

By Representative Fitzgibbon

E2SSB 5116 - H COMM AMD

By Committee on Environment & Energy

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** (1) The legislature finds that Washington
4 must address the impacts of climate change by leading the transition
5 to a clean energy economy. One way in which Washington must lead this
6 transition is by transforming its energy supply, modernizing its
7 electricity system, and ensuring that the benefits of this transition
8 are broadly shared throughout the state.

9 (2) With our wealth of carbon-free hydropower, Washington has
10 some of the cleanest electricity in the United States. But
11 electricity remains a large source of emissions in our state. We are
12 at a critical juncture for transforming our electricity system. It is
13 the policy of the state to eliminate coal-fired electricity,
14 transition the state's electricity supply to one hundred percent
15 carbon-neutral by 2030, and one hundred percent carbon-free by 2045.
16 In implementing this chapter, the state must prioritize the
17 maximization of family wage job creation, seek to ensure that all
18 customers are benefiting from the transition to a clean energy
19 economy, and provide safeguards to ensure that the achievement of
20 this policy does not impair the reliability of the electricity system
21 or impose unreasonable costs on utility customers.

22 (3) The transition to one hundred percent clean energy is
23 underway, but must happen faster than our current policies can
24 deliver. Absent significant and swift reductions in greenhouse gas
25 emissions, climate change poses immediate significant threats to our
26 economy, health, safety, and national security. The prices of clean
27 energy technologies continue to fall, and are, in many cases,
28 competitive or even cheaper than conventional energy sources.

29 (4) The legislature finds that Washington can accomplish the
30 goals of this act while: Promoting energy independence; creating
31 high-quality jobs in the clean energy sector; maximizing the value of

1 hydropower, our principal renewable resource; continuing to encourage
2 and provide incentives for clean alternative energy sources,
3 including providing electricity for the transportation sector;
4 maintaining safe and reliable electricity to all customers at stable
5 and affordable rates; and protecting clean air and water in the
6 Pacific Northwest. Clean energy creates more jobs per unit of energy
7 produced than fossil fuel sources, so this transition will contribute
8 to job growth in Washington while addressing our climate crisis head
9 on. Our abundance of renewable energy and our strong clean technology
10 sector make Washington well positioned to be at the forefront of the
11 transition to one hundred percent clean electricity.

12 (5) The legislature declares that utilities in the state have an
13 important role to play in this transition, and must be fully
14 empowered, through regulatory tools and incentives, to achieve the
15 goals of this policy. In combination with new technology and emerging
16 opportunities for customers, this policy will spur transformational
17 change in the utility industry. Given these changes, the legislature
18 recognizes and finds that the utilities and transportation
19 commission's statutory grant of authority for rate making includes
20 consideration and implementation of performance and incentive-based
21 regulation, multiyear rate plans, and other flexible regulatory
22 mechanisms where appropriate to achieve fair, just, reasonable, and
23 sufficient rates and its public interest objectives.

24 (6) The legislature recognizes and finds that the public interest
25 includes, but is not limited to, the equitable distribution of:
26 Energy benefits and reduction of burdens to vulnerable populations
27 and highly impacted communities; long-term and short-term public
28 health, economic, and environmental benefits and the reduction of
29 costs and risks; and energy security and resiliency. It is the intent
30 of the legislature that in achieving this policy for Washington,
31 there should not be an increase in environmental health impacts to
32 highly impacted communities.

33 NEW SECTION. **Sec. 2.** The definitions in this section apply
34 throughout this chapter unless the context clearly requires
35 otherwise.

36 (1) "Allocation of electricity" means, for the purposes of
37 setting electricity rates, the costs and benefits associated with the
38 resources used to provide electricity to an electric utility's retail
39 electricity consumers that are located in this state.

1 (2) "Alternative compliance payment" means the payment
2 established in section 9(2) of this act.

3 (3) "Attorney general" means the Washington state office of the
4 attorney general.

5 (4) "Auditor" means: (a) The Washington state auditor's office or
6 its designee for utilities under its jurisdiction under this chapter
7 that are consumer-owned utilities; or (b) an independent auditor
8 selected by a utility that is not under the jurisdiction of the state
9 auditor and is not an investor-owned utility.

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

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

20 (6) "Carbon dioxide equivalent" has the same meaning as defined
21 in RCW 70.235.010.

22 (7)(a) "Coal-fired resource" means a facility that uses coal-
23 fired generating units, or that uses units fired in whole or in part
24 by coal as feedstock, to generate electricity.

25 (b)(i) "Coal-fired resource" does not include an electric
26 generating facility that is included as part of a limited duration
27 wholesale power purchase, not to exceed one month, made by an
28 electric utility for delivery to retail electricity consumers that
29 are located in this state for which the source of the power is not
30 known at the time of entry into the transaction to procure the
31 electricity.

32 (ii) "Coal-fired resource" does not include an electric
33 generating facility that is subject to an obligation to meet the
34 standards contained in RCW 80.80.040(3)(c).

35 (8) "Commission" means the Washington utilities and
36 transportation commission.

37 (9) "Conservation and efficiency resources" means any reduction
38 in electric power consumption that results from increases in the
39 efficiency of energy use, production, transmission, or distribution.

1 (10) "Consumer-owned utility" means a municipal electric utility
2 formed under Title 35 RCW, a public utility district formed under
3 Title 54 RCW, an irrigation district formed under chapter 87.03 RCW,
4 a cooperative formed under chapter 23.86 RCW, or a mutual corporation
5 or association formed under chapter 24.06 RCW, that is engaged in the
6 business of distributing electricity to more than one retail electric
7 customer in the state.

8 (11) "Demand response" means changes in electric usage by demand-
9 side resources from their normal consumption patterns in response to
10 changes in the price of electricity, or to incentive payments
11 designed to induce lower electricity use, at times of high wholesale
12 market prices or when system reliability is jeopardized. "Demand
13 response" may include measures to increase or decrease electricity
14 production on the customer's side of the meter in response to
15 incentive payments.

16 (12) "Department" means the department of commerce.

17 (13) "Distributed energy resource" means a nonemitting electric
18 generation or renewable resource or program that reduces electric
19 demand, manages the level or timing of electricity consumption, or
20 provides storage, electric energy, capacity, or ancillary services to
21 an electric utility and that is located on the distribution system,
22 any subsystem of the distribution system, or behind the customer
23 meter, including conservation and energy efficiency.

24 (14) "Electric utility" or "utility" means a consumer-owned
25 utility or an investor-owned utility.

26 (15) "Energy assistance" means a program undertaken by a utility
27 to reduce the household energy burden of its customers.

28 (a) Energy assistance includes, but is not limited to,
29 weatherization, conservation and efficiency services, and monetary
30 assistance, such as a grant program or rate class for lower income
31 households, intended to lower a household's energy burden.

32 (b) Energy assistance may include direct customer ownership in
33 distributed energy resources or other strategies if such strategies
34 achieve a reduction in energy burden for the customer above other
35 available conservation and demand-side measures.

36 (16) "Energy assistance need" means the amount of assistance
37 necessary to achieve a level of household energy burden established
38 by the department or commission.

39 (17) "Energy burden" means the share of annual household income
40 used to pay annual home energy bills.

1 (18) (a) "Energy transformation project" means a project or
2 program that: Provides energy-related goods or services, other than
3 the generation of electricity; results in a reduction of fossil fuel
4 consumption and in a reduction of the emission of greenhouse gases
5 attributable to that consumption; and provides benefits to the
6 customers of an electric utility.

7 (b) "Energy transformation project" may include but is not
8 limited to:

9 (i) Home weatherization or other energy efficiency measures,
10 including market transformation for energy efficiency products, in
11 excess of: The target established under RCW 19.285.040(1), if
12 applicable; other state obligations; or other obligations in effect
13 on the effective date of this section;

14 (ii) Support for electrification of the transportation sector
15 including, but not limited to:

16 (A) Equipment on an electric utility's transmission and
17 distribution system to accommodate electric vehicle connections, as
18 well as smart grid systems that enable electronic interaction between
19 the electric utility and charging systems, and facilitate the
20 utilization of vehicle batteries for system needs;

21 (B) Incentives for the sale or purchase of electric vehicles,
22 both battery and fuel cell powered, as authorized under state or
23 federal law;

24 (C) Incentives for the installation of charging equipment for
25 electric vehicles;

26 (D) Incentives for the electrification of vehicle fleets
27 utilizing a battery or fuel cell for electric supply;

28 (E) Incentives to install and operate equipment to produce or
29 distribute renewable hydrogen; and

30 (F) Incentives for renewable hydrogen fueling stations;

31 (iii) Investment in distributed energy resources and grid
32 modernization to facilitate distributed energy resources and improved
33 grid resilience;

34 (iv) Investments in equipment for renewable natural gas
35 processing, conditioning, and production, or equipment or
36 infrastructure used solely for the purpose of delivering renewable
37 natural gas for consumption or distribution;

38 (v) Contributions to self-directed investments in the following
39 measures to serve the sites of large industrial gas and electrical
40 customers: (A) Conservation; (B) new renewable resources; (C) behind-

1 the-meter technology that facilitates demand response cooperation to
2 reduce peak loads; (D) infrastructure to support electrification of
3 transportation needs, including battery and fuel cell
4 electrification; or (E) renewable natural gas processing,
5 conditioning, or production; and

6 (vi) Projects and programs that achieve energy efficiency and
7 emission reductions in the agricultural sector, including bioenergy
8 and renewable natural gas projects.

9 (19) "Fossil fuel" means natural gas, petroleum, coal, or any
10 form of solid, liquid, or gaseous fuel derived from such a material.

11 (20) "Governing body" means: The council of a city or town; the
12 commissioners of an irrigation district, municipal electric utility,
13 or public utility district; or the board of directors of an electric
14 cooperative or mutual association that has the authority to set and
15 approve rates.

16 (21) "Greenhouse gas" includes carbon dioxide, methane, nitrous
17 oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and
18 any other gas or gases designated by the department of ecology by
19 rule under RCW 70.235.010.

20 (22) "Greenhouse gas content calculation" means a calculation
21 expressed in carbon dioxide equivalent and made by the department of
22 ecology, in consultation with the department, for the purposes of
23 determining the emissions from the complete combustion or oxidation
24 of fossil fuels and the greenhouse gas emissions in electricity for
25 use in calculating the greenhouse gas emissions content in
26 electricity.

27 (23) "Highly impacted community" means a community designated by
28 the department of health based on cumulative impact analyses in
29 section 25 of this act or a community located in census tracts that
30 are fully or partially on "Indian country" as defined in 18 U.S.C.
31 Sec. 1151.

32 (24) "Investor-owned utility" means a company owned by investors
33 that meets the definition of "corporation" in RCW 80.04.010 and is
34 engaged in distributing electricity to more than one retail electric
35 customer in the state.

36 (25) "Low-income" means household incomes as defined by the
37 department or commission, provided that the definition may not exceed
38 the higher of eighty percent of area median household income or two
39 hundred percent of the federal poverty level, adjusted for household
40 size.

1 (26) (a) "Market customer" means a nonresidential retail electric
2 customer of an electric utility that: (i) Purchases electricity from
3 an entity or entities other than the utility with which it is
4 directly interconnected; or (ii) generates electricity to meet one
5 hundred percent of its own needs.

6 (b) An "affected market customer" is a customer of an investor-
7 owned utility who becomes a market customer after the effective date
8 of this section.

9 (27) (a) "Natural gas" means naturally occurring mixtures of
10 hydrocarbon gases and vapors consisting principally of methane,
11 whether in gaseous or liquid form, including methane clathrate.

12 (b) "Natural gas" does not include renewable natural gas or the
13 portion of renewable natural gas when blended into other fuels.

14 (28) (a) "Nonemitting electric generation" means electricity from
15 a generating facility or a resource that provides electric energy,
16 capacity, or ancillary services to an electric utility and that does
17 not emit greenhouse gases as a by-product of energy generation.

18 (b) "Nonemitting electric generation" does not include renewable
19 resources.

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

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

37 (30) "Qualified transmission line" means an overhead transmission
38 line that is: (a) Designed to carry a voltage in excess of one
39 hundred thousand volts; (b) owned in whole or in part by an investor-
40 owned utility; and (c) primarily or exclusively used by such an

1 investor-owned utility as of the effective date of this section to
2 transmit electricity generated by a coal-fired resource.

3 (31) "Renewable energy credit" means a tradable certificate of
4 proof of one megawatt-hour of a renewable resource. The certificate
5 includes all of the nonpower attributes associated with that one
6 megawatt-hour of electricity and the certificate is verified by a
7 renewable energy credit tracking system selected by the department.

8 (32) "Renewable hydrogen" means hydrogen produced using renewable
9 resources both as the source for the hydrogen and the source for the
10 energy input into the production process.

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

15 (34) "Renewable resource" means: (a) Water; (b) wind; (c) solar
16 energy; (d) geothermal energy; (e) renewable natural gas; (f)
17 renewable hydrogen; (g) wave, ocean, or tidal power; (h) biodiesel
18 fuel that is not derived from crops raised on land cleared from old
19 growth or first growth forests; or (i) biomass energy.

20 (35)(a) "Retail electric customer" means a person or entity that
21 purchases electricity from any electric utility for ultimate
22 consumption and not for resale.

23 (b) "Retail electric customer" does not include, in the case of
24 any electric utility, any person or entity that purchases electricity
25 exclusively from carbon-free and eligible renewable resources, as
26 defined in RCW 19.285.030 as of January 1, 2019, pursuant to a
27 special contract with an investor-owned utility approved by an order
28 of the commission prior to the effective date of this section.

29 (36) "Retail electric load" means the amount of megawatt-hours of
30 electricity delivered in a given calendar year by an electric utility
31 to its Washington retail electric customers. "Retail electric load"
32 does not include:

33 (a) Megawatt-hours delivered from qualifying facilities under the
34 federal public utility regulatory policies act of 1978, P.L. 95-617,
35 in operation prior to the effective date of this section, provided
36 that no entity other than the electric utility can make a claim on
37 delivery of the megawatt-hours from those resources; or

38 (b) Megawatt-hours delivered to an electric utility's system from
39 a renewable resource through a voluntary renewable energy purchase by
40 a retail electric customer of the utility in which the renewable

1 energy credits associated with the megawatt-hours delivered are
2 retired on behalf of the retail electric customer.

3 (37) "Thermal renewable energy credit" means, with respect to a
4 facility that generates electricity using biomass energy that also
5 generates thermal energy for a secondary purpose, a renewable energy
6 credit that is equivalent to three million four hundred twelve
7 thousand British thermal units of energy used for such secondary
8 purpose.

9 (38) "Unbundled renewable energy credit" means a renewable energy
10 credit that is sold, delivered, or purchased separately from
11 electricity. All thermal renewable energy credits are considered
12 unbundled renewable energy credits.

13 (39) "Unspecified electricity" means an electricity source for
14 which the fuel attribute is unknown or has been separated from the
15 energy delivered to retail electric customers.

16 (40) "Vulnerable populations" means communities that experience a
17 disproportionate cumulative risk from environmental burdens due to:

18 (a) Adverse socioeconomic factors, including unemployment, high
19 housing and transportation costs relative to income, access to food
20 and health care, and linguistic isolation; and

21 (b) Sensitivity factors, such as low birth weight and higher
22 rates of hospitalization.

23 NEW SECTION. **Sec. 3.** (1)(a) On or before December 31, 2025,
24 each electric utility must eliminate coal-fired resources from its
25 allocation of electricity. This does not include costs associated
26 with decommissioning and remediation of these facilities.

27 (b) The commission shall allow in electric rates all
28 decommissioning and remediation costs prudently incurred by an
29 investor-owned utility for a coal-fired facility.

30 (2) The commission must accelerate depreciation schedules for any
31 coal-fired resource to a date no later than December 31, 2025. The
32 commission may accelerate the depreciation schedule for any qualified
33 transmission line owned by an investor-owned utility when the
34 commission finds the qualified transmission line is no longer used
35 and useful and there is no reasonable likelihood that the qualified
36 transmission line will be utilized in the future. The adjusted
37 depreciation schedule must require such a qualified transmission line
38 to be fully depreciated on or before December 31, 2025.

1 (3) The commission must allow in rates, directly or indirectly,
2 amounts on an investor-owned utility's books of account that the
3 commission finds represent prudently incurred undepreciated
4 investment in a fossil fuel generating resource that has been retired
5 from service when:

6 (a) The retirement is due to ordinary wear and tear, casualties,
7 acts of God, acts of governmental authority, inability to procure or
8 use fuel, termination or expiration of any ownership, or a operation
9 agreement affecting such a fossil fuel generating resource; or

10 (b) The commission finds that the retirement is in the public
11 interest.

12 (4) An electric utility that fails to comply with the
13 requirements of subsection (1) of this section must pay the
14 administrative penalty established under section 9(1) of this act,
15 except as otherwise provided in this chapter.

16 NEW SECTION. **Sec. 4.** (1) It is the policy of the state that all
17 retail sales of electricity to Washington retail electric customers
18 be greenhouse gas neutral by January 1, 2030.

19 (a) Beginning January 1, 2030, and at a minimum interval of every
20 four years thereafter through December 31, 2044, an electric utility
21 must demonstrate its compliance with this standard using a
22 combination of nonemitting electric generation and electricity from
23 renewable resources, or alternative compliance options, as provided
24 in this section. To achieve compliance with this standard, an
25 electric utility must: (i) Pursue all cost-effective, reliable, and
26 feasible conservation and efficiency resources to reduce or manage
27 retail electric load, using the methodology established in RCW
28 19.285.040, if applicable; and (ii) use electricity from renewable
29 resources and nonemitting electric generation in an amount equal to
30 one hundred percent of the utility's annual retail electric load.

31 (b) Through December 31, 2044, an electric utility may satisfy up
32 to twenty percent of its compliance obligation under (a) of this
33 subsection with an alternative compliance option consistent with this
34 section. An alternative compliance option may include any combination
35 of the following:

36 (i) Making an alternative compliance payment under section 9(2)
37 of this act;

38 (ii) Using unbundled renewable energy credits, including
39 unbundled renewable energy credits used for compliance with RCW

1 19.285.040, provided that the electricity associated with the
2 unbundled renewable energy credits is not sold in a resource-specific
3 transaction to another entity. Renewable energy credits used for
4 compliance with this section must represent electricity generated in
5 the compliance year or within the two years prior to the compliance
6 year;

7 (iii) Investing in energy transformation projects, provided the
8 projects meet the requirements of subsection (2) of this section and
9 are not credited as resources used to meet the standard under (a) of
10 this subsection; or

11 (iv) Using electricity from an energy recovery facility using
12 municipal solid waste as the principal fuel source, where the
13 facility was constructed prior to 1992, and the facility is operated
14 in compliance with federal laws and regulations and meets state air
15 quality standards. An electric utility may only use electricity from
16 such an energy recovery facility if the department and the department
17 of ecology determine that electricity generation at the facility
18 provides a net reduction in greenhouse gas emissions compared to any
19 other available waste management best practice. The determination
20 must be based on a life-cycle analysis comparing the energy recovery
21 facility to other technologies available in the jurisdiction in which
22 the facility is located for the waste management best practices of
23 waste reduction, recycling, composting, and minimizing the use of a
24 landfill.

25 (c)(i) Electricity from renewable resources used to meet the
26 standard under (a) of this subsection must be verified by the
27 retirement of renewable energy credits. Renewable energy credits must
28 be tracked and retired in the tracking system selected by the
29 department.

30 (ii) It is the intent of the legislature to provide flexible
31 tools to address the variability of hydropower for compliance under
32 this act.

33 (d) Hydroelectric generation used by an electric utility in
34 meeting the standard under (a) of this subsection may not include new
35 diversions, new impoundments, new bypass reaches, or expansion of
36 existing reservoirs constructed after the effective date of this
37 section unless the diversions, bypass reaches, or reservoir
38 expansions are necessary for the operation of a pumped storage
39 facility that: (i) Does not conflict with existing state or federal

1 fish recovery plans; and (ii) complies with all local, state, and
2 federal laws and regulations.

3 (e) Nothing in (d) of this subsection precludes an electric
4 utility that owns and operates hydroelectric generating facilities,
5 or the owner of a hydroelectric generating facility whose energy
6 output is marketed by the Bonneville power administration, from
7 making efficiency or other improvements to its hydroelectric
8 generating facilities existing as of the effective date of this
9 section or from installing hydroelectric generation in pipes,
10 culverts, irrigation canals, and other manmade waterways, as long as
11 those changes do not create conflicts with existing state or federal
12 fish recovery plans and comply with all local, state, and federal
13 laws and regulations.

14 (f) Nonemitting electric generation resources used to meet the
15 standard under (a) of this subsection must be generated during the
16 compliance year and must be verified by documentation that the
17 electric utility owns the nonpower attributes of the electricity
18 generated by the nonemitting resource.

19 (g) Nothing in this section prohibits an electric utility from
20 purchasing or exchanging power from the Bonneville power
21 administration.

22 (2) Investments in energy transformation projects used to satisfy
23 an alternative compliance option provided under subsection (1)(b) of
24 this section must use criteria developed by the department of
25 ecology, in consultation with the department and the commission. For
26 the purpose of crediting an energy transformation project toward the
27 standard in subsection (1)(a) of this section, the department of
28 ecology must establish a conversion factor of emissions reductions
29 resulting from energy transformation projects to megawatt-hours of
30 electricity from nonemitting electric generation that is consistent
31 with the emission factors for unspecified electricity, or for energy
32 transformation projects in the transportation sector, consistent with
33 default emissions or conversion factors established by other
34 jurisdictions for clean alternative fuels. Emissions reductions from
35 energy transformation projects must be:

36 (a) Real, specific, identifiable, and quantifiable;

37 (b) Permanent: The department of ecology must look to other
38 jurisdictions in setting this standard and make a reasonable
39 determination on length of time;

40 (c) Enforceable by the state of Washington;

1 (d) Verifiable;

2 (e) Not required by another statute, rule, or other legal
3 requirement; and

4 (f) Not reasonably assumed to occur absent investment, or if an
5 investment has already been made, not reasonably assumed to occur
6 absent additional funding in the near future.

7 (3) Energy transformation projects must be associated with the
8 consumption of energy in Washington and must not create a new use of
9 fossil fuels that results in a net increase of fossil fuel usage.

10 (4) The compliance eligibility of energy transformation projects
11 may be scaled or prorated by an approved protocol in order to
12 distinguish effects related to reductions in electricity usage from
13 reductions in fossil fuel usage.

14 (5) Any compliance obligation fulfilled through an investment in
15 an energy transformation project is eligible for use only: (a) By the
16 electric utility that makes the investment; (b) if the investment is
17 made by the Bonneville power administration, by electric utilities
18 that are preference customers of the Bonneville power administration;
19 or (c) if the investment is made by a joint operating agency
20 organized under chapter 43.52 RCW, by a member of the joint operating
21 agency. An electric utility making an investment in partnership with
22 another electric utility or entity may claim credit proportional to
23 its share invested in the total project cost.

24 (6)(a) In meeting the standard under subsection (1) of this
25 section, an electric utility must, consistent with the requirements
26 of RCW 19.285.040, if applicable, pursue all cost-effective,
27 reliable, and feasible conservation and efficiency resources, and
28 demand response. In making new investments, an electric utility must,
29 to the maximum extent feasible:

30 (i) Achieve targets at the lowest reasonable cost, considering
31 risk;

32 (ii) Consider acquisition of existing renewable resources; and

33 (iii) In the acquisition of new resources constructed after the
34 effective date of this section, rely on renewable resources and
35 energy storage, insofar as doing so is consistent with (a)(i) of this
36 subsection.

37 (b) Electric utilities subject to RCW 19.285.040 must demonstrate
38 pursuit of all conservation and efficiency resources through
39 compliance with the requirements in RCW 19.285.040.

1 (7) An electric utility that fails to meet the requirements of
2 this section must pay the administrative penalty established under
3 section 9(1) of this act, except as otherwise provided in this
4 chapter.

5 (8) In complying with this section, an electric utility must,
6 consistent with the requirements of RCW 19.280.030 and section 25 of
7 this act, ensure that all customers are benefiting from the
8 transition to clean energy through the equitable distribution of:
9 Energy and nonenergy benefits and reduction of burdens to vulnerable
10 populations and highly impacted communities; long-term and short-term
11 public health and environmental benefits and reduction of costs and
12 risks; and energy security and resiliency.

13 (9) Affected market customers must comply with the standard
14 established under subsection (1) of this section.

15 (10) A market customer that purchases electricity exclusively
16 from carbon-free resources and eligible renewable resources, as
17 defined in RCW 19.285.030 as of January 1, 2019, pursuant to a
18 special contract with an investor-owned utility approved, prior to
19 the effective date of this section, by order of the commission is
20 subject to the requirements of such an order and not to the standard
21 established in this section. For purposes of interpreting any such
22 special contract, chapter 19.285 RCW, as in effect on January 1,
23 2019, is not, either directly or indirectly, amended or supplemented.

24 NEW SECTION. **Sec. 5.** (1) It is the policy of the state that
25 nonemitting electric generation and electricity from renewable
26 resources supply one hundred percent of all sales of electricity to
27 Washington retail electric customers by January 1, 2045. By January
28 1, 2045, and each year thereafter, each electric utility must
29 demonstrate its compliance with this standard using a combination of
30 nonemitting electric generation and electricity from renewable
31 resources.

32 (2) Each electric utility must incorporate subsection (1) of this
33 section into all relevant planning and resource acquisition practices
34 including, but not limited to: Resource planning under chapter 19.280
35 RCW; the construction or acquisition of property, including electric
36 generating facilities; and the provision of electricity service to
37 retail electric customers.

38 (3) In planning to meet projected demand consistent with the
39 requirements of subsection (2) of this section and RCW 19.285.040, if

1 applicable, an electric utility must pursue all cost-effective,
2 reliable, and feasible conservation and efficiency resources, and
3 demand response. In making new investments, an electric utility must,
4 to the maximum extent feasible:

5 (a) Achieve targets at the lowest reasonable cost, considering
6 risk;

7 (b) Consider acquisition of existing renewable resources; and

8 (c) In the acquisition of new resources constructed after the
9 effective date of this section, rely on renewable resources and
10 energy storage, insofar as doing so is consistent with (a) of this
11 subsection.

12 (4) The commission, department, energy facility site evaluation
13 council, department of ecology, and all other state agencies must
14 incorporate this section into all relevant planning and utilize all
15 programs authorized by statute to achieve subsection (1) of this
16 section.

17 (5) (a) Hydroelectric generation used by an electric utility to
18 satisfy the requirements of this section may not include new
19 diversions, new impoundments, new bypass reaches, or expansion of
20 existing reservoirs constructed after the effective date of this
21 section unless the diversions, bypass reaches, or reservoir
22 expansions are necessary for the operation of a pumped storage
23 facility that: (i) Does not conflict with existing state or federal
24 fish recovery plans; and (ii) complies with all local, state, and
25 federal laws and regulations.

26 (b) Nothing in (a) of this subsection precludes an electric
27 utility that owns and operates hydroelectric generating facilities,
28 or the owner of a hydroelectric generating facility whose energy
29 output is marketed by the Bonneville power administration, from
30 making efficiency or other improvements to its hydroelectric
31 generating facilities existing as of the effective date of this
32 section or from installing hydroelectric generation in pipes,
33 culverts, irrigation canals, and other manmade waterways as long as
34 those changes do not create conflicts with existing state or federal
35 fish recovery plans and comply with all local, state, and federal
36 laws and regulations.

37 (6) Nothing in this section prohibits an electric utility from
38 purchasing or exchanging power from the Bonneville power
39 administration.

1 (7) Affected customers must comply with the obligations of this
2 section.

3 (8) Any market customer that purchases electricity exclusively
4 from carbon-free resources and eligible renewable resources, as
5 defined in RCW 19.285.030 as of January 1, 2019, pursuant to a
6 special contract with an investor-owned utility approved, prior to
7 the effective date of this section, by order of the commission is
8 subject to the requirements of such an order and not to the standards
9 established in this section. For the purposes of interpreting such a
10 special contract, chapter 19.285 RCW, as in effect on January 1,
11 2019, is not, either directly or indirectly, amended or supplemented.

12 NEW SECTION. **Sec. 6.** (1)(a) By December 31, 2022, and every
13 four years thereafter, each investor-owned utility must develop and
14 submit to the commission:

15 (i) A four-year clean energy implementation plan for the
16 standards established under sections 4(1) and 5(1) of this act that
17 proposes specific interim targets for energy efficiency, demand
18 response, and renewable energy; and

19 (ii) Interim targets for meeting the standard under section 4(1)
20 of this act during the years between 2030 and 2045.

21 (b) An investor-owned utility's clean energy implementation plan
22 must:

23 (i) Be informed by the investor-owned utility's clean energy
24 action plan developed under RCW 19.280.030; and

25 (ii) Identify specific actions to be taken by the investor-owned
26 utility over the next four years, consistent with the utility's long-
27 range integrated resource plan and resource adequacy requirements, to
28 meet the standards under sections 4(1) and 5(1) of this act and the
29 interim targets proposed under (a)(i) of this subsection.

30 (c) The commission, after a hearing, must by order approve,
31 reject, or approve with conditions an investor-owned utility's clean
32 energy implementation plan and interim targets. The commission may,
33 in its order, recommend or require more stringent targets than those
34 proposed by the investor-owned utility and periodically adjust or
35 expedite timelines if it can be demonstrated that the targets or
36 timelines can be achieved in a manner consistent with the following:

37 (i) Maintaining and protecting the safety, reliable operation,
38 and balancing of the electric system;

1 (ii) Planning to meet the standards at the lowest reasonable
2 cost, considering risk;

3 (iii) Ensuring that all customers are benefiting from the
4 transition to clean energy through the equitable distribution of:
5 Energy and nonenergy benefits and the reduction of burdens to
6 vulnerable populations and highly impacted communities; long-term and
7 short-term public health and environmental benefits and reduction of
8 costs and risks; and energy security and resiliency; and

9 (iv) Ensuring that no customer or class of customers is
10 unreasonably harmed by any resulting increases in the cost of
11 utility-supplied electricity as may be necessary to comply with the
12 standards.

13 (2) (a) By December 31, 2022, and every four years thereafter,
14 each consumer-owned utility must develop a four-year clean energy
15 implementation plan for the standards established under sections 4(1)
16 and 5(1) of this act that:

17 (i) Proposes interim targets for meeting the standard under
18 section 4(1) of this act during the years prior to 2030 and between
19 2030 and 2045, including but not limited to specific interim targets
20 for energy efficiency, demand response, and renewable energy;

21 (ii) Is informed by the consumer-owned utility's clean energy
22 action plan developed under RCW 19.280.030(1) or other ten-year plan
23 developed under RCW 19.280.030(5); and

24 (iii) Identifies specific actions to be taken by the consumer-
25 owned utility over the next four years, consistent with the utility's
26 long-range resource plan and resource adequacy requirements, that
27 demonstrate progress towards meeting the standards under sections
28 4(1) and 5(1) of this act and the interim targets proposed under
29 (a)(i) of this subsection. The specific actions identified must be
30 informed by the consumer-owned utility's historic performance under
31 median water conditions and resource capability and by the consumer-
32 owned utility's participation in centralized markets. In identifying
33 specific actions in its clean energy implementation plan, the
34 consumer-owned utility may also take into consideration any
35 significant and unplanned loss or addition of load it experiences.

36 (b) The governing body of the consumer-owned utility must, after
37 a public meeting, adopt the consumer-owned utility's clean energy
38 implementation plan. The clean energy implementation plan must be
39 submitted to the department and made available to the public. The
40 governing body may adopt more stringent targets than those proposed

1 by the consumer-owned utility and periodically adjust or expedite
2 timelines if it can be demonstrated that such targets or timelines
3 can be achieved in a manner consistent with the following:

4 (i) Maintaining and protecting the safety, reliable operation,
5 and balancing of the electric system;

6 (ii) Planning to meet the standards at the lowest reasonable
7 cost, considering risk;

8 (iii) Ensuring that all customers are benefiting from the
9 transition to clean energy through the equitable distribution of:
10 Energy and nonenergy benefits and reduction of burdens to vulnerable
11 populations and highly impacted communities; long-term and short-term
12 public health and environmental benefits and reduction of costs and
13 risks; and energy security and resiliency; and

14 (iv) Ensuring that no customer or class of customers is
15 unreasonably harmed by any resulting increases in the cost of
16 utility-supplied electricity as may be necessary to comply with the
17 standards.

18 (3) (a) An investor-owned utility must be considered to be in
19 compliance with the standards under sections 4(1) and 5(1) of this
20 act if, over an eight year period, the average annual incremental
21 cost of meeting the standards or the interim targets established
22 under subsection (1) of this section exceeds a two percent increase
23 of the investor-owned utility's weather-adjusted sales to customers
24 for electric operations above the previous year, as reported by the
25 investor-owned utility in its most recent commission basis report.
26 All costs included in the determination of rate impact must be
27 directly attributable to actions necessary to comply with the
28 requirements of this section.

29 (b) If an investor-owned utility relies on (a) of this subsection
30 as a basis for compliance with the standard under section 4(1) of
31 this act, then it must demonstrate that it has maximized investments
32 in renewable resources and nonemitting electric generation prior to
33 using alternative compliance options allowed under section 4(1) (b) of
34 this act.

35 (4) (a) A consumer-owned utility must be considered to be in
36 compliance with the standards under sections 4(1) and 5(1) of this
37 act if, over an eight-year period, the average annual incremental
38 cost of meeting the standards or the interim targets established
39 under subsection (2) of this section exceeds a two percent increase

1 of the consumer-owned utility's retail revenue requirement above the
2 previous year.

3 (b) If a consumer-owned utility relies on (a) of this subsection
4 as a basis for compliance with the standard under section 4(1) of
5 this act, then it must demonstrate that it has maximized investments
6 in renewable resources and nonemitting electric generation prior to
7 using alternative compliance options allowed under section 4(1)(b) of
8 this act.

9 (5) The commission, for investor-owned utilities, and the
10 department, for consumer-owned utilities, must adopt rules
11 establishing the methodology for calculating the incremental cost of
12 compliance under this section, as compared to the cost of an
13 alternative lowest reasonable cost portfolio of investments that are
14 reasonably available.

15 NEW SECTION. **Sec. 7.** (1) Each electric utility must disclose
16 its greenhouse gas content calculation in conformance with this
17 section. A utility's disclosure must be consistent with the fuel
18 sources that it reports and discloses in compliance with chapter
19 19.29A RCW. The department must by rule incorporate the carbon
20 content disclosure into the power source or fuel mix disclosure
21 required under chapter 19.29A RCW.

22 (2) For unspecified electricity, the utility must use an
23 emissions rate determined, and periodically updated, by the
24 department of ecology by rule. The department of ecology must adopt
25 an emissions rate for unspecified electricity consistent with the
26 emissions rate established for other markets in the western
27 interconnection. If the department of ecology has not adopted an
28 emissions rate for unspecified electricity, the emissions rate that
29 applies for the purposes of this chapter is 0.437 metric tons of
30 carbon dioxide per megawatt-hour of electricity.

31 (3) For the purposes of this act, the fuel mix calculated for the
32 Bonneville power administration may exclude any purchases of electric
33 generation that are not associated with load in the state of
34 Washington.

35 NEW SECTION. **Sec. 8.** By January 1, 2024, and at least every
36 three years thereafter and in compliance with RCW 43.01.036, the
37 department must submit a report to the legislature. The report must
38 include the following:

1 (1) A review of the standards described in sections 3 through 5
2 of this act focused on technologies, forecasts, and existing
3 transmission, and an evaluation of safety, environmental and public
4 safety protection, affordability, and system reliability.

5 (2)(a) An evaluation, produced in consultation with the
6 commission, electric utilities, transmission operators in Washington,
7 the reliability coordinator for electric utilities, any regional
8 planning organization serving electric utilities, and the regional
9 entity for the western interconnection identifying the potential
10 benefits, impacts, and risks on system reliability associated with
11 achieving the standards described in sections 4 and 5 of this act.
12 The evaluation must assess whether electric utilities have sufficient
13 electric generation resources to meet forecasted retail electric load
14 in addition to adequate transmission capability to implement sections
15 3 through 5 of this act without: (i) Violating mandatory and
16 enforceable reliability standards of the North American electric
17 reliability corporation; (ii) violating prudent utility practice for
18 assuring resource adequacy; or (iii) compromising the power quality
19 or integrity of the electricity system. Subject to funding
20 appropriated for this purpose, the commission and the department must
21 consult with a national laboratory with expertise in grid
22 reliability, security, and resilience.

23 (b) The evaluation should assess the anticipated financial costs
24 and benefits of investments necessary to correct those deficiencies
25 at the lowest reasonable costs as identified by electric utilities,
26 transmission operators in Washington, the regional entity for the
27 western interconnection, or any regional planning organization
28 serving electric utilities. The assessment of these investments in
29 the report is not deemed to be approval of such investments for rate
30 recovery by any authorizing entity.

31 (3) An evaluation identifying the nature of any anticipated
32 financial costs and benefits to electric utilities, including
33 customer rate impacts and benefits including, but not limited to:

34 (a) Greenhouse gas emissions of electric utilities;

35 (b) The allocation of risk between customers and electric
36 utilities;

37 (c) The allocation of financial costs among electric utilities in
38 the state and whether retail electric customers are equitably bearing
39 the financial costs of implementing sections 3 through 5 of this act;

1 (d) The timing of cost recovery for electricity generated by
2 nonemitting electric generation or renewable resources;

3 (e) The resource procurement process of electric utilities; and

4 (f) The barriers to, and benefits of, implementing sections 4 and
5 of this act.

6 (4) An evaluation of new or emerging technologies that could be
7 considered to be a renewable resource.

8 (5) An assessment of the impacts of sections 3 through 5 of this
9 act on middle-income families, small businesses, and manufacturers in
10 Washington.

11 NEW SECTION. **Sec. 9.** (1)(a) An electric utility or an affected
12 market customer that fails to meet the standards established under
13 sections 3(1) and 4(1) of this act must pay an administrative penalty
14 to the state of Washington in the amount of one hundred dollars,
15 times the following multipliers, for each megawatt-hour of electric
16 generation used to meet load that is not electricity from a renewable
17 resource or nonemitting electric generation:

18 (i) 1.5 for coal-fired resources;

19 (ii) 0.84 for gas-fired peaking power plants; and

20 (iii) 0.60 for gas-fired combined-cycle power plants.

21 (b) Beginning in 2027, this penalty must be adjusted on a
22 biennial basis according to the rate of change of the inflation
23 indicator, gross domestic product implicit price deflator, as
24 published by the bureau of economic analysis of the United States
25 department of commerce or its successor. Beginning in 2040, the
26 commission may by rule increase this penalty for investor-owned
27 utilities if the commission determines that doing so will accelerate
28 utilities' compliance with the standards established under this
29 chapter and that doing so is in the public interest.

30 (2) Consistent with the requirements of section 4(1)(b) of this
31 act, a utility may opt to make a payment in the amount of the
32 administrative penalty as an alternative compliance payment, without
33 incurring a penalty for noncompliance.

34 (3)(a) Upon its own motion or at the request of an investor-owned
35 utility, and after a hearing, the commission may issue an order
36 relieving the utility of its administrative penalty obligation under
37 subsection (1) of this section if it finds that:

38 (i) After taking all reasonable measures, the investor-owned
39 utility's compliance with this chapter is likely to result in

1 conflicts with or compromises to its obligation to comply with the
2 mandatory and enforceable reliability standards of the North American
3 electric reliability corporation, violate prudent utility practice
4 for assuring resource adequacy, or compromise the power quality or
5 integrity of its system; or

6 (ii) The investor-owned utility is unable to comply with the
7 standards established in section 3(1) or 4(1) of this act due to
8 reasons beyond the reasonable control of the investor-owned utility,
9 as set forth in subsection (6) of this section.

10 (b) If the commission issues an order pursuant to (a) of this
11 subsection that relieves an investor-owned utility of its
12 administrative penalty obligation under subsection (1) of this
13 section, the commission may issue an order:

14 (i) Temporarily exempting the investor-owned utility from the
15 requirements of section 4(1) of this act for an amount of time
16 sufficient to allow the investor-owned utility to achieve full
17 compliance with the standard;

18 (ii) Directing the investor-owned utility to file a progress
19 report to the commission on achieving full compliance with the
20 standard within six months after issuing the order, or within an
21 amount of time determined to be reasonable by the commission; and

22 (iii) Directing the investor-owned utility to take specific
23 actions to achieve full compliance with the requirements of this
24 chapter.

25 (c) An investor-owned utility may request an extension of a
26 temporary exemption granted under this section. An investor-owned
27 utility that requests an extension must request an update to the
28 order issued by the commission under (b) of this subsection.

29 (4) Subsection (3) of this section does not permanently relieve
30 an investor-owned utility of its obligation to comply with the
31 requirements of this chapter.

32 (5)(a) The governing body of a consumer-owned utility may
33 authorize a temporary exemption from the standard established under
34 section 4(1) of this act, for an amount of time sufficient to allow
35 the consumer-owned utility to achieve full compliance with the
36 standard, if the governing body finds that:

37 (i) The consumer-owned utility's compliance with the standard is
38 likely to: Result in conflicts with or compromises to its obligation
39 to comply with the mandatory and enforceable reliability standards of
40 the North American electric reliability corporation; violate prudent

1 utility practice for assuring resource adequacy; or compromise the
2 power quality or integrity of its system; or

3 (ii) The consumer-owned utility is unable to comply with the
4 standard due to reasons beyond the reasonable control of the utility,
5 as set forth in subsection (6) of this section; and

6 (iii) The consumer-owned utility has provided to the department a
7 plan demonstrating how it plans to achieve full compliance with the
8 standard, consistent with the findings of the report submitted to the
9 legislature under section 8 of this act.

10 (b) Upon request by the governing body of a consumer-owned
11 utility, a consumer-owned utility must be relieved of its
12 administrative penalty obligation under subsection (1) of this
13 section if the auditor issues a finding that:

14 (i) The governing body of the consumer-owned utility has properly
15 issued a temporary exemption under (a) of this subsection for a
16 period of time not to exceed six months; and

17 (ii) The governing body of the consumer-owned utility has
18 submitted to the department a plan to take specific actions to
19 achieve full compliance with the standard, consistent with the
20 findings of the report submitted to the legislature under section 8
21 of this act.

22 (c) Upon issuance of a finding by the auditor, the consumer-owned
23 utility must submit a progress report to the department on achieving
24 full compliance with the standard within the term authorized in the
25 temporary exemption.

26 (d) A consumer-owned utility may request an extension of a
27 temporary exemption granted under this subsection, subject to the
28 same requirements as provided in (a) through (c) of this subsection.

29 (e) The attorney general may bring a civil action in the name of
30 the state for any appropriate civil remedy including, but not limited
31 to, injunctive relief, penalties, costs, and attorneys' fees, to
32 enforce compliance with this chapter:

33 (i) Upon the failure of the governing body of a consumer-owned
34 utility to comply with the conditions of a temporary exemption found
35 by the auditor to be properly adopted or extended; or

36 (ii) Upon failure of the governing body of a consumer-owned
37 utility to comply with a finding by the auditor that a temporary
38 exemption is not properly granted.

1 (f) This subsection does not permanently relieve a consumer-owned
2 utility of its obligation to comply with the requirements of this
3 chapter.

4 (6) To the extent an event or circumstance cannot be reasonably
5 foreseen and ameliorated, such events or circumstances beyond the
6 reasonable control of an electric utility may include but are not
7 limited to:

8 (a) Weather-related damage;

9 (b) Natural disasters;

10 (c) Mechanical or resource failure;

11 (d) Failure of a third party to meet contractual obligations to
12 the electric utility;

13 (e) Actions of governmental authorities that adversely affect the
14 generation, transmission, or distribution of nonemitting electric
15 generation or renewable resources owned or under contract to an
16 electric utility, including condemnation actions by municipal
17 electric utilities, public utility districts, or irrigation districts
18 that adversely affect an investor-owned utility's ability to meet the
19 standard established in sections 3(1) and 4(1) of this act;

20 (f) Inability to acquire sufficient transmission to transmit
21 electricity from nonemitting electric generation or renewable
22 resources to load; and

23 (g) Substantial limitations, restrictions, or prohibitions on
24 nonemitting electric generation or renewable resources.

25 (7) An electric utility must notify its retail electric customers
26 in published form within three months of paying the administrative
27 penalty established under subsection (1) of this section. An electric
28 utility is not required to notify its retail electric customers when
29 making a payment in the amount of the administrative penalty as an
30 alternative compliance payment consistent with the requirements of
31 section 4(1)(b) of this act.

32 (8) Moneys collected under this section must be deposited into
33 the low-income weatherization and structural rehabilitation
34 assistance account created in RCW 70.164.030.

35 (9) For an investor-owned utility, the commission must determine
36 compliance with the requirements of this chapter.

37 (10) For consumer-owned utilities, the auditor is responsible for
38 auditing compliance with this chapter and rules adopted under this
39 chapter that apply to those utilities and the attorney general is
40 responsible for enforcing that compliance.

1 (11) If the report submitted under section 8 of this act
2 demonstrates adverse system reliability impacts from the
3 implementation of sections 4 and 5 of this act, the governor,
4 consistent with the emergency powers under RCW 43.21G.040, may
5 suspend or delay implementation of this chapter, or exempt an
6 electric utility from paying the administrative penalty under this
7 section, until system reliability impacts can be addressed. Adverse
8 system reliability impacts may include, but are not limited to, the
9 inability of electric utilities or transmission operators to meet
10 reliability standards mandated by federal or state law and required
11 by prudent utility practices.

12 NEW SECTION. **Sec. 10.** (1) It is the intent of this chapter that
13 the commission and department adopt rules to streamline the
14 implementation of this act with chapter 19.285 RCW to simplify
15 compliance and avoid duplicative processes. It is the intent of the
16 legislature that the commission and the department coordinate in
17 developing rules related to process, timelines, and documentation
18 that are necessary for the implementation of this chapter.

19 (2) The commission may adopt rules to ensure the proper
20 implementation and enforcement of this chapter as it applies to
21 investor-owned utilities.

22 (3) The department may adopt rules to ensure the proper
23 implementation and enforcement of this chapter as it applies to
24 consumer-owned utilities. Nothing in this subsection may be construed
25 to restrict the rate-making authority of the governing body of a
26 consumer-owned utility as otherwise provided by law.

27 (4) The department must adopt rules establishing reporting
28 requirements for electric utilities to demonstrate compliance with
29 this chapter. The requirements must, to the extent practicable, be
30 consistent with the disclosures required under chapter 19.29A RCW.

31 (5) An investor-owned utility must also report all information
32 required in subsection (4) of this section to the commission.

33 (6) An electric utility must also make reports required in this
34 section available to its retail electric customers.

35 (7) The department of ecology must adopt rules, in consultation
36 with the commission and the department of commerce, to establish
37 requirements for energy transformation project investments including,
38 but not limited to, verification procedures, reporting standards, and
39 other logistical issues as necessary.

1 (8) The department must adopt rules providing for the measuring
2 and tracking of thermal renewable energy credits that may be used for
3 compliance under section 4 of this act.

4 (9) Pursuant to the administrative procedure act, chapter 34.05
5 RCW, rules needed for the implementation of this chapter must be
6 adopted by January 1, 2021, unless specified otherwise elsewhere in
7 this chapter. These rules may be revised as needed to carry out the
8 intent and purposes of this chapter.

9 NEW SECTION. **Sec. 11.** The requirements of sections 3 through 9
10 of this act do not replace or modify the requirements established
11 under chapter 19.285 RCW. All utility activities to comply with the
12 requirements established under chapter 19.285 RCW also qualify for
13 compliance with the requirements contained in this chapter.

14 NEW SECTION. **Sec. 12.** (1) It is the intent of the legislature
15 to demonstrate progress toward making energy assistance funds
16 available to low-income households consistent with the policies
17 identified in this section.

18 (2) An electric utility must make programs and funding available
19 for energy assistance to low-income households by July 31, 2021. Each
20 utility must demonstrate progress in providing energy assistance
21 pursuant to the assessment and plans in subsection (4) of this
22 section. To the extent practicable, priority must be given to low-
23 income households with a higher energy burden.

24 (3) Beginning July 31, 2020, the department must collect and
25 aggregate data estimating the energy burden and energy assistance
26 need and reported energy assistance for each electric utility, in
27 order to improve agency and utility efforts to serve low-income
28 households with energy assistance. The department must update the
29 aggregated data on a biennial basis, make it publicly accessible on
30 its internet web site and, to the extent practicable, include
31 geographic attributes.

32 (a) The aggregated data published by the department must include,
33 but is not limited to:

34 (i) The estimated number and demographic characteristics of
35 households served by energy assistance for each utility and the
36 dollar value of the assistance;

1 (ii) The estimated level of energy burden and energy assistance
2 need among customers served, accounting for household income and
3 other drivers of energy burden;

4 (iii) Housing characteristics including housing type, home
5 vintage, and fuel types; and

6 (iv) Energy efficiency potential.

7 (b) Each utility must disclose information to the department for
8 use under this subsection, including:

9 (i) The amount and type of energy assistance and the number and
10 type of households, if applicable, served for programs administered
11 by the utility;

12 (ii) The amount of money passed through to third parties that
13 administer energy assistance programs; and

14 (iii) Subject to availability, any other information related to
15 the utility's low-income assistance programs that is requested by the
16 department.

17 (c) The information required by (b) of this subsection must be
18 from the electric utility's most recent completed budget period and
19 in a form, timeline, and manner as prescribed by the department.

20 (4)(a) In addition to the requirements under subsection (3) of
21 this section, each electric utility must submit biennially to the
22 department an assessment of:

23 (i) The programs and mechanisms used by the utility to reduce
24 energy burden and the effectiveness of those programs and mechanisms
25 in both short-term and sustained energy burden reductions;

26 (ii) The outreach strategies used to encourage participation of
27 eligible households, including consultation with community-based
28 organizations and Indian tribes as appropriate, and comprehensive
29 enrollment campaigns that are linguistically and culturally
30 appropriate to the customers they serve in vulnerable populations;
31 and

32 (iii) A cumulative assessment of previous funding levels for
33 energy assistance compared to the funding levels needed to meet: (A)
34 Sixty percent of the current energy assistance need, or increasing
35 energy assistance by fifteen percent over the amount provided in
36 2018, whichever is greater, by 2030; and (B) ninety percent of the
37 current energy assistance need by 2050.

38 (b) The assessment required in (a) of this subsection must
39 include a plan to improve the effectiveness of the assessed
40 mechanisms and strategies toward meeting the energy assistance need.

1 (5) A consumer-owned utility may enter into an agreement with a
2 public university, community-based organization, or joint operating
3 agency organized under chapter 43.52 RCW to aggregate the disclosures
4 required in this section and submit the assessment required in
5 subsections (3) and (4) of this section.

6 (6) (a) The department must submit a biennial report to the
7 legislature that:

8 (i) Aggregates information into a statewide summary of energy
9 assistance programs, energy burden, and energy assistance need;

10 (ii) Identifies and quantifies current expenditures on low-income
11 energy assistance; and

12 (iii) Evaluates the effectiveness of additional optimal
13 mechanisms for energy assistance including, but not limited to,
14 customer rates, a low-income specific discount, system benefits
15 charges, and public and private funds.

16 (b) The department must also assess mechanisms to prioritize
17 energy assistance towards low-income households with a higher energy
18 burden.

19 (7) Nothing in this section may be construed to restrict the
20 rate-making authority of the commission or the governing body of a
21 consumer-owned utility as otherwise provided by law.

22 NEW SECTION. **Sec. 13.** (1) The department and the commission
23 must convene a stakeholder work group to examine the:

24 (a) Efficient and consistent integration of this act and
25 transactions with carbon and electricity markets outside the state;
26 and

27 (b) Compatibility of the requirements under this act relative to
28 a linked cap-and-trade program.

29 (2) To assist in its examination of the issues identified in this
30 section, as well as any other issues pertinent to its review, the
31 work group must, at a minimum, consist of electric utilities, gas
32 companies, the Bonneville power administration, and other agencies.

33 (3) The department and the commission must adopt rules by June
34 30, 2021, defining requirements for retail load met with market
35 purchases and the western energy imbalance market or other
36 centralized market administered by a market operator. With respect to
37 purchases from the western energy imbalance market or other
38 centralized market, the department and the commission must consult
39 with the market operator and market participants to consider options

1 that support the objectives of this chapter and the efficient
2 dispatch of the generation resources dispatched by those markets.

3 **Sec. 14.** RCW 19.280.030 and 2015 3rd sp.s. c 19 s 9 are each
4 amended to read as follows:

5 Each electric utility must develop a plan consistent with this
6 section.

7 (1) Utilities with more than twenty-five thousand customers that
8 are not full requirements customers (~~shall~~) must develop or update
9 an integrated resource plan by September 1, 2008. At a minimum,
10 progress reports reflecting changing conditions and the progress of
11 the integrated resource plan must be produced every two years
12 thereafter. An updated integrated resource plan must be developed at
13 least every four years subsequent to the 2008 integrated resource
14 plan. The integrated resource plan, at a minimum, must include:

15 (a) A range of forecasts, for at least the next ten years or
16 longer, of projected customer demand which takes into account
17 econometric data and customer usage;

18 (b) An assessment of commercially available conservation and
19 efficiency resources, as informed, as applicable, by the assessment
20 for conservation potential under RCW 19.285.040 for the planning
21 horizon consistent with (a) of this subsection. Such assessment may
22 include, as appropriate, opportunities for development of combined
23 heat and power as an energy and capacity resource, demand response
24 and load management programs, and currently employed and new policies
25 and programs needed to obtain the conservation and efficiency
26 resources;

27 (c) An assessment of commercially available, utility scale
28 renewable and nonrenewable generating technologies including a
29 comparison of the benefits and risks of purchasing power or building
30 new resources;

31 (d) A comparative evaluation of renewable and nonrenewable
32 generating resources, including transmission and distribution
33 delivery costs, and conservation and efficiency resources using
34 "lowest reasonable cost" as a criterion;

35 (e) An assessment of methods, commercially available
36 technologies, or facilities for integrating renewable resources,
37 including but not limited to battery storage and pumped storage, and
38 addressing overgeneration events, if applicable to the utility's
39 resource portfolio;

1 (f) An assessment and ten-year forecast of the availability of
2 regional generation and transmission capacity on which the utility
3 may rely to provide and deliver electricity to its customers;

4 (g) A determination of resource adequacy metrics for the resource
5 plan consistent with the forecasts;

6 (h) A forecast of distributed energy resources that may be
7 installed by the utility's customers and an assessment of their
8 effect on the utility's load and operations;

9 (i) An identification of an appropriate resource adequacy
10 requirement and measurement metric consistent with prudent utility
11 practice in implementing sections 3 through 5 of this act;

12 (j) The integration of the demand forecasts ((and)), resource
13 evaluations, and resource adequacy requirement into a long-range
14 assessment describing the mix of supply side generating resources and
15 conservation and efficiency resources that will meet current and
16 projected needs, including mitigating overgeneration events and
17 implementing sections 3 through 5 of this act, at the lowest
18 reasonable cost and risk to the utility and its ((ratepayers))
19 customers, while maintaining and protecting the safety, reliable
20 operation, and balancing of its electric system; ((and

21 (g+)) (k) An assessment, informed by the cumulative impact
22 analysis conducted under section 25 of this act, of: Energy and
23 nonenergy benefits and reductions of burdens to vulnerable
24 populations and highly impacted communities; long-term and short-term
25 public health and environmental benefits, costs, and risks; and
26 energy security and risk; and

27 (1) A ((short-term plan identifying)) ten-year clean energy
28 action plan for implementing sections 3 through 5 of this act at the
29 lowest reasonable cost, and at an acceptable resource adequacy
30 standard, that identifies the specific actions to be taken by the
31 utility consistent with the long-range integrated resource plan.

32 (2) For an investor-owned utility, the clean energy action plan
33 must: (a) Identify and be informed by the utility's ten-year cost-
34 effective conservation potential assessment as determined under RCW
35 19.285.040, if applicable; (b) establish a resource adequacy
36 requirement; (c) identify the potential cost-effective demand
37 response and load management programs that may be acquired; (d)
38 identify renewable resources, nonemitting electric generation, and
39 distributed energy resources that may be acquired and evaluate how
40 each identified resource may be expected to contribute to meeting the

1 utility's resource adequacy requirement; (e) identify any need to
2 develop new, or expand or upgrade existing, bulk transmission and
3 distribution facilities; and (f) identify the nature and possible
4 extent to which the utility may need to rely on alternative
5 compliance options under section 4(1)(b) of this act, if appropriate.

6 (3)(a) An electric utility shall consider the social cost of
7 greenhouse gas emissions, as determined by the commission for
8 investor-owned utilities pursuant to section 15 of this act and the
9 department for consumer-owned utilities, when developing integrated
10 resource plans and clean energy action plans. An electric utility
11 must incorporate the social cost of greenhouse gas emissions as a
12 cost adder when:

13 (i) Evaluating and selecting conservation policies, programs, and
14 targets;

15 (ii) Developing integrated resource plans and clean energy action
16 plans; and

17 (iii) Evaluating and selecting intermediate term and long-term
18 resource options.

19 (b) For the purposes of this subsection (3): (i) Gas consisting
20 largely of methane and other hydrocarbons derived from the
21 decomposition of organic material in landfills, wastewater treatment
22 facilities, and anaerobic digesters must be considered a nonemitting
23 resource; and (ii) qualified biomass energy must be considered a
24 nonemitting resource.

25 (4) To facilitate broad, equitable, and efficient implementation
26 of this act, a consumer-owned energy utility may enter into an
27 agreement with a joint operating agency organized under chapter 43.52
28 RCW or other nonprofit organization to develop and implement a joint
29 clean energy action plan in collaboration with other utilities.

30 (5) All other utilities may elect to develop a full integrated
31 resource plan as set forth in subsection (1) of this section or, at a
32 minimum, shall develop a resource plan that:

33 (a) Estimates loads for the next five and ten years;

34 (b) Enumerates the resources that will be maintained and/or
35 acquired to serve those loads; (~~and~~)

36 (c) Explains why the resources in (b) of this subsection were
37 chosen and, if the resources chosen are not: (i) Renewable resources;
38 (ii) methods, commercially available technologies, or facilities for
39 integrating renewable resources, including addressing any

1 overgeneration event; or (iii) conservation and efficiency resources,
2 why such a decision was made; and

3 (d) By December 31, 2020, and in every resource plan thereafter,
4 identifies how the utility plans over a ten-year period to implement
5 sections 4 and 5 of this act.

6 ~~((3))~~ (6) Assessments for demand side resources included in an
7 integrated resource plan may include combined heat and power systems
8 as one of the measures in a conservation supply curve. The value of
9 recoverable waste heat resulting from combined heat and power must be
10 reflected in analyses of cost-effectiveness under this subsection.

11 ~~((4))~~ (7) An electric utility that is required to develop a
12 resource plan under this section must complete its initial plan by
13 September 1, 2008.

14 ~~((5) Resource)~~ (8) Plans developed under this section must be
15 updated on a regular basis, on intervals approved by the commission
16 or the department, or at a minimum on intervals of two years.

17 ~~((6))~~ (9) Plans shall not be a basis to bring legal action
18 against electric utilities.

19 ~~((7))~~ (10)(a) To maximize transparency, the commission, for
20 investor-owned utilities, or the governing body, for consumer-owned
21 utilities, may require an electric utility to make the utility's data
22 input files available in a native format. Each electric utility shall
23 publish its final plan either as part of an annual report or as a
24 separate document available to the public. The report may be in an
25 electronic form.

26 (b) Nothing in this subsection limits the protection of records
27 containing commercial information under RCW 80.04.095.

28 (11) By December 31, 2021, the department and the commission must
29 adopt rules establishing the requirements for incorporating the
30 cumulative impact analysis developed under section 25 of this act
31 into the criteria for developing clean energy action plans under this
32 section.

33 NEW SECTION. Sec. 15. A new section is added to chapter 80.28
34 RCW to read as follows:

35 For the purposes of this act, the cost of greenhouse gas
36 emissions resulting from the generation of electricity, including the
37 effect of emissions, is equal to the cost per metric ton of carbon
38 dioxide equivalent emissions, using the two and one-half percent
39 discount rate, listed in table 2, technical support document:

1 Technical update of the social cost of carbon for regulatory impact
2 analysis under Executive Order No. 12866, published by the
3 interagency working group on social cost of greenhouse gases of the
4 United States government, August 2016. The commission must adjust the
5 costs established in this section to reflect the effect of inflation.

6 NEW SECTION. **Sec. 16.** A new section is added to chapter 80.28
7 RCW to read as follows:

8 The fair market value compensation for any nonemitting electric
9 generating facility or any facility that generates electricity from
10 renewable resources that is used or acquired by an investor-owned
11 utility and approved by the commission for compliance with this act,
12 and which is condemned by a consumer-owned utility under RCW
13 54.16.020, must include, but is not limited to, a replacement value
14 approach including severance damages to the investor-owned utility
15 relating to the implementation of this act.

16 **Sec. 17.** RCW 80.84.010 and 2016 c 220 s 1 are each amended to
17 read as follows:

18 The definitions in this section apply throughout this chapter
19 unless the context clearly requires otherwise.

20 (1) "Eligible coal plant" means a coal-fired electric generation
21 facility that: (a) ~~((Had two or fewer generating units as of January~~
22 ~~1, 1980, and four generating units as of January 1, 2016; (b))~~ Is
23 owned in whole or in part by more than one electrical company as of
24 January 1, 2016; and ~~((+e))~~ (b) provides, as a portion of the load
25 served by the coal-fired electric generation facility, electricity
26 paid for in rates by customers in the state of Washington.

27 (2) "Eligible coal unit" means any generating unit of an eligible
28 coal plant.

29 NEW SECTION. **Sec. 18.** This section is the tax preference
30 performance statement for the tax preferences contained in sections
31 19 and 20, chapter . . ., Laws of 2019 (sections 19 and 20 of this
32 act). This performance statement is only intended to be used for
33 subsequent evaluation of the tax preference. It is not intended to
34 create a private right of action by any party or be used to determine
35 eligibility for preferential tax treatment.

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

4 (2) It is the legislature's specific public policy objective to
5 reduce the amount of carbon dioxide emissions in Washington. It is
6 the legislature's intent to extend the expiration date of the
7 existing sales and use tax exemption for machinery and equipment used
8 directly in generating certain types of alternative energy, in order
9 to reduce the price charged to customers for that machinery and
10 equipment, thereby inducing some customers to buy machinery and
11 equipment for alternative energy when they might not otherwise,
12 thereby displacing electricity from fossil-fueled generating
13 resources, thereby reducing the amount of carbon dioxide emissions in
14 Washington. It is also the intent of the legislature to maximize cost
15 savings associated with clean energy construction for Washington
16 electric customers by encouraging development of these resources in
17 time for projects to benefit from both this incentive and expiring
18 federal incentives.

19 (3) It is also the legislature's specific public policy objective
20 to provide an incentive for more of the projects that meet the
21 objectives of subsection (2) of this section to be constructed with
22 high labor standards, including family level wages and providing
23 benefits including health care and pensions, as well as maximizing
24 access to economic benefits from such projects for local workers and
25 diverse businesses.

26 (4) The joint legislative audit and review committee is not
27 required to perform a tax preference review under chapter 43.136 RCW
28 for the tax preferences contained in sections 19 and 20,
29 chapter . . ., Laws of 2019 (sections 19 and 20 of this act) and it
30 is the intent of the legislature to allow the tax preferences to
31 expire upon their scheduled expiration dates.

32 **Sec. 19.** RCW 82.08.962 and 2018 c 164 s 5 are each amended to
33 read as follows:

34 (1) (a) (~~Except as provided in RCW 82.08.963,~~) Purchasers who
35 have paid the tax imposed by RCW 82.08.020 on machinery and equipment
36 used directly in generating electricity using fuel cells, wind, sun,
37 biomass energy, tidal or wave energy, geothermal resources, or
38 technology that converts otherwise lost energy from exhaust, as the
39 principal source of power, or to sales of or charges made for labor

1 and services rendered in respect to installing such machinery and
2 equipment, are eligible for an exemption as provided in this section,
3 but only if the purchaser develops with such machinery, equipment,
4 and labor a facility capable of generating not less than one thousand
5 watts of electricity.

6 (b) Beginning on July 1, 2011, through ~~((January 1, 2020))~~
7 December 31, 2019, the amount of the exemption under this subsection
8 (1) is equal to seventy-five percent of the state and local sales tax
9 paid. The purchaser is eligible for an exemption under this
10 subsection (1)(b) in the form of a remittance.

11 (c) Beginning January 1, 2020, through December 31, 2030, the
12 purchaser is entitled to an exemption, in the form of a remittance,
13 under this subsection (1)(c) in an amount equal to:

14 (i) Fifty percent of the state and local sales tax paid, if the
15 department of labor and industries certifies that the project
16 includes: Procurement from and contracts with women, minority, or
17 veteran-owned businesses; procurement from and contracts with
18 entities that have a history of complying with federal and state wage
19 and hour laws and regulations; apprenticeship utilization; and
20 preferred entry for workers living in the area where the project is
21 being constructed. In the event that a project is built without one
22 or more of these standards and a project developer or its designated
23 principal contractor demonstrates it has made all good faith efforts
24 to meet the standards but was unable to comply due to lack of
25 availability of qualified businesses or local hires, the department
26 of labor and industries may certify that the developer complied with
27 that standard;

28 (ii) Seventy-five percent of the state and local sales tax paid,
29 if the department of labor and industries certifies that the project
30 complies with (c)(i) of this subsection and compensates workers at
31 prevailing wage rates determined by local collective bargaining as
32 determined by the department of labor and industries; or

33 (iii) One hundred percent of the state and local sales tax paid,
34 if the department of labor and industries certifies that the project
35 is developed under a community workforce agreement or project labor
36 agreement.

37 (d) In order to qualify for the remittance under (c) of this
38 subsection, installation of the qualifying machinery and equipment
39 must commence no earlier than January 1, 2020, and be completed by
40 December 31, 2030.

1 (2) The department of labor and industries must initiate an
2 emergency rule making on the effective date of this section to be
3 completed by December 1, 2019, to:

4 (a) Define and set minimum requirements for all labor standards
5 identified in subsection (1)(c) of this section; and

6 (b) Set requirements for all good faith efforts under subsection
7 (1)(c)(i) and (ii) of this section, as well as documentation
8 requirements and a certification process. Requirements for all good
9 faith efforts must be designed to maximize the likelihood that the
10 project is completed with said standards and could include: Proactive
11 outreach to firms that are women, minority, and veteran-owned
12 businesses; advertising in local community publications and
13 publications appropriate to identified firms; participating in
14 community job fairs, conferences, and trade shows; and other
15 measures. The certification process and timeline must be designed to
16 prevent undue delay to project development.

17 (3) For purposes of this section and RCW 82.12.962, the following
18 definitions apply:

19 (a) "Biomass energy" includes: (i) By-products of pulping and
20 wood manufacturing process; (ii) animal waste; (iii) solid organic
21 fuels from wood; (iv) forest or field residues; (v) wooden demolition
22 or construction debris; (vi) food waste; (vii) liquors derived from
23 algae and other sources; (viii) dedicated energy crops; (ix)
24 biosolids; and (x) yard waste. "Biomass energy" does not include wood
25 pieces that have been treated with chemical preservatives such as
26 creosote, pentachlorophenol, or copper-chrome-arsenic; wood from old
27 growth forests; or municipal solid waste.

28 (b) "Fuel cell" means an electrochemical reaction that generates
29 electricity by combining atoms of hydrogen and oxygen in the presence
30 of a catalyst.

31 (c)(i) "Machinery and equipment" means fixtures, devices, and
32 support facilities that are integral and necessary to the generation
33 of electricity using fuel cells, wind, sun, biomass energy, tidal or
34 wave energy, geothermal resources, or technology that converts
35 otherwise lost energy from exhaust.

36 (ii) "Machinery and equipment" does not include: (A) Hand-powered
37 tools; (B) property with a useful life of less than one year; (C)
38 repair parts required to restore machinery and equipment to normal
39 working order; (D) replacement parts that do not increase
40 productivity, improve efficiency, or extend the useful life of

1 machinery and equipment; (E) buildings; or (F) building fixtures that
2 are not integral and necessary to the generation of electricity that
3 are permanently affixed to and become a physical part of a building.

4 ~~((3))~~ (d) "Project labor agreement" and "community workforce
5 agreement" means a prehire collective bargaining agreement with one
6 or more labor organizations that establishes the terms and conditions
7 of employment for a specific construction project and is an agreement
8 described in 29 U.S.C. Sec. 158(f).

9 (4)(a) Machinery and equipment is "used directly" in generating
10 electricity by wind energy, solar energy, biomass energy, tidal or
11 wave energy, geothermal resources, or technology that converts
12 otherwise lost energy from exhaust if it provides any part of the
13 process that captures the energy of the wind, sun, biomass energy,
14 tidal or wave energy, geothermal resources, or technology that
15 converts otherwise lost energy from exhaust, converts that energy to
16 electricity, and stores, transforms, or transmits that electricity
17 for entry into or operation in parallel with electric transmission
18 and distribution systems.

19 (b) Machinery and equipment is "used directly" in generating
20 electricity by fuel cells if it provides any part of the process that
21 captures the energy of the fuel, converts that energy to electricity,
22 and stores, transforms, or transmits that electricity for entry into
23 or operation in parallel with electric transmission and distribution
24 systems.

25 ~~((4))~~ (5)(a)(i) A purchaser claiming an exemption in the form
26 of a remittance under subsection (1)(b) or (c) of this section must
27 pay the tax imposed by RCW 82.08.020 and all applicable local sales
28 taxes imposed under the authority of chapters 82.14 and 81.104 RCW.
29 The purchaser may then apply to the department for remittance in a
30 form and manner prescribed by the department. A purchaser may not
31 apply for a remittance under this section more frequently than once
32 per quarter. The purchaser must specify the amount of exempted tax
33 claimed and the qualifying purchases for which the exemption is
34 claimed. The purchaser must retain, in adequate detail, records to
35 enable the department to determine whether the purchaser is entitled
36 to an exemption under this section, including: Invoices; proof of tax
37 paid; and documents describing the machinery and equipment.

38 (ii) The application for remittance must include a copy of the
39 certificate issued for the project by the department of labor and
40 industries under subsection (2) of this section.

1 (b) The department must determine eligibility under this section
2 based on the information provided by the purchaser, which is subject
3 to audit verification by the department. The department must on a
4 quarterly basis remit exempted amounts to qualifying purchasers who
5 submitted applications during the previous quarter.

6 ~~((5))~~ (6) The exemption provided by this section expires
7 September 30, 2017, as it applies to: (a) Machinery and equipment
8 that is used directly in the generation of electricity using solar
9 energy and capable of generating no more than five hundred kilowatts
10 of electricity; or (b) sales of or charges made for labor and
11 services rendered in respect to installing such machinery and
12 equipment.

13 ~~((6))~~ (7) This section expires January 1, ~~((2020))~~ 2031.

14 **Sec. 20.** RCW 82.12.962 and 2018 c 164 s 7 are each amended to
15 read as follows:

16 (1) (a) ~~((Except as provided in RCW 82.12.963,))~~ Consumers who
17 have paid the tax imposed by RCW 82.12.020 on machinery and equipment
18 used directly in generating electricity using fuel cells, wind, sun,
19 biomass energy, tidal or wave energy, geothermal resources, or
20 technology that converts otherwise lost energy from exhaust, or to
21 sales of or charges made for labor and services rendered in respect
22 to installing such machinery and equipment, are eligible for an
23 exemption as provided in this section, but only if the purchaser
24 develops with such machinery, equipment, and labor a facility capable
25 of generating not less than one thousand watts of electricity.

26 (b) Beginning on July 1, 2011, through ~~((January 1, 2020))~~
27 December 31, 2019, the amount of the exemption under this subsection
28 (1) is equal to seventy-five percent of the state and local sales tax
29 paid. The consumer is eligible for an exemption under this subsection
30 (1)(b) in the form of a remittance.

31 ~~((2))~~ (c) Beginning on January 1, 2020, through December 31,
32 2030, the consumer is entitled to an exemption, in the form of a
33 remittance, under this subsection (1)(c) in an amount equal to:

34 (i) Fifty percent of the state and local sales use tax paid, if
35 the department of labor and industries certifies that the project
36 includes: Procurement from and contracts with women, minority, or
37 veteran-owned businesses; procurement from and contracts with
38 entities that have a history of complying with federal and state wage
39 and hour laws and regulations; apprenticeship utilization; and

1 preferred entry for workers living in the area where the project is
2 being constructed. In the event that a project is built without one
3 or more of these standards and a project developer or its designated
4 principal contractor demonstrates it has made all good faith efforts
5 to meet the standards but was unable to comply due to lack of
6 availability of qualified businesses or local hires, the department
7 of labor and industries may certify that the developer complied with
8 that standard;

9 (ii) Seventy-five percent of the state and local sales use tax
10 paid, if the department of labor and industries certifies that the
11 project complies with (c)(i) of this subsection and compensates
12 workers at prevailing wage rates determined by local collective
13 bargaining as determined by the department of labor and industries;
14 or

15 (iii) One hundred percent of the state and local sales use tax
16 paid, if the project is developed under a community workforce
17 agreement or project labor agreement.

18 (d) In order to qualify for the remittance under subsection (1)
19 of this section, installation of the qualifying machinery and
20 equipment must commence no earlier than January 1, 2020, and be
21 completed by December 31, 2030.

22 (2) The department of labor and industries must initiate an
23 emergency rule making on the effective date of this section to be
24 completed by December 1, 2019, to:

25 (a) Define and set minimum requirements for all labor standards
26 identified in subsection (1)(c) of this section; and

27 (b) Set requirements for all good faith efforts under subsection
28 (1)(c)(i) and (ii) of this section, as well as documentation
29 requirements and a certification process. Requirements for all good
30 faith efforts must be designed to maximize the likelihood that the
31 project is completed with said standards and could include proactive
32 outreach to firms that are women, minority, and veteran-owned
33 businesses, advertising in local community publications and
34 publications appropriate to identified firms, participating in
35 community job fairs, conferences, and trade shows, and other
36 measures. The certification process and timeline must be designed to
37 prevent undue delay to project development.

38 (3)(a)(i) A person claiming an exemption in the form of a
39 remittance under subsection (1)(b) of this section must pay the tax
40 imposed by RCW 82.12.020 and all applicable local use taxes imposed

1 under the authority of chapters 82.14 and 81.104 RCW. The consumer
2 may then apply to the department for remittance in a form and manner
3 prescribed by the department. A consumer may not apply for a
4 remittance under this section more frequently than once per quarter.
5 The consumer must specify the amount of exempted tax claimed and the
6 qualifying purchases or acquisitions for which the exemption is
7 claimed. The consumer must retain, in adequate detail, records to
8 enable the department to determine whether the consumer is entitled
9 to an exemption under this section, including: Invoices; proof of tax
10 paid; and documents describing the machinery and equipment.

11 (ii) The application for remittance must include a copy of the
12 certificate issued for the project by the department of labor and
13 industries under subsection (1) of this section.

14 (b) The department must determine eligibility under this section
15 based on the information provided by the consumer, which is subject
16 to audit verification by the department. The department must on a
17 quarterly basis remit exempted amounts to qualifying consumers who
18 submitted applications during the previous quarter.

19 ~~((3))~~ (4) Purchases exempt under RCW 82.08.962 are also exempt
20 from the tax imposed under RCW 82.12.020.

21 ~~((4))~~ (5) The definitions in RCW 82.08.962 apply to this
22 section.

23 ~~((5))~~ (6) The exemption provided in subsection (1) of this
24 section does not apply:

25 (a) To machinery and equipment used directly in the generation of
26 electricity using solar energy and capable of generating no more than
27 five hundred kilowatts of electricity, or to sales of or charges made
28 for labor and services rendered in respect to installing such
29 machinery and equipment, when first use within this state of such
30 machinery and equipment, or labor and services, occurs after
31 September 30, 2017; and

32 (b) To any other machinery and equipment described in subsection
33 (1)(a) of this section, or to sales of or charges made for labor and
34 services rendered in respect to installing such machinery or
35 equipment, when first use within this state of such machinery and
36 equipment, or labor and services, occurs after December 31, ~~((2019))~~
37 2029.

38 ~~((6))~~ (7) This section expires January 1, ~~((2020))~~ 2031.

1 **Sec. 21.** RCW 80.04.250 and 2011 c 214 s 9 are each amended to
2 read as follows:

3 (1) The provisions of this section are necessary to ensure that
4 the commission has sufficient flexible authority to determine the
5 value of utility property for rate making purposes and to implement
6 the requirements and full intent of this act.

7 (2) The commission has power upon complaint or upon its own
8 motion to ascertain and determine the fair value for rate making
9 purposes of the property of any public service company used and
10 useful for service in this state by or during the rate effective
11 period and shall exercise such power whenever it deems such valuation
12 or determination necessary or proper under any of the provisions of
13 this title. ~~((In determining what property is used and useful for~~
14 ~~providing electric, gas, wastewater company services, or water~~
15 ~~service, the commission may include the reasonable costs of~~
16 ~~construction work in progress to the extent that the commission finds~~
17 ~~that inclusion is in the public interest.~~

18 ~~(2-))~~ The valuation may include consideration of any property of
19 the public service company acquired or constructed by or during the
20 rate effective period, including the reasonable costs of construction
21 work in progress, to the extent that the commission finds that such
22 an inclusion is in the public interest and will yield fair, just,
23 reasonable, and sufficient rates.

24 (3) The commission may provide changes to rates under this
25 section for up to forty-eight months after the rate effective date
26 using any standard, formula, method, or theory of valuation
27 reasonably calculated to arrive at fair, just, reasonable, and
28 sufficient rates. The commission must establish an appropriate
29 process to identify, review, and approve public service company
30 property that becomes used and useful for service in this state after
31 the rate effective date.

32 (4) The commission has the power to make revaluations of the
33 property of any public service company from time to time.

34 ~~((3-))~~ (5) The commission shall, before any hearing is had,
35 notify the complainants and the public service company concerned of
36 the time and place of such hearing by giving at least thirty days'
37 written notice thereof, specifying that at the time and place
38 designated a hearing will be held for the purpose of ascertaining the
39 value of the company's property, used and useful as aforesaid, which

1 notice must be sufficient to authorize the commission to inquire into
2 and pass upon the matters designated in this section.

3 (6) Nothing in this section limits the commission's authority to
4 consider and implement performance and incentive-based regulation,
5 multiyear rate plans, and other flexible regulatory mechanisms.

6 NEW SECTION. **Sec. 22.** A new section is added to chapter 80.28
7 RCW to read as follows:

8 (1) An electrical company may account for and defer for later
9 consideration by the commission costs incurred in connection with
10 major projects in the electrical company's clean energy
11 implementation plan pursuant to RCW 19.280.030(1)(1), or selected in
12 the electrical company's solicitation of bids for delivering electric
13 capacity, energy, capacity and energy, or conservation. The deferral
14 in this subsection begins with the date on which the resource begins
15 commercial operation or the effective date of the power purchase
16 agreement and continues for a period not to exceed twenty-four
17 months. However, if during such a period the electrical company files
18 a general rate case or other proceeding for the recovery of such
19 costs, deferral ends on the effective date of the final decision by
20 the commission in such a proceeding. Creation of such a deferral
21 account does not by itself determine the actual costs of the resource
22 or power purchase agreement, whether recovery of any or all of these
23 costs is appropriate, or other issues to be decided by the commission
24 in a general rate case or other proceeding.

25 (2) The costs that an electrical company may account for and
26 defer for later consideration by the commission pursuant to
27 subsection (1) of this section include all operating and maintenance
28 costs, depreciation, taxes, cost of capital associated with the
29 applicable resource, or the execution of a power purchase agreement.
30 Such costs of capital include:

31 (a) The electrical company's authorized return on equity for any
32 resource acquired or developed by the electrical company; or

33 (b) For the duration of a power purchase agreement, a return of
34 no less than the authorized cost of debt and no greater than the
35 authorized rate of return of the electrical company multiplied by the
36 costs incurred by the electrical company under the power purchase
37 agreement.

1 **Sec. 23.** RCW 43.21F.090 and 1996 c 186 s 106 are each amended to
2 read as follows:

3 (1) The department shall review the state energy strategy ((as
4 developed under section 1, chapter 201, Laws of 1991, periodically
5 with the guidance of an advisory committee. For each review, an
6 advisory committee shall be established with a membership resembling
7 as closely as possible the original energy strategy advisory
8 committee specified under section 1, chapter 201, Laws of 1991.)) by
9 December 31, 2020, and at least once every eight years thereafter,
10 subject to funding provided for this purpose, for the purpose of
11 aligning the state energy strategy with the requirements of RCW
12 43.21F.088 and chapters 19.285 and 19.--- RCW (the new chapter
13 created in section 28 of this act), and the emission reduction
14 targets recommended by the department of ecology under RCW
15 70.235.040. The department must establish an energy strategy advisory
16 committee for each review to provide guidance to the department in
17 conducting the review. The membership of the energy strategy advisory
18 committee must consist of the following:

19 (a) One person recommended by investor-owned electric utilities;

20 (b) One person recommended by investor-owned natural gas
21 utilities;

22 (c) One person employed by or recommended by a natural gas
23 pipeline serving the state;

24 (d) One person recommended by suppliers of petroleum products;

25 (e) One person recommended by municipally owned electric
26 utilities;

27 (f) One person recommended by public utility districts;

28 (g) One person recommended by rural electrical cooperatives;

29 (h) One person recommended by industrial energy users;

30 (i) One person recommended by commercial energy users;

31 (j) One person recommended by agricultural energy users;

32 (k) One person recommended by the association of Washington
33 cities;

34 (l) One person recommended by the Washington association of
35 counties;

36 (m) One person recommended by Washington Indian tribes;

37 (n) One person recommended by businesses in the clean energy
38 industry;

39 (o) One person recommended by labor unions;

1 (p) Two persons recommended by civic organizations, one of which
2 must be a representative of a civic organization that represents
3 vulnerable populations;

4 (q) Two persons recommended by environmental organizations;

5 (r) One person representing independent power producers;

6 (s) The chair of the energy facility site evaluation council or
7 the chair's designee;

8 (t) One of the representatives of the state of Washington to the
9 Pacific Northwest electric power and conservation planning council
10 selected by the governor;

11 (u) The chair of the utilities and transportation commission or
12 the chair's designee;

13 (v) One member from each of the two largest caucuses of the house
14 of representatives selected by the speaker of the house of
15 representatives; and

16 (w) One member from each of the two largest caucuses of the
17 senate selected by the president of the senate.

18 (2) The chair of the advisory committee must be appointed by the
19 governor from citizen members. The director may establish technical
20 advisory groups as necessary to assist in the development of the
21 strategy. The director shall provide for extensive public involvement
22 throughout the development of the strategy.

23 (3) Upon completion of a public hearing regarding the advisory
24 committee's advice and recommendations for revisions to the energy
25 strategy, a written report shall be conveyed by the department to the
26 governor and the appropriate legislative committees. ((Any)) The
27 energy strategy advisory committee established under this section
28 ((shall)) must be dissolved within three months after their written
29 report is conveyed.

30 NEW SECTION. Sec. 24. (1) By January 1, 2020, the department of
31 commerce must convene an energy and climate policy advisory committee
32 to develop recommendations to the legislature for the coordination of
33 existing resources, or the establishment of new ones, for the
34 purposes of examining the costs and benefits of energy-related
35 policies, programs, functions, activities, and incentives on an on-
36 going basis and conducting other energy-related studies and analyses
37 as may be directed by the legislature.

38 (2) The advisory committee convened under this section must
39 consist of, at minimum, representatives of each the state's public

1 four-year institutions of higher education, the Pacific Northwest
2 National Laboratory, and the Washington state institute for public
3 policy.

4 (3) Subject to the availability of amounts appropriated for this
5 specific purpose, and in compliance with RCW 43.01.036, the
6 department of commerce must submit its recommendations in a report to
7 the legislature by December 31, 2020.

8 (4) This section expires January 1, 2021.

9 NEW SECTION. **Sec. 25.** By December 31, 2020, the department of
10 health must develop a cumulative impact analysis to designate the
11 communities highly impacted by fossil fuel pollution and climate
12 change in Washington. The cumulative impact analysis may integrate
13 with and build upon other concurrent cross-agency efforts in
14 developing a cumulative impact analysis and population tracking
15 resources used by the department of health and analysis performed by
16 the University of Washington department of environmental and
17 occupational health sciences.

18 NEW SECTION. **Sec. 26.** (1) The legislature finds that based on
19 current technology, there will likely need to be upgrades to
20 electricity transmission and distribution infrastructure across the
21 state to meet the goals specified in this act. These facilities
22 require a significant planning horizon to deliver electricity
23 generation sites to retail electric load. Pursuant to RCW 80.50.040,
24 the energy facility site evaluation council chair shall convene a
25 transmission corridors work group and report its findings to the
26 governor and the appropriate committees of the legislature by
27 December 31, 2022.

28 (2) The work group must include one representative from each of
29 the following state agencies: The department of commerce, the
30 utilities and transportation commission, the department of ecology,
31 the department of fish and wildlife, the department of natural
32 resources, the department of transportation, the department of
33 archaeology and historic preservation, and the state military
34 department. The work group shall also include two representatives
35 designated by the association of Washington cities, one from central
36 or eastern Washington and one from western Washington; two
37 representatives designated by the Washington state association of
38 counties, one from central or eastern Washington and one from western

1 Washington; two members designated by sovereign tribal governments;
2 one member representing affected utility industries; one member
3 representing public utility districts; and two members representing
4 statewide environmental organizations. The energy facility site
5 evaluation council chair shall invite the Bonneville power
6 administration and the United States department of defense to each
7 appoint an ex officio work group member.

8 (3) The work group shall:

9 (a) Review the need for upgraded and new electricity transmission
10 and distribution facilities to improve reliability, relieve
11 congestion, and enhance the capability of the transmission and
12 distribution facilities in the state to deliver electricity from
13 electric generation, nonemitting electric generation, or renewable
14 resources to retail electric load;

15 (b) Identify areas where transmission and distribution facilities
16 may need to be enhanced or constructed; and

17 (c) Identify environmental review options that may be required to
18 complete the designation of such corridors and recommend ways to
19 expedite review of transmission projects without compromising
20 required environmental protection.

21 (4) The energy facility site evaluation council may contract
22 services to assist in the work group efforts.

23 (5) This section expires January 1, 2023.

24 NEW SECTION. **Sec. 27.** This chapter may be known and cited as
25 the Washington clean energy transformation act.

26 NEW SECTION. **Sec. 28.** Sections 1 through 13 and 27 of this act
27 constitute a new chapter in Title 19 RCW.

28 **Sec. 29.** RCW 19.285.030 and 2017 c 315 s 1 are each amended to
29 read as follows:

30 The definitions in this section apply throughout this chapter
31 unless the context clearly requires otherwise.

32 (1) "Attorney general" means the Washington state office of the
33 attorney general.

34 (2) "Auditor" means: (a) The Washington state auditor's office or
35 its designee for qualifying utilities under its jurisdiction that are
36 not investor-owned utilities; or (b) an independent auditor selected

1 by a qualifying utility that is not under the jurisdiction of the
2 state auditor and is not an investor-owned utility.

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

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

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

15 (5) "Commission" means the Washington state utilities and
16 transportation commission.

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

20 (7) "Cost-effective" has the same meaning as defined in RCW
21 80.52.030.

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

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

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

28 (11) "Distributed generation" means an eligible renewable
29 resource where the generation facility or any integrated cluster of
30 such facilities has a generating capacity of not more than five
31 megawatts.

32 (12) "Eligible renewable resource" means:

33 (a) Electricity from a generation facility powered by a renewable
34 resource other than freshwater that commences operation after March
35 31, 1999, where: (i) The facility is located in the Pacific
36 Northwest; or (ii) the electricity from the facility is delivered
37 into Washington state on a real-time basis without shaping, storage,
38 or integration services;

39 (b) Incremental electricity produced as a result of efficiency
40 improvements completed after March 31, 1999, to hydroelectric

1 generation projects owned by a qualifying utility and located in the
2 Pacific Northwest where the additional generation does not result in
3 new water diversions or impoundments;

4 (c) Hydroelectric generation from a project completed after March
5 31, 1999, where the generation facility is located in irrigation
6 pipes, irrigation canals, water pipes whose primary purpose is for
7 conveyance of water for municipal use, and wastewater pipes located
8 in Washington where the generation does not result in new water
9 diversions or impoundments;

10 (d) Qualified biomass energy;

11 (e) For a qualifying utility that serves customers in other
12 states, electricity from a generation facility powered by a renewable
13 resource other than freshwater that commences operation after March
14 31, 1999, where: (i) The facility is located within a state in which
15 the qualifying utility serves retail electrical customers; and (ii)
16 the qualifying utility owns the facility in whole or in part or has a
17 long-term contract with the facility of at least twelve months or
18 more; ((~~e~~))

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

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

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

33 (g) That portion of incremental electricity produced as a result
34 of efficiency improvements completed after March 31, 1999,
35 attributable to a qualifying utility's share of the electricity
36 output from hydroelectric generation projects whose energy output is
37 marketed by the Bonneville power administration where the additional
38 generation does not result in new water diversions or impoundments;
39 or

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

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

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

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

18 (b) "Nonpower attributes" does not include any aspects, claims,
19 characteristics, and benefits associated with the on-site capture and
20 destruction of methane or other greenhouse gases at a facility
21 through a digester system, landfill gas collection system, or other
22 mechanism, which may be separately marketable as greenhouse gas
23 emission reduction credits, offsets, or similar tradable commodities.
24 However, these separate avoided emissions may not result in or
25 otherwise have the effect of attributing greenhouse gas emissions to
26 the electricity.

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

31 (17) "Public facility" has the same meaning as defined in RCW
32 39.35C.010.

33 (18) "Qualified biomass energy" means electricity produced from a
34 biomass energy facility that: (a) Commenced operation before March
35 31, 1999; (b) contributes to the qualifying utility's load; and (c)
36 is owned either by: (i) A qualifying utility; or (ii) an industrial
37 facility that is directly interconnected with electricity facilities
38 that are owned by a qualifying utility and capable of carrying
39 electricity at transmission voltage.

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

7 (20) "Renewable energy credit" means a tradable certificate of
8 proof of (~~at least~~) one megawatt-hour of an eligible renewable
9 resource (~~where the generation facility is not powered by~~
10 ~~freshwater~~). The certificate includes all of the nonpower attributes
11 associated with that one megawatt-hour of electricity, and the
12 certificate is verified by a renewable energy credit tracking system
13 selected by the department.

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

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

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

25 **Sec. 30.** RCW 19.285.040 and 2017 c 315 s 2 are each amended to
26 read as follows:

27 (1) Each qualifying utility shall pursue all available
28 conservation that is cost-effective, reliable, and feasible.

29 (a) By January 1, 2010, using methodologies consistent with those
30 used by the Pacific Northwest electric power and conservation
31 planning council in the most recently published regional power plan
32 as it existed on June 12, 2014, or a subsequent date as may be
33 provided by the department or the commission by rule, each qualifying
34 utility shall identify its achievable cost-effective conservation
35 potential through 2019. Nothing in the rule adopted under this
36 subsection precludes a qualifying utility from using its utility
37 specific conservation measures, values, and assumptions in
38 identifying its achievable cost-effective conservation potential. At

1 least every two years thereafter, the qualifying utility shall review
2 and update this assessment for the subsequent ten-year period.

3 (b) Beginning January 2010, each qualifying utility shall
4 establish and make publicly available a biennial acquisition target
5 for cost-effective conservation consistent with its identification of
6 achievable opportunities in (a) of this subsection, and meet that
7 target during the subsequent two-year period. At a minimum, each
8 biennial target must be no lower than the qualifying utility's pro
9 rata share for that two-year period of its cost-effective
10 conservation potential for the subsequent ten-year period.

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

18 (ii) Beginning January 1, 2014, a qualifying utility may use
19 single large facility conservation savings in excess of its biennial
20 target to meet up to an additional five percent of the immediately
21 subsequent two biennial acquisition targets, such that no more than
22 twenty-five percent of any biennial target may be met with excess
23 conservation savings allowed under all of the provisions of this
24 section combined. For the purposes of this subsection (1)(c)(ii),
25 "single large facility conservation savings" means cost-effective
26 conservation savings achieved in a single biennial period at the
27 premises of a single customer of a qualifying utility whose annual
28 electricity consumption prior to the conservation savings exceeded
29 five average megawatts.

30 (iii) Beginning January 1, 2012, and until December 31, 2017, a
31 qualifying utility with an industrial facility located in a county
32 with a population between ninety-five thousand and one hundred
33 fifteen thousand that is directly interconnected with electricity
34 facilities that are capable of carrying electricity at transmission
35 voltage may use cost-effective conservation from that industrial
36 facility in excess of its biennial acquisition target to help meet
37 the immediately subsequent two biennial acquisition targets, such
38 that no more than twenty-five percent of any biennial target may be
39 met with excess conservation savings allowed under all of the
40 provisions of this section combined.

1 (d) In meeting its conservation targets, a qualifying utility may
2 count high-efficiency cogeneration owned and used by a retail
3 electric customer to meet its own needs. High-efficiency cogeneration
4 is the sequential production of electricity and useful thermal energy
5 from a common fuel source, where, under normal operating conditions,
6 the facility has a useful thermal energy output of no less than
7 thirty-three percent of the total energy output. The reduction in
8 load due to high-efficiency cogeneration shall be: (i) Calculated as
9 the ratio of the fuel chargeable to power heat rate of the
10 cogeneration facility compared to the heat rate on a new and clean
11 basis of a best-commercially available technology combined-cycle
12 natural gas-fired combustion turbine; and (ii) counted towards
13 meeting the biennial conservation target in the same manner as other
14 conservation savings.

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

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

20 (2)(a) Except as provided in (j) of this subsection, each
21 qualifying utility shall use eligible renewable resources or acquire
22 equivalent renewable energy credits, or any combination of them, to
23 meet the following annual targets:

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

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

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

30 (b) A qualifying utility may count distributed generation at
31 double the facility's electrical output if the utility: (i) Owns or
32 has contracted for the distributed generation and the associated
33 renewable energy credits; or (ii) has contracted to purchase the
34 associated renewable energy credits.

35 (c) In meeting the annual targets in (a) of this subsection, a
36 qualifying utility shall calculate its annual load based on the
37 average of the utility's load for the previous two years.

38 (d) A qualifying utility shall be considered in compliance with
39 an annual target in (a) of this subsection if: (i) The utility's
40 weather-adjusted load for the previous three years on average did not

1 increase over that time period; (ii) after December 7, 2006, the
2 utility did not commence or renew ownership or incremental purchases
3 of electricity from resources other than coal transition power or
4 renewable resources other than on a daily spot price basis and the
5 electricity is not offset by equivalent renewable energy credits; and
6 (iii) the utility invested at least one percent of its total annual
7 retail revenue requirement that year on eligible renewable resources,
8 renewable energy credits, or a combination of both.

9 ~~(e) ((The requirements of this section may be met for any given~~
10 ~~year with renewable energy credits produced during that year, the~~
11 ~~preceding year, or the subsequent year. Each renewable energy credit~~
12 ~~may be used only once to meet the requirements of this section))~~ A
13 qualifying utility may use renewable energy credits to meet the
14 requirements of this section, subject to the limitations of this
15 subsection.

16 (i) A renewable energy credit from electricity generated by a
17 resource other than freshwater may be used to meet a requirement
18 applicable to the year in which the credit was created, or the year
19 after the year in which the credit was created.

20 (ii) A renewable energy credit from electricity generated by
21 freshwater:

22 (A) May only be used to meet a requirement applicable to the year
23 in which the credit was created; and

24 (B) Must be acquired by the qualifying utility through ownership
25 of the generation facility or through a transaction that conveyed
26 both the electricity and the nonpower attributes of the electricity.

27 (iii) A renewable energy credit transferred to an investor-owned
28 utility pursuant to the Bonneville power administration's residential
29 exchange program may not be used by any utility other than the
30 utility receiving the credit from the Bonneville power
31 administration.

32 (iv) Each renewable energy credit may only be used once to meet
33 the requirements of this section and must be retired using procedures
34 of the renewable energy credit tracking system.

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

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

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

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

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

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

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

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

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

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

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

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

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

12 (l) Beginning January 1, 2020, a qualifying utility may use
13 eligible renewable resources as identified under RCW 19.285.030(12)
14 (g) and (h) to meet its compliance obligation under this subsection
15 (2). A qualifying utility may not transfer or sell these eligible
16 renewable resources to another utility for compliance purposes under
17 this chapter.

18 (m) Beginning January 1, 2030, a qualifying utility is considered
19 to be in compliance with an annual target in (a) of this subsection
20 if the utility uses electricity from: (i) Renewable resources and
21 renewable energy credits as defined in RCW 19.285.030; and (ii)
22 nonemitting electric generation as defined in section 2 of this act,
23 in an amount equal to one hundred percent of the utility's average
24 annual retail electric load. Nothing in this subsection relieves the
25 requirements of a qualifying utility to comply with subsection (1) of
26 this section.

27 (3) Utilities that become qualifying utilities after December 31,
28 2006, shall meet the requirements in this section on a time frame
29 comparable in length to that provided for qualifying utilities as of
30 December 7, 2006.

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

35 NEW SECTION. Sec. 32. This act is necessary for the immediate
36 preservation of the public peace, health, or safety, or support of

1 the state government and its existing public institutions, and takes
2 effect immediately."

3 Correct the title.

EFFECT: The striking amendment:

Makes technical changes relating to grammar, punctuation, structure, and word usage;

Amends the definition of "retail electric load" to exclude: (1) Megawatt-hours delivered from qualifying facilities as defined under the federal Public Utility Regulatory Policies Act (PURPA); and (2) megawatt-hours delivered to an electric utility's system from a renewable resource through a voluntary renewable energy purchase by a retail electric customer of the utility;

Amends the Greenhouse Gas Neutral Standard to require an electric utility to demonstrate its compliance with the standard beginning January 1, 2030, and at a minimum interval of every four years thereafter through December 31, 2044;

Adds additional requirements regarding the use of electricity from certain energy recovery facilities using municipal solid waste as an alternative compliance option under the Greenhouse Gas Neutral Standard;

Requires each electric utility to demonstrate its compliance with the Clean Energy Standard by January 1, 2045, and each year thereafter using a combination of nonemitting electric generation and electricity from renewable resources;

Specifies that an electric utility must incorporate the Clean Energy Standard into resource planning under chapter 19.280 RCW; the construction or acquisition of property, including electric generating facilities; and the provision of electricity service to retail electric customers;

Reorganizes and restructures the provisions relating to Clean Energy Implementation Plans and incremental cost caps;

Removes the 5 percent incremental cost cap for certain consumer-owned utilities that own and operate natural gas electric generating facilities;

Clarifies the role of the Department of Ecology in developing criteria for energy transformation projects;

Makes changes to provisions relating to low-income energy assistance;

Makes changes to provisions relating to the condemnation of certain energy assets;

Applies the administrative penalty to affected market customers;

Increases the base administrative penalty from \$60 to \$100 and applies certain source-specific multipliers;

Clarifies the roles of the governing body, Auditor, and Attorney General in enforcing the requirements of the Greenhouse Gas Neutral Standard for a consumer-owned utility;

Consolidates agency rule-making provisions;

Removes the requirement for an electric utility to adopt a 20-year Clean Energy Transformation Plan as part of its Integrated Resource Plan; and

Amends the treatment of renewable energy credits under the Energy Independence Act.

--- END ---