
SECOND SUBSTITUTE HOUSE BILL 1303

State of Washington**60th Legislature****2007 Regular Session**

By House Committee on Appropriations (originally sponsored by Representatives Dickerson, B. Sullivan, Jarrett, Linville, Priest, Appleton, Pedersen, Kenney, Sells, Morrell, Lantz, O'Brien, Chase, Eickmeyer, McCoy, Haigh, Rolfes, Hurst, Eddy, Springer, Schual-Berke, Fromhold, Moeller, Hunt, Goodman, Williams, Darneille, Kagi, Lovick, Campbell, Dunshee, Sommers, Simpson, Hunter, Roberts and Miloscia)

READ FIRST TIME 3/5/07.

1 AN ACT Relating to providing for the means to encourage the use of
2 cleaner energy thereby providing for healthier communities by reducing
3 emissions; amending RCW 70.94.015, 70.94.017, 53.08.040, 43.19.642,
4 15.110.010, 15.110.020, 15.110.030, 15.110.040, 15.110.050, 15.110.060,
5 47.17.020, 47.17.135, and 47.17.140; adding a new section to chapter
6 28A.300 RCW; adding a new section to chapter 82.44 RCW; adding new
7 sections to chapter 43.19 RCW; adding a new section to chapter 43.01
8 RCW; adding a new section to chapter 89.08 RCW; adding a new section to
9 chapter 35.21 RCW; adding a new section to chapter 35.92 RCW; adding a
10 new section to chapter 54.04 RCW; adding a new section to chapter
11 28B.30 RCW; adding a new section to chapter 43.135 RCW; adding a new
12 chapter to Title 43 RCW; creating new sections; recodifying RCW
13 15.110.005, 15.110.010, 15.110.020, 15.110.030, 15.110.040, 15.110.050,
14 15.110.060, 15.110.900, and 15.110.901; and providing expiration dates.

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

16 NEW SECTION. **Sec. 1.** (1) The legislature finds that excessive
17 dependence on fossil fuels jeopardizes Washington's economic security,
18 environmental integrity, and public health. Accelerated development
19 and use of clean fuels and clean vehicle technologies will reduce the

1 drain on Washington's economy from importing fossil fuels. As fossil
2 fuel prices rise, clean fuels and vehicles can save money for consumers
3 while promoting the development of a major, sustainable industry that
4 provides good jobs and a new source of rural prosperity.

5 (2) Clean fuels and vehicles will protect public health by reducing
6 toxic air pollution and reduce our largest source of global warming
7 pollution. The state must better understand and prepare for the
8 effects of global warming and the challenges and opportunities
9 associated with evolving climate policies and carbon markets.

10 (3) To reduce fossil fuel dependence and build our clean energy
11 economy, the state should develop policies and incentives that help
12 businesses, consumers, and farmers gain greater access to affordable
13 clean fuels and vehicles and to produce clean fuels in the state.
14 These policies and incentives should include: Incentives for
15 replacement of the most polluting diesel engines, especially in school
16 buses; transitional incentives for development of the most promising
17 in-state clean fuels and fuel feedstocks, including biodiesel crops,
18 ethanol from plant waste, and liquid natural gas from landfill or
19 wastewater treatment gases; reduced fossil fuel consumption by state
20 fleets; development of promising new technologies for displacing
21 petroleum with electricity, such as "plug-in hybrids"; and impact
22 analysis and emission accounting procedures that prepare Washington to
23 respond and prosper as global warming impacts occur and as policies and
24 markets to reduce global warming pollution are developed.

25 **PART 1**

26 **INVESTING IN CLEAN AIR**

27 NEW SECTION. **Sec. 101.** (1) The legislature finds that fine
28 particle air pollution attributable to diesel fuel is a significant
29 health hazard to school children and other residents in our state.
30 Sources of diesel emissions include diesel-powered trucks, buses and
31 cars, diesel-powered marine vessels, construction equipment, trains,
32 aircraft support equipment, cargo handling equipment, and a variety of
33 other on and off-road engines. Reducing fine particles and toxic
34 emissions from diesel emissions and other sources of pollution reduces
35 the adverse health impacts on children, reduces cancer risk, and
36 reduces the incidence and severity of asthma attacks and chronic

1 bronchitis. Reducing diesel emissions, in addition to strategies to
2 reduce wood smoke, will also aid areas of the state facing potential
3 nonattainment of new fine particle standards established by the United
4 States environmental protection agency and help avoid the adverse
5 health and economic impacts of nonattainment.

6 (2) Under the current Washington state clean school bus program,
7 approximately seven thousand five hundred diesel school buses, over
8 three-quarters of the existing fleet statewide, will be retrofitted by
9 2008. Reduced exhaust emissions from these retrofitted buses provide
10 cleaner air to breathe for the children riding the buses and the
11 citizens in the communities served by the buses.

12 (3) The legislature finds that it is not cost-effective to retrofit
13 much older buses because of their mechanical condition and very high
14 emissions. Replacement with new, ultra-low emission buses, beginning
15 with the model year 2007, is the most effective means to nearly
16 eliminate the toxic emissions generated by the use of these older
17 buses. In addition, newer buses are safer, more reliable, provide
18 significantly higher fuel economy, and have lower overall operating
19 costs. An incentive program to accelerate purchase of newer buses and
20 replacement of older buses will more quickly achieve these gains and
21 result in a lower health risk to children.

22 (4) Even with new federal diesel fuel and engine standards going
23 into effect in 2006 and 2007, and due to the long life of diesel
24 engines, diesel emissions will continue to be an air pollution concern
25 for many years.

26 (5) Many public and private fleets continue to use diesel equipment
27 that has not been retrofitted to reduce emissions. Therefore, the
28 legislature finds that it is important to continue to take measures to
29 reduce diesel emissions in our state so we protect the health of our
30 citizens and create healthier communities. Reducing diesel emissions
31 will also allow continued growth in major ports in the state by
32 maintaining air quality within federal standards.

33 NEW SECTION. **Sec. 102.** A new section is added to chapter 28A.300
34 RCW to read as follows:

35 (1) The office of the superintendent of public instruction shall
36 implement a school bus replacement incentive program. As part of the
37 program, the office shall fund up to ten percent of the cost of a new

1 2007 or later model year school bus that meets the 2007 federal motor
2 vehicle emission control standards and is purchased by a school
3 district by no later than June 30, 2009, provided that the new bus is
4 replacing a 1994 or older school bus in the school district's fleet.
5 Replacement of the oldest buses must be given highest priority.

6 (2) The office of the superintendent of public instruction shall
7 ensure that buses being replaced through this program are surplused
8 under RCW 28A.335.180. As part of the surplus process, school
9 districts must provide written documentation to the office of the
10 superintendent of public instruction demonstrating that buses being
11 replaced are scrapped and not purchased for road use. The
12 documentation must include bus make, model, year, vehicle
13 identification number, engine make, engine serial number, and salvage
14 yard receipts; and must demonstrate that the engine and body of the bus
15 being replaced has been rendered unusable.

16 NEW SECTION. **Sec. 103.** The legislature finds that vehicle
17 emissions are responsible for more than fifty percent of all air
18 pollution in Washington. The legislature further finds that the repeal
19 of the clean air funds by the legislature in 2000 severely limited the
20 ability of state and local air agencies to cope with toxic air
21 emissions from vehicles. Previously, the two dollar per vehicle fee
22 allowed for programs to reduce air pollution. The legislature further
23 finds that it is necessary to reinstate a clean air vehicle allocation
24 of two dollars per vehicle in order to deal with pollution from vehicle
25 emissions and to provide incentive, research, and coordination for the
26 production and distribution of certain biofuels.

27 NEW SECTION. **Sec. 104.** A new section is added to chapter 82.44
28 RCW to read as follows:

29 (1) Effective January 1, 2009, in addition to any other tax imposed
30 for the privilege of using a motor vehicle in the state, an annual
31 clean air vehicle assessment of two dollars is imposed on the owner of
32 any motor vehicle.

33 (2) The annual clean air vehicle assessment applies only when
34 renewing a vehicle registration, and is effective upon the registration
35 renewal date as provided by the department.

1 (3) No additional tax shall be imposed under this section upon any
2 vehicle upon the transfer of ownership thereof if the tax imposed with
3 respect to such a vehicle has already been paid for the registration
4 year or fraction of a registration year in which the transfer of
5 ownership occurs.

6 (4) Moneys collected by the annual clean air vehicle assessment
7 must be distributed as follows:

8 (a) Seventy-five percent must be distributed in the air pollution
9 control account created in RCW 70.94.015; and

10 (b) Twenty-five percent must be deposited in the energy freedom
11 account created in RCW 15.110.050 (as recodified by this act).

12 **Sec. 105.** RCW 70.94.015 and 1998 c 321 s 33 are each amended to
13 read as follows:

14 (1) The air pollution control account is established in the state
15 treasury. All receipts collected by or on behalf of the department
16 from RCW 70.94.151(2), and receipts from nonpermit program sources
17 under RCW 70.94.152(1) and 70.94.154(7), and all receipts from RCW
18 70.94.650(~~(7)~~) and 70.94.660(~~(7, 82.44.020(2), and 82.50.405)~~) shall be
19 deposited into the account. Moneys in the account may be spent only
20 after appropriation. Expenditures from the account may be used only to
21 develop and implement the provisions of chapters 70.94 and 70.120 RCW.

22 (2) Except as otherwise provided in this section, the amounts
23 collected and allocated in accordance with this section shall be
24 expended upon appropriation except as otherwise provided in this
25 section and in accordance with the following limitations:

26 Portions of moneys received by the department of ecology from the
27 air pollution control account shall be distributed by the department to
28 local authorities based on:

29 (a) The level and extent of air quality problems within such
30 authority's jurisdiction;

31 (b) The costs associated with implementing air pollution regulatory
32 programs by such authority; and

33 (c) The amount of funding available to such authority from other
34 sources, whether state, federal, or local, that could be used to
35 implement such programs.

36 (3) All receipts from the clean air vehicle assessment created in

1 section 104 of this act designated for deposit into the air pollution
2 control account must be expended upon appropriation and in accordance
3 with the following limitations:

4 (a) All clean air vehicle assessments collected from the owners of
5 motor vehicles registered in a county that is part of an activated
6 authority must be appropriated to that authority to be used to reduce
7 transportation-related air contaminant emissions and clean up air
8 pollution or reduce and monitor toxic air contaminants;

9 (b) All clean air vehicle assessments collected from the owners of
10 motor vehicles registered in a county that is not part of an activated
11 authority must be appropriated to the department; and

12 (c) Funding received by the department or an authority from the
13 clean air vehicle assessment may be used for publicly or privately
14 owned diesel equipment if the director or the control officer finds
15 that funding for publicly or privately owned diesel vehicles will
16 provide public health benefits and further the purposes of this
17 chapter.

18 (4) The air operating permit account is created in the custody of
19 the state treasurer. All receipts collected by or on behalf of the
20 department from permit program sources under RCW 70.94.152(1),
21 70.94.161, 70.94.162, and 70.94.154(7) shall be deposited into the
22 account. Expenditures from the account may be used only for the
23 activities described in RCW 70.94.152(1), 70.94.161, 70.94.162, and
24 70.94.154(7). Moneys in the account may be spent only after
25 appropriation.

26 **Sec. 106.** RCW 70.94.017 and 2005 c 295 s 5 are each amended to
27 read as follows:

28 (1) Money deposited in the segregated subaccount of the air
29 pollution control account under RCW 46.68.020(2) shall be distributed
30 as follows:

31 (a) Eighty-five percent shall be distributed to air pollution
32 control authorities created under this chapter. The money must be
33 distributed in direct proportion with the amount of fees imposed under
34 RCW 46.12.080, 46.12.170, and 46.12.181 that are collected within the
35 boundaries of each authority. However, an amount in direct proportion
36 with those fees collected in counties for which no air pollution
37 control authority exists must be distributed to the department.

1 (b) The remaining fifteen percent shall be distributed to the
2 department.

3 (2) Money distributed to air pollution control authorities and the
4 department under subsection (1) of this section must be used as
5 follows:

6 (a) Eighty-five percent of the money received by an air pollution
7 control authority or the department is available on a priority basis to
8 retrofit school buses with exhaust emission control devices or to
9 provide funding for fueling infrastructure necessary to allow school
10 bus fleets to use alternative, cleaner fuels. In addition, the
11 director of ecology or the air pollution control officer may direct
12 funding under this section for other publicly or privately owned diesel
13 equipment if the director of ecology or the air pollution control
14 officer finds that funding for other publicly or privately owned diesel
15 equipment will provide public health benefits and further the purposes
16 of this chapter.

17 (b) The remaining fifteen percent may be used by the air pollution
18 control authority or department to reduce transportation-related air
19 contaminant emissions and clean up air pollution, or reduce and monitor
20 toxic air contaminants.

21 (3) Money in the air pollution control account may be spent by the
22 department only after appropriation.

23 (4) This section expires July 1, 2020.

24 **Sec. 107.** RCW 53.08.040 and 1989 c 298 s 1 are each amended to
25 read as follows:

26 (1) A district may improve its lands by dredging, filling,
27 bulkheading, providing waterways or otherwise developing such lands for
28 industrial and commercial purposes. A district may also acquire,
29 construct, install, improve, and operate sewer and water utilities to
30 serve its own property and other property owners under terms,
31 conditions, and rates to be fixed and approved by the port commission.
32 A district may also acquire, by purchase, construction, lease, or in
33 any other manner, and may maintain and operate other facilities for the
34 control or elimination of air, water, or other pollution, including,
35 but not limited to, facilities for the treatment and/or disposal of
36 industrial wastes, and may make such facilities available to others
37 under terms, conditions and rates to be fixed and approved by the port

1 commission. Such conditions and rates shall be sufficient to reimburse
2 the port for all costs, including reasonable amortization of capital
3 outlays caused by or incidental to providing such other pollution
4 control facilities(~~(+ PROVIDED, That)~~). However, no part of such
5 costs of providing any pollution control facility to others shall be
6 paid out of any tax revenues of the port(~~(+ AND PROVIDED FURTHER,~~
7 ~~That)~~) and no port shall enter into an agreement or contract to provide
8 sewer and/or water utilities or pollution control facilities if
9 substantially similar utilities or facilities are available from
10 another source (or sources) which is able and willing to provide such
11 utilities or facilities on a reasonable and nondiscriminatory basis
12 unless such other source (or sources) consents thereto.

13 (2) In the event that a port elects to make such other pollution
14 control facilities available to others, it shall do so by lease, lease
15 purchase agreement, or other agreement binding such user to pay for the
16 use of said facilities for the full term of the revenue bonds issued by
17 the port for the acquisition of said facilities, and said payments
18 shall at least fully reimburse the port for all principal and interest
19 paid by it on said bonds and for all operating or other costs, if any,
20 incurred by the port in connection with said facilities(~~(+ PROVIDED,~~
21 ~~That)~~). However, (~~That)~~ where there is more than one user of
22 any such facilities, each user shall be responsible for its pro rata
23 share of such costs and payment of principal and interest. Any port
24 intending to provide pollution control facilities to others shall first
25 survey the port district to ascertain the potential users of such
26 facilities and the extent of their needs. The port shall conduct a
27 public hearing upon the proposal and shall give each potential user an
28 opportunity to participate in the use of such facilities upon equal
29 terms and conditions.

30 (3) "Pollution control facility," as used in this section and RCW
31 53.08.041, does not include air quality improvement equipment that
32 provides emission reductions for engines, vehicles, and vessels.

33 **PART 2**
34 **PUBLIC SECTOR FUEL USE**

35 NEW SECTION. **Sec. 201.** (1) The legislature finds that it is in
36 the state's interest and to the benefit of the people of the state to

1 encourage the use of electrical vehicle technology that will reduce
2 fossil fuel dependence and toxic air pollution. Displacing petroleum
3 with electricity will keep more energy expenditures and jobs in
4 Washington's economy instead of being lost to fossil fuel imports.

5 (2) Motor vehicles produce more than half of the global warming
6 pollution in the state of Washington. Reducing the use of fossil fuels
7 through alternatives such as electrification is one of the most
8 practical, beneficial climate solutions available to the state and its
9 citizens.

10 (3) The legislature finds that cleaner fuels and vehicles,
11 including vehicles that use electricity, can help the state achieve
12 better public health, increased energy security, and substantial
13 economic benefits.

14 (4) The legislature finds that there is a compelling public
15 interest in reducing fossil fuel dependence and emissions of global
16 warming pollution. It is important for the state of Washington to
17 demonstrate leadership in this regard and achieve reductions in the use
18 of fossil fuels by state fleets.

19 **Sec. 202.** RCW 43.19.642 and 2006 c 338 s 10 are each amended to
20 read as follows:

21 (1) All state agencies are encouraged to use a fuel blend of twenty
22 percent biodiesel and eighty percent petroleum diesel for use in
23 diesel-powered vehicles and equipment.

24 (2) Effective June 1, 2006, for agencies complying with the ultra-
25 low sulfur diesel mandate of the United States environmental protection
26 agency for on-highway diesel fuel, agencies shall use biodiesel as an
27 additive to ultra-low sulfur diesel for lubricity, provided that the
28 use of a lubricity additive is warranted and that the use of biodiesel
29 is comparable in performance and cost with other available lubricity
30 additives. The amount of biodiesel added to the ultra-low sulfur
31 diesel fuel shall be not less than two percent.

32 (3) Effective June 1, 2009, state agencies are required to use a
33 minimum of twenty percent biodiesel as compared to total volume of all
34 diesel purchases made by the agencies for the operation of the
35 agencies' diesel-powered vessels, vehicles, and construction equipment.

36 (4)(a) Effective June 1, 2015, all state agencies and local
37 government subdivisions of the state, to the extent determined

1 practicable by the energy freedom coordinator created in section 303 of
2 this act, are required to satisfy one hundred percent of their fuel
3 needs for operating publicly owned vessels, vehicles, and construction
4 equipment from electricity or biofuel certified by the energy freedom
5 coordinator.

6 (b) If, on or after June 1, 2015, the energy freedom coordinator
7 finds that it is not practicable for all units of state and local
8 government to satisfy their complete fuel needs from electricity or
9 biofuel, the energy freedom coordinator may determine the minimum
10 percentage of biofuel that must be included in a state or local
11 agency's purchasing, the date of compliance with the one hundred
12 percent biofuel mandate, and any other conditions on an agency's fuel
13 purchasing schedule deemed necessary by the energy freedom coordinator
14 for the successful satisfaction of the one hundred percent biofuel
15 mandate.

16 (5) All state agencies using biodiesel fuel shall, beginning on
17 July 1, 2006, file quarterly reports with the department of general
18 administration documenting the use of the fuel and a description of how
19 any problems encountered were resolved.

20 NEW SECTION. Sec. 203. A new section is added to chapter 43.19
21 RCW to read as follows:

22 (1) By no later than January 1, 2020, the annual fossil fuel usage
23 by the state must be at least twenty-five percent below the annual
24 usage for the year 2006.

25 (2) Except for cars owned or operated by the Washington state
26 patrol, when tires on vehicles in the state's motor vehicle fleet are
27 replaced, they must be replaced with tires that have the same or better
28 rolling resistance as the original tires.

29 (3) The director of general administration shall report to the
30 governor and the appropriate committees of the legislature at the
31 beginning of each biennium until January 1, 2020, on progress towards
32 meeting the goals in this section and any barriers to achieving the
33 goals.

34 NEW SECTION. Sec. 204. A new section is added to chapter 43.19
35 RCW to read as follows:

36 (1) In order to allow the motor vehicle fuel needs of state and

1 local government to be satisfied by Washington-produced biofuels as
2 provided in RCW 43.19.642, the department of general administration
3 shall contract in advance and execute contracts with public or private
4 producers, suppliers, or other parties, for the purchase of biofuels,
5 as that term is defined in RCW 15.110.010 (as recodified by this act).
6 Contract provisions may address items including, but not limited to,
7 fuel standards, price, and delivery date.

8 (2) The department of general administration may combine the needs
9 of local government agencies, including ports, special districts,
10 school districts, and municipal corporations, for the purposes of
11 executing contracts for biofuels and to secure a sufficient and stable
12 supply of alternative fuels.

13 NEW SECTION. **Sec. 205.** A new section is added to chapter 43.01
14 RCW to read as follows:

15 (1) It is in the state's interest and to the benefit of the people
16 of the state to encourage the use of electrical vehicles in order to
17 reduce emissions and provide the public with cleaner air. This section
18 expressly authorizes the purchase of power at state expense to recharge
19 privately and publicly owned plug-in electrical vehicles at state
20 office locations where the vehicles are used for state business, are
21 commute vehicles, or where the vehicles are at the state location for
22 the purpose of conducting business with the state.

23 (2) The director of the department of general administration shall
24 provide reports to the governor and the appropriate committees of the
25 legislature, as deemed necessary by the director, on the amount of
26 state-purchased electricity consumed by plug-in electrical vehicles if
27 the director of general administration determines that the use has a
28 significant cost to the state.

29 NEW SECTION. **Sec. 206.** A new section is added to chapter 89.08
30 RCW to read as follows:

31 In addition to any other authority provided by law, conservation
32 districts are authorized to enter into crop purchase contracts for a
33 dedicated energy crop for the purposes of producing, selling, and
34 distributing biodiesel produced from Washington state feedstocks,
35 cellulosic ethanol, and cellulosic ethanol blend fuels.

1 other organic materials. Cellulosic ethanol is a preferred biofuel
2 because it provides much greater reductions in petroleum dependence and
3 carbon emissions as compared to starch-based ethanol.

4 (2) The legislature further finds that the development of a market
5 for renewable liquid natural gas fuel products made from Washington-
6 based feedstock waste biogases is highly desirable to meet Washington's
7 clean fuel needs.

8 (3) It is important for the state of Washington to develop a
9 complete supply chain infrastructure that allows the state government,
10 including its local government subdivisions, to supply its complete
11 fuel needs with biofuels produced from feedstocks completely produced
12 in Washington. The goal of supplying one hundred percent of state and
13 local government's fuel needs with biofuels should be a reality by
14 2015.

15 **Sec. 302.** RCW 15.110.010 and 2006 c 171 s 2 are each amended to
16 read as follows:

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

19 (1) "Applicant" means any political subdivision of the state,
20 including port districts, counties, cities, towns, special purpose
21 districts, and other municipal corporations or quasi-municipal
22 corporations. "Applicant" may also include federally recognized tribes
23 and state institutions of higher education with appropriate research
24 capabilities.

25 (2) "Assistance" includes loans, leases, product purchases, or
26 other forms of financial or technical assistance.

27 (3) "Biofuel" includes, but is not limited to, biodiesel, ethanol,
28 and ethanol blend fuels that are made from recycled products,
29 Washington feedstocks, and renewable liquid natural gas or liquid
30 compressed natural gas made from biogas.

31 (4) "Biogas" includes waste gases derived from landfills and
32 wastewater treatment plants and dairy and farm wastes.

33 (5) "Cellulosic ethanol" means ethanol derived from any
34 lignocellulosic or hemicellulosic matter that is available on a
35 renewable or recurring basis, including dedicated energy crops and
36 trees, wood and wood residues, plants, grasses, agricultural residues,

1 fibers, animal wastes and other waste materials, and municipal solid
2 waste.

3 (6) "Coordinator" means the energy freedom coordinator created in
4 section 303 of this act.

5 (7) "Department" means the department of ((agriculture)) community,
6 trade, and economic development.

7 ~~((4)) "Director" means the director of the department of~~
8 ~~agriculture.~~

9 ~~(5))~~ (8) "Green highway zone" means an area in the state
10 designated by the department that is within reasonable proximity of
11 state route number 5, state route number 90, and state route number 82.

12 (9) "Peer review committee" means a board, appointed by the
13 ((director)) coordinator, that includes bioenergy specialists, energy
14 conservation specialists, scientists, and individuals with specific
15 recognized expertise.

16 ~~((6))~~ (10) "Project" means the construction of facilities,
17 including the purchase of equipment, to convert farm products or wastes
18 into electricity or gaseous or liquid fuels or other coproducts
19 associated with such conversion. These specifically include fixed or
20 mobile facilities to generate electricity or methane from the anaerobic
21 digestion of organic matter, and fixed or mobile facilities for
22 extracting oils from canola, rape, mustard, and other oilseeds.
23 "Project" may also include the construction of facilities associated
24 with such conversion for the distribution and storage of such
25 feedstocks and fuels.

26 ~~((7))~~ (11) "Refueling project" means the construction of new
27 alternative fuel refueling facilities, as well as upgrades and
28 expansion of existing refueling facilities, that will enable these
29 facilities to offer alternative fuels to the motoring public.

30 (12) "Research and development project" means research and
31 development, by an institution of higher education as defined in
32 subsection (1) of this section, relating to:

33 (a) Bioenergy sources including but not limited to biomass and
34 associated gases; or

35 (b) The development of markets for bioenergy coproducts.

36 NEW SECTION. Sec. 303. (1) The energy freedom authority, together

1 with the position of the energy freedom coordinator, is created within
2 the department.

3 (2) The coordinator is responsible for:

4 (a) Managing and directing the energy freedom authority;

5 (b) Inventorying and coordinating all state efforts to develop,
6 encourage, or mandate a biofuels market in Washington;

7 (c) Developing, coordinating, and overseeing the implementation of
8 a plan, or series of plans, for the development of a complete supply
9 chain that allows for the production, transport, distribution, and
10 delivery to public sector end users of biofuels produced exclusively
11 from recycled products or Washington feedstocks;

12 (d) Certifying that biofuels produced for use by state and local
13 government in Washington is produced exclusively from recycled products
14 or Washington feedstocks;

15 (e) Judging the practicability of the one hundred percent biofuels
16 mandate in RCW 43.19.642;

17 (f) Working with the departments of transportation and general
18 administration, or other applicable state and local governmental
19 entities, to develop biofuel fueling stations for use by state and
20 local motor vehicle fleets;

21 (g) Using any appropriations specifically provided for the purposes
22 of this subsection to provide greater access to public sector fueling
23 capacity for biofuels; and

24 (h) Working with the department of general administration, in
25 conjunction with private sector suppliers, to develop a pilot program
26 for providing E85 fueling capacity at appropriate intervals and
27 locations along at least interstate routes 5, 82, and 90 throughout the
28 state for the use of public and private vehicles.

29 **Sec. 304.** RCW 15.110.020 and 2006 c 171 s 3 are each amended to
30 read as follows:

31 (1) The energy freedom program is established within the
32 department, to be administered by the energy freedom authority created
33 in section 303 of this act. The ~~((director))~~ coordinator may establish
34 policies and procedures necessary for processing, reviewing, and
35 approving applications made under this chapter.

36 (2) When reviewing applications submitted under this program, the
37 ~~((director))~~ coordinator shall consult with those agencies and other

1 public entities having expertise and knowledge to assess the technical
2 and business feasibility of the project and probability of success.
3 These agencies may include, but are not limited to, the department,
4 Washington State University, the University of Washington, the
5 department of ecology, (~~the department of community, trade, and~~
6 ~~economic development,~~) the department of natural resources, the
7 department of agriculture, the department of general administration,
8 local clean air authorities, and the Washington state conservation
9 commission.

10 (3) Except as provided in subsection (5) of this section, the
11 (~~director~~) coordinator, in cooperation with the department (~~of~~
12 ~~community, trade, and economic development~~), may approve an
13 application only if the (~~director~~) coordinator finds:

14 (a) The project will convert farm products or wastes, including
15 biogas, directly into electricity or (~~into gaseous or liquid fuels~~)
16 biofuel or other coproducts associated with such conversion;

17 (b) The project demonstrates technical feasibility and directly
18 assists in moving a commercially viable project into the marketplace
19 for use by Washington state citizens;

20 (c) The facility will produce long-term economic benefits to the
21 state, a region of the state, or a particular community in the state;

22 (d) The project does not require continuing state support;

23 (e) The assistance will result in new jobs, job retention, or
24 higher incomes for citizens of the state;

25 (f) The state is provided an option under the assistance agreement
26 to purchase a portion of the fuel or feedstock to be produced by the
27 project, exercisable by the department of general administration;

28 (g) The project will increase energy independence or diversity for
29 the state;

30 (h) The project will use feedstocks produced in the state, if
31 feasible, except this criterion does not apply to the construction of
32 facilities used to distribute and store fuels that are produced from
33 farm products or wastes;

34 (i) Any product produced by the project will be suitable for its
35 intended use, will meet accepted national or state standards, and will
36 be stored and distributed in a safe and environmentally sound manner;

37 (j) The application provides for adequate reporting or disclosure

1 of financial and employment data to the (~~director~~) coordinator, and
2 permits the (~~director~~) coordinator to require an annual or other
3 periodic audit of the project books; and

4 (k) For research and development projects, the application has been
5 independently reviewed by a peer review committee as defined in RCW
6 15.110.010 (as recodified by this act) and the findings delivered to
7 the (~~director~~) coordinator.

8 (4) Cellulosic ethanol production facilities and biogas-to-biofuel
9 production facilities are eligible for assistance under the energy
10 freedom program.

11 (5) When reviewing an application for a refueling project, the
12 director may award a grant or a loan to an applicant if the director
13 finds:

14 (a) The project will offer alternative fuels to the motoring
15 public;

16 (b) The project does not require continued state support;

17 (c) The project is located within a green highway zone as defined
18 in RCW 15.110.010 (as recodified by this act);

19 (d) The project will contribute towards an efficient and adequately
20 spaced alternative fuel refueling network along the green highways
21 designated in RCW 47.17.020, 47.17.135, and 47.17.140; and

22 (e) The project will result in increased access to alternative
23 fueling infrastructure for the motoring public along the green highways
24 designated in RCW 47.17.020, 47.17.135, and 47.17.140.

25 (6)(a) The (~~director~~) coordinator may approve (~~an~~) a project
26 application for assistance under subsection (3) of this section up to
27 five million dollars. In no circumstances shall this assistance
28 constitute more than fifty percent of the total project cost.

29 (~~(+5)~~) (b) The director may approve a refueling project
30 application for a grant or a loan under subsection (5) of this section
31 up to fifty thousand dollars. In no circumstances shall a grant or a
32 loan award constitute more than fifty percent of the total project
33 cost.

34 (7) The (~~director~~) coordinator shall enter into agreements with
35 approved applicants to fix the terms and rates of the assistance to
36 minimize the costs to the applicants, and to encourage establishment of
37 a viable bioenergy or biofuel industry. The agreement shall include
38 provisions to protect the state's investment, including a requirement

1 that a successful applicant enter into contracts with any partners that
2 may be involved in the use of any assistance provided under this
3 program, including services, facilities, infrastructure, or equipment.
4 Contracts with any partners shall become part of the application
5 record.

6 ~~((+6))~~ (8) The ~~((director))~~ coordinator may defer any payments for
7 up to twenty-four months or until the project starts to receive revenue
8 from operations, whichever is sooner.

9 **Sec. 305.** RCW 15.110.030 and 2006 c 171 s 4 are each amended to
10 read as follows:

11 (1) Upon written notice to the recipient of any assistance under
12 this program, the ~~((director))~~ coordinator may suspend or cancel the
13 assistance if any of the following occur:

14 (a) The recipient fails to make satisfactory and reasonable
15 progress to complete the project, or the ~~((director))~~ coordinator
16 concludes the recipient will be unable to complete the project or any
17 portion of it; or

18 (b) The recipient has made misrepresentations in any information
19 furnished to the ~~((director))~~ coordinator in connection with the
20 project.

21 (2) In the event that any assistance has been awarded to the
22 recipient under this program at the time of breach, or failure of the
23 recipient to satisfactorily perform, the ~~((director))~~ coordinator may
24 require that the full amount or value of the assistance, or a portion
25 thereof, be repaid within a period specified by the ~~((director))~~
26 coordinator.

27 **Sec. 306.** RCW 15.110.040 and 2006 c 171 s 5 are each amended to
28 read as follows:

29 (1) If the total requested dollar amount of assistance awarded for
30 projects under RCW 15.110.020(3) (as recodified by this act) exceeds
31 the amount available in the energy freedom account created in RCW
32 15.110.050 (as recodified by this act), the applications must be
33 prioritized based upon the following criteria:

34 ~~((+1))~~ (a) The extent to which the project will help reduce
35 dependence on petroleum fuels and imported energy either directly or
36 indirectly;

1 ~~((+2))~~ (b) The extent to which the project will reduce air and
2 water pollution either directly or indirectly;

3 ~~((+3))~~ (c) The extent to which the project will establish a viable
4 bioenergy or biofuel production capacity in Washington;

5 ~~((+4))~~ (d) The benefits to Washington's agricultural producers;
6 ~~((and~~

7 ~~+5))~~ (e) The benefits to the health of Washington's forests;

8 (f) The beneficial uses of biogas; and

9 (g) The number and quality of jobs and economic benefits created by
10 the project.

11 (2) This section does not apply to grants or loans awarded for
12 refueling projects under RCW 15.110.020(4) (as recodified by this act).

13 NEW SECTION. Sec. 307. (1) If the total requested dollar amount
14 of funds for refueling projects under RCW 15.110.020(5) (as recodified
15 by this act) exceeds the amount available for refueling projects in the
16 energy freedom account created in RCW 15.110.050 (as recodified by this
17 act), the applications must be prioritized based upon the following
18 criteria:

19 (a) The extent to which the project will help reduce dependence on
20 petroleum fuels and imported energy either directly or indirectly;

21 (b) The extent to which the project will reduce air and water
22 pollution either directly or indirectly;

23 (c) The extent to which the project will establish a viable
24 bioenergy production capacity in Washington;

25 (d) The extent to which the project will make biofuels more
26 accessible to the motoring public;

27 (e) The benefits to Washington's agricultural producers; and

28 (f) The number and quality of jobs and economic benefits created by
29 the project.

30 (2) This section does not apply to assistance awarded for projects
31 under RCW 15.110.020(3) (as recodified by this act).

32 **Sec. 308.** RCW 15.110.050 and 2006 c 371 s 223 are each amended to
33 read as follows:

34 (1) The energy freedom account is created in the state treasury.
35 All receipts from appropriations made to the account and any loan
36 payments of principal and interest derived from loans made under this

1 chapter must be deposited into the account. Moneys in the account may
2 be spent only after appropriation. Expenditures from the account may
3 be used only for assistance for projects consistent with this chapter
4 or otherwise authorized by the legislature. (~~Administrative costs of~~
5 ~~the department may not exceed three percent of the total funds~~
6 ~~available for this program.~~)

7 (2) The following goals and criteria should be considered in
8 evaluating potential biofuel incentives to be offered by the energy
9 freedom account: To assist Washington farmers and businesses in the
10 development of economically viable, sustained instate biofuel and
11 biofuel feedstock production; to leverage and encourage private
12 investment in biofuel and biofuel feedstock production; and to assist
13 in the development of biofuel feedstocks and production techniques that
14 deliver the greatest net reductions in petroleum dependence and carbon
15 emissions.

16 (3) Any state agency receiving funding from the energy freedom
17 account is prohibited from retaining greater than three percent of any
18 funding provided from the energy freedom account for administrative
19 overhead or other deductions not directly associated with conducting
20 the research, projects, or other end products that the funding is
21 designed to produce.

22 (4) Any university, institute, or other entity that is not a state
23 agency receiving funding from the energy freedom account is prohibited
24 from retaining greater than fifteen percent of any funding provided
25 from the energy freedom account for administrative overhead or other
26 deductions not directly associated with conducting the research,
27 projects, or other end products that the funding is designed to
28 produce.

29 **Sec. 309.** RCW 15.110.060 and 2006 c 171 s 7 are each amended to
30 read as follows:

31 The (~~director~~) coordinator shall report to the legislature and
32 governor on the status of the energy freedom program created under this
33 chapter, on or before December 1, 2006, and annually thereafter. This
34 report must include information on the projects that have been funded,
35 the status of these projects, and their environmental, energy savings,
36 and job creation benefits as well as an assessment of the availability
37 of alternative fuels in the state.

1 additional staff to be provided by other state agencies, as may be
2 required or requested.

3 (2) The vehicle electrification work group shall review, study,
4 evaluate, and make recommendations on at least the following items:

5 (a) Use by the state of plug-in hybrid vehicles and developing
6 plug-in availability at state locations;

7 (b) Incentives to encourage the use of plug-in truck auxiliary
8 power units and truck stop electrification;

9 (c) Use of plug-in shore power for cargo and cruise ship terminals,
10 shipside technology, and use of electric power alternatives for port-
11 related operations and equipment such as switching locomotives, vessels
12 and harborcraft, and cargo-handling equipment;

13 (d) Potential uses for and availability of plug-in hybrid school
14 buses;

15 (e) Potential environmental and electrical grid impacts on
16 electrical power consumption of the conversion of a meaningful portion
17 of the state's private and public fleet to plug-in electrical power;

18 (f) Tax and fee incentives to encourage individual and fleet
19 purchases of plug-in hybrid vehicles;

20 (g) State laws, rules, tariffs, and policies that impact
21 transportation electrification and plug-in adoption, including pricing
22 with incentives for off-peak charging;

23 (h) Measures to encourage the use of plug-in vehicles by public
24 fleets, and resulting cost savings, and whether state and local fleets
25 should be required to purchase plug-in hybrid vehicles if it is
26 determined that plug-in hybrid vehicles are commercially available at
27 a reasonably comparable life-cycle cost;

28 (i) Explore the potential for the use of electrification of fixed
29 transit routes for magnetic levitation propulsion systems;

30 (j) Actions by the state to help industries located in the state
31 participate in developing and manufacturing plug-in vehicles and
32 vehicle-to-grid technologies;

33 (k) Additional ways the state can promote transportation
34 electrification in the private and public sectors, including cars and
35 light-duty vehicles, and truck stop and port electrification; and

36 (l) Potential partners for vehicle-to-grid pilot projects that test
37 the use of parked plug-in vehicles for power grid energy storage and
38 support.

1 (3) The vehicle electrification work group must complete its work
2 by December 1, 2008. The work group must submit an interim report to
3 the governor stating its findings, conclusions, and interim
4 recommendations by December 1, 2007. The group must submit a final
5 report to the governor stating its findings, conclusions, and final
6 recommendations by December 1, 2008.

7 (4) The department of community, trade, and economic development
8 shall supply staff support and research to the vehicle electrification
9 work group.

10 (5) This section expires July 31, 2009.

11 NEW SECTION. **Sec. 403.** A new section is added to chapter 28B.30
12 RCW to read as follows:

13 Washington State University is directed to analyze and recommend
14 models for possible implementation by the legislature or the executive
15 office for at least the following potential biofuels incentive
16 programs:

17 (1) Market incentives to encourage instate production of brassica-
18 based biodiesel, and cellulosic ethanol, including such market methods
19 as direct grants, production tax credits, and the issuance by the state
20 of advance guaranteed purchase contracts;

21 (2) Possible preferred research programs, grants, or other forms of
22 assistance for accelerating the development of instate production of
23 cellulosic ethanol and in-state biodiesel crops and their coproducts;

24 (3) Coordinate with the Western Washington University alternative
25 automobile program for opportunities to support new Washington state
26 technology for conversion of fossil fuel fleets to biofuel, hybrid, or
27 alternative fuel propulsion;

28 (4) Coordinate with the University of Washington's college of
29 forest management and the Olympic natural resources center for the
30 identification of barriers to using the state's forest resources for
31 fuel production, including the economic and transportation barriers of
32 physically bringing forest biomass to the market;

33 (5) Coordinate with the department of agriculture for the
34 identification of other barriers for future biofuels development; and

35 (6) Strategies for furthering the penetration of the Washington
36 state fossil fuel market with Washington produced biofuels,
37 particularly among public entities.

1 NEW SECTION. **Sec. 404.** (1) The department of community, trade,
2 and economic development shall develop and recommend, in consultation
3 with the department of ecology, a framework for the state of Washington
4 to participate in emerging regional, national, and global markets to
5 mitigate climate change, on a multisector basis, including the forest
6 sector. This framework must include, but not be limited to, credible,
7 verifiable, replicable inventory and accounting methodologies for each
8 sector involved, along with the completion of the stakeholder process
9 identified in executive order number 07-02.

10 (2) The department of community, trade, and economic development
11 shall work closely with the department of natural resources on any
12 elements of this section's administration that studies or makes
13 recommendations on the role and opportunities of the forest sector.

14 NEW SECTION. **Sec. 405.** (1) The climate impacts group at the
15 University of Washington shall:

16 (a) Produce an analysis of the potential human health impacts of
17 climate change on the state of Washington; and

18 (b) Produce a fifty-year comprehensive state climate change
19 assessment.

20 (2)(a) The object of the analysis of potential human health impacts
21 of climate change under this section is to assist state and local
22 public health authorities in preparing for climate change.

23 (b) The analysis must:

24 (i) Evaluate the implications of climate change for human morbidity
25 and mortality; and

26 (ii) Establish qualitative and, to the extent possible,
27 quantitative links between climate and risks to human health in such
28 areas as air quality, disease vectors, and heat stress.

29 (c) To ensure the appropriateness of this assessment for public
30 health planning, the climate impacts groups shall consult with state
31 and local public health agencies.

32 (d) If adequate funding is not made available for the completion of
33 all elements required under this section, the climate impacts group
34 shall prioritize which of the enumerated research projects have the
35 greatest cost/benefit ratio in terms of providing information important
36 for planning decisions. The prioritization process may include the

1 addition of any new studies that may be appropriate in addition to, or
2 in place of, studies listed in this section.

3 (3)(a) The fifty-year comprehensive state climate change assessment
4 under this section will serve as the baseline for future analyses of
5 climate change impacts and response strategies for critical economic
6 and ecological sectors, including agriculture, forests, shorelines,
7 fisheries, and urban centers.

8 (b) The assessment must:

9 (i) Develop scenarios and the range of associated uncertainty for
10 the state's climate over the next century;

11 (ii) Determine how water resources in specific watersheds will
12 respond to these climate change scenarios, including assessment of the
13 risk of current and future extreme events, such as floods and droughts;

14 (iii) Develop climate change streamflow scenarios for use in water
15 resources and salmon recovery planning;

16 (iv) Create scenarios of salmon and cold water ecosystem
17 vulnerability to water temperature and low-flows associated with future
18 climate scenarios;

19 (v) Assess sea level rise scenarios for infrastructure planning
20 purposes. Identify locations and patterns of coastal vulnerability to
21 sea level rise and hydrologic changes;

22 (vi) Evaluate current legal, regulatory, and institutional barriers
23 to climate change adaptation or preparation; and

24 (vii) Identify information or data gaps that might preclude
25 adequate state planning for climate change.

26 (c) If adequate funding is not made available for the completion of
27 all research required under this section, the climate impacts group
28 shall prioritize which of the enumerated research projects have the
29 greatest cost/benefit ratio in terms of providing information important
30 for planning decisions. The prioritization process may include the
31 addition of any new studies that may be appropriate in addition to, or
32 in place of, studies listed in this section.

33 (d) To ensure the appropriateness of this assessment for local and
34 state decision making, the climate impacts group shall consult with
35 state and local resource planning and management agencies.

36 (4) The climate impacts group shall report the assessments to the
37 governor and the appropriate committees of the legislature by December
38 15, 2008.

