An Act Relating to providing for the means to encourage the use of cleaner energy thereby providing for healthier communities by reducing emissions; amending RCW 70.94.017, 53.08.040, 43.19.642, 15.110.010, 15.110.020, 15.110.030, 15.110.040, 15.110.050, 15.110.060, 47.17.020, 47.17.135, and 47.17.140; adding a new section to chapter 28A.300 RCW; adding new sections to chapter 43.19 RCW; adding a new section to chapter 43.01 RCW; adding a new section to chapter 89.08 RCW; adding a new section to chapter 35.21 RCW; adding a new section to chapter 35.92 RCW; adding a new section to chapter 54.04 RCW; adding a new section to chapter 28B.30 RCW; adding a new section to chapter 43.135 RCW; adding a new chapter to Title 43 RCW; creating new sections; recodifying RCW 15.110.005, 15.110.010, 15.110.020, 15.110.030, 15.110.040, 15.110.050, 15.110.060, 15.110.900, and 15.110.901; and providing expiration dates.

Be it enacted by the legislature of the State of Washington:

New Section. Sec. 1. (1) The legislature finds that excessive dependence on fossil fuels jeopardizes Washington's economic security, environmental integrity, and public health. Accelerated development and use of clean fuels and clean vehicle technologies will reduce the drain on Washington's economy from importing fossil fuels. As fossil
fuel prices rise, clean fuels and vehicles can save money for consumers while promoting the development of a major, sustainable industry that provides good jobs and a new source of rural prosperity.

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

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

PART 1

INVESTING IN CLEAN AIR

NEW SECTION. Sec. 101. (1) The legislature finds that fine particle air pollution attributable to diesel fuel is a significant health hazard to school children and other residents in our state. Sources of diesel emissions include diesel-powered trucks, buses and cars, diesel-powered marine vessels, construction equipment, trains, aircraft support equipment, cargo handling equipment, and a variety of other on and off-road engines. Reducing fine particles and toxic emissions from diesel emissions and other sources of pollution reduces the adverse health impacts on children, reduces cancer risk, and reduces the incidence and severity of asthma attacks and chronic bronchitis. Reducing diesel emissions, in addition to strategies to
reduce wood smoke, will also aid areas of the state facing potential nonattainment of new fine particle standards established by the United States environmental protection agency and help avoid the adverse health and economic impacts of nonattainment.

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

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

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

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

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

(1) The office of the superintendent of public instruction shall implement a school bus replacement incentive program. As part of the program, the office shall fund up to ten percent of the cost of a new 2007 or later model year school bus that meets the 2007 federal motor
vehicle emission control standards and is purchased by a school
district by no later than June 30, 2009, provided that the new bus is
replacing a 1994 or older school bus in the school district's fleet. Replacement of the oldest buses must be given highest priority.

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

Sec. 103. RCW 70.94.017 and 2005 c 295 s 5 are each amended to
read as follows:
(1) Money deposited in the segregated subaccount of the air
pollution control account under RCW 46.68.020(2) shall be distributed
as follows:
(a) Eighty-five percent shall be distributed to air pollution
control authorities created under this chapter. The money must be
distributed in direct proportion with the amount of fees imposed under
RCW 46.12.080, 46.12.170, and 46.12.181 that are collected within the
boundaries of each authority. However, an amount in direct proportion
with those fees collected in counties for which no air pollution
control authority exists must be distributed to the department.
(b) The remaining fifteen percent shall be distributed to the
department.
(2) Money distributed to air pollution control authorities and the
department under subsection (1) of this section must be used as
follows:
(a) Eighty-five percent of the money received by an air pollution
control authority or the department is available on a priority basis to
retrofit school buses with exhaust emission control devices or to
provide funding for fueling infrastructure necessary to allow school
bus fleets to use alternative, cleaner fuels. In addition, the
director of ecology or the air pollution control officer may direct
funding under this section for other publicly or privately owned diesel equipment if the director of ecology or the air pollution control officer finds that funding for other publicly or privately owned diesel equipment will provide public health benefits and further the purposes of this chapter.

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

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

(4) This section expires July 1, 2020.

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

(1) A district may improve its lands by dredging, filling, bulkheading, providing waterways or otherwise developing such lands for industrial and commercial purposes. A district may also acquire, construct, install, improve, and operate sewer and water utilities to serve its own property and other property owners under terms, conditions, and rates to be fixed and approved by the port commission. A district may also acquire, by purchase, construction, lease, or in any other manner, and may maintain and operate other facilities for the control or elimination of air, water, or other pollution, including, but not limited to, facilities for the treatment and/or disposal of industrial wastes, and may make such facilities available to others under terms, conditions and rates to be fixed and approved by the port commission. Such conditions and rates shall be sufficient to reimburse the port for all costs, including reasonable amortization of capital outlays caused by or incidental to providing such other pollution control facilities((: PROVIDED, That)). However, no part of such costs of providing any pollution control facility to others shall be paid out of any tax revenues of the port((: AND PROVIDED FURTHER, That)) and no port shall enter into an agreement or contract to provide sewer and/or water utilities or pollution control facilities if substantially similar utilities or facilities are available from another source (or sources) which is able and willing to provide such
utilities or facilities on a reasonable and nondiscriminatory basis unless such other source (or sources) consents thereto.

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

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

PART 2
PUBLIC SECTOR FUEL USE

NEW SECTION. Sec. 201. (1) The legislature finds that it is in the state's interest and to the benefit of the people of the state to encourage the use of electrical vehicle technology that will reduce fossil fuel dependence and toxic air pollution. Displacing petroleum with electricity will keep more energy expenditures and jobs in Washington's economy instead of being lost to fossil fuel imports.

(2) Motor vehicles produce more than half of the global warming pollution in the state of Washington. Reducing the use of fossil fuels through alternatives such as electrification is one of the most practical, beneficial climate solutions available to the state and its citizens.
(3) The legislature finds that cleaner fuels and vehicles, including vehicles that use electricity, can help the state achieve better public health, increased energy security, and substantial economic benefits.

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

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

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

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

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

(4)(a) Effective June 1, 2015, all state agencies and local government subdivisions of the state, to the extent determined practicable by the energy freedom coordinator created in section 303 of this act, are required to satisfy one hundred percent of their fuel needs for operating publicly owned vessels, vehicles, and construction equipment from electricity or biofuel certified by the energy freedom coordinator.

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

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

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

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

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

(3) All state agencies shall report to the energy freedom coordinator created in section 303 of this act at the beginning of each biennium until January 1, 2020, on progress towards meeting the goals in this section and any barriers to achieving the goals.

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

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

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

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

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

(2) The director of the department of general administration shall provide reports to the governor and the appropriate committees of the legislature, as deemed necessary by the director, on the estimated amount of state-purchased electricity consumed by plug-in electrical vehicles if the director of general administration determines that the use has a significant cost to the state, and on the number of plug-in electric vehicles using state office locations.

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

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

NEW SECTION. Sec. 207. A new section is added to chapter 35.21 RCW to read as follows:

In addition to any other authority provided by law, public development authorities are authorized to enter into crop purchase contracts for a dedicated energy crop for the purposes of producing, selling, and distributing biodiesel produced from Washington state feedstocks, cellulosic ethanol, and cellulosic ethanol blend fuels.
NEW SECTION. Sec. 208. A new section is added to chapter 35.92 RCW to read as follows:

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

NEW SECTION. Sec. 209. A new section is added to chapter 54.04 RCW to read as follows:

In addition to any other authority provided by law, public utility districts are authorized to produce and distribute biodiesel, ethanol, and ethanol blend fuels, including entering into crop purchase contracts for a dedicated energy crop for the purpose of generating electricity or producing biodiesel produced from Washington feedstocks, cellulosic ethanol, and cellulosic ethanol blend fuels for use in internal operations of the electric utility and for sale or distribution.

PART 3

ENERGY FREEDOM AUTHORITY

NEW SECTION. Sec. 301. (1) The legislature finds that the development of a Washington-based feedstock agricultural and forest products market is highly desirable for producing biodiesel and ethanol. Research and incentive programs are needed to develop a market in Washington to produce cellulosic ethanol from wood waste and other organic materials. Cellulosic ethanol is a preferred biofuel because it provides much greater reductions in petroleum dependence and carbon emissions as compared to starch-based ethanol.

(2) The legislature further finds that the development of a market for renewable liquid natural gas fuel products made from Washington-based feedstock waste biogases is highly desirable to meet Washington's clean fuel needs.
(3) It is important for the state of Washington to develop a complete supply chain infrastructure that allows the state government, including its local government subdivisions, to supply its complete fuel needs with biofuels produced from feedstocks completely produced in Washington. The goal of supplying one hundred percent of state and local government's fuel needs with biofuels should be a reality by 2015.

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

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

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

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

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

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

(5) "Cellulosic ethanol" means ethanol derived from any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis, including dedicated energy crops and trees, wood and wood residues, plants, grasses, agricultural residues, fibers, animal wastes and other waste materials, and municipal solid waste.

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

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

"Director" means the director of the department of agriculture.
(5) "Green highway zone" means an area in the state designated by the department that is within reasonable proximity of state route number 5, state route number 90, and state route number 82.

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

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

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

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

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

(b) The development of markets for bioenergy coproducts.

NEW SECTION. Sec. 303. (1) The energy freedom authority, together with the position of the energy freedom coordinator, is created within the department.

(2) The coordinator is responsible for:

(a) Managing and directing the energy freedom authority;

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

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

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

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

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

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

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

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

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

(2) When reviewing applications submitted under this program, the
((director)) coordinator shall consult with those agencies and other
public entities having expertise and knowledge to assess the technical
and business feasibility of the project and probability of success.
These agencies may include, but are not limited to, the department,
Washington State University, the University of Washington, the
department of ecology, ((the department of community, trade, and
economic development,)) the department of natural resources, the
department of agriculture, the department of general administration,
local clean air authorities, and the Washington state conservation commission.

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

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

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

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

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

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

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

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

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

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

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

(k) For research and development projects, the application has been independently reviewed by a peer review committee as defined in RCW 15.110.010 (as recodified by this act) and the findings delivered to the ((director)) coordinator.
(4) Cellulosic ethanol production facilities and biogas-to-biofuel production facilities are eligible for assistance under the energy freedom program.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

((4))) (d) The benefits to Washington's agricultural producers;
(f) The beneficial uses of biogas; and
(g) The number and quality of jobs and economic benefits created by the project.

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

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

(a) The extent to which the project will help reduce dependence on petroleum fuels and imported energy either directly or indirectly;
(b) The extent to which the project will reduce air and water pollution either directly or indirectly;
(c) The extent to which the project will establish a viable bioenergy production capacity in Washington;
(d) The extent to which the project will make biofuels more accessible to the motoring public;
(e) The benefits to Washington's agricultural producers; and
(f) The number and quality of jobs and economic benefits created by the project.

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

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

(1) The energy freedom account is created in the state treasury. All receipts from appropriations made to the account and any loan payments of principal and interest derived from loans made under this chapter must be deposited into the account. Moneys in the account may be spent only after appropriation. Expenditures from the account may be used only for assistance for projects consistent with this chapter or otherwise authorized by the legislature. ((Administrative costs of the department may not exceed three percent of the total funds available for this program.))
(2) The following goals and criteria should be considered in evaluating potential biofuel incentives to be offered by the energy freedom account: To assist Washington farmers and businesses in the development of economically viable, sustained instate biofuel and biofuel feedstock production; to leverage and encourage private investment in biofuel and biofuel feedstock production; and to assist in the development of biofuel feedstocks and production techniques that deliver the greatest net reductions in petroleum dependence and carbon emissions.

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

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

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

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

PART 4

PLANNING FOR THE FUTURE

NEW SECTION. Sec. 401. (1) The legislature finds that climate change is expected to have significant impacts in the Pacific Northwest
region in the near and long-term future. These impacts include, among other things, increased temperatures, declining snowpack, more frequent heavy rainfall and flooding, receding glaciers, rising sea levels, increased risks to public health due to insect and rodent-borne diseases, declining salmon populations, and increased drought and risk of forest fires.

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

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

(4) The legislature finds that it is important for the state of Washington to participate in emerging regional, national, and international markets to mitigate climate change. The state has a strong interest in ensuring that climate policies and emission markets are designed to appropriately recognize our unique energy assets. Further, the legislature recognizes that any market system related to climate protection must be based on credible and durable accounting principles and have equally applicable rules across sectors in order to promote economically and environmentally effective trading.

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

(2) The vehicle electrification work group shall review, study, evaluate, and make recommendations on at least the following items:
(a) Use by the state of plug-in hybrid vehicles and developing plug-in availability at state locations;
(b) Incentives to encourage the use of plug-in truck auxiliary power units and truck stop electrification;
(c) Use of plug-in shore power for cargo and cruise ship terminals, shipside technology, and use of electric power alternatives for port-related operations and equipment such as switching locomotives, vessels and harborcraft, and cargo-handling equipment;
(d) Potential uses for and availability of plug-in hybrid school buses;
(e) Potential environmental and electrical grid impacts on electrical power consumption of the conversion of a meaningful portion of the state's private and public fleet to plug-in electrical power;
(f) Tax and fee incentives to encourage individual and fleet purchases of plug-in hybrid vehicles;
(g) State laws, rules, tariffs, and policies that impact transportation electrification and plug-in adoption, including pricing with incentives for off-peak charging;
(h) Measures to encourage the use of plug-in vehicles by public fleets, and resulting cost savings, and whether state and local fleets should be required to purchase plug-in hybrid vehicles if it is determined that plug-in hybrid vehicles are commercially available at a reasonably comparable life-cycle cost;
(i) Explore the potential for the use of electrification of fixed transit routes for magnetic levitation propulsion systems;
(j) Actions by the state to help industries located in the state participate in developing and manufacturing plug-in vehicles and vehicle-to-grid technologies;
(k) Additional ways the state can promote transportation electrification in the private and public sectors, including cars and light-duty vehicles, and truck stop and port electrification; and
(l) Potential partners for vehicle-to-grid pilot projects that test the use of parked plug-in vehicles for power grid energy storage and support.

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

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

(5) This section expires July 31, 2009.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) The analysis must:

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

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

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

(d) If adequate funding is not made available for the completion of all elements required under this section, the climate impacts group shall prioritize which of the enumerated research projects have the greatest cost/benefit ratio in terms of providing information important for planning decisions. The prioritization process may include the addition of any new studies that may be appropriate in addition to, or in place of, studies listed in this section.
(3)(a) The fifty-year comprehensive state climate change assessment under this section will serve as the baseline for future analyses of climate change impacts and response strategies for critical economic and ecological sectors, including agriculture, forests, shorelines, fisheries, and urban centers.

(b) The assessment must:

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

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

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

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

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

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

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

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

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

(4) The climate impacts group shall report the assessments to the governor and the appropriate committees of the legislature by December 15, 2008.
Sec. 406. RCW 47.17.020 and 1970 ex.s. c 51 s 5 are each amended to read as follows:

A state highway to be known as state route number 5, and designated as a Washington green highway, is established as follows:

Beginning at the Washington-Oregon boundary line on the interstate bridge over the Columbia river at Vancouver, thence northerly by way of Kelso, Chehalis, Centralia, Olympia, Tacoma, Seattle, Everett and Mt. Vernon, thence northwesterly to the east of Lake Samish, thence northeasterly and northerly by way of Bellingham to the international boundary line in the vicinity of Blaine in Whatcom county.

Sec. 407. RCW 47.17.135 and 1979 ex.s. c 33 s 3 are each amended to read as follows:

A state highway to be known as state route number 82, and designated as a Washington green highway, is established as follows:

Beginning at a junction with state route number 90 in the vicinity of Ellensburg, thence southerly and easterly by way of Yakima, Union Gap, Sunnyside, Prosser, Kiona, and Goose Gap west of Richland, thence southeasterly near Kennewick and southwesterly by way of the vicinity of Plymouth to a crossing of the Columbia river at the Washington-Oregon boundary line.

Sec. 408. RCW 47.17.140 and 1991 c 56 s 2 are each amended to read as follows:

A state highway to be known as state route number 90, and designated as the American Veterans Memorial Highway as well as a Washington green highway, is established as follows:

Beginning at a junction with state route number 5, thence, via the west approach to the Lake Washington bridge in Seattle, in an easterly direction by way of Mercer Island, North Bend, Snoqualmie pass, Ellensburg, Vantage, Moses Lake, Ritzville, Sprague and Spokane to the Washington-Idaho boundary line.

PART 5
MISCELLANEOUS

NEW SECTION. Sec. 501. Part headings used in this act are not any part of the law.
NEW SECTION. Sec. 502. The office of the superintendent of public instruction may adopt any rules necessary for the implementation of this act.

NEW SECTION. Sec. 503. The following sections are codified and recodified as a new chapter in Title 43 RCW entitled "Energy Freedom Authority":

RCW 15.110.005;
RCW 15.110.010;
RCW 15.110.020;
RCW 15.110.030;
RCW 15.110.040;
RCW 15.110.050;
RCW 15.110.060;
RCW 15.110.900;
RCW 15.110.901;
Section 303 of this act;
Section 307 of this act; and
Section 404 of this act.

NEW SECTION. Sec. 504. Sections 302 through 309 and 404 of this act expire June 30, 2016.

NEW SECTION. Sec. 505. A new section is added to chapter 43.135 RCW to read as follows:

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

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