operate a retail station located on
25 reservation or trust property. The agreement may provide mutually
26 agreeable means to address any tribal immunities or any preemption of
27 the carbon pollution tax.

28 (2) The provisions of this section do not repeal existing state/
29 tribal fuel tax agreements or consent decrees in existence upon the
30 effective date of this section.

31 (3) If a new agreement is negotiated, the agreement must:

32 (a) Require that the tribe or the tribal retailer acquire all
33 fuel only from persons or companies operating lawfully in accordance
34 with this chapter as a fuel distributor, supplier, or blender, or
35 from a tribal distributor, supplier, or blender lawfully doing
36 business according to all applicable laws;

37 (b) Provide that the tribe will expend carbon pollution tax
38 proceeds or equivalent amounts on: Reducing greenhouse gas emissions

1 or increasing the resilience of tribal lands to the impacts of
2 climate change;

3 (c) Include provisions for audits or other means of ensuring
4 compliance to certify the number of gallons of fuel purchased by the
5 tribe for resale at tribal retail stations, and the use of carbon
6 pollution tax proceeds or their equivalent for the purposes
7 identified in (b) of this subsection. Compliance reports must be
8 delivered to the director of the department of licensing.

9 (4) Information from the tribe or tribal retailers received by
10 the state or open to state review under the terms of an agreement are
11 deemed personal information under RCW 42.56.230(4)(b) and are exempt
12 from public inspection and copying.

13 (5) The governor may delegate the power to negotiate carbon
14 pollution tax agreements to the department of licensing.

15 (6) The department of licensing must include in its annual report
16 to the legislature on the status of fuel tax agreements with tribes
17 the status of carbon pollution tax agreements with tribes as well as
18 any negotiations on such agreements with tribes.

19 **Part II**
20 **Clean Energy Investment Fund for Investor-Owned Energy Utilities**

21 NEW SECTION. **Sec. 201.** DEFINITIONS. The definitions in this
22 section apply throughout this chapter unless the context clearly
23 requires otherwise.

24 (1) "Commission" means the utilities and transportation
25 commission.

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

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

35 (4) "Consumer-owned light and power business" means any light and
36 power business not subject to regulation by the commission of the
37 rates, tolls, rentals, contracts or charges, or service rendered, or
38 the adequacy or sufficiency of the facilities, equipment,

1 instrumentalities, or buildings, or the reasonableness of rules or
2 regulations made, furnished, used, supplied, or in force affecting
3 any electric plant owned and operated by such light and power
4 business.

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

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

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

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

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

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

27 (11) "Low income" means an annual income, adjusted for household
28 size, that is at or below the greater of: (a) Eighty percent of area
29 median income; or (b) two hundred percent of the federal poverty
30 level.

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

1 (2) For electricity produced by a generating facility that burns
2 coal as the primary fuel source and the electricity is not otherwise
3 exempt from the carbon pollution tax imposed in section 102 of this
4 act, the department of revenue will adopt a schedule for each
5 facility to calculate the credits such that beginning January 1,
6 2020, the credit decreases on a pro rata basis annually until
7 reaching zero percent in 2036.

8 (3) To be eligible for the credit under this section for clean
9 energy investment, an investor-owned energy utility must, as of the
10 date the credit is claimed, have received approval by the commission
11 of a clean energy investment plan pursuant to section 205 of this
12 act. Remaining carbon pollution tax owed under section 102 of this
13 act, if any, must be remitted to the department of revenue and
14 deposited in the carbon pollution reduction account created in
15 section 107 of this act.

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

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

29 (6) Moneys in the separate clean energy investment account are
30 considered gross operating revenue for the purpose of RCW 80.24.010,
31 and may not be considered gross income for the purposes of chapters
32 82.04 and 82.16 RCW. Each investor-owned energy utility must report
33 to the commission the total amount of revenue placed in its clean
34 energy investment account during the preceding calendar year. In
35 addition to fees paid pursuant to RCW 80.24.010 on moneys in the
36 clean energy investment account, each investor-owned energy utility
37 must pay an annual fee set by the commission of up to one percent of
38 moneys deposited in the clean energy investment account to pay the
39 reasonable cost of administering sections 201 through 206 of this
40 act. The commission must set the fee each year by general order. Any

1 additional fees collected by the commission under this subsection
2 must be deposited into the public service revolving fund.

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

4 (1) The commission must create a technical standards committee for
5 the purpose of advising the commission and other state agencies, the
6 legislature, utilities, and local governments on utility reinvestment
7 of moneys credited pursuant to section 202 of this act. The technical
8 standards committee must develop standards and guidelines used by the
9 commission to evaluate, quantify, and verify greenhouse gas emissions
10 reductions proposed by utility plans pursuant to section 205 of this
11 act. The duties of the technical standards committee include, but are
12 not limited to:

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

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

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

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

23 (2) The technical standards committee established in this section
24 constitutes a class one group under RCW 43.03.220. Expenses for the
25 technical standards committee are an appropriate administrative
26 expense for the purpose of section 205(7)(b)(xiii) of this act. Staff
27 support must be provided by the commission.

28 (3) The commission may elect to work with the department under
29 section 302 of this act to create one joint technical standards
30 committee for the purpose of advising on utility reinvestment of
31 moneys credited pursuant to sections 202 and 301 of this act.

32 NEW SECTION. **Sec. 204.** WASHINGTON CLEAN ENERGY INVESTMENT

33 PROGRAMS ESTABLISHED FOR INVESTOR-OWNED ENERGY UTILITIES—RULE MAKING.

34 By July 1, 2019, the commission must adopt rules concerning the
35 process, timelines, reporting, and documentation required to ensure
36 the proper implementation of this chapter. Such rules must also
37 establish requirements for review, approval, performance standards,
38 and independent monitoring and evaluation of clean energy investment

1 plans of investor-owned energy utilities. The department of commerce
2 and the commission must, to the extent practicable, adopt rules that
3 are similar enough to ensure coordinated and consistent
4 implementation of this chapter for consumer-owned and investor-owned
5 energy utilities.

6 NEW SECTION. **Sec. 205.** CLEAN ENERGY INVESTMENT PLANS FOR
7 INVESTOR-OWNED ENERGY UTILITIES. (1) To be eligible for the tax
8 credit under section 202 of this act, an investor-owned energy
9 utility must develop and maintain an approved clean energy investment
10 plan, which identifies approved funding for clean energy investments
11 over a ten-year period, pursuant to subsection (5) of this section.
12 The clean energy investment plan must eliminate, to the extent
13 feasible and at a reasonable cost, any tax obligation imposed by this
14 act associated with electricity by 2050.

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

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

20 (a) A clean energy investment plan;

21 (b) A summary of the public input received during development of
22 the plan; and

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

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

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

33 (a) A demonstration that the portfolio of funded activities will
34 achieve significant greenhouse gas emissions reductions at a
35 reasonable cost over the shortest reasonable time frame;

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

1 (c) A demonstration that expenditures in the clean energy
2 investment plan will be additional to expenditures necessary to meet
3 other emissions reduction, energy conservation, low-income programs,
4 or renewable energy requirements existing on the effective date of
5 this section;

6 (d) Sufficient funding, as determined by the commission, to
7 mitigate all increases in gas or electric costs to qualifying low-
8 income customers as a result of the carbon pollution tax imposed in
9 section 102 of this act. Such moneys must be additional to other
10 funding for low-income energy assistance; and

11 (e) A demonstration that all funded activities within the clean
12 energy investment plan were developed using the cumulative impact
13 analysis in section 502 of this act and that expenditures prioritize
14 highly impacted communities.

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

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

18 (b) Up to ten percent of the expenditures in the clean energy
19 investment accounts pursuant to this section may be dedicated for
20 research and development by the investor-owned energy utility that
21 will promote energy conservation, or the deployment of zero-emission
22 energy resources.

23 (7)(a) A clean energy investment plan must include programs for
24 investments or expenditures that are incremental to investments or
25 expenditures required by laws and regulations existing on the
26 effective date of this section; and

27 (i) Reduce greenhouse gas emissions of the investor-owned energy
28 utility; or

29 (ii) Advance market transformation, educate consumers, develop
30 new low carbon fuels such as renewable natural gas, increase
31 participation in programs that incentivize consumers to choose low
32 carbon alternatives, or increase carbon sequestration.

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

35 (i) Additional conservation in excess of the target established
36 under RCW 19.285.040(1), other state obligations, or other obligation
37 established by the commission in effect on the effective date of this
38 section;

39 (ii) Market transformation for energy efficiency products;

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

4 (iv) Low-income weatherization;

5 (v) Measures to support electrification of the transportation
6 sector including, but not limited to:

7 (A) Equipment on an electrical company's transmission and
8 distribution system to accommodate electric vehicle connections, and
9 smart grid systems, that enable electronic interaction between the
10 company and charging systems, and facilitate company utilization of
11 vehicle batteries for system needs;

12 (B) Incentives for car dealers to sell alternative vehicles;

13 (C) Incentives for property owners to install charging equipment
14 for alternative vehicles; and

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

16 (vi) Investments that support the use of alternative fuels in the
17 transportation sector for medium and heavy duty vehicles and
18 equipment that will result in a reduction of greenhouse gas emissions
19 and if the commission determines the alternative fuel is more cost-
20 effective and commercially accepted than electrification;

21 (vii) Investment in clean distributed energy resources and grid
22 modernization to facilitate distributed resources and improved grid
23 resiliency;

24 (viii) Research and development that will promote energy
25 conservation, or the deployment of zero-emission energy resources;

26 (ix) Investments in renewable natural gas production, including
27 equipment to collect or condition biogas, or equipment used solely
28 for the purpose of delivering biogas for consumption;

29 (x) Incentives for small businesses to support energy efficiency
30 and the replacement of equipment;

31 (xi) Contributions to self-directed investments in the following
32 measures to serve the sites of large industrial gas and electrical
33 customers; conservation; new renewable energy resources; behind-the-
34 meter technology that facilitates demand response cooperation to
35 reduce peak loads; infrastructure to support electrification of
36 transportation needs and heating loads; or renewable natural gas
37 production, including gas conditioning equipment for biogas;

38 (xii) Pumped storage facilities whose development does not
39 conflict with existing state and federal fish recovery plans and that
40 comply with all local, state, and federal laws and regulations; and

1 (xiii) The reasonable costs of administration of the carbon
2 pollution tax under section 102 of this act and the clean energy
3 investment program, as determined by the commission.

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

11 (9) Investments in infrastructure or facilities to process or
12 liquefy fossil fuels are not eligible for inclusion in a clean energy
13 investment plan.

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

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

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

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

30 (c) An accounting of verified emissions reductions, and the cost
31 per ton of emissions reductions compared to estimates of the cost per
32 ton in emissions reductions contained in the clean energy investment
33 plan; and

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

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

1 (4) The commission must annually provide the department of
2 revenue a report summarizing who is entitled to the credit, over what
3 timeline, any required adjustments to credit previously issued, and
4 any further information required to assist the department of revenue
5 in administering the credit.

6 **Part III**

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

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

14 (2) To be eligible for the credit under this section for clean
15 energy investment, a consumer-owned energy utility must, as of the
16 date the credit is claimed, have a plan, approved by the governing
17 body of a consumer-owned energy utility, to reinvest an equivalent
18 amount of revenues collected from customers during that year, the
19 preceding year, or any of the three subsequent years. Remaining
20 carbon pollution tax amounts owing must be remitted to the department
21 of revenue and deposited in the carbon pollution reduction account
22 created in section 107 of this act.

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

30 (4) Moneys retained in the separate clean energy investment
31 account are not considered gross income for the purpose of chapter
32 82.16 RCW.

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

34 (1) The department must create a broadly representative technical
35 advisory committee for the purpose of advising the department, other
36 state agencies, the legislature, utilities, and local governments on
37 consumer-owned energy utility reinvestment of moneys credited

1 pursuant to section 301 of this act. The advisory committee will
2 advise on guidelines developed or adopted by the department to
3 evaluate, quantify, and verify greenhouse gas emissions reductions
4 proposed by utility plans pursuant to section 304 of this act. The
5 duties of the technical advisory committee include, but are not
6 limited to:

7 (a) Advising on standard protocols for verification and
8 evaluation of greenhouse gas emissions reductions from utility
9 investments;

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

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

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

17 (2) The technical advisory committee established in this section
18 constitutes a class one group under RCW 43.03.220. Expenses for the
19 technical advisory committee are an appropriate administrative
20 expense for the purpose of section 304(6)(n) of this act. Staff
21 support must be provided by the department.

22 (3) The department may elect to work with the commission under
23 section 203 of this act to create one joint technical standards
24 committee for the purpose of advising on utility reinvestment of
25 moneys credited pursuant to sections 202 and 301 of this act.

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

36 NEW SECTION. **Sec. 304.** CLEAN ENERGY INVESTMENT PLANS. (1) To be
37 eligible for the tax credit under section 301 of this act, a
38 consumer-owned energy utility must develop and maintain a clean

1 energy investment plan that is approved by its governing body. The
2 clean energy investment plan must seek to eliminate any tax
3 obligation imposed by this act associated with electricity.

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

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

8 (a) A summary of the public input received during development of
9 the plan; and

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

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

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

20 (a) Programs for investments or expenditures that:

21 (i) Are incremental to investments or expenditures required by
22 existing regulations on the effective date of this section; and

23 (ii)(A) Reduce carbon dioxide emissions of the utility; or

24 (B) Advance market transformation, educate consumers, develop new
25 low carbon fuels such as renewable natural gas, and increase
26 participation in programs that enable consumers to choose low carbon
27 alternatives;

28 (b) A demonstration that the portfolio of funded activities can
29 reasonably be expected to achieve reductions in greenhouse gas
30 emissions;

31 (c) An estimate, based on protocols developed by the technical
32 advisory committee or other protocol as authorized under subsection
33 (4) of this section, of the metric tons of emissions reductions and
34 the cost per metric ton of emissions reductions for the portfolio of
35 projects in the clean energy investment plan;

36 (d) A demonstration that expenditures in the clean energy
37 investment plan will be additional to expenditures necessary to meet
38 other emissions reductions, energy conservation, or renewable energy
39 requirements not to exceed an average cost per metric ton of

1 greenhouse gases abated at three hundred percent of the carbon tax
2 rate or to be determined by the department as appropriate;

3 (e) A customer education and outreach program;

4 (f) Sufficient funding, as determined by the department, to
5 mitigate all increases in gas or electric costs to qualifying low-
6 income customers as a result of the carbon pollution tax imposed in
7 section 102 of this act. Such moneys must be additional to other
8 funding for low-income energy assistance; and

9 (g) A demonstration that all funded activities within the clean
10 energy investment plan were developed using the cumulative impact
11 analysis in section 502 of this act and that expenditures prioritize
12 highly impacted communities.

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

15 (a) Additional conservation in excess of the target established
16 under RCW 19.285.040(1), or other state obligations;

17 (b) Market transformation for energy efficiency products;

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

20 (d) Low-income weatherization;

21 (e) Measures to support electrification of the transportation
22 sector including, but not limited to:

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

28 (ii) Incentives for car dealers to sell alternative vehicles;

29 (iii) Incentives for property owners to install charging
30 equipment for alternative vehicles; and

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

32 (f) Investment in clean distributed energy resources and grid
33 modernization to facilitate distributed resources and improved grid
34 resiliency;

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

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

39 (i) Investments in the following measures to serve the sites of
40 large industrial gas and electrical customers: Conservation; new

1 renewable energy resources; behind-the-meter technology that
2 facilitates demand response cooperation to reduce peak loads;
3 infrastructure to support electrification of transportation needs and
4 heating loads; or renewable natural gas production, including gas
5 conditioning equipment for biogas;

6 (j) Investments in zero-carbon emission resources, including
7 installing generation capacity at levies, irrigation canals, and
8 existing unpowered dams that comply with all federal and state
9 permitting requirements;

10 (k) Investments that lower net emissions through fuel switching;

11 (l) Incentives for small businesses to support energy efficiency
12 and the replacement of equipment;

13 (m) Other measures determined by the governing body to meet the
14 requirements of subsection (5) of this section; and

15 (n) The reasonable costs of administration of the clean energy
16 investment program, as determined by the department.

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

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

34 (2) A consumer-owned energy utility that is not a member of a
35 joint operating agency may enter into an agreement with a nonprofit
36 organization to aggregate their claims against the carbon pollution
37 tax imposed in section 102 of this act and to develop and implement a
38 joint clean energy investment plan. Implementation of a joint clean
39 energy investment plan may not begin until the governing bodies of

1 all participating utilities have approved the plan through a public
2 process. The purpose of this section is to facilitate broad,
3 equitable, and efficient use of the carbon pollution tax credit.

4 (3) Each utility that enters into an agreement authorized in
5 subsection (1) or (2) of this section must empower the joint
6 operating agency or nonprofit organization to, on their behalf, claim
7 the credit against the carbon pollution tax imposed in section 102 of
8 this act. The joint operating agency or nonprofit organization must
9 establish and maintain a separate clean energy investment account and
10 deposit into that account amounts equal to the credits taken under
11 this section. Moneys in this account must be kept separate from other
12 accounts, and may only be expended for the purposes identified in
13 this chapter.

14 NEW SECTION. **Sec. 306.** CLEAN ENERGY INVESTMENT PROGRAM
15 EXPENDITURE MONITORING AND OVERSIGHT. (1) A consumer-owned energy
16 utility or a joint operating agency or nonprofit organization on
17 behalf of an aggregated group of consumer-owned utilities must submit
18 annual reports to the department including, but not limited to:

19 (a) The status of projects approved in the previous clean energy
20 investment plan; and

21 (b) Using the performance metrics established by the department:

22 (i) An accounting of greenhouse gas emissions reductions achieved
23 and the cost per metric ton of emissions reductions compared to
24 estimates of the cost per metric ton in emissions reductions
25 contained in the clean energy investment plan; and

26 (ii) An updated estimate of future greenhouse gas emissions
27 reductions and the estimated cost per metric ton.

28 (2) The state auditor is responsible for auditing compliance with
29 the approved plan for consumer-owned energy utilities that are
30 subject to the jurisdiction of the state auditor and the attorney
31 general is responsible for enforcing that compliance. An independent
32 auditor selected by a consumer-owned energy utility that is not
33 subject to the jurisdiction of the state auditor is responsible for
34 auditing compliance with the approved plan and the attorney general
35 is responsible for enforcing that compliance.

36 (3) If the department determines that the plan or any project in
37 the plan did not meet performance metrics, the department must notify
38 the department of revenue. The department of revenue may require the

1 utility to remit remaining tax moneys dedicated for the nonperforming
2 plan or project.

3 **Part IV**

4 **Energy Transformation Account Funds**

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

7 ENERGY TRANSFORMATION ACCOUNT. (1) The energy transformation
8 account is created in the state treasury. The account must receive
9 moneys distributed to the account from the carbon pollution reduction
10 account created in section 107 of this act as well as other moneys
11 directed to the account by the legislature. Moneys in the account
12 must be used for projects and incentive programs that yield
13 verifiable reductions in carbon pollution in excess of current
14 practices, and may only be spent after appropriation. On a biennial
15 basis a minimum of ten percent of the expenditures under this section
16 must be for projects and activities located in communities designated
17 under section 502 of this act.

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

22 (a) Grant awards must be aligned to a strategy, which when
23 combined with the utility clean energy investments plans in sections
24 205 and 304 of this act, are anticipated to achieve a net cumulative
25 reduction of greenhouse gas emissions of twenty-five percent below
26 1990 levels by the year 2035 within the amounts as appropriated.

27 (b)(i) The department of commerce must consider the
28 recommendation of the Washington State University extension energy
29 program in section 405 of this act in determining the award amount
30 offered for a given project and the appropriate process or method for
31 awarding proposals in that program area.

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

37 (iii) Award amounts from the energy transformation account may
38 not exceed one hundred dollars in 2017 dollars per ton of carbon

1 dioxide equivalent or reduced emissions of greenhouse gases; however
2 the total project cost per ton of reduced emissions may exceed that
3 amount provided additional funding from another source.

4 (3) The department must consult with the department of ecology
5 and the Washington State University extension energy program in the
6 design and operation of the fund and must follow the guidelines and
7 obligations set forth in the implementation plan created in section
8 405 of this act.

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

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

14 (b) Consideration for procuring and using materials and content
15 that have lower carbon emissions associated with their transportation
16 and manufacturing, as determined through the best available reporting
17 and assessment tools;

18 (c) Support for high quality labor standards, apprenticeship and
19 preapprenticeship utilization and preferred entry standards,
20 community workforce agreements with priority local hire, procurement
21 from women and minority-owned businesses, procurement from and
22 contract with entities that have a history of complying with federal
23 and state wage and hour laws and regulations, and other related labor
24 standards;

25 (d) Applications from entities subject to the carbon pollution
26 tax under section 102 of this act who are not eligible to receive
27 credits under sections 202 or 301 of this act;

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

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

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

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

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

7 (iii) Enforceable by the state of Washington;

8 (iv) Verifiable; and

9 (v) Not eligible for funding, if an emissions reduction is
10 required by another statute, rule, or other legal requirement, or is
11 approved under a clean energy investment plan as provided in sections
12 205 and 304 of this act, or can be reasonably assumed to occur absent
13 additional funding in the near future.

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

17 (6) Emissions reductions resulting in part or in whole from the
18 policies listed in (a) through (d) of this subsection (6) are
19 eligible under this program:

20 (a) Commute trip reduction programs as established through RCW
21 70.94.527 under WAC 173-442-160(3);

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

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

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

32 (7) The department must consider projects and incentive programs
33 for the following activities:

34 (a) Industrial energy efficiency, including projects that
35 increase the energy efficiency or reduce the greenhouse gas emissions
36 at manufacturing facilities. Examples include projects to implement
37 combined heat and power, district energy, or on-site renewables or to
38 upgrade existing equipment such as boilers to more efficient models
39 and to switch to less carbon intensive fuel sources. Projects that
40 reduce process emissions may also be considered;

1 (b) Clean transportation, including projects and programs that:
2 (i) Exceed workplace targets for commute trip reduction under the
3 authority of chapter 70.94 RCW; accelerate uptake of renewable fuels
4 and electrification in transit and other vehicle fleets; promote
5 advanced-technology transportation networks that achieve greater
6 safety and energy efficiency; create electric vehicle charging or
7 hydrogen refueling infrastructure; and increase equitable transit-
8 oriented development; and (ii) implement biomethane or other gaseous
9 or liquid biofuels for transportation that result in reduced
10 greenhouse gas emissions;

11 (c) Energy efficiency and electrification for existing buildings,
12 including projects that improve energy efficiency and utilize demand
13 side management of electricity. A priority must be accorded to
14 projects otherwise eligible and not receiving funding from
15 investments pursuant to part III of this act;

16 (d) Agricultural, forestry, and other working lands emissions,
17 including projects and programs that achieve energy efficiency and
18 emission reductions in the agricultural sector including fertilizer
19 management, soil management, bioenergy, and biogas;

20 (e) Other technologies not explicitly covered by the program in
21 (a) through (d) of this subsection, such as proposals that diversify
22 opportunities for addressing peak loads such as storage and demand
23 response or advance market transformation, educate consumers, develop
24 new low carbon fuels such as renewable natural gas, increase
25 participation in programs, or that incentivize consumers to choose
26 low carbon alternatives;

27 (f) Low carbon architecture, including projects that develop,
28 promote, or result in buildings constructed of newly emerging
29 alternative building materials that result in a lower carbon
30 footprint in the built environment over the life cycle of the
31 building and component building materials; and

32 (g) Decarbonization of aviation fuels, including projects and
33 programs that accelerate the development of sustainable aviation fuel
34 production facilities; reduce the cost differential between low
35 carbon aviation fuels and fossil aviation fuels; promote greater
36 coordination between regional sustainable aviation fuel production
37 feedstock suppliers and producers; and increases sustainable aviation
38 fuel access and integration into existing fueling infrastructure and
39 pipelines.

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

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

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

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

14 (ii) A verification plan that details the methods used to
15 evaluate the project;

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

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

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

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

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

32 (11) The department may adopt rules necessary to implement this
33 section.

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

39 (13) The department must develop an electronic database available
40 to the public to track projects and incentive programs receiving

1 funding under this section. Projects will be ranked and sortable
2 based on quantitative performance metrics, including the avoided cost
3 of a ton of carbon dioxide.

4 NEW SECTION. **Sec. 402.** SEQUESTRATION OF CARBON. (1) Funds
5 appropriated from the account created in section 401 of this act may
6 be used for the following carbon sequestration activities using
7 procedures and criteria developed by the appropriate state agencies,
8 in consultation with Indian tribes, universities, and stakeholders
9 with expertise on natural resources and carbon sequestration:

10 (a) Sequestration of carbon in aquatic marine and freshwater
11 natural resources. The recreation and conservation office with
12 technical assistance from the department of natural resources will
13 award grants for blue carbon projects, such as wetland and seagrass
14 restoration projects, that result in aquatic carbon sequestration
15 outcomes with priority given, when relevant, to projects that also
16 provide multiple benefits for coastal and wetland habitat restoration
17 and are consistent with the Puget Sound partnership action agenda
18 produced under chapter 90.71 RCW;

19 (b) Sequestration of carbon in agricultural lands and soils. The
20 department of agriculture will award grants for projects to increase
21 soil sequestration and reduce emissions from the loss and disturbance
22 of soils and conversion of grassland and cropland soils to urban
23 development;

24 (c) Sequestration of carbon in terrestrial, riparian, and aquatic
25 habitats. The recreation and conservation office with technical
26 assistance from the department of natural resources will award grants
27 for projects and activities that protect and prevent the loss of
28 ecosystems that provide fish and wildlife habitat and carbon
29 sequestration values;

30 (d) The establishment of a working forest conservation grant
31 program developed and administered by the recreation and conservation
32 office with technical assistance from the department of natural
33 resources. The procedures and criteria must be developed in
34 consultation with Indian tribes and be designed to achieve additional
35 carbon absorption and sequestering values provided by Washington's
36 working forests. The procedures and criteria must also include, at a
37 minimum, a mechanism for ranking project applicants that allows for
38 the prioritization of projects that maximize the acres of working
39 forests able to be maintained by the program, considering

1 scientifically based, landscape scale forest ecosystem carbon
2 sequestration calculations to determine the life-cycle carbon
3 sequestration capacity of the carbon stored in wood from the working
4 forest and including consideration of carbon sequestered in resulting
5 wood building materials. The working forest conservation program must
6 be designed to add to the carbon sequestration value in working
7 forests, prevent conversion of working forests to nonforestry uses,
8 avoid wood market leakage through a sustainable supply of timber,
9 ensure the ecological longevity of working forests, and provide long-
10 term, sustainable jobs in rural communities.

11 (i) The priority uses of funds in the working forest conservation
12 program must be to:

13 (A) Fund the acquisition or transfer of development rights or
14 other property interests designed to limit or prevent the loss of
15 working forests and their associated carbon absorbing and
16 sequestering value; and

17 (B) Provide grants for the purchase of nonforested land for the
18 purpose of afforestation and establishing a working forest.

19 (ii) If the recreation and conservation office determines it is
20 necessary to capture a forest's carbon sequestration potential, the
21 program may include the acquisition of easements for forest land for
22 which there is a comparatively high probability that contiguous
23 forestland acreage will eventually be converted to nonforestry uses,
24 otherwise sold in smaller acreage parcels, or its timber stock
25 liquidated in the near term.

26 (iii) The recreation and conservation office may give preference
27 under this subsection (1)(d) to projects that are proposed by small
28 forest landowners as defined in RCW 76.09.450.

29 (2) The projects funded under this section must prioritize and
30 rank projects considering the achievement of carbon sequestration and
31 the comparative need of the applicants. Associated benefits that must
32 also be considered include improving landscape scale ecological
33 functions to protect water, soils, and provide improved fish and
34 wildlife habitat.

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

37 CLEAN TRANSPORTATION ACCOUNT. Annually, thirty percent of the
38 moneys from the energy transformation account under section 401 of
39 this act must be deposited by the state treasurer into the clean

1 transportation account, hereby created as a subaccount in the
2 multimodal transportation account. Moneys in the account may only be
3 spent after appropriation. Of the funds in the account:

4 (1) Eighty-five percent of the moneys must be provided to offset
5 some or all of the state fiscal impacts of the following activities:

6 (a) The alternative fuel vehicle tax exemption pursuant to RCW
7 82.08.809 and 82.12.809;

8 (b) The alternative fuel commercial vehicle tax credit pursuant
9 to RCW 82.16.0496;

10 (c) Tax credits provided for biodiesel feedstock pursuant to RCW
11 82.08.0205 and 82.12.0205;

12 (d) Expenditures from the clean energy account under section 601,
13 chapter . . . (Substitute Senate Bill No. 6080), Laws of 2018; and

14 (e) Funding for projects that can demonstrate reduced single-
15 occupant vehicle trips and increased transit ridership, including
16 park and rides, increased transit service, regional mobility grants,
17 rural mobility grants, transit priority infrastructure projects,
18 transit pass subsidies, and the commute trip reduction act; and

19 (2) Fifteen percent of the moneys to support the electrification
20 of transportation in rural communities pursuant to section 404 of
21 this act.

22 (3) The department must utilize the cumulative impact analysis in
23 section 502 of this act and ensure expenditures prioritize highly
24 impacted communities.

25 NEW SECTION. **Sec. 404.** A new section is added to chapter 43.31
26 RCW to read as follows:

27 RURAL ELECTRIFICATION PROJECTS. (1) The department of commerce
28 must administer a grant program designed to support the
29 electrification of transportation in rural communities with a legacy
30 of nonfossil fuel generated electric power. Eligible grant recipients
31 may be public entities, including municipal corporations, school
32 districts, public transit benefit areas, and consumer-owned
33 utilities; federally recognized Indian tribes; and private entities,
34 both not-for-profit and for-profit.

35 (2) Grants must be awarded in counties with a population of less
36 than two hundred fifty thousand based on 2010 census data served by a
37 consumer-owned utility with an electric resources portfolio that is
38 composed of at least ninety percent renewable resources as defined in
39 RCW 19.285.030 as existing on the effective date of this section, and

1 electrification projects must be served by that consumer-owned
2 utility. In addition, the department must utilize the cumulative
3 impact analysis in section 502 of this act and ensure expenditures
4 prioritize highly impacted communities.

5 (3) Moneys received by an entity pursuant to this subsection must
6 be spent on the development and implementation of the following
7 greenhouse gas reducing activities in their respective county:

8 (a) The electrification of transportation in all industry
9 sectors; to include but not be limited to the conversion of passenger
10 and commercial vehicles, short-haul agricultural, private and public
11 fleets, including transit fleets, and school buses.

12 (b) Programs or investments to support energy efficiency and
13 conservation measures, including but not limited to projects or
14 research designed to increase the efficiency and production
15 capability of hydroelectric project generation, demand response and
16 enhanced energy efficiency, and measures beyond the conservation
17 targets required in RCW 19.285.040(1).

18 (4) The department of commerce must set potential annual award
19 amounts for each eligible county based on available funds. Potential
20 award amounts must be set at an amount equal to the percentage of the
21 population of each eligible county in proportion to the population of
22 all eligible counties, based on 2010 census data.

23 (5) The department must prioritize applications which demonstrate
24 strong community partnerships and leverage the participation and
25 investment of private businesses. A consumer-owned energy utility
26 receiving funds must follow the process and procedures of a clean
27 energy investment plan as provided in section 304 of this act
28 concerning expenditures, monitoring, auditing, and oversight for
29 consumer-owned utilities. Receiving moneys pursuant to this
30 subsection does not preclude submitting proposals or receiving
31 additional grants under the energy transformation account in section
32 401 of this act.

33 (6) Moneys not expended according to potential awards pursuant to
34 subsection (4) of this section must first be made available to other
35 eligible entities on a competitive grant basis. Any remaining funds
36 must be transferred to the energy transformation account created in
37 section 401 of this act.

38 NEW SECTION. **Sec. 405.** A new section is added to chapter 43.31
39 RCW to read as follows:

IMPLEMENTATION PLAN FOR THE ENERGY TRANSFORMATION ACCOUNT. (1)

The department must, by June 30, 2019, develop an implementation plan for the investment of the energy transformation account. This planning and preparation must include:

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

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

(c) Assessment and development of efficient and transparent grant-making strategies designed to ensure program objectives are met and taxpayer interests are protected including, but not limited to, leveraging investments through partnerships, reverse auctions, and pay-for-performance mechanisms in which funding is released upon emissions reductions verifications and the development of incentive programs;

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

(e) Utilization of the cumulative impact analysis in section 502 of this act to ensure expenditures prioritize highly impacted communities; and

(f) Assessment of the relationship between priority areas of the energy transformation account and the carbon reduction policies and plans being made by key sectors in the state, including the state's aviation sector. In the last five years, aviation fuel consumption in Washington has grown more than twenty percent, and is projected to continue to grow in step with population growth and economic

1 development. Airport operators in the state have set aggressive goals
2 to reduce the carbon emissions associated with their operations,
3 while also helping to support development of a sustainable fuels
4 supply chain in a manner that would support rural economic
5 development. The department should address these activities in its
6 implementation plan, and seek to ensure that the state's investments
7 through the energy transformation account support a sustainable
8 future for the aviation sector in Washington state.

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

14 **Part V**
15 **Transition Assistance**

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

25 (2) The transition assistance account is created in the state
26 treasury. The account must receive moneys distributed to the account
27 from the carbon pollution reduction account created in section 107 of
28 this act as well as other moneys directed to the account by the
29 legislature. Moneys in the account may only be used for the purposes
30 described in this section and sections 503 and 504 of this act, and
31 may only be spent after appropriation.

32 NEW SECTION. **Sec. 502.** (1) By December 31, 2018, for the
33 purposes of mitigating harm from climate change and dangerous air
34 pollutants that impact human health or the environment and are
35 regulated under the federal clean air act or chapter 70.94 RCW, the
36 department of health must conduct or adopt a cumulative impact

1 analysis to designate the communities highly impacted by fossil fuel
2 pollution and climate change in Washington.

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

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

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

14 (c) Census tracts that are wholly or partly "Indian country," as
15 that term is defined in 25 U.S.C. Sec. 1151, in effect on the
16 effective date of this section.

17 (3) The department of health must conduct meaningful consultation
18 with vulnerable communities in Washington, including Indian tribes,
19 and consult the University of Washington department of environmental
20 and occupational health sciences in developing the analysis, or adopt
21 an analysis that included this consultation.

22 (4) The cumulative impact analysis may integrate with and build
23 upon other population tracking resources used by the department of
24 health and analysis done by the University of Washington department
25 of environmental and occupational health sciences.

26 (5) By March 1, 2023, and every two years thereafter, the
27 department of health, under advisement from the economic and
28 environmental justice oversight panel created under section 805 of
29 this act, must update the designation of highly impacted communities
30 pursuant to this section. By March 1, 2025, and every four years
31 thereafter, the department of health must review and consider
32 revisions to the cumulative impacts methodology for designating
33 highly impacted communities to reflect best practices.

34 NEW SECTION. **Sec. 503.** ENERGY TRANSITION ASSISTANCE TO LOW-
35 INCOME HOUSEHOLDS. (1) Using funds appropriated from the account
36 created in section 501 of this act, the department of commerce must
37 provide for an equitable transition to a clean energy economy by
38 providing funding to assist low-income households during that
39 transition with increased energy prices that will have a

1 disproportionate impact upon such households and to provide access to
2 clean energy and low carbon housing, transportation options, and
3 technologies to those with greater barriers and where pollution is
4 concentrated. For the purposes of this section, the term "low income"
5 means at or below eighty percent of area median income or two hundred
6 percent of the federal poverty level.

7 (2) Funding must be prioritized to mitigate any additional energy
8 and transportation costs borne by low-income persons as a direct
9 result of this act and not fully mitigated by utilities plans in
10 sections 201 through 306 of this act and the reduced vehicle fees
11 under sections 506 through 508 of this act. Funding must also be
12 prioritized to provide assistance to displaced fossil fuel-related
13 industries workers as provided under section 504 of this act.
14 Remaining funds must be used to reduce carbon pollution and reduce
15 vulnerable population characteristics or environmental burdens in
16 highly impacted communities designated by the department of health
17 under section 502 of this act.

18 (3) Transition assistance under this chapter may include direct
19 financial assistance in the form of a grant, subsidy, rebate, or
20 other similar financial benefit or product including:

21 (a) Through expansion of or increases to existing programs and
22 authorizations administered by the department of social and health
23 services;

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

26 (c) New programs that efficiently enable direct financial
27 assistance.

28 (4) The assistance may include but is not limited to programs
29 such as energy bill pay subsidies, energy efficiency and
30 weatherization assistance and services, public health programs and
31 services, affordable transportation services and options, affordable
32 housing, improved community services, and reductions in vehicle fees
33 as provided in sections 506, 507, and 508 of this act.

34 (5) The department must form a transition assistance advisory
35 group comprised of appropriate state agencies, local governments,
36 Indian tribes, social service agencies, workers, representatives of
37 vulnerable populations in highly impacted communities, and low-income
38 and community advocacy organizations to develop an implementation
39 plan that selects the most efficient and financially equitable
40 delivery of transition assistance to low-income households across the

1 state. The department must consult with and take into strong
2 consideration the recommendations of the advisory group, as well as
3 the views of the economic and environmental justice oversight panel
4 created under section 805 of this act. The advisory group may consist
5 of a subcommittee of the panel created under section 805 of this act.
6 The implementation plan together with recommendations for
7 appropriations and recommended legislative action must be provided to
8 the joint committee on climate programs oversight created in section
9 801 of this act and to the governor and appropriate committees of the
10 senate and house of representatives not later than December 31, 2018.

11 NEW SECTION. **Sec. 504.** ENERGY TRANSITION ASSISTANCE TO
12 DISPLACED WORKERS. (1) Using funds appropriated from the account
13 created in section 501 of this act, the department of commerce, with
14 the assistance of the employment security department and in
15 consultation with fossil fuel-related businesses, labor
16 organizations, and the panel created in section 805 of this act, must
17 develop a program and provide assistance to eligible displaced fossil
18 fuel-related industries workers.

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

21 (a) Wage, pension, and health benefits replacement for up to two
22 years; the replacement assistance must be based on the average of the
23 worker's previous two years' wages received, pension contributions
24 made by the employer for the worker's benefit, and the cost to the
25 employer of the worker's health insurance benefits while the worker
26 was working in the fossil fuel-related industry;

27 (b) Notwithstanding the benefits in (a) of this subsection,
28 displaced workers with more than five years of employment in the
29 industry are eligible for up to two years of wage insurance;

30 (c) For a worker who is within five years of eligibility for a
31 union pension or social security, the period of time the replacement
32 assistance described in (a) of this subsection may be paid continues
33 until the worker is eligible for the union pension or full social
34 security benefits, whichever is later;

35 (d) Training and education costs not to exceed the average cost
36 of two years tuition and fees at Washington state's community and
37 technical colleges;

38 (e) Peer counseling services;

39 (f) Enhanced job placement services; and

1 (g) Relocation expenses and assistance.

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

4 (a) "Eligible displaced fossil fuel-related industries worker"
5 means a fossil fuel-related industries worker who:

6 (i)(A) Has been terminated or received notice of termination from
7 employment and is unlikely to return to employment in the
8 individual's principal occupation or previous industry because of a
9 diminishing demand for the individual's skills in that occupation or
10 industry; or

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

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

17 (A) Any permanent fossil fuel facility or major portion thereof
18 is permanently closed or curtailed, or closed or curtailed for more
19 than six months;

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

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

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

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

32 NEW SECTION. **Sec. 505.** EDUCATION PROGRAMS. Using funds
33 appropriated from the account created in section 501 of this act, the
34 office of the superintendent of public instruction may provide
35 education programs and teacher professional development opportunities
36 at public schools to expand awareness of and increase preparedness
37 for the environmental, social, and economic impacts of climate change
38 and strategies to reduce carbon pollution, and to prepare all
39 students for employment opportunities in the clean energy economy.

1 NEW SECTION. **Sec. 506.** REPORTING. The department of commerce
2 must provide reports on assistance provided to low-income persons
3 under section 503 of this act and to displaced fossil fuel-related
4 industry workers under section 504 of this act to the joint committee
5 on climate programs oversight created under section 801 of this act
6 at such intervals as the committee requests.

7 **Sec. 507.** RCW 46.17.005 and 2010 c 161 s 501 are each amended to
8 read as follows:

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

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

23 (2) A person who applies for a certificate of title (~~shall~~)
24 must pay a four dollar filing fee in addition to any other fees and
25 taxes required by law.

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

28 **Sec. 508.** RCW 46.17.350 and 2014 c 30 s 2 are each amended to
29 read as follows:

30 (1) Except as provided in subsection (2) of this section, before
31 accepting an application for a vehicle registration, the department,
32 county auditor or other agent, or subagent appointed by the director
33 (shall) must require the applicant, unless specifically exempt, to
34 pay the following vehicle license fee by vehicle type:

35	VEHICLE TYPE	INITIAL	RENEWAL	DISTRIBUTED
36		FEE	FEE	UNDER

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

27 (2) Subsection (1)(a), (d), (e), (h), (j), (n), and (o) of this
28 section do not apply to an applicant with an income at or below two
29 hundred percent of the federal poverty line. On the last day of
30 January, April, July, and October of each year, the state treasurer,
31 based upon information provided by the department, must transfer from
32 the transition assistance account created in section 501 of this act
33 for distribution under RCW 46.68.030 a sum equal to the dollar amount
34 that would otherwise have been distributed under subsection (1) of

1 this section during the prior calendar quarter but for the exemption
2 provided in this subsection (2).

3 (3) The vehicle license fee required in subsection (1) of this
4 section is in addition to the filing fee required under RCW
5 46.17.005, and any other fee or tax required by law.

6 **Sec. 509.** RCW 46.17.365 and 2015 3rd sp.s. c 44 s 202 are each
7 amended to read as follows:

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

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

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

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

19 (iii) Must be distributed under RCW 46.68.415.

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

22 (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;

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

31 (iii) Must be distributed under RCW 46.68.415 unless prior to
32 July 1, 2023, the actions described in (b)(iii)(A) or (B) of this
33 subsection occur, in which case the portion of the revenue that is
34 the result of the fee increased in this subsection must be
35 distributed to the connecting Washington account created under RCW
36 46.68.395.

1 (A) Any state agency files a notice of rule making under chapter
2 34.05 RCW for a rule regarding a fuel standard based upon or defined
3 by the carbon intensity of fuel, including a low carbon fuel standard
4 or clean fuel standard.

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

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

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

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

32 ~~((3))~~ (4) Beginning July 1, 2022, in addition to the motor
33 vehicle weight fee as provided in subsection (1) of this section, the
34 department, county auditor or other agent, or subagent appointed by
35 the director must require an applicant to pay an additional weight
36 fee of ten dollars, which must be distributed to the multimodal
37 transportation account under RCW 47.66.070 unless prior to July 1,
38 2023, the actions described in (a) or (b) of this subsection occur,
39 in which case the portion of the revenue that is the result of the

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

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

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

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

16 (~~(4)~~) (5) The department (~~(shall)~~) must:

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

20 (b) Adopt rules for determining weight for vehicles without
21 manufacturer empty scale weights.

22 Part VI

23 Climate Resilience

24 NEW SECTION. **Sec. 601.** WATER AND NATURAL RESOURCES RESILIENCE
25 ACCOUNT. (1) The water and natural resources resilience account is
26 created in the state treasury. The account must receive moneys
27 distributed to the account from the carbon pollution reduction
28 account created in section 107 of this act as well as other moneys
29 directed to the account by the legislature. Moneys in the account may
30 only be used for the purposes described in sections 602 and 603 of
31 this act. Within this account on a biennial basis, fifty percent of
32 the funding appropriated from the account must be provided for the
33 purposes set forth in section 602 of this act. The remaining moneys
34 must be deposited to two subaccounts hereby created in the state
35 treasury as follows:

36 (a) Twenty-five percent to the fire prevention and suppression
37 account; and

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

1 (2) Moneys in the account may not be used for projects that would
2 violate tribal rights or result in long-term damage to critical
3 habitat or ecological functions. Instead, investments under this
4 account must result in long-term environmental benefit and increased
5 resiliency to the impacts of climate change.

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

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

13 (1) From funds appropriated by the legislature from the account
14 created in section 601 of this act, the department of ecology may
15 provide grants and loans for water-related projects and activities
16 described in this section. The department may not sign contracts or
17 financially obligate funds from the account created in section 601 of
18 this act before the legislature has appropriated funds for a specific
19 list of project and activities. The department must develop an
20 implementation plan for such expenditures using extensive public
21 involvement and considering the peer-reviewed science on climate
22 risks, resilience, and risk management. The department must consult
23 with appropriate state agencies, Indian tribes, and the climate
24 impacts group at the University of Washington in developing the
25 implementation plan and funding criteria. On a biennial basis, a
26 minimum of ten percent of the expenditures under this section must be
27 for projects and activities that directly benefit highly impacted
28 communities designated under section 502 of this act.

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

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

38 (b) Reducing the risk of flooding by restoring natural floodplain
39 ecological functions, protecting against damage caused by floods, and

1 protecting or restoring naturally functioning areas where floods
2 occur, including modeling of projected flood risks;

3 (c) Improving the availability and reliability of water supplies
4 for instream and out-of-stream uses, including groundwater mapping
5 and modeling;

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

18 (e) Projects to prepare for sea level rise and to restore and
19 protect estuaries, fisheries, marine shoreline and inland habitats,
20 including anadromous fish passage and habitat projects with a fair
21 allocation of funding to all geographic regions of the state, and
22 including small forest landowner fish passage barrier projects
23 authorized under RCW 76.09.420; and

24 (f) Increasing the ability to adapt to and remediate the impacts
25 of ocean acidification. This may include the activities of the
26 Kenneth K. Chew center for shellfish research and restoration. The
27 department must consult with the recreation and conservation office,
28 and the climate impacts group and ocean acidification center at the
29 University of Washington in developing the implementation for
30 investments under this subsection (2)(f).

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

34 (4) The department must adopt rigorous performance-based criteria
35 and objectives for funding decisions, and incorporate project
36 implementation monitoring and evaluation requirements into the
37 projects. Examples of numeric performance criteria include the
38 quantity of offstream water supplies made available or more secure
39 during drought, the number of rivers and streams meeting minimum flow
40 standards, miles of river and stream habitat made available through

1 passage barrier removals, and the number of municipal stormwater
2 discharges meeting state and federal standards.

3 (5) The department must utilize the cumulative impact analysis in
4 section 502 of this act when developing the implementation plan and
5 prioritize funding and investments to benefit highly impacted
6 communities.

7 (6) The department must require annual progress reports by all
8 recipients of funding under this section, and provide summaries of
9 those reports and assessment of 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 must consult with the climate impacts group at
14 the University of Washington, establish a citizen advisory group to
15 provide input on the development of project funding criteria and
16 project funding decisions, and must seek input from the panel created
17 under section 805 of this act.

18 NEW SECTION. **Sec. 603.** NATURAL RESOURCES-RELATED PROJECTS AND
19 ACTIVITIES. (1) From funds appropriated by the legislature from the
20 account created in section 601 of this act, the department of natural
21 resources may provide grants and loans for natural resources-related
22 projects and activities described in this section. The department
23 must develop an implementation plan for such expenditures using
24 extensive public involvement and considering the best available
25 science on climate risks, resilience, and risk management. The
26 department must consult with appropriate state agencies, Indian
27 tribes, and the climate impacts group at the University of Washington
28 in developing the implementation plan and funding criteria.

29 (2)(a) Funds appropriated by the legislature from the forest
30 resilience account must be used to improve forest and natural lands
31 health and resilience to the impacts of climate change. The projects
32 and activities that may be funded include but are not limited to
33 thinning or prescribed fires, with priority given to projects
34 prioritized subject to RCW 76.06.200 and 79.10.530 across any
35 combination of voluntarily participating local, state, federal,
36 tribal, and private ownerships that accommodates the management
37 objectives of the landowner.

38 (b) The department of natural resources must consider the
39 benefits of supporting cross-laminated timber and other mass timber

1 technologies in its funding decisions and attempt to prioritize
2 projects that help develop mass timber investment opportunities.

3 (c) The department must utilize the forest health advisory
4 committee established in RCW 76.06.200 for input on forest health
5 projects funded under this section.

6 (d) Nothing in this section provides a basis for regulations or
7 nonvoluntary participation.

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

12 (4) Funds appropriated by the legislature from the fire
13 prevention and suppression account may be used to undertake agency
14 activities and provide grants that go beyond existing state efforts
15 for:

16 (a) Wildland fire prevention;

17 (b) Projects and activities that reduce the risk of wildland
18 fires to communities and improve their ability to adapt to wildfires;
19 and

20 (c) Supporting fire prevention, suppression, and recovery for
21 tribal communities impacted and potentially impacted by wildfires.

22 (5) The department of natural resources must adopt rigorous
23 performance-based criteria and objectives for funding decisions, and
24 incorporate project implementation monitoring and evaluation
25 requirements into projects funded under this section other than to
26 the state board for community and technical colleges. Examples of
27 numeric performance criteria include the number of acres thinned or
28 otherwise treated to improve forest health, acres of forest for which
29 wildland fire prevention measures have been implemented, and the
30 number of communities in the wildland urban interface for which
31 wildfire resilience and defense measures have been implemented.

32 (6) The department of natural resources must utilize the
33 cumulative impact analysis in section 502 of this act and ensure
34 expenditures prioritize highly impacted communities.

35 (7) The department of natural resources must require annual
36 progress reports by all recipients of funding under this section
37 other than the state board for community and technical colleges, and
38 must also periodically summarize the department's activities. It must
39 submit those reports and an assessment of the achievement of the
40 performance-based criteria and objectives to the joint committee on

1 climate programs oversight created under section 801 of this act at
2 such intervals as the committee requests.

3 (8) The department of natural resources may not provide funding
4 to projects that would violate tribal rights or result in significant
5 long-term damage to critical habitat or ecological functions. The
6 department must provide information about the projects when the
7 government-to-government consultation with Indian tribes is conducted
8 under section 802 of this act.

9 (9) The department of natural resources must consult with the
10 climate impacts group at the University of Washington and seek input
11 from the panel created under section 805 of this act in the
12 development of the funding program and in the review and selection of
13 projects to be funded under this section. The department may also
14 obtain input from existing advisory groups, including the forest
15 health and wildland fire advisory committees created under RCW
16 76.06.200 and 76.04.179.

17 **Part VII**
18 **Rural Economic Development Account**

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

21 **RURAL ECONOMIC DEVELOPMENT ACCOUNT.** (1) The rural economic
22 development account is created in the state treasury. The account
23 must receive moneys distributed to the account from the carbon
24 pollution reduction account created in section 107 of this act as
25 well as other moneys directed to the account by the legislature.
26 Moneys in the account may only be used for the purposes described in
27 this section, and may only be spent after appropriation.

28 (2) Using funds appropriated from the account, the department
29 must provide assistance to rural communities. The assistance may
30 include support for low carbon innovation and entrepreneurship,
31 providing for increased affordable transportation options and
32 services, partnerships and investments that enhance rural economic
33 and natural resource resilience related to reducing greenhouse gas
34 emissions, and encouraging telecommuting by funding the expansion of
35 broadband and telecommunication services as provided under section
36 702 of this act.

37 (3) The department must develop a grant application process to
38 competitively select small businesses as defined under RCW

1 19.85.020(3) to receive grant awards to assist with projects eligible
2 for funding under the energy transformation account in section 401 of
3 this act. The department must utilize the cumulative impact analysis
4 in section 502 of this act and ensure expenditures prioritize highly
5 impacted communities and consult with the economic and environmental
6 justice oversight panel in section 805 of this act when designing and
7 awarding grants under this subsection.

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, federally recognized tribes, and
28 consumer-owned and investor-owned energy utilities to develop
29 strategies and plans for deployment of broadband infrastructure and
30 access to broadband services to unserved and underserved areas of the
31 state.

32 **Part VIII**

33 **Oversight of Climate Programs**

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

37 (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 105 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;

28 (e) Reviewing compliance of consultation requirements and
29 providing recommendations for how implementation can come into
30 compliance; and

31 (f) Providing recommendations for standards by which to measure
32 emissions reductions outcomes from investments of funds under
33 sections 205 and 304 of this act.

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

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

1 (6) The committee has no appropriation authority.

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

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

22 NEW SECTION. **Sec. 803.** INDIAN TRIBE CONSULTATION. (1) In order

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

33 (2) No project that impacts tribal lands may be funded prior to
34 meaningful consultation with affected Indian tribes. For projects
35 that directly impact tribal lands, the goal of the consultation
36 process is to obtain free, prior and informed consent for the
37 project, and at the end of such consultation, the Indian tribe's
38 government will provide the community climate advisory board created

1 in section 804 of this act with a written resolution providing
2 consent or withholding consent. If any project that impacts tribal
3 lands is funded under this act without consultation with Indian
4 tribes, an affected Indian tribe may request that all further action
5 on the project cease until consultation with any directly impacted
6 Indian tribe is completed.

7 NEW SECTION. **Sec. 804.** COMMUNITY CLIMATE ADVISORY BOARD. (1)
8 The community climate advisory board is established within the
9 executive office of the governor. The purpose of the board is to
10 oversee implementation of this act toward reducing pollution and
11 facilitating the transition to a clean energy economy equitably,
12 sustainably, and efficiently.

13 (2)(a) The board must have twenty-one voting members. Voting
14 members of the board must be appointed by the governor. The board
15 must include, at a minimum, representatives from tribal, local
16 government, business, environmental, labor, land conservation, and
17 public health organizations. At least one-third of the appointees
18 must be members of the panel established in section 805 of this act.
19 The board may also appoint representatives from public agencies as
20 nonvoting board members.

21 (b) The governor must appoint members of the board by January 1,
22 2019. Any member appointed by the governor may be removed by the
23 governor for cause. The governor must appoint board members to
24 achieve a board membership with balanced representation by geography,
25 gender, and ethnicity.

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

27 (a) Providing advice and recommendations to the governor, the
28 legislature, the oversight committee created in section 801 of this
29 act, and state agencies regarding the implementation of this act,
30 including evaluating biannually the tax imposed pursuant to section
31 102 of this act;

32 (b) Monitoring the implementation of this act to ensure it
33 furthers the intent and purposes of this act and does not lead to
34 inequitable environmental or economic impacts, including but not
35 limited to leakage of emissions related to energy-intensive trade-
36 exposed manufacturing facilities; and

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

1 (4) Members of the board who are not state employees are entitled
2 to reimbursement for expenses related to the work of the board as a
3 class one group under RCW 43.03.220.

4 NEW SECTION. **Sec. 805.** ECONOMIC AND ENVIRONMENTAL JUSTICE
5 OVERSIGHT PANEL. (1) An economic and environmental justice oversight
6 panel is established as a subcommittee of the advisory board created
7 in section 804 of this act. The board will appoint the panel members
8 consistent with this section, and the panel will coordinate its work
9 with the governor's office, the department of commerce, the
10 department of health, and other state departments or divisions as the
11 governor may determine. The membership of the panel must consist of
12 at least nine persons, based on the nomination of statewide
13 organizations that represent the following interests:

14 (a) Five or more members, representing vulnerable populations and
15 residing in highly impacted communities, as identified in section 502
16 of this act;

17 (b) Two members representing union labor with expertise in
18 economic dislocation, clean energy economy, or energy-intensive
19 trade-exposed facilities; and

20 (c) Two members representing tribal governments.

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

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

26 (b) Make recommendations on the cumulative impact analysis and
27 highly impacted communities designation required by section 502 of
28 this act;

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

33 (d) Evaluate the level of funding provided to assist low-income
34 individuals and displaced workers under part V of this act and the
35 funding of projects and activities located within or benefiting
36 highly impacted communities designated under section 502 of this act;
37 and

38 (e) Provide recommendations to implementation agencies for
39 meaningful consultation with vulnerable populations.

Part IX
Preemption

1
2
3 NEW SECTION. **Sec. 901.** (1) No state agency may adopt or enforce
4 a statewide program that sets a greenhouse gas emissions cap or
5 charge except as provided in this chapter.

6 (2) As of the effective date of this section, chapter 173-442 WAC
7 (the clean air rule) and associated amendments to chapter 173-441 WAC
8 previously adopted by the department of ecology may not be enforced
9 by the department of ecology. Nothing in this subsection
10 acknowledges, establishes, or creates legal authority for the
11 department of ecology or any other state agency to enact, adopt,
12 order, or in any way implement a rule or policy establishing a
13 statewide limit, cap, or standard to control the amount of greenhouse
14 gas emissions occurring during a period of time.

15 (3) For the purposes of this section, "cap" means a statewide
16 aggregate emission limit that applies to one or more economic sectors
17 and that requires the designated entities responsible for emissions
18 within those sectors to keep their cumulative emissions at or below
19 the level of the aggregate limit.

20 NEW SECTION. **Sec. 902.** (1) The carbon pollution tax levied in
21 section 102 of this act is in lieu of any carbon tax upon the sale or
22 use within this state of all fossil fuels, including fossil fuels
23 used in generating electricity and the retail sale or consumption
24 within this state of electricity generated through the combustion of
25 fossil fuels. No city, town, county, township, or other subdivision
26 or municipal corporation of the state may levy or collect any
27 comparable carbon tax or charge upon the sale or use within this
28 state of all fossil fuels, including fossil fuels used in generating
29 electricity and the retail sale or consumption within this state of
30 electricity generated through the combustion of fossil fuels.

31 (2) No city, town, county, township, or other subdivision or
32 municipal corporation of the state may levy any tax of any kind
33 whatsoever on amounts received by any person with respect to a carbon
34 pollution tax liability imposed under the provisions of the carbon
35 pollution tax act. This restriction is not imposed upon federally
36 recognized Indian tribes and this section places no restriction on
37 the ability of such tribes to institute a comparable tribal tax
38 within tribal lands.

1 **Part X**

2 **Incremental Electricity**

3 **Sec. 1001.** RCW 19.285.030 and 2017 c 315 s 1 are each amended to
4 read as follows:

5 The definitions in this section apply throughout this chapter
6 unless the context clearly requires otherwise.

7 (1) "Attorney general" means the Washington state office of the
8 attorney general.

9 (2) "Auditor" means: (a) The Washington state auditor's office or
10 its designee for qualifying utilities under its jurisdiction that are
11 not investor-owned utilities; or (b) an independent auditor selected
12 by a qualifying utility that is not under the jurisdiction of the
13 state auditor and is not an investor-owned utility.

14 (3)(a) "Biomass energy" includes: (i) Organic by-products of
15 pulping and the wood manufacturing process; (ii) animal manure; (iii)
16 solid organic fuels from wood; (iv) forest or field residues; (v)
17 untreated wooden demolition or construction debris; (vi) food waste
18 and food processing residuals; (vii) liquors derived from algae;
19 (viii) dedicated energy crops; and (ix) yard waste.

20 (b) "Biomass energy" does not include: (i) Wood pieces that have
21 been treated with chemical preservatives such as creosote,
22 pentachlorophenol, or copper-chrome-arsenic; (ii) wood from old
23 growth forests; or (iii) municipal solid waste.

24 (4) "Coal transition power" has the same meaning as defined in
25 RCW 80.80.010.

26 (5) "Commission" means the Washington state utilities and
27 transportation commission.

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

31 (7) "Cost-effective" has the same meaning as defined in RCW
32 80.52.030.

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

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

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

1 (11) "Distributed generation" means an eligible renewable
2 resource where the generation facility or any integrated cluster of
3 such facilities has a generating capacity of not more than five
4 megawatts.

5 (12) "Eligible renewable resource" means:

6 (a) Electricity from a generation facility powered by a renewable
7 resource other than freshwater that commences operation after March
8 31, 1999, where: (i) The facility is located in the Pacific
9 Northwest; or (ii) the electricity from the facility is delivered
10 into Washington state on a real-time basis without shaping, storage,
11 or integration services;

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

17 (c) Hydroelectric generation from a project completed after March
18 31, 1999, where the generation facility is located in irrigation
19 pipes, irrigation canals, water pipes whose primary purpose is for
20 conveyance of water for municipal use, and wastewater pipes located
21 in Washington where the generation does not result in new water
22 diversions or impoundments;

23 (d) Qualified biomass energy;

24 (e) For a qualifying utility that serves customers in other
25 states, electricity from a generation facility powered by a renewable
26 resource other than freshwater that commences operation after March
27 31, 1999, where: (i) The facility is located within a state in which
28 the qualifying utility serves retail electrical customers; and (ii)
29 the qualifying utility owns the facility in whole or in part or has a
30 long-term contract with the facility of at least twelve months or
31 more; ((~~or~~))

32 (f)(i) Incremental electricity produced as a result of a capital
33 investment completed after January 1, 2010, that increases, relative
34 to a baseline level of generation prior to the capital investment,
35 the amount of electricity generated in a facility that generates
36 qualified biomass energy as defined under subsection (18)(c)(ii) of
37 this section and that commenced operation before March 31, 1999_

38 (ii) Beginning January 1, 2007, the facility must demonstrate its
39 baseline level of generation over a three-year period prior to the

1 capital investment in order to calculate the amount of incremental
2 electricity produced.

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

7 (g) That portion of incremental electricity produced as a result
8 of efficiency improvements completed after March 31, 1999,
9 attributable to a qualifying utility's share of the electricity
10 output from hydroelectric generation projects whose energy output is
11 marketed by the Bonneville power administration where the additional
12 generation does not result in new water diversions or impoundments;
13 or

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

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

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

23 (15)(a) "Nonpower attributes" means all environmentally related
24 characteristics, exclusive of energy, capacity reliability, and other
25 electrical power service attributes, that are associated with the
26 generation of electricity from a renewable resource, including but
27 not limited to the facility's fuel type, geographic location,
28 vintage, qualification as an eligible renewable resource, and avoided
29 emissions of pollutants to the air, soil, or water, and avoided
30 emissions of carbon dioxide and other greenhouse gases.

31 (b) "Nonpower attributes" does not include any aspects, claims,
32 characteristics, and benefits associated with the on-site capture and
33 destruction of methane or other greenhouse gases at a facility
34 through a digester system, landfill gas collection system, or other
35 mechanism, which may be separately marketable as greenhouse gas
36 emission reduction credits, offsets, or similar tradable commodities.
37 However, these separate avoided emissions may not result in or
38 otherwise have the effect of attributing greenhouse gas emissions to
39 the electricity.

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

5 (17) "Public facility" has the same meaning as defined in RCW
6 39.35C.010.

7 (18) "Qualified biomass energy" means electricity produced from a
8 biomass energy facility that: (a) Commenced operation before March
9 31, 1999; (b) contributes to the qualifying utility's load; and (c)
10 is owned either by: (i) A qualifying utility; or (ii) an industrial
11 facility that is directly interconnected with electricity facilities
12 that are owned by a qualifying utility and capable of carrying
13 electricity at transmission voltage.

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

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

28 (21) "Renewable resource" means: (a) Water; (b) wind; (c) solar
29 energy; (d) geothermal energy; (e) landfill gas; (f) wave, ocean, or
30 tidal power; (g) gas from sewage treatment facilities; (h) biodiesel
31 fuel as defined in RCW 82.29A.135 that is not derived from crops
32 raised on land cleared from old growth or first-growth forests where
33 the clearing occurred after December 7, 2006; or (i) biomass energy.

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

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

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

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

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

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

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

33 (ii) Beginning January 1, 2014, a qualifying utility may use
34 single large facility conservation savings in excess of its biennial
35 target to meet up to an additional five percent of the immediately
36 subsequent two biennial acquisition targets, such that no more than
37 twenty-five percent of any biennial target may be met with excess
38 conservation savings allowed under all of the provisions of this
39 section combined. For the purposes of this subsection (1)(c)(ii),
40 "single large facility conservation savings" means cost-effective

1 conservation savings achieved in a single biennial period at the
2 premises of a single customer of a qualifying utility whose annual
3 electricity consumption prior to the conservation savings exceeded
4 five average megawatts.

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

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

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

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

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

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

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

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

5 (b) A qualifying utility may count distributed generation at
6 double the facility's electrical output if the utility: (i) Owns or
7 has contracted for the distributed generation and the associated
8 renewable energy credits; or (ii) has contracted to purchase the
9 associated renewable energy credits.

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

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

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

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

30 (i) Eligible renewable resources or distributed generation where
31 the associated renewable energy credits are owned by a separate
32 entity; or

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

36 (g) Where fossil and combustible renewable resources are cofired
37 in one generating unit located in the Pacific Northwest where the
38 cofiring commenced after March 31, 1999, the unit (~~shall be~~) is
39 considered to produce eligible renewable resources in direct

1 proportion to the percentage of the total heat value represented by
2 the heat value of the renewable resources.

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

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

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

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

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

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

26 (ii) A qualifying utility may no longer use electricity and
27 associated renewable energy credits from a qualified biomass energy
28 facility if the associated industrial pulping or wood manufacturing
29 facility ceases operation other than for purposes of maintenance or
30 upgrade.

31 (k) An industrial facility that hosts a qualified biomass energy
32 facility may only transfer or sell renewable energy credits
33 associated with qualified biomass energy generated at its facility to
34 the qualifying utility with which it is directly interconnected with
35 facilities owned by such a qualifying utility and that are capable of
36 carrying electricity at transmission voltage. The qualifying utility
37 may only use an amount of renewable energy credits associated with
38 qualified biomass energy that are equivalent to the proportionate
39 amount of its annual targets under (a)(ii) and (iii) of this
40 subsection that was created by the load of the industrial facility. A

1 qualifying utility that owns a qualified biomass energy facility may
2 not transfer or sell renewable energy credits associated with
3 qualified biomass energy to another person, entity, or qualifying
4 utility.

5 (1) Beginning January 1, 2019, a qualifying utility may use
6 eligible renewable resources as identified under RCW 19.285.030(12)
7 (g) and (h) to meet its compliance obligation under this subsection
8 (2). A qualifying utility may not transfer or sell these eligible
9 renewable resources to another utility for compliance purposes under
10 this chapter.

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

14 (3) Utilities that become qualifying utilities after December 31,
15 2006, (~~shall~~) must meet the requirements in this section on a time
16 frame comparable in length to that provided for qualifying utilities
17 as of December 7, 2006.

18 Part XI

19 Miscellaneous Provisions

20 NEW SECTION. Sec. 1101. The provisions of RCW 82.32.805 and
21 82.32.808 do not apply to this act.

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

24 NEW SECTION. Sec. 1103. Sections 402, 501 through 506, and 702
25 of this act and parts II, III, VIII, and IX of this act constitute a
26 new chapter in Title 43 RCW.

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

29 NEW SECTION. Sec. 1105. If any provision of this act or its
30 application to any person or circumstance is held invalid, the
31 remainder of the act or the application of the provision to other
32 persons or circumstances is not affected.

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

3 NEW SECTION. **Sec. 1107.** Sections 507 through 509 of this act
4 take effect April 1, 2019.

5 NEW SECTION. **Sec. 1108.** CONTINGENT EXPIRATION DATE. (1)(a) This
6 act expires on the earlier of the date that any of the following
7 statutes, rules, or measures takes effect:

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

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

14 (b) For the purposes of this section, "cap" means a statewide
15 aggregate emission limit that applies to one or more economic sectors
16 and that requires the designated entities responsible for emissions
17 within those sectors to keep their cumulative emissions at or below
18 the level of the aggregate limit.

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

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