
SECOND SUBSTITUTE HOUSE BILL 1211

State of Washington

66th Legislature

2019 Regular Session

By House Finance (originally sponsored by Representatives Tarleton, Doglio, Pollet, Stanford, Chapman, Peterson, Jinkins, Hudgins, Orwall, Wylie, Fitzgibbon, Valdez, Dolan, Sells, Ryu, Senn, Callan, Ortiz-Self, Fey, Morris, Slatter, Walen, Macri, Tharinger, Goodman, Kloba, Riccelli, and Robinson; by request of Governor Inslee)

READ FIRST TIME 02/22/19.

1 AN ACT Relating to supporting Washington's clean energy economy
2 and transitioning to a clean, affordable, and reliable energy future;
3 amending RCW 19.280.030, 80.84.010, 82.08.962, 82.12.962, 80.04.250,
4 and 43.21F.090; adding new sections to chapter 80.28 RCW; adding a
5 new chapter to Title 19 RCW; creating new sections; prescribing
6 penalties; providing expiration dates; and declaring an emergency.

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

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

14 (2) With our wealth of carbon-free hydropower, Washington has
15 some of the cleanest electricity in the United States. But
16 electricity remains a large source of emissions in our state. We are
17 at a critical juncture for transforming our electricity system. It is
18 the policy of the state to eliminate coal-fired electricity,
19 transition the state's electricity supply to one hundred percent
20 carbon-neutral by 2030, and one hundred percent carbon-free by 2045.
21 In implementing this chapter, the state must prioritize the

1 maximization of family wage job creation, seek to ensure that all
2 customers are benefiting from the transition to a clean energy
3 economy, and provide safeguards to ensure that the achievement of
4 this policy does not impair the reliability of the electricity system
5 or impose unreasonable costs on utility customers.

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

13 (4) The legislature finds that Washington can accomplish the
14 goals of this act while: Promoting energy independence; creating
15 high-quality jobs in the clean energy sector; maximizing the value of
16 hydropower, our principal renewable resource; continuing to electrify
17 the transportation sector; maintaining safe and reliable electricity
18 to all customers at stable and affordable rates; and protecting clean
19 air and water in the Pacific Northwest. Clean energy creates more
20 jobs per unit of energy produced than fossil fuel sources, so this
21 transition will contribute to job growth in Washington while
22 addressing our climate crisis head on. Our abundance of renewable
23 energy and our strong clean technology sector make Washington well
24 positioned to be at the forefront of the transition to one hundred
25 percent clean electricity.

26 (5) The legislature declares that utilities in the state have an
27 important role to play in this transition, and must be fully
28 empowered, through regulatory tools and incentives, to achieve the
29 goals of this policy. In combination with new technology and emerging
30 opportunities for customers, this policy will spur transformational
31 change in the utility industry. Given these changes, the legislature
32 recognizes and finds that the utilities and transportation
33 commission's statutory grant of authority for rate making includes
34 consideration and implementation of performance and incentive-based
35 regulation, multiyear rate plans, and other flexible regulatory
36 mechanisms where appropriate to achieve fair, just, reasonable, and
37 sufficient rates and its public interest objectives.

38 (6) The legislature recognizes and finds that the public interest
39 includes, but is not limited to: The equitable distribution of
40 benefits and reduction of burdens to vulnerable populations and

1 highly impacted communities; long-term and short-term public health,
2 economic, and environmental benefits, costs, and risks; and energy
3 security and resiliency. It is the intent of the legislature that in
4 achieving this policy for Washington, there should not be an increase
5 in environmental health impacts to highly impacted communities.

6 (7) The legislature recognizes the value of quickly developing
7 new nonemitting sources of electricity and seeks to expedite
8 permitting and remove regulatory burdens to the siting of all
9 nonemitting sources of electricity.

10 NEW SECTION. **Sec. 2.** The definitions in this section apply
11 throughout this chapter unless the context clearly requires
12 otherwise.

13 (1) "Administrative penalty" means, for any calendar year, an
14 amount equal to the lesser of: (a) The maximum administrative penalty
15 rate for such a calendar year; or (b) the applicable carbon tax or
16 fee, if any, as expressed in dollars per metric ton of carbon dioxide
17 for such a calendar year.

18 (2) "Allocation of electricity" means, for the purposes of
19 setting electricity rates, the costs and benefits associated with the
20 resources used to provide electricity to an electric utility's retail
21 electricity consumers that are located in this state.

22 (3) "Alternative compliance payment" means the payment
23 established in section 8(2) of this act.

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

26 (5) "Auditor" means the Washington state auditor's office or its
27 designee.

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

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

38 (7) "Carbon dioxide equivalent" has the same meaning as defined
39 in RCW 70.235.010.

1 (8) (a) "Coal-fired resource" means a facility that uses coal-
2 fired generating units, or that uses units fired in whole or in part
3 by coal as feedstock, to generate electricity.

4 (b) "Coal-fired resource" does not include an electric generating
5 facility that is included as part of a limited duration wholesale
6 power purchase, not to exceed one month, made by an electric utility
7 for delivery to retail electricity consumers that are located in this
8 state for which the source of the power is not known at the time of
9 entry into the transaction to procure the electricity. "Coal-fired
10 resource" also does not include an electric generating facility that
11 is subject to an obligation to meet the greenhouse gas emissions
12 performance standards established under RCW 80.80.040(3)(c).

13 (9) "Commission" means the Washington utilities and
14 transportation commission.

15 (10) "Conservation and efficiency resources" means any reduction
16 in electric power consumption that results from increases in the
17 efficiency of energy use, production, transmission, or distribution.

18 (11) "Consumer-owned utility" means a municipal electric utility
19 formed under Title 35 RCW, a public utility district formed under
20 Title 54 RCW, an irrigation district formed under chapter 87.03 RCW,
21 a cooperative formed under chapter 23.86 RCW, or a mutual corporation
22 or association formed under chapter 24.06 RCW, that is engaged in the
23 business of distributing electricity to more than one retail electric
24 customer in the state.

25 (12) "Demand response" means changes in electric usage by demand-
26 side resources from their normal consumption patterns in response to
27 changes in the price of electricity over time, or to incentive
28 payments designed to induce lower electricity use, at times of high
29 wholesale market prices or when system reliability is jeopardized.
30 "Demand response" may include measures to increase or decrease
31 electricity production on the customer's side of the meter in
32 response to incentive payments.

33 (13) "Department" means the department of commerce.

34 (14) "Distributed energy resource" means a nonemitting resource
35 that provides electric energy, capacity, or ancillary services to an
36 electric utility and that is located on the distribution system, any
37 subsystem of the distribution system, or behind the customer meter,
38 including conservation and energy efficiency.

39 (15) "Electric utility" means a consumer-owned utility or an
40 investor-owned utility.

1 (16) "Energy assistance" means a program undertaken by a utility
2 to reduce the household energy burden of its customers.

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

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

11 (17) "Energy assistance need" means the amount of assistance
12 necessary to achieve a level of household energy burden established
13 by the department or commission.

14 (18) "Energy burden" means the share of annual household income
15 used to pay annual home energy bills.

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

22 (b) "Energy transformation project" may include but is not
23 limited to:

24 (i) Home weatherization or other energy efficiency measures,
25 including market transformation for energy efficiency products, in
26 excess of: The target established under RCW 19.285.040(1), if
27 applicable; other state obligations; or other obligations in effect
28 on the effective date of this section;

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

31 (A) Equipment on an electric utility's transmission or
32 distribution system to accommodate electric vehicle connections,
33 smart grid systems that enable electronic interaction between the
34 electric utility and charging systems, and facilitate the utilization
35 of vehicle batteries for system needs;

36 (B) Incentives for car dealers to sell electric vehicles, as
37 authorized under state or federal law;

38 (C) Incentives for property owners to install charging equipment
39 for electric vehicles; and

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

1 (iii) Investment in distributed energy resources;

2 (iv) Investments in renewable natural gas production, including

3 equipment to condition biogas, or equipment used solely for the

4 purpose of delivering biogas for consumption;

5 (v) Contributions to self-directed investments in the following

6 measures to serve the sites of large industrial gas and electrical

7 customers: (A) Conservation; (B) new renewable resources; (C) behind-

8 the-meter technology that facilitates demand response cooperation to

9 reduce peak loads; (D) infrastructure to support electrification of

10 transportation needs; or (E) renewable natural gas production,

11 including gas conditioning equipment for biogas; and

12 (vi) Projects and programs that achieve energy efficiency and

13 emission reductions in the agricultural sector, including bioenergy

14 and biogas projects.

15 (20) "Fossil fuel" means natural gas, petroleum, coal, or any

16 form of solid, liquid, or gaseous fuel derived from such a material.

17 (21) "Governing body" means: The council of a city or town; the

18 commissioners of an irrigation district, municipal electric utility,

19 or public utility district; or the board of directors of an electric

20 cooperative or mutual association that has the authority to set and

21 approve rates.

22 (22) "Greenhouse gas" includes carbon dioxide, methane, nitrous

23 oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and

24 any other gas or gases designated by the department of ecology by

25 rule under RCW 70.235.010.

26 (23) "Greenhouse gas content calculation" means a calculation

27 expressed in carbon dioxide equivalent and made by the department of

28 ecology, in consultation with the department, for the purposes of

29 determining the emissions from the complete combustion or oxidation

30 of fossil fuels and the greenhouse gas emissions in electricity for

31 use in calculating the greenhouse gas emissions content in

32 electricity.

33 (24) "Highly impacted community" means a community designated by

34 the department of health based on cumulative impact analyses in

35 section 25 of this act or a community located in census tracts that

36 are fully or partially on "Indian country" as defined in 18 U.S.C.

37 Sec. 1151.

38 (25) "Investor-owned utility" means a company owned by investors

39 that meets the definition of "corporation" in RCW 80.04.010 and is

1 engaged in distributing electricity to more than one retail electric
2 customer in the state.

3 (26) "Low-income" means household incomes as defined by the
4 department or commission, provided that the definition does not
5 exceed the higher of eighty percent of area median household income
6 or two hundred percent of the federal poverty level, adjusted for
7 household size.

8 (27) "Market customer" means a nonresidential customer of an
9 electric utility that: (a) Purchases electricity from an entity or
10 entities other than the utility with which it is directly
11 interconnected; or (b) generates electricity to meet its own needs.

12 (28)(a) "Natural gas" means naturally occurring mixtures of
13 hydrocarbon gases and vapors consisting principally of methane,
14 whether in gaseous or liquid form, including methane clathrate.

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

17 (29)(a) "Nonemitting electric generation" means electricity from
18 a generating facility or a resource, including a distributed energy
19 resource, that provides electric energy, capacity, or ancillary
20 services to an electric utility and that does not emit greenhouse
21 gases as a by-product of energy generation.

22 (b) "Nonemitting electric generation" does not include renewable
23 resources.

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

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

1 (31) "Qualified transmission line" means an overhead transmission
2 line that is: (a) Designed to carry a voltage in excess of one
3 hundred thousand volts; (b) owned in whole or in part by an investor-
4 owned utility; and (c) primarily or exclusively used by such an
5 investor-owned utility as of the effective date of this section to
6 transmit electricity generated by a coal-fired resource.

7 (32) "Renewable energy credit" means a tradable certificate of
8 proof of one megawatt-hour of a renewable resource. The certificate
9 includes all of the nonpower attributes associated with that one
10 megawatt-hour of electricity and the certificate is verified by a
11 renewable energy credit tracking system selected by the department.

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

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

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

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

30 (36) "Retail electric load" means the amount of megawatt-hours of
31 electricity delivered in a given calendar year by an electric utility
32 to its Washington retail electric customers.

33 (37) "Unbundled renewable energy credit" means a renewable energy
34 credit that is sold, delivered, or purchased separately from
35 electricity.

36 (38) "Unspecified electricity" means an electricity source for
37 which the fuel attribute is unknown or has been separated from the
38 energy delivered to retail electric customers.

1 (39) "Vulnerable population" means a population of people that
2 experience a disproportionate cumulative risk from environmental
3 burdens due to:

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

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

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

13 (b) The commission must allow in electric rates all
14 decommissioning and remediation costs prudently incurred by an
15 investor-owned utility for a coal-fired facility.

16 (2) The commission must accelerate depreciation schedules for any
17 coal-fired resource to a date no later than December 31, 2025. The
18 commission may accelerate the depreciation schedule for any qualified
19 transmission line owned by an investor-owned utility when the
20 commission finds the qualified transmission line is no longer used
21 and useful and there is no reasonable likelihood that the qualified
22 transmission line will be utilized in the future. The adjusted
23 depreciation schedule must require such a qualified transmission line
24 to be fully depreciated on or before December 31, 2025.

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

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

34 (b) The commission finds that the retirement is in the public
35 interest.

36 (4) An electric utility that fails to comply with the
37 requirements of subsection (1) of this section must pay the
38 administrative penalty established under section 8(1) of this act.

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

4 (a) By January 1, 2030, and each year thereafter through December
5 31, 2044, an electric utility must demonstrate its compliance with
6 this standard using a combination of nonemitting electric generation,
7 electricity from renewable resources, and resources that reduce
8 greenhouse gas emissions. To achieve compliance with this standard,
9 an electric utility must: (i) Pursue all cost-effective, reliable,
10 and feasible conservation and efficiency resources to reduce or
11 manage retail electric load, using the methodology established in RCW
12 19.285.040, if applicable; and (ii) use electricity from renewable
13 resources and nonemitting electric generation in an amount equal to
14 one hundred percent of the utility's average annual retail electric
15 load.

16 (b) Through December 31, 2039, an electric utility may satisfy up
17 to twenty percent of its compliance obligation under (a) of this
18 subsection with an alternative compliance option consistent with this
19 section. Beginning January 1, 2040, through December 31, 2044, an
20 electric utility may satisfy up to ten percent of its compliance
21 obligation under (a) of this subsection with an alternative
22 compliance option consistent with this subsection. An alternative
23 compliance option may include any combination of the following:

24 (i) Making an alternative compliance payment under section 8(2)
25 of this act;

26 (ii) Using unbundled renewable energy credits, including
27 unbundled renewable energy credits used for compliance with RCW
28 19.285.040. Renewable energy credits used for compliance with this
29 section must represent electricity generated in the compliance year
30 or within the two years prior to the compliance year;

31 (iii) Investing in energy transformation projects, including
32 additional conservation and efficiency resources beyond what is
33 otherwise required under this section, provided the projects meet the
34 requirements of subsection (2) of this section and are not credited
35 as resources used to meet the standard under (a) of this subsection.

36 (c) Electricity from renewable resources used to meet the
37 standard under (a) of this subsection must be verified by the
38 retirement of renewable energy credits. Renewable energy credits must
39 be tracked and retired in the tracking system selected by the
40 department.

1 (d) Hydroelectric generation used by an electric utility in
2 meeting the standard under (a) of this subsection may not include new
3 diversions, new impoundments, new bypass reaches, or expansion of
4 existing reservoirs constructed after the effective date of this
5 section unless the diversions, bypass reaches, or reservoir
6 expansions are necessary for the operation of a pumped storage
7 facility that: (i) Does not conflict with existing state or federal
8 fish recovery plans; and (ii) complies with all local, state, and
9 federal laws and regulations.

10 (e) Nothing in (d) of this subsection precludes an electric
11 utility that owns and operates hydroelectric generating facilities
12 from making efficiency or other improvements to its hydroelectric
13 generating facilities existing as of the effective date of this
14 section or from installing hydroelectric generation in pipes,
15 culverts, irrigation canals, and other manmade waterways, as long as
16 those changes do not create conflicts with existing state or federal
17 fish recovery plans and comply with all local, state, and federal
18 laws and regulations.

19 (f) Nonemitting electric generation resources used to meet the
20 standard under (a) of this subsection must be generated during the
21 compliance year and must be verified by documentation that the
22 electric utility owns the nonpower attributes of the electricity
23 generated by the nonemitting resource.

24 (g) Nothing in this section prohibits an electric utility from
25 purchasing power from the Bonneville power administration.

26 (2) Investments in energy transformation projects used to satisfy
27 an alternative compliance option provided under subsection (1)(b) of
28 this section must use criteria developed by the department of
29 ecology, in consultation with the department and the commission. For
30 the purpose of crediting an energy transformation project toward the
31 standard in subsection (1)(a) of this section, the department of
32 ecology must establish a conversion factor consistent with the
33 emission factors for unspecified electricity, or, if the department
34 of ecology has not adopted an emission factor for unspecified
35 electricity, 0.437 metric tons of carbon dioxide per megawatt-hour of
36 electricity. Emissions reductions from energy transformation projects
37 must be:

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

1 (b) Permanent: The department must look to other jurisdictions in
2 setting this standard and make a reasonable determination on length
3 of time;

4 (c) Enforceable by the state of Washington;

5 (d) Verifiable;

6 (e) Not required by another statute, rule, or other legal
7 requirement in place as of the effective date of this section; and

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

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

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

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

28 (6) The department must adopt rules, in consultation with the
29 commission and the department of ecology, to establish requirements
30 for energy transformation project investments including, but not
31 limited to, verification procedures, reporting standards, and other
32 logistical issues as necessary.

33 (7) The commission, after a hearing, must adopt by order interim
34 targets for each investor-owned utility. The interim targets for an
35 investor-owned utility must be informed by the utility's clean energy
36 action plans submitted under RCW 19.280.030, and begin no later than
37 January 1, 2020. The commission must, at a minimum, adopt interim
38 targets for utility achievement or acquisition of energy efficiency,
39 demand response, and renewable energy. The commission may adopt more
40 stringent targets and periodically adjust or expedite timelines if it

1 can be demonstrated that such targets can be achieved in a manner
2 consistent with the following:

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

5 (b) Planning to meet the standard at the lowest reasonable cost,
6 considering risk;

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

13 (d) Ensuring that no customer or class of customers are
14 unreasonably harmed by any resulting increases in the cost of
15 utility-supplied electricity as may be necessary to comply with the
16 standard established under subsection (1) of this section.

17 (8) The governing body of a consumer-owned utility must adopt
18 interim targets, informed by the utility's clean energy action plans
19 submitted under RCW 19.280.030. The governing body must, at a
20 minimum, adopt interim targets for utility achievement or acquisition
21 of energy efficiency, demand response, and renewable energy. The
22 governing body may adopt more stringent targets and periodically
23 adjust or expedite timelines if it can be demonstrated that such
24 targets can be achieved in a manner consistent with the following:

25 (a) Maintaining and protecting the safety, reliable operation,
26 and balancing of the electric system;

27 (b) Planning to meet the standard at the lowest reasonable cost,
28 considering risk;

29 (c) Ensuring that all customers are benefiting from the
30 transition to clean energy, including: An equitable distribution of
31 energy and nonenergy benefits and reduction of burdens to vulnerable
32 populations and highly impacted communities; long-term and short-term
33 public health and environmental benefits, costs, and risks; and
34 energy security and resiliency; and

35 (d) Ensuring that no customer or class of customers are
36 unreasonably harmed by any resulting increases in the cost of
37 utility-supplied electricity as may be necessary to comply with the
38 standard established under subsection (1) of this section.

39 (9)(a) In meeting interim targets established under this section,
40 an electric utility must, consistent with the requirements of RCW

1 19.285.040, if applicable, pursue all cost-effective, reliable, and
2 feasible conservation and efficiency resources, and demand response.
3 In making new investments, an electric utility must, to the maximum
4 extent feasible:

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

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

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

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

15 (10) An electric utility that fails to meet the requirements of
16 this section must pay the administrative penalty established under
17 section 8(1) of this act.

18 (11) In complying with this section, an electric utility must
19 seek to maximize equitable distribution of energy and nonenergy
20 benefits and reduction of burdens to vulnerable populations and
21 highly impacted communities; long-term and short-term public health
22 and environmental benefits, costs, and risks; and energy security and
23 resiliency.

24 (12) Customers who become market customers after the effective
25 date of this section must comply with the standard established under
26 subsection (1) of this section.

27 (13) A market customer that purchases electricity exclusively
28 from carbon-free resources and eligible renewable resources, as
29 defined in RCW 19.285.030 as of January 1, 2019, pursuant to a
30 special contract with an investor-owned utility approved, prior to
31 the effective date of this section, by order of the commission is
32 subject to the requirements of such an order and not to the standard
33 established in this section. For purposes of interpreting any such
34 special contract, chapter 19.285 RCW, as in effect on January 1,
35 2019, is not, either directly or indirectly, amended or supplemented.

36 NEW SECTION. **Sec. 5.** (1)(a) It is the policy of the state that
37 nonemitting electric generation and electricity from renewable
38 resources supply one hundred percent of all retail sales of
39 electricity to Washington customers by January 1, 2045. By January 1,

1 2045, and each year thereafter, an electric utility must supply one
2 hundred percent of its retail electric sales using nonemitting
3 electric generation and renewable resources, or pay the
4 administrative penalty established under section 8(1) of this act.

5 (b) In implementing the standard under (a) of this subsection,
6 the state must prioritize the maximization of family wage job
7 creation, seek to ensure that all customers are benefiting from the
8 transition to a clean energy economy, and provide safeguards to
9 ensure that the achievement of the standard does not impair the
10 reliability of the electricity system or impose unreasonable costs on
11 utility customers.

12 (2) Each electric utility must incorporate the standard under
13 subsection (1)(a) of this section into all relevant planning and
14 resource acquisition practices and demonstrate compliance with this
15 section annually, beginning January 1, 2046.

16 (3) The commission, in the case of an investor-owned utility, or
17 the governing body, in the case of a consumer-owned utility, may
18 adopt more stringent targets and may periodically adjust or expedite
19 timelines if it can be demonstrated that such targets can be achieved
20 in a manner consistent with the following:

21 (a) Maintaining and protecting the safety, reliable operation,
22 and balancing of the electric system;

23 (b) Planning to meet the standard at the lowest reasonable cost,
24 considering risk;

25 (c) Ensuring that all customers are benefiting from the
26 transition to clean energy, including: An equitable distribution of
27 energy and nonenergy benefits and reduction of burdens to vulnerable
28 populations and highly impacted communities; long-term and short-term
29 public health and environmental benefits, costs, and risks; and
30 energy security and resiliency; and

31 (d) Ensuring that no customer or class of customers are
32 unreasonably harmed by any resulting increases in the cost of
33 utility-supplied electricity as may be necessary to comply with the
34 standard established under subsection (1)(a) of this section.

35 (4) In planning to meet projected demand consistent with the
36 requirements of subsection (2) of this section, an electric utility
37 must pursue all cost-effective, reliable, and feasible conservation
38 and efficiency resources, reductions in demand, and demand management
39 prior to making new investments to meet projected demand, and to the
40 maximum extent feasible must:

1 (a) Achieve targets at the lowest reasonable cost;

2 (b) Consider acquisition of existing surplus renewable resources;

3 and

4 (c) In the acquisition of new resources constructed after the
5 effective date of this section, rely on renewable resources, demand
6 response, and energy storage, insofar as doing so is consistent with
7 (a) of this subsection, the utility's clean energy action plan, and,
8 for an investor-owned utility, its compliance strategy developed
9 under RCW 19.280.030.

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

15 (6)(a) Hydroelectric generation used by an electric utility in
16 meeting the standard under subsection (1)(a) of this section may not
17 include new diversions, new impoundments, new bypass reaches, or
18 expansion of existing reservoirs constructed after the effective date
19 of this section unless the diversions, bypass reaches, or reservoir
20 expansions are necessary for the operation of a pumped storage
21 facility that: (i) Does not conflict with existing state or federal
22 fish recovery plans; and (ii) complies with all local, state, and
23 federal laws and regulations.

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

33 (7) Nothing in this section prohibits an electric utility from
34 purchasing power from the Bonneville power administration.

35 (8) Customers who become new market customers after the effective
36 date of this section must comply with the standard established under
37 subsection (1) of this section.

38 (9) Any market customer that purchases electricity exclusively
39 from carbon-free resources and eligible renewable resources, as
40 defined in RCW 19.285.030 as of January 1, 2019, pursuant to a

1 special contract with an investor-owned utility approved, prior to
2 the effective date of this section, by order of the commission is
3 subject to the requirements of such an order and not to the standard
4 established in this section. For the purposes of interpreting such a
5 special contract, chapter 19.285 RCW, as in effect on January 1,
6 2019, is not, either directly or indirectly, amended or supplemented.

7 NEW SECTION. **Sec. 6.** (1)(a) The department must adopt rules
8 that establish how the department must calculate the fuel mix for the
9 Bonneville power administration for the purposes of compliance with
10 sections 3 through 5 of this act. The department must calculate
11 annually the percentage of the Bonneville power administration's
12 reported fuel mix that is electricity from renewable resources or
13 nonemitting electric generation. The department must multiply this
14 percentage by the total megawatt-hours sold by the Bonneville power
15 administration to an electric utility or market customer in
16 Washington. The megawatt-hours resulting from this calculation must
17 be deemed to be the total megawatt-hours of electricity from
18 renewable resources and nonemitting electric generation resulting
19 from the power sold by the Bonneville power administration to an
20 electric utility or market customer.

21 (b) For the purposes of these calculations, the Bonneville power
22 administration may exclude from its fuel mix reported to the
23 department any purchases of electric generation that are made for the
24 purpose of serving load outside of the state of Washington.

25 (2)(a) Each electric utility must disclose the greenhouse gas
26 content calculation inherent in its electricity supply. A utility's
27 disclosure must be consistent with the fuel sources that it reports
28 and discloses in accordance with the requirements of chapter 19.29A
29 RCW. The department must by rule incorporate the carbon content
30 disclosure into the power source or fuel mix disclosure required
31 under chapter 19.29A RCW.

32 (b) For unspecified electricity, an electric utility must use an
33 emissions rate determined, and periodically updated, by the
34 department by rule.

35 NEW SECTION. **Sec. 7.** By January 1, 2021, and at least every two
36 years thereafter and in compliance with RCW 43.01.036, the commission
37 and the department must submit a joint report to the legislature. The
38 joint report must include the following:

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

5 (2)(a) An evaluation, produced in consultation with electric
6 utilities, transmission operators in Washington, the reliability
7 coordinator for electric utilities, and any regional planning
8 organization serving electric utilities, identifying the potential
9 benefits, impacts, and risks on system reliability associated with
10 achieving the standards described in sections 4 and 5 of this act.
11 The evaluation must assess whether electric utilities have sufficient
12 electric generation resources to meet forecasted retail electric load
13 in addition to adequate transmission capability to implement sections
14 3 through 5 of this act.

15 (b) If the evaluation finds insufficient generation resources or
16 inadequate transmission capability, the evaluation must also identify
17 the mitigation and investments necessary to correct those
18 deficiencies at the lowest reasonable cost.

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

22 (a) Rates of electric utilities;

23 (b) Greenhouse gas emissions of electric utilities;

24 (c) The allocation of risk between customers and electric
25 utilities;

26 (d) The allocation of financial costs among electric utilities in
27 the state and whether retail electric customers are equitably bearing
28 the financial costs of implementing sections 3 through 5 of this act;

29 (e) The timing of cost recovery for electricity generated by
30 nonemitting electric generation or renewable resources;

31 (f) The resource procurement process of electric utilities; and

32 (g) The barriers to, and benefits of, implementing sections 4 and
33 5 of this act.

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

36 NEW SECTION. **Sec. 8.** (1)(a) An electric utility that fails to
37 comply with the standards established in sections 3 through 5 of this
38 act must pay an administrative penalty to the state of Washington in
39 the amount of one hundred dollars, times the following multipliers,

1 for each megawatt-hour of electric generation used to meet load that
2 is not electricity from a renewable resource or nonemitting electric
3 generation:

4 (i) 1.5 for coal-fired resources;

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

6 (iii) 0.55 for gas-fired combined-cycle power plants.

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

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

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

24 (i) After taking all reasonable measures, the investor-owned
25 utility's compliance with this chapter is likely to result in
26 conflicts with or compromises to its obligation to comply with the
27 mandatory and enforceable reliability standards of the North American
28 electric reliability corporation, violate prudent utility practice
29 for assuring resource adequacy, or compromise the power quality or
30 integrity of its system; or

31 (ii) The investor-owned utility is unable to comply with the
32 standards established in sections 3 through 5 of this act due to
33 reasons beyond the reasonable control of the investor-owned utility,
34 as set forth in subsection (8) of this section.

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

39 (i) Notwithstanding the standards established in sections 3
40 through 5 of this act, temporarily exempting the investor-owned

1 utility from the requirements of section 4 or 5 of this act for an
2 amount of time sufficient to allow the investor-owned utility to
3 achieve full compliance with the standard;

4 (ii) Directing the investor-owned utility to file a report to the
5 commission on how the utility plans to achieve full compliance with
6 the standard within six months after the order is issued, or within
7 an amount of time determined to be reasonable by the commission; and

8 (iii) Directing the investor-owned utility to take specific
9 actions to achieve full compliance with the requirements of this
10 chapter.

11 (c) An investor-owned utility may request an extension of a
12 temporary exemption granted under this subsection. An investor-owned
13 utility that requests an extension must request an update to the
14 order issued by the commission under (b) of this subsection.

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

18 (5)(a) The attorney general may, at the recommendation of the
19 auditor relieve a consumer-owned utility of its administrative
20 penalty obligation under subsection (1) of this section if the
21 attorney general finds that:

22 (i) The consumer-owned utility's compliance with this chapter is
23 likely to result in conflicts with or compromises to its obligation
24 to comply with the mandatory and enforceable reliability standards of
25 the North American electric reliability corporation, violate prudent
26 utility practice for assuring resource adequacy, or compromise the
27 power quality or integrity of its system; or

28 (ii) The consumer-owned utility is unable to comply with the
29 standards established in sections 3 through 5 of this act due to
30 reasons beyond the reasonable control of the utility, as set forth in
31 subsection (8) of this section and based on documentation submitted
32 by the governing body of the consumer-owned utility.

33 (b) Notwithstanding the standards established in sections 3
34 through 5 of this act, the attorney general may issue a finding:

35 (i) Temporarily exempting the consumer-owned utility from the
36 requirements of section 4 or 5 of this act for an amount of time
37 sufficient to allow the consumer-owned utility to achieve full
38 compliance with the standard;

39 (ii) Directing the consumer-owned utility to file a report to the
40 attorney general on how the utility plans to achieve full compliance

1 with the standard within six months after the finding is issued, or
2 within an amount of time determined to be reasonable by the attorney
3 general; and

4 (iii) Directing the consumer-owned utility to take specific
5 actions to achieve full compliance with the requirements of this
6 chapter.

7 (c) A consumer-owned utility may request an extension of a
8 temporary exemption granted under this subsection.

9 (d) This subsection does not permanently relieve a consumer-owned
10 utility of its obligation to comply with the requirements of this
11 chapter.

12 (6) Upon petition by an investor-owned utility, and after a
13 hearing, the commission may issue an order relieving the utility of
14 the requirements of sections 4 and 5 of this act if it finds that the
15 utility had no choice but to use electric generation that is not
16 electricity from a renewable resource or nonemitting electric
17 generation to maintain the reliability and safety of the grid. The
18 commission may use its standard practices and procedures to make a
19 reliability determination under this subsection. In making the
20 determination, the commission must prioritize reliability so as to
21 prevent any service interruption to customers.

22 (7) The attorney general, at the recommendation of the auditor,
23 may relieve a consumer-owned utility of the requirements of sections
24 4 and 5 of this act if the attorney general finds that the utility
25 had no choice but to use electric generation that is not electricity
26 from a renewable resource or nonemitting electric generation to
27 maintain reliability and safety of the grid based on documentation
28 submitted by the governing body of the consumer-owned utility. In
29 making the determination, the attorney general must prioritize
30 reliability so as to prevent any service interruption to customers.

31 (8) To the extent an event or circumstance cannot be reasonably
32 foreseen and ameliorated, such events or circumstances beyond the
33 reasonable control of an electric utility may include but are not
34 limited to:

35 (a) Weather-related damage;

36 (b) Natural disasters;

37 (c) Mechanical or resource failure;

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

40 (e) Labor strikes or lockouts;

1 (f) Actions of governmental authorities that adversely affect the
2 generation, transmission, or distribution of nonemitting electric
3 generation or renewable resources under contract to an electric
4 utility;

5 (g) Inability to acquire sufficient transmission to transmit
6 electricity from nonemitting electric generation or renewable
7 resources to load; and

8 (h) Substantial limitations, restrictions, or prohibitions on
9 nonemitting electric generation or renewable resources.

10 (9) An electric utility must notify its retail electric customers
11 in published form within three months of paying the administrative
12 penalty established under subsection (1) of this section. An electric
13 utility is not required to notify its retail electric customers when
14 making a payment in the amount of the administrative penalty as an
15 alternative compliance payment consistent with the requirements of
16 section 4(1)(b) of this act.

17 (10) Moneys collected under this section must be deposited into
18 the low-income weatherization and structural rehabilitation
19 assistance account created in RCW 70.164.030.

20 (11) For an investor-owned utility, the commission must determine
21 compliance with the requirements of this chapter.

22 (12) For utilities that are not investor-owned utilities, the
23 auditor is responsible for auditing compliance with this chapter and
24 rules adopted under this chapter that apply to those utilities and
25 the attorney general is responsible for enforcing that compliance.

26 (13) At a request of an investor-owned or consumer-owned utility,
27 the governor may exempt an electric utility from paying the
28 administrative penalty under this section when the governor declares
29 an energy emergency pursuant to RCW 43.21G.040.

30 NEW SECTION. **Sec. 9.** (1) The commission may consider an
31 investor-owned utility to be in compliance with the requirements of
32 sections 4 and 5 of this act if the commission determines, after an
33 adjudicative hearing, that the cost of full compliance would create a
34 material and undue burden to be borne by retail electric customers of
35 the utility.

36 (2) In considering compliance under this section, the commission
37 must require an investor-owned utility to demonstrate that it has
38 achieved as much compliance with the requirements of sections 4 and 5
39 of this act as is reasonably possible, and that it has attempted to

1 maximize the cumulative benefits to retail electric customers
2 consistent with the goals and objectives of this chapter.

3 NEW SECTION. **Sec. 10.** (1) The department must adopt rules
4 establishing reporting requirements for electric utilities to
5 demonstrate compliance with this chapter. The requirements must, to
6 the extent practicable, be consistent with the disclosures required
7 under chapter 19.29A RCW.

8 (2) An investor-owned utility must also report all information
9 required in subsection (1) of this section to the commission.

10 (3) An electric utility must also make reports required in this
11 section available to its retail electric customers.

12 NEW SECTION. **Sec. 11.** (1) It is the intent of this chapter that
13 the commission and department adopt rules to streamline the
14 implementation of this act with chapter 19.285 RCW to simplify
15 compliance and avoid duplicative processes.

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

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

24 (4) The commission and department may coordinate in developing
25 rules related to process, timelines, and documentation that are
26 necessary for implementation of this chapter.

27 (5) The commission and department may consult with other state
28 agencies in the development of rules under this chapter.

29 (6) Pursuant to the administrative procedure act, chapter 34.05
30 RCW, rules needed for the implementation of this chapter must be
31 adopted by January 1, 2021. These rules may be revised as needed to
32 carry out the intent and purposes of this chapter.

33 NEW SECTION. **Sec. 12.** The requirements of sections 3 through 8
34 of this act do not replace or modify the requirements established
35 under chapter 19.285 RCW. All utility activities to comply with the
36 requirements established under chapter 19.285 RCW also qualify for
37 compliance with the requirements contained in this chapter.

1 NEW SECTION. **Sec. 13.** (1) It is the intent of the legislature
2 to demonstrate progress toward making energy assistance funds
3 available to low-income households consistent with the targets
4 identified in this section.

5 (2) An electric utility must make funding available for energy
6 assistance to low-income households by July 31, 2021. Each utility
7 must demonstrate progress in providing energy assistance pursuant to
8 the assessment and plans in subsection (4) of this section. To the
9 extent practicable, priority must be given to low-income households
10 with a higher energy burden.

11 (3) Beginning July 31, 2020, each electric utility must disclose
12 the following information relating to energy assistance and energy
13 assistance need in the utility's service territory. The disclosure
14 must be updated biennially and submitted to the department. The
15 disclosure must include, but is not limited to:

16 (a) The number of low-income households in the utility's service
17 territory;

18 (b) The level of energy assistance need in the utility's service
19 territory; and

20 (c) The amount and type of energy assistance and the number and
21 type of households served in the electric utility's most recent
22 completed budget period.

23 (4) In addition to the disclosures required in subsection (3) of
24 this section, each electric utility must submit biennially to the
25 department an assessment and plans to improve:

26 (a) The mechanisms used to reduce energy burden including, but
27 not limited to, a low-income specific rate class and the
28 effectiveness of those mechanisms in both short-term and sustained
29 energy burden reductions;

30 (b) The outreach strategies used to maximize participation of all
31 eligible households, including consultation with community-based
32 organizations and Indian tribes as appropriate, and comprehensive
33 enrollment campaigns that are linguistically and culturally
34 appropriate to the vulnerable populations in the utility's service
35 territory in order to inform and enroll more difficult to reach
36 eligible households; and

37 (c) Current and prospective funding mechanisms including, but not
38 limited to, customer rates, system benefits charges, public funds,
39 and private funds needed to meet sixty percent of the energy
40 assistance need or a fifteen percent increase over 2020 levels,

1 whichever is greater, by 2030, and ninety percent of the energy
2 assistance need by 2050.

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

8 (6) The commission, in the case of an investor-owned utility, and
9 department, in the case of a consumer-owned utility, must adopt rules
10 to implement this section including, but not limited to, a shared
11 definition and calculation of energy burden and energy assistance
12 need. The governing body of a consumer-owned utility is solely
13 responsible for enforcement of this section for the consumer-owned
14 utility.

15 (7) The commission and department must submit a biennial report
16 to the legislature aggregating utility disclosures into a statewide
17 summary of energy assistance programs, energy burden, and energy
18 assistance need, and identifying and sharing optimal mechanisms for
19 energy assistance.

20 NEW SECTION. **Sec. 14.** (1) By December 31, 2020, the commission
21 and the department must investigate and complete a consultant study
22 on the feasibility, need, and potential costs and benefits of
23 participation of electric utilities in interstate organized energy
24 markets in order to, among other potential benefits, integrate
25 nonemitting electric generation and renewable resources and other
26 technologies that reduce greenhouse gas emissions, reduce overall
27 greenhouse gas content calculation inherent in electricity, and
28 implement sections 4 and 5 of this act at the lowest reasonable cost
29 and risk to electric utilities and retail electric customers in the
30 state.

31 (2) The commission and the department must work with
32 stakeholders, including investor-owned utilities, consumer-owned
33 utilities, the Bonneville power administration, the Northwest power
34 and conservation council, and public interest groups and submit a
35 final report of the findings of the study to the energy committees of
36 the legislature by January 7, 2021.

37 (3) This section expires January 31, 2021.

1 **Sec. 15.** RCW 19.280.030 and 2015 3rd sp.s. c 19 s 9 are each
2 amended to read as follows:

3 Each electric utility must develop a plan consistent with this
4 section.

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

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

16 (b) An assessment of commercially available conservation and
17 efficiency resources, as informed, as applicable, by the ten-year
18 assessment for cost-effective conservation potential under RCW
19 19.285.040. Such assessment may include, as appropriate,
20 opportunities for development of combined heat and power as an energy
21 and capacity resource, demand response and load management programs,
22 and currently employed and new policies and programs needed to obtain
23 the conservation and efficiency resources;

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

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

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

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

1 (g) A determination of load loss probability under different
2 resource acquisition scenarios for implementing sections 3 through 5
3 of this act;

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

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

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

19 ~~(g)~~) (k) A (~~short-term~~) ten-year clean energy action plan and
20 compliance strategy identifying the specific actions to be taken by
21 the utility consistent with the long-range integrated resource plan
22 and resource adequacy requirements, and proposing interim targets for
23 implementing sections 3 and 4 of this act at the lowest reasonable
24 cost, and at an acceptable resource adequacy standard; and

25 (1) A twenty-year clean energy transformation plan identifying
26 the lowest reasonable cost pathways to implement section 5 of this
27 act.

28 (2) For an investor-owned utility, the clean energy action plan
29 and compliance strategy must: (a) Propose interim targets for meeting
30 the requirement in section 4 of this act; (b) identify and be
31 informed by the utility's ten-year cost-effective conservation
32 potential assessment as determined under RCW 19.285.040; (c)
33 establish a resource adequacy requirement; (d) identify the potential
34 cost-effective demand response and load management programs that may
35 be acquired; (e) identify renewable resources, nonrenewable
36 resources, and distributed energy resources that may be acquired and
37 evaluate how each identified resource may be expected to contribute
38 to meeting the utility's resource adequacy requirement; (f) identify
39 any need to develop new, or expand or upgrade existing, transmission
40 and distribution facilities; and (g) identify the nature and possible

1 extent to which the utility may need to rely on alternative
2 compliance options under section 4(1)(b) of this act, if appropriate.

3 (3)(a) An electric utility must consider the social cost of
4 greenhouse gas emissions, as determined by the commission for
5 investor-owned utilities pursuant to section 16 of this act and the
6 department for consumer-owned utilities, when developing integrated
7 resource plans and clean energy action plans. An electric utility
8 must incorporate the social cost of greenhouse gas emissions as a
9 cost adder when:

10 (i) Evaluating and selecting conservation policies, programs, and
11 targets;

12 (ii) Developing integrated resource plans and clean energy action
13 plans; and

14 (iii) Evaluating and selecting intermediate term and long-term
15 resource options.

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

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

27 (5) All other utilities may elect to develop a full integrated
28 resource plan as set forth in subsection (1) of this section or, at a
29 minimum, (~~shall~~) must develop a resource plan that:

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

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

33 (c) Explains why the resources in (b) of this subsection were
34 chosen and, if the resources chosen are not: (i) Renewable resources;
35 (ii) methods, commercially available technologies, or facilities for
36 integrating renewable resources, including addressing any
37 overgeneration event; or (iii) conservation and efficiency resources,
38 why such a decision was made; and

39 (d) By December 31, 2020, identifies how the utility plans over a
40 ten-year period to meet the standard in section 4 of this act and by

1 December 31, 2025, identifies how the utility plans over a twenty-
2 year period to meet the standard established in section 5 of this
3 act.

4 ~~((3))~~ (6) Assessments for demand side resources included in an
5 integrated resource plan may include combined heat and power systems
6 as one of the measures in a conservation supply curve. The value of
7 recoverable waste heat resulting from combined heat and power must be
8 reflected in analyses of cost-effectiveness under this subsection.

9 ~~((4))~~ (7) An electric utility that is required to develop a
10 resource plan under this section must complete its initial plan by
11 September 1, 2008.

12 ~~((5—Resource))~~ (8) Plans developed under this section must be
13 updated on a regular basis, at a minimum on intervals of two years.

14 ~~((6))~~ (9) Plans ~~((shall))~~ may not be a basis to bring legal
15 action against electric utilities.

16 ~~((7))~~ (10) Each electric utility ~~((shall))~~ must publish its
17 final plan either as part of an annual report or as a separate
18 document available to the public. The report may be in an electronic
19 form.

20 NEW SECTION. Sec. 16. A new section is added to chapter 80.28
21 RCW to read as follows:

22 For the purposes of this act, and for other purposes as the
23 commission may prescribe, the cost of greenhouse gas emissions
24 resulting from the generation of electricity, including the effect of
25 emissions is equal to the cost per metric ton of carbon dioxide
26 equivalent emissions, using the two and one-half percent discount
27 rate, listed in table 2, technical support document: Technical update
28 of the social cost of carbon for regulatory impact analysis under
29 Executive Order No. 12866, published by the interagency working group
30 on social cost of greenhouse gases of the United States government,
31 August 2016. The commission must adjust the costs established in this
32 section to reflect the effect of inflation.

33 NEW SECTION. Sec. 17. A new section is added to chapter 80.28
34 RCW to read as follows:

35 (1) The legislature declares that changes in technology and the
36 structure of the energy industry may produce conditions under which
37 traditional rate of return, rate-based regulation of electrical and
38 gas companies may not in all cases provide the most efficient and

1 effective means of achieving the legislature's intent and the public
2 policy goals of this state as declared in chapters 19.280 and 19.285
3 RCW and this title. The commission should be authorized to employ an
4 alternative form of regulation if that alternative is better suited
5 to achieving those policy goals.

6 (2) (a) Subject to the conditions set forth in this chapter, the
7 commission may regulate an electrical or gas company by authorizing
8 an alternative form of regulation. The commission may determine the
9 manner and extent of any alternative form of regulation as may be
10 appropriate in the public interest, including, but not limited to,
11 authorizing an alternative form of regulation for all or individual
12 utility services.

13 (b) The commission must consider, to the extent applicable, the
14 extent to which an alternative form of regulation is expected to:

15 (i) Align utility regulatory incentives with the public interest;

16 (ii) Maintain and enhance the ability of the electrical or gas
17 company to furnish safe, adequate, and efficient service to its
18 customers;

19 (iii) Support prudent and efficient use of the electrical or
20 natural gas system and utility operations;

21 (iv) Maintain and enhance overall electrical or natural gas
22 system reliability, security, and resilience;

23 (v) Allow an electrical or gas company to support and participate
24 in market transformation for enabling technologies without harming
25 competition;

26 (vi) Allow an electrical or gas company to be financially
27 indifferent as to: (A) The ownership of the property necessary to
28 furnish utility service to its customers; or (B) the quantity of
29 electricity or gas sold to its customers;

30 (vii) Reasonably protect customers, including low-income
31 customers, from associated short and long-term risks;

32 (viii) Ensure an appropriate level of consumer protection;

33 (ix) Support the achievement of state emissions reduction goals;

34 (x) Consider adverse environmental impacts; and

35 (xi) Provide for broad customer engagement to promote
36 participation by a diversity of customers, particularly underserved
37 communities or segments thereof, in the associated programs to help
38 achieve the criteria identified in this subsection (2) (b).

39 (3) An electrical or gas company may petition the commission to
40 establish an alternative form of regulation. The electrical or gas

1 company must submit with the petition a plan for an alternative form
2 of regulation, which may include provisions establishing a reasonable
3 range for rate of return on investment. The plan must contain a
4 proposal for transition to the alternative form of regulation and the
5 proposed duration of the plan. The plan must also contain a proposal
6 for ensuring adequate customer service quality, including service
7 quality standards, and appropriate enforcement or remedial provisions
8 in the event the company fails to meet service quality standards or
9 performance measures. The commission also may initiate consideration
10 of alternative forms of regulation for a company or companies on its
11 own motion. The commission, after notice and hearing, must issue an
12 order accepting, modifying, or rejecting the plan within eleven
13 months after the petition or motion is filed, unless extended by the
14 commission for good cause. Nothing in this section may be interpreted
15 as requiring an electrical or gas company to submit a petition for a
16 plan for an alternative form of regulation as part of or concurrent
17 with a general rate case or other proceeding for recovery of costs of
18 such a company.

19 (4) Not later than sixty days from the entry of the commission's
20 order, the electrical or gas company affected by the order must file
21 with the commission: (a) An election to proceed with the alternative
22 form of regulation as authorized by the commission; or (b) an
23 election not to proceed with the alternative form of regulation as
24 authorized by the commission.

25 (5) The commission may waive such a regulatory requirement under
26 this title for an electrical or gas company subject to an alternative
27 form of regulation as may be appropriate to facilitate the
28 implementation of this section. However, as part of a proceeding to
29 consider alternative forms of regulation, the commission may not
30 waive any grant of legal rights to any person contained in this
31 chapter and chapter 80.04 RCW. The commission may waive different
32 regulatory requirements for different electrical or gas companies or
33 services if the different treatment is in the public interest.

34 (6) Upon petition by the electrical or gas company, and after
35 notice and hearing, the commission may rescind or modify an
36 alternative form of regulation in the manner requested by the
37 electrical or gas company.

38 (7) The commission or any person may file a complaint under RCW
39 80.04.110 alleging that an electrical or gas company under an
40 alternative form of regulation has not complied with the terms and

1 conditions set forth in the alternative form of regulation. The
2 complainant bears the burden of proving the allegations in the
3 complaint.

4 (8) During a state of emergency declared under RCW 43.06.010(12),
5 the governor may waive or suspend the operation or enforcement of
6 this section or any portion of this section or under any
7 administrative rule, and issue any orders to facilitate the operation
8 of state or local government or to promote and secure the safety and
9 protection of the civilian population.

10 **Sec. 18.** RCW 80.84.010 and 2016 c 220 s 1 are each amended to
11 read as follows:

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

14 (1) "Eligible coal plant" means a coal-fired electric generation
15 facility that: (a) ~~((Had two or fewer generating units as of January~~
16 ~~1, 1980, and four generating units as of January 1, 2016; (b))~~ Is
17 owned in whole or in part by more than one electrical company as of
18 January 1, 2016; and ~~((+e))~~ (b) provides, as a portion of the load
19 served by the coal-fired electric generation facility, electricity
20 paid for in rates by customers in the state of Washington.

21 (2) "Eligible coal unit" means any generating unit of an eligible
22 coal plant.

23 NEW SECTION. **Sec. 19.** This section is the tax preference
24 performance statement for the tax preferences contained in sections
25 20 and 21, chapter . . ., Laws of 2019 (sections 20 and 21 of this
26 act). This performance statement is only intended to be used for
27 subsequent evaluation of the tax preference. It is not intended to
28 create a private right of action by any party or be used to determine
29 eligibility for preferential tax treatment.

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

33 (2) It is the legislature's specific public policy objective to
34 reduce the amount of carbon dioxide emissions in Washington. It is
35 the legislature's intent to extend the expiration date of the
36 existing sales and use tax exemption for machinery and equipment used
37 directly in generating certain types of alternative energy, in order
38 to reduce the price charged to customers for that machinery and

1 equipment, thereby inducing some customers to buy machinery and
2 equipment for alternative energy when they might not otherwise,
3 thereby displacing electricity from fossil-fueled generating
4 resources, thereby reducing the amount of carbon dioxide emissions in
5 Washington. It is also the intent of the legislature to maximize cost
6 savings associated with clean energy construction for Washington
7 electric customers by encouraging development of these resources in
8 time for projects to benefit from both this incentive and expiring
9 federal incentives.

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

17 (4) The joint legislative audit and review committee is not
18 required to perform a tax preference review under chapter 43.136 RCW
19 for the tax preferences contained in sections 20 and 21,
20 chapter . . . , Laws of 2019 (sections 20 and 21 of this act) and it
21 is the intent of the legislature to allow the tax preferences to
22 expire upon their scheduled expiration dates.

23 **Sec. 20.** RCW 82.08.962 and 2018 c 164 s 5 are each amended to
24 read as follows:

25 (1) (a) (~~Except as provided in RCW 82.08.963,~~) Purchasers who
26 have paid the tax imposed by RCW 82.08.020 on machinery and equipment
27 used directly in generating electricity using fuel cells, wind, sun,
28 biomass energy, tidal or wave energy, geothermal resources, or
29 technology that converts otherwise lost energy from exhaust, as the
30 principal source of power, or to sales of or charges made for labor
31 and services rendered in respect to installing such machinery and
32 equipment, are eligible for an exemption as provided in this section,
33 but only if the purchaser develops with such machinery, equipment,
34 and labor a facility capable of generating not less than one thousand
35 watts of electricity.

36 (b) Beginning on July 1, 2011, through (~~January 1, 2020~~)
37 December 31, 2019, the amount of the exemption under this subsection
38 (1) is equal to seventy-five percent of the state and local sales tax

1 paid. The purchaser is eligible for an exemption under this
2 subsection (1)(b) in the form of a remittance.

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

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

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

25 (iii) One hundred percent of the state and local sales tax paid,
26 if the department of labor and industries certifies that the project
27 is developed under a community workforce agreement or project labor
28 agreement.

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

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

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

38 (b) Set requirements for all good faith efforts under subsection
39 (1)(c)(i) and (ii) of this section, as well as documentation
40 requirements and a certification process. Requirements for all good

1 faith efforts must be designed to maximize the likelihood that the
2 project is completed with said standards and could include: Proactive
3 outreach to firms that are women, minority, and veteran-owned
4 businesses; advertising in local community publications and
5 publications appropriate to identified firms; participating in
6 community job fairs, conferences, and trade shows; and other
7 measures. The certification process and timeline must be designed to
8 prevent undue delay to project development.

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

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

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

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

28 (ii) "Machinery and equipment" does not include: (A) Hand-powered
29 tools; (B) property with a useful life of less than one year; (C)
30 repair parts required to restore machinery and equipment to normal
31 working order; (D) replacement parts that do not increase
32 productivity, improve efficiency, or extend the useful life of
33 machinery and equipment; (E) buildings; or (F) building fixtures that
34 are not integral and necessary to the generation of electricity that
35 are permanently affixed to and become a physical part of a building.

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

1 (4)(a) Machinery and equipment is "used directly" in generating
2 electricity by wind energy, solar energy, biomass energy, tidal or
3 wave energy, geothermal resources, or technology that converts
4 otherwise lost energy from exhaust if it provides any part of the
5 process that captures the energy of the wind, sun, biomass energy,
6 tidal or wave energy, geothermal resources, or technology that
7 converts otherwise lost energy from exhaust, converts that energy to
8 electricity, and stores, transforms, or transmits that electricity
9 for entry into or operation in parallel with electric transmission
10 and distribution systems.

11 (b) Machinery and equipment is "used directly" in generating
12 electricity by fuel cells if it provides any part of the process that
13 captures the energy of the fuel, converts that energy to electricity,
14 and stores, transforms, or transmits that electricity for entry into
15 or operation in parallel with electric transmission and distribution
16 systems.

17 ~~((4))~~ (5)(a)(i) A purchaser claiming an exemption in the form
18 of a remittance under subsection (1)(b) or (c) of this section must
19 pay the tax imposed by RCW 82.08.020 and all applicable local sales
20 taxes imposed under the authority of chapters 82.14 and 81.104 RCW.
21 The purchaser may then apply to the department for remittance in a
22 form and manner prescribed by the department. A purchaser may not
23 apply for a remittance under this section more frequently than once
24 per quarter. The purchaser must specify the amount of exempted tax
25 claimed and the qualifying purchases for which the exemption is
26 claimed. The purchaser must retain, in adequate detail, records to
27 enable the department to determine whether the purchaser is entitled
28 to an exemption under this section, including: Invoices; proof of tax
29 paid; and documents describing the machinery and equipment.

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

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

38 ~~((5))~~ (6) The exemption provided by this section expires
39 September 30, 2017, as it applies to: (a) Machinery and equipment
40 that is used directly in the generation of electricity using solar

1 energy and capable of generating no more than five hundred kilowatts
2 of electricity; or (b) sales of or charges made for labor and
3 services rendered in respect to installing such machinery and
4 equipment.

5 ~~((6))~~ (7) This section expires January 1, ~~((2020))~~ 2031.

6 **Sec. 21.** RCW 82.12.962 and 2018 c 164 s 7 are each amended to
7 read as follows:

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

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

23 ~~((2))~~ (c) Beginning on January 1, 2020, through December 31,
24 2030, the consumer is entitled to an exemption, in the form of a
25 remittance, under this subsection (1)(c) in an amount equal to:

26 (i) Fifty percent of the state and local sales use tax paid, if
27 the department of labor and industries certifies that the project
28 includes: Procurement from and contracts with women, minority, or
29 veteran-owned businesses; procurement from and contracts with
30 entities that have a history of complying with federal and state wage
31 and hour laws and regulations; apprenticeship utilization; and
32 preferred entry for workers living in the area where the project is
33 being constructed. In the event that a project is built without one
34 or more of these standards and a project developer or its designated
35 principal contractor demonstrates it has made all good faith efforts
36 to meet the standards but was unable to comply due to lack of
37 availability of qualified businesses or local hires, the department
38 of labor and industries may certify that the developer complied with
39 that standard;

1 (ii) Seventy-five percent of the state and local sales use tax
2 paid, if the department of labor and industries certifies that the
3 project complies with (c)(i) of this subsection and compensates
4 workers at prevailing wage rates determined by local collective
5 bargaining as determined by the department of labor and industries;
6 or

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

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

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

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

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

30 (3)(a)(i) A person claiming an exemption in the form of a
31 remittance under subsection (1)(b) of this section must pay the tax
32 imposed by RCW 82.12.020 and all applicable local use taxes imposed
33 under the authority of chapters 82.14 and 81.104 RCW. The consumer
34 may then apply to the department for remittance in a form and manner
35 prescribed by the department. A consumer may not apply for a
36 remittance under this section more frequently than once per quarter.
37 The consumer must specify the amount of exempted tax claimed and the
38 qualifying purchases or acquisitions for which the exemption is
39 claimed. The consumer must retain, in adequate detail, records to
40 enable the department to determine whether the consumer is entitled

1 to an exemption under this section, including: Invoices; proof of tax
2 paid; and documents describing the machinery and equipment.

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

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

11 ~~((3))~~ (4) Purchases exempt under RCW 82.08.962 are also exempt
12 from the tax imposed under RCW 82.12.020.

13 ~~((4))~~ (5) The definitions in RCW 82.08.962 apply to this
14 section.

15 ~~((5))~~ (6) The exemption provided in subsection (1) of this
16 section does not apply:

17 (a) To machinery and equipment used directly in the generation of
18 electricity using solar energy and capable of generating no more than
19 five hundred kilowatts of electricity, or to sales of or charges made
20 for labor and services rendered in respect to installing such
21 machinery and equipment, when first use within this state of such
22 machinery and equipment, or labor and services, occurs after
23 September 30, 2017; and

24 (b) To any other machinery and equipment described in subsection
25 (1)(a) of this section, or to sales of or charges made for labor and
26 services rendered in respect to installing such machinery or
27 equipment, when first use within this state of such machinery and
28 equipment, or labor and services, occurs after December 31, ~~((2019))~~
29 2029.

30 ~~((6))~~ (7) This section expires January 1, ~~((2020))~~ 2031.

31 **Sec. 22.** RCW 80.04.250 and 2011 c 214 s 9 are each amended to
32 read as follows:

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

37 (2) The commission has power upon complaint or upon its own
38 motion to ascertain and determine the fair value for rate making
39 purposes of the property of any public service company used and

1 useful for service in this state by or during the rate effective
2 period and ~~((shall))~~ must exercise such power whenever it deems such
3 valuation or determination necessary or proper under any of the
4 provisions of this title. ~~((In determining what property is used and~~
5 ~~useful for providing electric, gas, wastewater company services, or~~
6 ~~water service, the commission may include the reasonable costs of~~
7 ~~construction work in progress to the extent that the commission finds~~
8 ~~that inclusion is in the public interest.~~

9 ~~(2))~~ The valuation may include consideration of any property of
10 the public service company acquired or constructed by or during the
11 rate effective period, including the reasonable costs of construction
12 work in progress, to the extent that the commission finds that such
13 an inclusion is in the public interest and will yield fair, just,
14 reasonable, and sufficient rates.

15 (3) The commission may provide changes to rates under this
16 section for up to forty-eight months after the rate effective date
17 using any standard, formula, method, or theory of valuation
18 reasonably calculated to arrive at fair, just, reasonable, and
19 sufficient rates. The commission must establish an appropriate
20 process to identify, review, and approve public service company
21 property that becomes used and useful for service in this state after
22 the rate effective date.

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

25 ~~((3))~~ (5) The commission ((shall)) must, before any hearing is
26 had, notify the complainants and the public service company concerned
27 of the time and place of such hearing by giving at least thirty days'
28 written notice thereof, specifying that at the time and place
29 designated a hearing will be held for the purpose of ascertaining the
30 value of the company's property, used and useful as aforesaid, which
31 notice must be sufficient to authorize the commission to inquire into
32 and pass upon the matters designated in this section.

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

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

38 (1) The department ((shall)) must review the state energy
39 strategy ((as developed under section 1, chapter 201, Laws of 1991,

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

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

16 (b) One person recommended by investor-owned natural gas
17 utilities;

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

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

21 (e) One person recommended by municipally owned electric
22 utilities;

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

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

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

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

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

28 (k) One person recommended by the association of Washington
29 cities;

30 (l) One person recommended by the Washington association of
31 counties;

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

33 (n) One person recommended by businesses in the clean energy
34 industry;

35 (o) One person recommended by labor unions;

36 (p) Two persons recommended by civic organizations, one of which
37 must be a representative of a civic organization that represents
38 vulnerable populations;

39 (q) Two persons recommended by environmental organizations;

40 (r) One person representing independent power producers;

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

3 (t) One of the representatives of the state of Washington to the
4 Pacific Northwest electric power and conservation planning council
5 selected by the governor;

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

8 (v) One member from each of the two largest caucuses of the house
9 of representatives selected by the speaker of the house of
10 representatives; and

11 (w) One member from each of the two largest caucuses of the
12 senate selected by the majority leader of the senate.

13 (2) The chair of the advisory committee must be appointed by the
14 governor from citizen members. The director may establish technical
15 advisory groups as necessary to assist in the development of the
16 strategy. The director shall provide for extensive public involvement
17 throughout the development of the strategy.

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

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

33 (2) The advisory committee convened under this section must
34 consist of, at minimum, representatives of each the state's public
35 four-year institutions of higher education, the Pacific Northwest
36 National Laboratory, and the Washington state institute for public
37 policy.

38 (3) Subject to the availability of amounts appropriated for this
39 specific purpose, and in compliance with RCW 43.01.036, the

1 department of commerce must submit its recommendations in a report to
2 the legislature by December 31, 2020.

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

4 NEW SECTION. **Sec. 25.** (1) By December 31, 2020, the department
5 of health must develop a cumulative impact analysis to designate the
6 communities highly impacted by fossil fuel pollution and climate
7 change in Washington. The cumulative impact analysis may integrate
8 with and build upon other concurrent cross-agency efforts in
9 developing a cumulative impact analysis and population tracking
10 resources used by the department of health and analysis performed by
11 the University of Washington department of environmental and
12 occupational health sciences.

13 (2) This section expires January 1, 2021.

14 NEW SECTION. **Sec. 26.** (1) The legislature finds that based on
15 current technology, there will likely need to be upgrades to
16 electricity transmission and distribution infrastructure across the
17 state to meet the goals specified in this act. These facilities
18 require a significant planning horizon to deliver electricity
19 generation sites to retail electric load. Pursuant to RCW 80.50.040,
20 the energy facility site evaluation council chair must convene a
21 transmission corridors work group and report its findings to the
22 governor and the appropriate committees of the legislature by
23 December 31, 2020.

24 (2) The work group must include one representative from each of
25 the following state agencies: The department of commerce, the
26 utilities and transportation commission, the department of ecology,
27 the department of fish and wildlife, the department of natural
28 resources, the department of transportation, the department of
29 archaeology and historic preservation, and the state military
30 department. The work group must also include two representatives
31 designated by the association of Washington cities, one from central
32 or eastern Washington and one from western Washington; two
33 representatives designated by the Washington state association of
34 counties, one from central or eastern Washington and one from western
35 Washington; two members designated by sovereign tribal governments;
36 one member representing affected utility industries; one member
37 representing public utility districts; and two members representing
38 statewide environmental organizations. The energy facility site

1 evaluation council chair must invite the Bonneville power
2 administration and the United States department of defense to each
3 appoint an ex officio work group member.

4 (3) The work group must:

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

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

13 (c) Identify environmental review options that may be required to
14 complete the designation of such corridors and recommend ways to
15 expedite review of transmission projects without compromising
16 required environmental protection.

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

19 (5) This section expires January 1, 2021.

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

22 NEW SECTION. **Sec. 28.** Sections 1 through 14 and 27 of this act
23 constitute a new chapter in Title 19 RCW.

24 NEW SECTION. **Sec. 29.** If any provision of this act or its
25 application to any person or circumstance is held invalid, the
26 remainder of the act or the application of the provision to other
27 persons or circumstances is not affected.

28 NEW SECTION. **Sec. 30.** This act is necessary for the immediate
29 preservation of the public peace, health, or safety, or support of
30 the state government and its existing public institutions, and takes
31 effect immediately.

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