
SUBSTITUTE SENATE BILL 5586

State of Washington

60th Legislature

2007 Regular Session

By Senate Committee on Water, Energy & Telecommunications (originally sponsored by Senators Murray, Poulsen, Rockefeller, Kline, Kilmer, Regala, Marr, Weinstein, Oemig, Hargrove, Keiser, Fairley, Tom, Kohl-Welles and McAuliffe)

READ FIRST TIME 02/28/07.

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 53.08.040, 70.94.017, 15.110.040, 15.110.020,
4 15.110.005, 15.110.010, and 15.110.060; adding a new section to chapter
5 28A.300 RCW; adding new sections to chapter 15.110 RCW; adding a new
6 section to chapter 19.112 RCW; adding new sections to chapter 43.19
7 RCW; adding a new section to chapter 43.01 RCW; adding new sections to
8 chapter 43.31 RCW; adding a new section to chapter 43.135 RCW; adding
9 a new section to chapter 28B.30 RCW; adding a new section to chapter
10 82.16 RCW; creating new sections; making appropriations; and providing
11 an expiration date.

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

13 NEW SECTION. **Sec. 1.** (1) The legislature finds that excessive
14 dependence on fossil fuels jeopardizes Washington's economic security,
15 environmental integrity, and public health. Accelerated development
16 and use of clean fuels and clean vehicle technologies will reduce the
17 drain on Washington's economy from importing fossil fuels. As fossil
18 fuel prices rise, clean fuels and vehicles can save money for consumers

1 while promoting the development of a major, sustainable industry that
2 provides good jobs and a new source of rural prosperity.

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

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

22 **PART 1**

23 **CLEAN DIESEL INITIATIVE**

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

1 nonattainment of new fine particle standards established by the United
2 States environmental protection agency and help avoid the adverse
3 health and economic impacts of nonattainment.

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

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

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

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

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

33 (1) The office of the superintendent of public instruction shall
34 implement a school bus replacement incentive program. As part of the
35 program, the office shall fund up to ten percent of the cost of a new
36 2007 or later model year school bus purchased by a school district by

1 no later than June 30, 2009, provided that the new bus is replacing a
2 1994 or older school bus in the school district's fleet. Replacement
3 of the oldest buses must be given highest priority.

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

14 NEW SECTION. **Sec. 103.** The sum of five million dollars, or as
15 much thereof as may be necessary, is appropriated for the biennium
16 ending June 30, 2009, from the clean energy incentive account created
17 in section 701 of this act to the office of the superintendent of
18 public instruction for the purposes of section 102 of this act.

19 **Sec. 104.** RCW 53.08.040 and 1989 c 298 s 1 are each amended to
20 read as follows:

21 (1) A district may improve its lands by dredging, filling,
22 bulkheading, providing waterways or otherwise developing such lands for
23 industrial and commercial purposes. A district may also acquire,
24 construct, install, improve, and operate sewer and water utilities to
25 serve its own property and other property owners under terms,
26 conditions, and rates to be fixed and approved by the port commission.
27 A district may also acquire, by purchase, construction, lease, or in
28 any other manner, and may maintain and operate other facilities for the
29 control or elimination of air, water, or other pollution, including,
30 but not limited to, facilities for the treatment and/or disposal of
31 industrial wastes, and may make such facilities available to others
32 under terms, conditions and rates to be fixed and approved by the port
33 commission. Such conditions and rates shall be sufficient to reimburse
34 the port for all costs, including reasonable amortization of capital
35 outlays caused by or incidental to providing such other pollution
36 control facilities(~~(:—PROVIDED, That)~~). However, no part of such

1 costs of providing any pollution control facility to others shall be
2 paid out of any tax revenues of the port(~~(+ AND PROVIDED FURTHER,~~
3 ~~That)) and no port shall enter into an agreement or contract to provide
4 sewer and/or water utilities or pollution control facilities if
5 substantially similar utilities or facilities are available from
6 another source (or sources) which is able and willing to provide such
7 utilities or facilities on a reasonable and nondiscriminatory basis
8 unless such other source (or sources) consents thereto.~~

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

26 (3) "Pollution control facility," as used in this section and RCW
27 53.08.041, does not include air quality improvement equipment that
28 provides emission reductions for engines, vehicles, and vessels.

29 **Sec. 105.** RCW 70.94.017 and 2005 c 295 s 5 are each amended to
30 read as follows:

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

34 (a) Eighty-five percent shall be distributed to air pollution
35 control authorities created under this chapter. The money must be
36 distributed in direct proportion with the amount of fees imposed under
37 RCW 46.12.080, 46.12.170, and 46.12.181 that are collected within the

1 boundaries of each authority. However, an amount in direct proportion
2 with those fees collected in counties for which no air pollution
3 control authority exists must be distributed to the department.

4 (b) The remaining fifteen percent shall be distributed to the
5 department.

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

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

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

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

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

27 PART 2

28 CLEAN FUELS INITIATIVE

29 NEW SECTION. **Sec. 201.** (1) The legislature finds that the
30 development of a Washington-based feedstock agricultural and forest
31 products market is highly desirable for producing biodiesel and
32 ethanol. Research and incentive programs are needed to develop a
33 market in Washington to produce cellulosic ethanol from wood waste and
34 other organic materials. Cellulosic ethanol is a preferred biofuel
35 because it provides much greater reductions in petroleum dependence and
36 carbon emissions as compared to starch-based ethanol.

1 (2) It is important for the state of Washington to develop a
2 complete supply chain infrastructure that allows the state government,
3 including its local government subdivisions, to supply its complete
4 fuel needs with biofuels produced from feedstocks completely produced
5 in Washington. The goal of suppling one hundred percent of state and
6 local government's fuel needs with biofuels should be a reality by
7 2015.

8 NEW SECTION. **Sec. 202.** A new section is added to chapter 15.110
9 RCW to read as follows:

10 (1) Cellulosic ethanol production facilities are eligible for
11 assistance under the energy freedom program.

12 (2) For the purposes of this section, "cellulosic ethanol" means
13 ethanol derived from any lignocellulosic or hemicellulosic matter that
14 is available on a renewable or recurring basis, including dedicated
15 energy crops and trees, wood and wood residues, plants, grasses,
16 agricultural residues, fibers, animal wastes and other waste materials,
17 and municipal solid waste.

18 NEW SECTION. **Sec. 203.** A new section is added to chapter 19.112
19 RCW to read as follows:

20 (1) In addition to any other authority provided by law,
21 conservation districts and public development authorities are
22 authorized to enter into crop purchase contracts for a dedicated energy
23 crop for the purposes of producing, selling, and distributing biodiesel
24 produced from Washington state feedstocks, cellulosic ethanol, and
25 cellulosic ethanol blend fuels.

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

34 **Sec. 204.** RCW 15.110.040 and 2006 c 171 s 5 are each amended to
35 read as follows:

1 (1) If the total requested dollar amount of assistance awarded for
2 projects under RCW 15.110.020(3) exceeds the amount available in the
3 energy freedom account created in RCW 15.110.050, the applications must
4 be prioritized based upon the following criteria:

5 ~~((1))~~ (a) The extent to which the project will help reduce
6 dependence on petroleum fuels and imported energy either directly or
7 indirectly;

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

10 ~~((3))~~ (c) The extent to which the project will establish a viable
11 bioenergy production capacity in Washington;

12 ~~((4))~~ (d) The benefits to Washington's agricultural producers;
13 ~~(and~~

14 ~~+5))~~ (e) The benefits to the health of Washington's forests; and
15 (f) The number and quality of jobs and economic benefits created by
16 the project.

17 (2) This section does not apply to assistance awarded for refueling
18 projects under RCW 15.110.020(4).

19 **Sec. 205.** RCW 15.110.020 and 2006 c 171 s 3 are each amended to
20 read as follows:

21 (1) The energy freedom program is established within the
22 department. The director may establish policies and procedures
23 necessary for processing, reviewing, and approving applications made
24 under this chapter.

25 (2) When reviewing applications submitted under this program, the
26 director shall consult with those agencies having expertise and
27 knowledge to assess the technical and business feasibility of the
28 project and probability of success. These agencies may include, but
29 are not limited to, Washington State University, the University of
30 Washington, the department of ecology, the department of community,
31 trade, and economic development, the department of natural resources,
32 and the Washington state conservation commission.

33 (3) Except as provided in subsection (4) of this section, the
34 director, in cooperation with the department of community, trade, and
35 economic development, may approve an application only if the director
36 finds:

1 (a) The project will convert landfill methane gas, wastewater
2 treatment gas, or farm products or wastes directly into electricity or
3 into gaseous or liquid fuels or other coproducts associated with such
4 conversion;

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

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

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

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

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

16 (g) The project will increase energy independence or diversity for
17 the state;

18 (h) The project will use landfill methane gas, wastewater treatment
19 gas, or feedstocks produced in the state, if feasible, except this
20 criterion does not apply to the construction of facilities used to
21 distribute and store fuels that are produced from landfill methane gas,
22 wastewater treatment gas, or farm products or wastes;

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

26 (j) The application provides for adequate reporting or disclosure
27 of financial and employment data to the director, and permits the
28 director to require an annual or other periodic audit of the project
29 books; and

30 (k) For research and development projects, the application has been
31 independently reviewed by a peer review committee as defined in RCW
32 15.110.010 and the findings delivered to the director.

33 (4) When reviewing an application for a refueling project, the
34 director may award assistance to an applicant if the director finds:

35 (a) The project will offer biofuels or alternative fuels to the
36 motoring public;

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

1 (c) The project is located within a green highway zone as defined
2 in RCW 15.110.010;

3 (d) The project will contribute towards an efficient and adequately
4 spaced biofuel or alternative fuel refueling network along the green
5 highways; and

6 (e) The project will result in increased access to a biofueling
7 infrastructure or an alternative fueling infrastructure for the
8 motoring public along the green highways.

9 (5) The director may approve (~~(a)~~) a project application for
10 assistance under subsection (3) of this section up to five million
11 dollars. In no circumstances shall this assistance constitute more
12 than fifty percent of the total project cost.

13 (~~(+5)~~) (6) The director may approve a refueling project
14 application for assistance under subsection (4) of this section up to
15 fifty thousand dollars. In no circumstances shall assistance awarded
16 constitute more than fifty percent of the total project cost.

17 (7) The director shall enter into agreements with approved
18 applicants to fix the terms and rates of the assistance to minimize the
19 costs to the applicants, and to encourage establishment of a viable
20 bioenergy industry. The agreement shall include provisions to protect
21 the state's investment, including a requirement that a successful
22 applicant enter into contracts with any partners that may be involved
23 in the use of any assistance provided under this program, including
24 services, facilities, infrastructure, or equipment. Contracts with any
25 partners shall become part of the application record.

26 (~~(+6)~~) (8) The director may defer any payments for up to twenty-
27 four months or until the project starts to receive revenue from
28 operations, whichever is sooner.

29 **PART 3**

30 **ESTABLISH GOALS FOR EMISSION REDUCTION**
31 **OF THE STATE'S MOTOR VEHICLE FLEETS**

32 NEW SECTION. Sec. 301. The legislature finds that there is a
33 compelling public interest in reducing fossil fuel dependence and
34 emissions of global warming pollution. It is important for the state
35 of Washington to demonstrate leadership in this regard and achieve
36 reductions in the use of fossil fuels by state fleets.

1 NEW SECTION. **Sec. 302.** A new section is added to chapter 43.19
2 RCW to read as follows:

3 (1) By no later than January 1, 2020, the annual fossil fuel usage
4 by the state's motor vehicle fleets must be at least twenty-five
5 percent below the annual usage for the year 2006.

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

10 (3) The governor shall report to the legislature at the beginning
11 of each biennium until January 1, 2020, on progress towards meeting the
12 goals in this section and any barriers to achieving the goals.

13 NEW SECTION. **Sec. 303.** A new section is added to chapter 43.01
14 RCW to read as follows:

15 It is in the state's interest and to the benefit of the people of
16 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 NEW SECTION. **Sec. 304.** A new section is added to chapter 43.19
24 RCW to read as follows:

25 (1) In order to allow the motor vehicle fuel needs of state and
26 local government to be satisfied by Washington-produced biofuels, the
27 department of general administration shall contract in advance and
28 execute contracts with public or private producers, suppliers, or other
29 parties, for the purchase of biofuels, including but not limited to
30 biodiesel, ethanol, and ethanol blend fuels that are made from recycled
31 products or Washington feedstocks. Contract provisions may address
32 items including, but not limited to, fuel standards, price, and
33 delivery date.

34 (2) The department of general administration may combine the needs
35 of local government agencies, including ports, special districts,

1 school districts, and municipal corporations, for the purposes of
2 executing biodiesel, ethanol, and ethanol blend fuels contracts and to
3 secure a sufficient and stable supply of alternative fuels.

4 **PART 4**

5 **VEHICLE ELECTRIFICATION WORK GROUP**

6 NEW SECTION. **Sec. 401.** (1) The legislature finds that it is in
7 the state's interest and to the benefit of the people of the state to
8 encourage the use of electrical vehicle technology that will reduce
9 fossil fuel dependence and toxic air pollution. Displacing petroleum
10 with electricity will keep more energy expenditures and jobs in
11 Washington's economy instead of being lost to fossil fuel imports.

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

17 (3) The legislature finds that cleaner fuels and vehicles,
18 including vehicles that use electricity, can help the state achieve
19 better public health, increased energy security, and substantial
20 economic benefits.

21 NEW SECTION. **Sec. 402.** (1) The vehicle electrification work group
22 is established. Members of the group must be appointed by the governor
23 or the governor's designee and must include representatives of state
24 and local government agencies, ports, private and public electrical
25 power utilities, automobile manufacturers, trucking industry interests,
26 environmental interests, regional air quality agencies, and other
27 stakeholder groups. Staff for the work group must be provided by the
28 department of community, trade, and economic development, with
29 additional staff to be provided by other state agencies, as may be
30 required or requested.

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

33 (a) Use by the state of plug-in hybrid vehicles and developing
34 plug-in availability at state locations. The use of hybrid vehicles
35 shall include an economic analysis of the total life-cycle cost to the

1 state over the vehicle's estimated useful life, including energy inputs
2 into the production of the vehicle, fuel usage, and all related costs
3 of selection, acquisition, operation, maintenance, and disposal, as far
4 as these costs can reasonably be determined, minus the salvage value at
5 the end of the vehicle's estimated useful life;

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

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

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

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

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

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

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

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

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

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

35 (l) Potential partners for vehicle-to-grid pilot projects that test
36 the use of parked plug-in vehicles for power grid energy storage and
37 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) This section expires July 31, 2009.

8 NEW SECTION. **Sec. 403.** The sum of five hundred thousand dollars,
9 or as much thereof as may be necessary, is appropriated for the
10 biennium ending June 30, 2009, from the clean energy incentive account
11 created in section 701 of this act to the department of community,
12 trade, and economic development for the purposes of staffing the
13 vehicle electrification work group and providing research to carry out
14 the work of the group.

15 **PART 5**

16 **PLANNING FOR THE FUTURE**

17 NEW SECTION. **Sec. 501.** (1) The legislature finds that climate
18 change is expected to have significant impacts in the Pacific Northwest
19 region in the near and long-term future. These impacts include, among
20 other things, increased temperatures, declining snowpack, more frequent
21 heavy rainfall and flooding, receding glaciers, rising sea levels,
22 increased risks to public health due to insect and rodent-borne
23 diseases, declining salmon populations, and increased drought and risk
24 of forest fires.

25 (2) The legislature recognizes the need at this time to continue to
26 gather and analyze information related to climate protection. This
27 will allow prudent steps to be taken to avoid, mitigate, or respond to
28 climate impacts and protect our communities.

29 (3) The analysis of the health impacts of climate protection is
30 needed to help prepare the state for and avoid health impacts such as
31 West Nile virus and respiratory disease. At the same time, this
32 analysis will contribute to our strategic thinking and planning for the
33 impacts of climate change.

34 (4) The legislature finds that it is important for the state of
35 Washington to participate in emerging regional, national, and

1 international markets to mitigate climate change. The state has a
2 strong interest in ensuring that climate policies and emission markets
3 are designed to appropriately recognize our unique energy assets.
4 Further, the legislature recognizes that any market system related to
5 climate protection must be based on credible and durable accounting
6 principles and have equally applicable rules across sectors in order to
7 promote economically and environmentally effective trading.

8 NEW SECTION. **Sec. 502.** The sum of two hundred fifty thousand
9 dollars, or as much thereof as may be necessary, is appropriated for
10 the biennium ending June 30, 2009, from the clean energy incentive
11 account created in section 701 of this act to the climate impacts group
12 at the University of Washington for the purposes of contracting for an
13 analysis of the potential human health impacts of global warming on the
14 state of Washington.

15 NEW SECTION. **Sec. 503.** (1) The sum of five hundred thousand
16 dollars, or as much thereof as may be necessary, is appropriated for
17 the biennium ending June 30, 2009, from the clean energy incentive
18 account created in section 701 of this act to the department of
19 community, trade, and economic development for the purposes of
20 developing and recommending a framework for the state of Washington to
21 participate in emerging regional, national, and global markets to
22 mitigate climate change, on a multisector basis, including the forest
23 sector. This framework must include, but not be limited to, credible,
24 verifiable, replicable inventory and accounting methodologies for each
25 sector involved.

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

30 (3) The stakeholder process identified in Executive Order No. 07-02
31 shall be utilized for this section.

32
33

PART 6
THE ENERGY FREEDOM PROGRAM

1 **Sec. 601.** RCW 15.110.005 and 2006 c 171 s 1 are each amended to
2 read as follows:

3 The legislature finds that:

4 (1) Washington's dependence on energy supplied from outside the
5 state and volatile global energy markets makes its economy and citizens
6 vulnerable to unpredictable and high energy prices;

7 (2) Washington's dependence on petroleum-based fuels increases
8 energy costs for citizens and businesses;

9 (3) Diesel soot from diesel engines ranks as the highest toxic air
10 pollutant in Washington, leading to hundreds of premature deaths and
11 increasing rates of asthma and other lung diseases;

12 (4) The use of biodiesel results in significantly less air
13 pollution than traditional diesel fuels;

14 (5) Improper disposal and treatment of organic waste from farms and
15 livestock operations can have a significant negative impact on water
16 quality;

17 (6) Landfill gas and wastewater treatment gas, if vented into the
18 atmosphere, poses a great risk to Washington's climate;

19 (7) Washington has abundant supplies of landfill methane and
20 wastewater treatment gas and organic wastes from farms (~~that~~), which
21 can be used for energy production, and abundant farmland where crops
22 could be grown to supplement or supplant petroleum-based fuels;

23 (~~(7)~~) (8) The use of energy and fuel derived from these sources
24 can help citizens and businesses conserve energy and reduce the use of
25 petroleum-based fuels, would improve air and water quality in
26 Washington, reduce environmental risks from landfills, wastewater
27 treatment plants, and farm wastes, create new markets for farm
28 products, and provide new industries and jobs for Washington citizens;

29 (~~(8)~~) (9) The bioenergy industry is a new and developing industry
30 that is, in part, limited by the availability of capital for the
31 construction of facilities for converting farm and forest products and
32 waste gases into energy and fuels and the availability of
33 infrastructure necessary to allow motorists in Washington to refuel
34 their biofueled or alternative fueled vehicles while traveling along
35 major state highways;

36 (~~(9)~~) (10) The 2010 Olympic and Paralympic Winter Games present
37 an opportunity to further Washington's energy independence by working
38 with Vancouver, British Columbia, Oregon, and California to develop a

1 hydrogen highway to showcase sustainable transportation and all of
2 Washington state's biofuels and alternative fuels, and to accelerate
3 the commercialization of hydrogen and fuel cell technologies;

4 (11) Instead of leaving our economy at the mercy of global events,
5 and the policies of foreign nations, Washington state should adopt a
6 policy of energy independence; and

7 ~~((+10))~~ (12) The energy freedom program is meant to lead
8 Washington state towards energy independence.

9 Therefore, the legislature finds that it is in the public interest
10 to encourage the rapid adoption and use of bioenergy, to develop a
11 viable bioenergy industry within Washington state, to promote public
12 research and development in bioenergy sources and markets, ~~((and))~~ to
13 support a viable agriculture industry to grow bioenergy crops, and to
14 develop infrastructure for the use of alternative fuels and biofuels by
15 the motorists of Washington state. To accomplish this, the energy
16 freedom program is established to promote public research and
17 development in bioenergy, ~~((and))~~ to stimulate the construction of
18 facilities in Washington to generate energy from farm sources or
19 convert organic matter, landfill gas, or wastewater treatment gas into
20 fuels, and to develop refueling infrastructure in Washington state to
21 ensure that alternative fuels and biofuels are readily accessible to
22 the motorists of Washington state.

23 **Sec. 602.** RCW 15.110.010 and 2006 c 171 s 2 are each amended to
24 read as follows:

25 The definitions in this section apply throughout this chapter
26 unless the context clearly requires otherwise.

27 (1) "Alternative fuel" means electricity, hydrogen, or liquid
28 natural gas produced from landfill methane gas or wastewater treatment
29 gas.

30 (2) "Applicant" means any political subdivision of the state,
31 including port districts, counties, cities, towns, special purpose
32 districts, and other municipal corporations or quasi-municipal
33 corporations. "Applicant" may also include federally recognized tribes
34 and state institutions of higher education with appropriate research
35 capabilities.

36 ~~((+2))~~ (3) "Assistance" includes loans, leases, product purchases,
37 or other forms of financial or technical assistance.

1 ~~((3))~~ (4) "Department" means the department of agriculture.
2 ~~((4))~~ (5) "Director" means the director of the department of
3 agriculture.
4 ~~((5))~~ (6) "Green highway zone" means an area in the state
5 designated by the department that is within reasonable proximity of
6 state route number 5, state route number 90, and state route number 82.
7 (7) "Peer review committee" means a board, appointed by the
8 director, that includes bioenergy specialists, energy conservation
9 specialists, scientists, and individuals with specific recognized
10 expertise.
11 ~~((6))~~ (8) "Project" means the construction of facilities,
12 including the purchase of equipment, to convert landfill methane gas,
13 wastewater treatment gas, or farm products or wastes into electricity
14 or gaseous or liquid fuels or other coproducts associated with such
15 conversion. These specifically include fixed or mobile facilities to
16 generate electricity or methane from the anaerobic digestion of organic
17 matter, and fixed or mobile facilities for extracting oils from canola,
18 rape, mustard, and other oilseeds. "Project" may also include the
19 construction of facilities associated with such conversion for the
20 distribution and storage of such feedstocks and fuels.
21 ~~((7))~~ (9) "Refueling project" means the construction of new
22 biofuel and alternative fuel refueling facilities, as well as upgrades
23 and expansion of existing refueling facilities, that will enable these
24 facilities to offer alternative fuels to the motoring public.
25 (10) "Research and development project" means research and
26 development, by an institution of higher education as defined in
27 subsection ~~((1))~~ (2) of this section, relating to:
28 (a) Bioenergy sources including but not limited to biomass and
29 associated gases, landfill gas, and wastewater treatment gas; or
30 (b) The development of markets for bioenergy coproducts.

31 NEW SECTION. Sec. 603. A new section is added to chapter 15.110
32 RCW to read as follows:

33 (1) If the total requested dollar amount of funds for refueling
34 projects under RCW 15.110.020(4) exceeds the amount available in the
35 green energy incentive subaccount created in section 604 of this act,
36 the applications must be prioritized based upon the following criteria:

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

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

5 (c) The extent to which the project will establish a viable biofuel
6 or alternative fuel production capacity in Washington;

7 (d) The extent to which the project will make biofuels and
8 alternative fuels more accessible to the motoring public;

9 (e) The benefits to Washington's agricultural or alternative fuel
10 producers; and

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

13 (2) This section does not apply to assistance awarded for projects
14 under RCW 15.110.020(3).

15 NEW SECTION. **Sec. 604.** A new section is added to chapter 15.110
16 RCW to read as follows:

17 The green energy incentive subaccount is created as a subaccount of
18 the energy freedom account. All receipts from appropriations made to
19 the green energy incentive subaccount shall be deposited into the
20 subaccount and shall be appropriated only for:

21 (1) Refueling projects awarded under this chapter;

22 (2) Pilot projects for plug-in hybrids;

23 (3) Programs to reduce truck stop idling;

24 (4) Demonstration projects developed with a science museum for the
25 purpose of bringing science education to children by way of a mobile
26 learning vehicle; and

27 (5) Demonstration projects developed with the University of
28 Washington that result in the design and building of a hydrogen vehicle
29 fueling station.

30 NEW SECTION. **Sec. 605.** Moneys deposited in the green energy
31 incentive subaccount created in section 604 of this act shall not
32 exceed one million dollars.

33 **Sec. 606.** RCW 15.110.060 and 2006 c 171 s 7 are each amended to
34 read as follows:

35 The director shall report to the legislature and governor on the

1 status of the energy freedom program created under this chapter, on or
2 before December 1, 2006, and annually thereafter. This report must
3 include information on the projects that have been funded, the status
4 of these projects, and their environmental, energy savings, and job
5 creation benefits, as well as an assessment of the availability of
6 biofuels and alternative fuels in the state.

7 NEW SECTION. Sec. 607. Sections 202, 204, 205, 601 through 604,
8 and 606 of this act expire June 30, 2016.

9 **PART 7**

10 **CLEAN ENERGY INCENTIVE ACCOUNT**

11 NEW SECTION. Sec. 701. A new section is added to chapter 43.31
12 RCW to read as follows:

13 (1) The clean energy incentive account is created in the state
14 treasury. All receipts from appropriations made to the account must be
15 deposited into the account. Moneys in the account may be spent only
16 after appropriation. Expenditures from the account may be used only
17 for the purposes of this act.

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

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

31 NEW SECTION. Sec. 702. A new section is added to chapter 43.135
32 RCW to read as follows:

33 RCW 43.135.035(4) does not apply to the transfers established in
34 this act.

1 NEW SECTION. **Sec. 703.** A new section is added to chapter 43.19
2 RCW to read as follows:

3 The department of general administration, in conjunction with
4 private sector suppliers, shall develop a pilot program for providing
5 E85 fueling capacity at appropriate intervals and locations along at
6 least interstate routes 5, 82, and 90 throughout the state for the use
7 of public and private vehicles.

8 NEW SECTION. **Sec. 704.** A new section is added to chapter 28B.30
9 RCW to read as follows:

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

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

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

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

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

30 (5) Developing, coordinating, and overseeing the implementation of
31 a plan, or series of plans, for the development of a complete supply
32 chain that allows for the production, transport, distribution, and
33 delivery to public sector end-users of biofuels produced exclusively
34 from recycled products or Washington feedstocks;

35 (6) Coordinate with the department of agriculture for the
36 identification of other barriers for future biofuels development; and

1 (7) Strategies for furthering the penetration of the Washington
2 state fossil fuel market with Washington produced biofuels,
3 particularly among public entities.

4 NEW SECTION. **Sec. 705.** The sum of six million seven hundred
5 thousand dollars, or as much thereof as may be necessary, is
6 appropriated for the biennium ending June 30, 2009, from the clean
7 energy incentive account created in section 701 of this act to
8 Washington State University for the purpose of funding the
9 comprehensive joint bioproducts research program.

10 NEW SECTION. **Sec. 706.** The sum of one million dollars, or as much
11 thereof as may be necessary, is appropriated for the biennium ending
12 June 30, 2009, from the clean energy incentive account created in
13 section 701 of this act to Washington State University for the purposes
14 of section 704 of this act and for qualifying for potential federal
15 matching funds for research on biofuels.

16 NEW SECTION. **Sec. 707.** The sum of two million one hundred
17 thousand dollars, or as much thereof as may be necessary, is
18 appropriated for the biennium ending June 30, 2009, from the clean
19 energy incentive account created in section 701 of this act to the
20 climate impacts group at the University of Washington for the purposes
21 of producing a fifty-year comprehensive state climate change
22 assessment.

23 NEW SECTION. **Sec. 708.** A new section is added to chapter 43.31
24 RCW to read as follows:

25 The following goals and criteria should be considered in evaluating
26 potential biofuel incentives to be offered by the state in conjunction
27 with this act: To assist Washington farmers and businesses in the
28 development of economically viable, sustained instate biofuel and
29 biofuel feedstock production; to leverage and encourage private
30 investment in biofuel and biofuel feedstock production; and to assist
31 in the development of biofuel feedstocks and production techniques that
32 deliver the greatest net reductions in petroleum dependence and carbon
33 emissions.

1 NEW SECTION. **Sec. 801.** Part headings used in this act are not any
2 part of the law.

3 NEW SECTION. **Sec. 802.** The office of the superintendent of public
4 instruction may adopt any rules necessary for the implementation of
5 this act.

6 NEW SECTION. **Sec. 803.** If any provision of this act or its
7 application to any person or circumstance is held invalid, the
8 remainder of the act or the application of the provision to other
9 persons or circumstances is not affected.

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