
SECOND SUBSTITUTE SENATE BILL 5116

State of Washington

66th Legislature

2019 Regular Session

By Senate Ways & Means (originally sponsored by Senators Carlyle, Palumbo, McCoy, Pedersen, Wellman, Das, Rolfes, Frockt, Wilson, C., Kuderer, Nguyen, Keiser, Lias, Hunt, Saldaña, Darneille, and Billig; by request of Governor Inslee)

READ FIRST TIME 02/21/19.

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 43.21F.090, 19.285.030, and 19.285.040; adding new sections to
5 chapter 80.28 RCW; adding a new chapter to Title 19 RCW; creating new
6 sections; prescribing penalties; providing expiration dates; and
7 declaring an emergency.

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

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

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

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

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

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

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

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

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

7 NEW SECTION. **Sec. 2.** The definitions in this section apply
8 throughout this chapter unless the context clearly requires
9 otherwise.

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

14 (2) "Alternative compliance payment" means the payment
15 established in section 8(2) of this act.

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

18 (4) "Auditor" means: (a) The Washington state auditor's office or
19 its designee for qualifying utilities under its jurisdiction that are
20 consumer-owned utilities; or (b) an independent auditor selected by a
21 utility that is not under the jurisdiction of the state auditor and
22 is not an investor-owned utility.

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

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

33 (6) "Carbon dioxide emissions content inherent in electricity"
34 means the carbon dioxide generated by the production of electricity
35 from fossil fuels.

36 (7) "Carbon dioxide equivalent" has the same meaning as defined
37 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) (i) "Coal-fired resource" does not include an electric
5 generating facility that is included as part of a limited duration
6 wholesale power purchase, not to exceed one month, made by an
7 electric utility for delivery to retail electricity consumers that
8 are located in this state for which the source of the power is not
9 known at the time of entry into the transaction to procure the
10 electricity.

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

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

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

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

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

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

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

1 (15) "Electric utility" means a consumer-owned utility or an
2 investor-owned utility.

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

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

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

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

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

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

24 (b) "Energy transformation project" may include but is not
25 limited to:

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

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

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

38 (B) Incentives for car dealers to sell electric vehicles;

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

1 (D) Incentives for the electrification of vehicle fleets;
2 (iii) Investment in distributed energy resources;
3 (iv) Investments in renewable natural gas production, including
4 equipment to condition biogas, or equipment used solely for the
5 purpose of delivering biogas for consumption;
6 (v) Contributions to self-directed investments in the following
7 measures to serve the sites of large industrial gas and electrical
8 customers: (A) Conservation; (B) new renewable resources; (C) behind-
9 the-meter technology that facilitates demand response cooperation to
10 reduce peak loads; (D) infrastructure to support electrification of
11 transportation needs; or (E) renewable natural gas production,
12 including gas conditioning equipment for biogas; and
13 (vi) Projects and programs that achieve energy efficiency and
14 emission reductions in the agricultural sector, including bioenergy
15 and biogas projects.
16 (20) "Fossil fuel" means natural gas, petroleum, coal, or any
17 form of solid, liquid, or gaseous fuel derived from such a material.
18 (21) "Governing body" means the council of a city or town, the
19 commissioners of an irrigation district, municipal electric utility,
20 or public utility district, or the board of directors of an electric
21 cooperative or mutual association that has the authority to set and
22 approve rates.
23 (22) "Greenhouse gas" includes carbon dioxide, methane, nitrous
24 oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and
25 any other gas or gases designated by the department of ecology by
26 rule under RCW 70.235.010.
27 (23) "Greenhouse gas content calculation" means a calculation
28 made by the department of ecology, in consultation with the
29 department, for the purposes of determining the emissions from the
30 complete combustion or oxidation of fossil fuels and the greenhouse
31 gas emissions in electricity for use in calculating the greenhouse
32 gas emissions content in electricity, expressed in carbon dioxide
33 equivalent.
34 (24) "Highly impacted communities" are those communities
35 designated by the agencies based on cumulative impact analyses in
36 section 24 of this act and census tracts that are fully or partially
37 on "Indian country" as defined in 18 U.S.C. 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 may not exceed
5 the higher of eighty percent of area median household income or two
6 hundred percent of the federal poverty level, adjusted for household
7 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 carbon-free 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) "Thermal renewable energy credit" means, with respect to a
34 facility that generates electricity using biomass energy that also
35 generates thermal energy for a secondary purpose, a renewable energy
36 credit that is equivalent to three million four hundred twelve
37 thousand British thermal units of energy used for such secondary
38 purpose.

39 (38) "Unbundled renewable energy credit" means a renewable energy
40 credit that is sold, delivered, or purchased separately from

1 electricity. All thermal renewable energy credits are considered
2 unbundled renewable energy credits.

3 (39) "Unspecified electricity" means an electricity source for
4 which the fuel attribute is unknown or has been separated from the
5 energy.

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

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

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

13 NEW SECTION. **Sec. 3.** (1) On or before December 31, 2025, all
14 electric utilities must eliminate coal-fired resources from their
15 allocation of electricity. This does not include costs associated
16 with decommissioning and remediation of these facilities. The
17 commission shall allow in electric rates all decommissioning and
18 remediation costs prudently incurred by an electric utility for a
19 coal-fired facility.

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

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

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

1 (b) The commission finds that the retirement is in the public
2 interest.

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

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

9 (a) By January 1, 2030, and each year thereafter through December
10 31, 2044, an electric utility must demonstrate its compliance with
11 this standard using a combination of nonemitting electric generation
12 and electricity from renewable resources and resources that reduce
13 greenhouse gas emissions. To achieve compliance with this standard,
14 an electric utility must: (i) Pursue all cost-effective, reliable,
15 and feasible conservation and efficiency resources to reduce or
16 manage retail electric load, using the methodology established in RCW
17 19.285.040, if applicable; and (ii) use electricity from renewable
18 resources and nonemitting electric generation in an amount equal to
19 one hundred percent of the utility's average annual retail electric
20 load.

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

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

28 (ii) Using unbundled renewable energy credits, including
29 unbundled renewable energy credits used for compliance with RCW
30 19.285.040. Renewable energy credits used for compliance with this
31 section may be banked and used for compliance within three years of
32 being generated;

33 (iii) Investing in energy transformation projects, provided the
34 projects meet the requirements of subsection (2) of this section and
35 are not credited as resources used to meet the standard under (a) of
36 this subsection;

37 (iv) Use electricity from an energy recovery facility using
38 municipal solid waste as the principal fuel source, where the

1 facility was constructed prior to 1992, and the facility is operated
2 in compliance with federal and state air quality standards.

3 (c) The department must adopt rules providing for the measuring
4 and tracking of thermal renewable energy credits that may be used for
5 compliance under (b) (ii) of this subsection.

6 (d) Electricity from renewable resources used to meet an electric
7 utility's compliance obligation under (a) of this subsection must be
8 verified by the retirement of renewable energy credits. Renewable
9 energy credits must be tracked and retired in the tracking system
10 selected by the department.

11 (e) In meeting the targets established under this section,
12 hydroelectric generation may not include new diversions, new
13 impoundments, new bypass reaches, or expansion of existing reservoirs
14 constructed after the effective date of this section unless the
15 diversions, bypass reaches, or reservoir expansions are necessary for
16 the operation of a pumped storage facility that: (i) Does not
17 conflict with existing state or federal fish recovery plans; and (ii)
18 complies with all local, state, and federal laws and regulations.

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

28 (g) Nonemitting electric generation resources used to meet an
29 electric utility's compliance obligation under (a) of this subsection
30 must be generated during the compliance year and must be verified by
31 documentation that the electric utility owns the nonpower attributes
32 of the electricity generated by the nonemitting resource.

33 (h) Nothing in this section prohibits an electric utility from
34 purchasing or exchanging power from the Bonneville power
35 administration.

36 (2) Investments in energy transformation projects used to satisfy
37 an alternative compliance option provided under subsection (1)(b) of
38 this section must use criteria developed by the department of
39 ecology, in consultation with the department and the commission. For
40 the purpose of crediting an energy transformation project toward the

1 standard in subsection (1)(a) of this section, the department of
2 ecology must establish a conversion factor consistent with the
3 emission factors for unspecified electricity or, if the department
4 has not adopted an emissions factor for unspecified electricity,
5 0.437 metric tons of carbon dioxide per megawatt-hour of electricity.
6 Emissions reductions from energy transformation projects must be:

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

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

11 (c) Enforceable by the state of Washington;

12 (d) Verifiable;

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

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

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

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

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

35 (6) The department shall implement rule making, in consultation
36 with the commission and the department of ecology, to establish the
37 guidelines for utilities to implement energy transformation project
38 investments including, but not limited to, verification procedures,
39 reporting standards, and other logistical issues as necessary.

1 (7) The commission, after a hearing, must adopt, reject, or adopt
2 with conditions, by order, interim targets and a clean energy
3 implementation plan for each investor-owned utility. Interim targets
4 and clean energy implementation plans must be informed by the clean
5 energy action plans submitted under RCW 19.280.030 and must be
6 adopted no later than six months after the clean energy action plan
7 has been submitted pursuant to RCW 19.280.030. Initial interim
8 targets must be adopted by December 31, 2022. The commission must, at
9 a minimum, adopt interim targets for energy efficiency, demand
10 response, and renewable energy. The commission may adopt more
11 stringent targets and periodically adjust or expedite timelines if it
12 can be demonstrated that levels of attainment can be achieved in a
13 manner consistent with the following:

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

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

18 (c) Ensuring that all customers are benefiting from the
19 transition to clean energy, including: An equitable distribution of
20 energy and nonenergy benefits and reduction of burdens to vulnerable
21 populations and highly impacted communities; long-term and short-term
22 public health and environmental benefits, costs, and risks; and
23 energy security and resiliency; and

24 (d) Ensuring that no customer or class of customers are
25 unreasonably harmed by resulting increases in the cost of utility-
26 supplied electricity necessary to comply with the standard
27 established under subsection (1) of this section.

28 (8) The governing body of a consumer-owned utility must, after a
29 public meeting, adopt interim targets and a clean energy
30 implementation plan, informed by the clean energy action plan
31 submitted under RCW 19.280.030. Interim targets and clean energy
32 implementation plans must be submitted to the auditor and made
33 available to the public. The governing body must, at a minimum, adopt
34 interim targets for energy efficiency, demand response, and renewable
35 energy. The governing body may adopt more stringent targets and
36 periodically adjust or expedite timelines if it can be demonstrated
37 that levels of attainment can be achieved in a manner consistent with
38 the following:

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

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

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

9 (d) Ensuring that no customer or class of customers are
10 unreasonably harmed by resulting increases in the cost of utility-
11 supplied electricity necessary to comply with the standard
12 established under subsection (1) of this section.

13 (9) (a) In meeting interim targets established under this section,
14 an electric utility must, consistent with the requirements of RCW
15 19.285.040, if applicable, pursue all cost-effective, reliable, and
16 feasible conservation and efficiency resources, and demand response.
17 In making new investments, an electric utility must, to the maximum
18 extent feasible:

19 (i) Achieve targets at the lowest reasonable cost, considering
20 risk;

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

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

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

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

32 (11) In complying with this section, an electric utility must,
33 consistent with the requirements of RCW 19.280.030 and section 24 of
34 this act, seek to maximize equitable distribution of energy and
35 nonenergy benefits and reduction of burdens to vulnerable populations
36 and highly impacted communities; long-term and short-term public
37 health and environmental benefits, costs, and risks; and energy
38 security and resiliency.

1 (12) Customers who become market customers after the effective
2 date of this section must comply with the obligations of this
3 section.

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

14 NEW SECTION. **Sec. 5.** (1) It is the policy of the state that
15 nonemitting electric generation and electricity from renewable
16 resources supply one hundred percent of all sales of electricity to
17 Washington retail electric customers by January 1, 2045.

18 (2) Each electric utility must incorporate subsection (1) of this
19 section into all relevant planning and resource acquisition
20 practices.

21 (3) Customers who become market customers after the effective
22 date of this section are subject to the requirements of this section
23 to the same extent as the electric utility to which they are
24 interconnected. This requirement does not apply to any market
25 customer that purchases electricity exclusively from carbon-free
26 electric generation and renewable resources pursuant to a special
27 contract approved by the commission or the governing body on or
28 before the effective date of this section.

29 (4) In planning to meet projected demand consistent with the
30 requirements of subsection (2) of this section and RCW 19.285.040, if
31 applicable, an electric utility must pursue all cost-effective,
32 reliable, and feasible conservation and efficiency resources, and
33 demand response. In making new investments, an electric utility must,
34 to the maximum extent feasible:

35 (a) Achieve targets at the lowest reasonable cost, considering
36 risk;

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

38 (c) In the acquisition of new resources constructed after the
39 effective date of this section, rely on renewable resources and

1 energy storage, insofar as doing so is consistent with (a) of this
2 subsection.

3 (5) The commission, department, energy facility site evaluation
4 council, department of ecology, and all other state agencies shall
5 incorporate this section into all relevant planning and utilize all
6 programs authorized by statute to achieve subsection (1) of this
7 section.

8 (6) (a) In satisfying the requirements of this section,
9 hydroelectric generation may not include new diversions, new
10 impoundments, new bypass reaches, or expansion of existing reservoirs
11 constructed after the effective date of this section unless the
12 diversions, bypass reaches, or reservoir expansions are necessary for
13 the operation of a pumped storage facility that: (i) Does not
14 conflict with existing state or federal fish recovery plans; and (ii)
15 complies with all local, state, and federal laws and regulations.

16 (b) Nothing in (a) of this subsection precludes an electric
17 utility that owns and operates hydroelectric generating facilities
18 from making efficiency or other improvements to its hydroelectric
19 generating facilities existing as of the effective date of this
20 section or installing hydroelectric generation in pipes, culverts,
21 irrigation canals, and other manmade waterways as long as those
22 changes do not create conflicts with existing state or federal fish
23 recovery plans and comply with all local, state, and federal laws and
24 regulations.

25 (7) Nothing in this section prohibits an electric utility from
26 purchasing or exchanging power from the Bonneville power
27 administration.

28 (8) Nothing in this section prohibits an electric utility from
29 purchasing power from an energy recovery facility using municipal
30 solid waste as the principal fuel source, where the facility was
31 constructed prior to 1992, and the facility is operated in compliance
32 with federal and state air quality standards.

33 (9) Customers who become new market customers as of the effective
34 date of this section must comply with the obligations of this
35 section.

36 (10) Any market customer that purchases electricity exclusively
37 from carbon-free resources and eligible renewable resources, as
38 defined in RCW 19.285.030 as of January 1, 2019, pursuant to a
39 special contract with an investor-owned utility approved, prior to
40 the effective date of this section, by order of the commission is

1 subject to the requirements of such an order and not to the standards
2 established in this section. For the purposes of interpreting such a
3 special contract, chapter 19.285 RCW, as in effect on January 1,
4 2019, is not, either directly or indirectly, amended or supplemented.

5 NEW SECTION. **Sec. 6.** (1) Each electric utility must disclose
6 its greenhouse gas content calculation in conformance with this
7 section. A utility's disclosure must be consistent with the fuel
8 sources that it reports and discloses in compliance with chapter
9 19.29A RCW. The department must by rule incorporate the carbon
10 content disclosure into the power source or fuel mix disclosure
11 required under chapter 19.29A RCW.

12 (2) For unspecified electricity, the utility must use an
13 emissions rate determined, and periodically updated, by the
14 department by rule.

15 (3) For the purposes of this section, the Bonneville power
16 administration may exclude from its fuel mix reported to the
17 department any purchases of electric generation that are made for the
18 purpose of serving load outside of the state of Washington.

19 NEW SECTION. **Sec. 7.** (1) By January 1, 2021, and at least every
20 two years thereafter and in compliance with RCW 43.01.036, the
21 commission and the department shall submit a joint report to the
22 legislature. The joint report must include the following:

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

27 (b)(i) An evaluation, produced in consultation with electric
28 utilities, transmission operators in Washington, the reliability
29 coordinator for electric utilities, and any regional planning
30 organization serving electric utilities, identifying the potential
31 benefits, impacts, and risks on system reliability associated with
32 achieving the standards described in sections 4 and 5 of this act.
33 The evaluation must assess whether electric utilities have sufficient
34 electric generation resources to meet forecasted retail electric load
35 in addition to adequate transmission capability to implement sections
36 3 through 5 of this act.

37 (ii) If the evaluation finds insufficient generation resources or
38 inadequate transmission capability, the evaluation must also identify

1 the mitigation and investments necessary to correct those
2 deficiencies at the lowest reasonable cost.

3 (c) An evaluation identifying the nature of any anticipated
4 financial costs and benefits to electric, gas, and water utilities,
5 including customer rate impacts and benefits including, but not
6 limited to:

7 (i) Rates of electric utilities;

8 (ii) Greenhouse gas emissions of electric utilities;

9 (iii) The allocation of risk between customers and electric
10 utilities;

11 (iv) The allocation of financial costs among electric utilities
12 in the state and whether retail electric customers are equitably
13 bearing the financial costs of implementing sections 3 through 5 of
14 this act;

15 (v) The timing of cost recovery for the generation of electricity
16 generated by nonemitting electric generation or renewable resources;

17 (vi) The resource procurement process of electric utilities; and

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

20 (d) An evaluation of new or emerging technologies that could be
21 considered to be a renewable resource.

22 (e) An assessment of the impacts of sections 3 through 5 of this
23 act on middle-income families, small businesses, and manufacturers in
24 Washington.

25 (2) If the joint report indicates adverse system reliability
26 impacts from implementation of sections 4 and 5 of this act, then the
27 governor, consistent with the emergency powers inherent in RCW
28 43.21G.040, may suspend or delay implementation of this chapter until
29 system reliability impacts can be addressed. Adverse system
30 reliability impacts may include, but are not limited to, the
31 inability of electric utilities or transmission operators to meet
32 reliability standards mandated by law and required by prudent utility
33 practices.

34 NEW SECTION. **Sec. 8.** (1) An electric utility that fails to
35 comply with sections 3 and 4 of this act shall pay an administrative
36 penalty to the state of Washington in the amount of sixty dollars for
37 each megawatt-hour of electric generation used to meet load that is
38 not electricity from a renewable resource or nonemitting electric
39 generation. Beginning in 2027, this penalty must be adjusted on a

1 biennial basis according to the rate of change of the inflation
2 indicator, gross domestic product implicit price deflator, as
3 published by the bureau of economic analysis of the United States
4 department of commerce or its successor. Beginning in 2040, the
5 commission may by rule increase this penalty for investor-owned
6 utilities if the commission determines that doing so will accelerate
7 utilities' compliance with the standards established under this
8 chapter and that doing so is in the public interest.

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

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

17 (i) After taking all reasonable measures, the investor-owned
18 utility's compliance with this chapter is likely to result in
19 conflicts with or compromises to its obligation to comply with the
20 mandatory and enforceable reliability standards of the North American
21 electric reliability corporation, violate prudent utility practice
22 for assuring resource adequacy, or compromise the power quality or
23 integrity of its system; or

24 (ii) The investor-owned utility is unable to comply with the
25 standards established in sections 3 and 4 of this act due to reasons
26 beyond the reasonable control of the investor-owned utility, as set
27 forth in subsection (8) of this section.

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

32 (i) Notwithstanding the standards established in sections 3 and 4
33 of this act, temporarily exempting the investor-owned utility from
34 the requirements of section 4 of this act for an amount of time
35 sufficient to allow the investor-owned utility to achieve full
36 compliance with the standard;

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

1 (iii) Directing the investor-owned utility to take specific
2 actions to achieve full compliance with the requirements of this
3 chapter.

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

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

11 (5)(a) The attorney general may, at the recommendation of the
12 auditor and, in accordance with the findings of the joint report to
13 the legislature submitted pursuant to section 7 of this act, relieve
14 a consumer-owned utility of its administrative penalty obligation
15 under subsection (1) of this section if the attorney general finds
16 that:

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

23 (ii) The consumer-owned utility is unable to comply with the
24 standards established in sections 3 and 4 of this act due to reasons
25 beyond the reasonable control of the utility, as set forth in
26 subsection (8) of this section and based on documentation submitted
27 by the governing body of the consumer-owned utility.

28 (b) Notwithstanding the standards established in sections 3 and 4
29 of this act, the attorney general may issue a finding:

30 (i) Temporarily exempting the consumer-owned utility from the
31 requirements of section 4 of this act for an amount of time
32 sufficient to allow the consumer-owned utility to achieve full
33 compliance with the standard;

34 (ii) Directing the consumer-owned utility to file a progress
35 report to the attorney general on achieving full compliance with the
36 standard within six months after issuing the finding, or within an
37 amount of time determined to be reasonable by the attorney general;
38 and

1 (iii) Directing the consumer-owned utility to take specific
2 actions to achieve full compliance with the requirements of this
3 chapter.

4 (c) A consumer-owned utility may request an extension of a
5 temporary exemption granted under this section.

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

9 (6) Upon petition by an investor-owned utility, and after a
10 hearing, the commission may issue an order relieving the utility of
11 the requirements of this section if it finds that the utility had no
12 choice but to use electric generation that is not electricity from a
13 renewable resource or nonemitting electric generation to maintain the
14 reliability and safety of the grid. The commission may use its
15 standard practices and procedures to make a reliability determination
16 under this subsection.

17 (7) The attorney general may relieve a consumer-owned utility of
18 the requirements of this section if the auditor finds that the
19 utility had no choice but to use electric generation that is not
20 electricity from a renewable resource or nonemitting electric
21 generation to maintain reliability and safety of the grid based on
22 documentation submitted by the governing body of the consumer-owned
23 utility.

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

28 (a) Weather-related damage;

29 (b) Natural disasters;

30 (c) Mechanical or resource failure;

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

33 (e) Actions of governmental authorities that adversely affect the
34 generation, transmission, or distribution of nonemitting electric
35 generation or renewable resources under contract to an electric
36 utility;

37 (f) Inability to acquire sufficient transmission to transmit
38 electricity from nonemitting electric generation or renewable
39 resources to load; and

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

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

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

13 (11) For an investor-owned utility, the commission shall
14 determine compliance with the requirements of this chapter.

15 (12) For utilities that are consumer-owned utilities, the auditor
16 is responsible for auditing compliance with this chapter and rules
17 adopted under this chapter that apply to those utilities and the
18 attorney general is responsible for enforcing that compliance.

19 (13) At a request of an investor-owned or consumer-owned utility,
20 the governor may exempt an electric utility from paying the
21 administrative penalty in this chapter when the governor declares an
22 energy emergency pursuant to RCW 43.21G.040.

23 (14) A utility shall be deemed to be in compliance with section
24 4(1) of this act if it complies with the following:

25 (a) A clean energy implementation plan adopted pursuant to
26 section 4 (7) and (8) of this act must: (i) Be informed by the
27 utility's clean energy action plans submitted under RCW 19.280.030;
28 and (ii) identify specific actions to be taken by the utility over
29 the next four years, consistent with the long-range integrated
30 resource plan and resource adequacy requirements, to meet the interim
31 targets ordered by the commission and other compliance obligations
32 established in sections 4 and 5 of this act. The average annual
33 incremental cost of compliance with sections 4 and 5 of this act for
34 each year during the implementation period identified in the clean
35 energy implementation plan may not exceed a three percent increase of
36 the investor-owned utility's weather-adjusted sales to customers for
37 electric operations reported by the investor-owned utility in its
38 most recent commission basis report filed with the commission. All
39 costs included in the determination of rate impact must be directly

1 attributable to actions necessary to comply with section 4 or 5 of
2 this act.

3 (b) The governing body of a consumer-owned utility must adopt a
4 clean energy implementation plan developed pursuant to RCW
5 19.280.030 for the consumer-owned utility. The clean energy
6 implementation plan must: (i) Be informed by the consumer-owned
7 utility's clean energy action plans developed under RCW 19.280.030;
8 and (ii) identify specific actions to be taken by the consumer-owned
9 utility over the next four years, consistent with the long-range
10 integrated resource plan and resource adequacy requirements, to meet
11 the interim targets adopted by the governing body and other
12 compliance obligations established in sections 4 and 5 of this act.
13 The average annual incremental cost of compliance with sections 4 and
14 5 of this act for each year during the implementation period
15 identified in the consumer-owned utility's clean energy
16 implementation plan may not exceed a three percent increase of the
17 consumer-owned utility's retail revenue requirement above the
18 previous year.

19 (c) If an electric utility relies on (a)(ii) or (b)(ii) of this
20 subsection as a basis for compliance with the standards in sections 4
21 and 5 of this act, it must demonstrate that it has maximized
22 investments in renewable and nonemitting resources prior to using
23 alternative compliance options allowed under section 4(1)(b) of this
24 act.

25 (d) The commission, for investor-owned utilities, or the auditor,
26 for consumer-owned utilities, must consider an electric utility to be
27 in compliance with the interim targets adopted pursuant to section 4
28 (7) and (8) of this act if the electric utility demonstrates
29 compliance with its clean energy implementation plan.

30 (e) The commission, for investor-owned utilities, or the auditor,
31 for consumer-owned utilities, must also consider an electric utility
32 to be in compliance with RCW 19.285.040(2) if the electric utility
33 demonstrates it has achieved the limit on the incremental cost of
34 compliance established in (a)(ii) or (b)(ii) of this subsection.

35 (f) The commission for investor-owned utilities and the
36 department for consumer-owned utilities shall adopt rules
37 establishing the methodology for calculating the incremental cost of
38 compliance with this chapter, as compared to the cost of an
39 alternative lowest reasonable cost portfolio of investments that are
40 reasonably available.

1 (15) Notwithstanding subsection (1) of this section, for a
2 consumer-owned electric utility with fewer than two hundred fifty
3 thousand customers and that owns a natural gas-fired generation
4 facility located in the state as of January 1, 2019, the auditor
5 shall consider the electric utility to be in compliance with both
6 section 4(1) of this act and RCW 19.285.040(2) if the electric
7 utility demonstrates that its incremental cost of compliance exceeds
8 five percent of the utility's annual retail revenue in a given year.
9 The auditor shall determine the utility's incremental cost of
10 compliance by comparing the cost of selected renewable and
11 nonemitting resource portfolio with the lowest cost alternative
12 portfolio of resources that are reasonably available to the utility.

13 (16) Beginning January 1, 2030, a qualifying utility is
14 considered to be in compliance with an annual target in RCW
15 19.285.040(2)(a) if the utility uses electricity from renewable
16 resources, nonemitting electric generation, and renewable energy
17 credits as defined in RCW 19.285.030, in an amount equal to one
18 hundred percent of the utility's average annual retail electric load.
19 Nothing in this subsection relieves the requirements of a qualifying
20 utility to comply with RCW 19.285.040(1).

21 NEW SECTION. **Sec. 9.** (1) The department must adopt rules
22 establishing reporting requirements for electric utilities to
23 demonstrate compliance with this chapter. The requirements must, to
24 the extent practicable, be consistent with the disclosures required
25 under chapter 19.29A RCW.

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

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

30 NEW SECTION. **Sec. 10.** (1) It is the intent of this chapter that
31 the commission and department adopt rules to streamline the
32 implementation of this act with chapter 19.285 RCW to simplify
33 compliance and avoid duplicative processes. The commission may adopt
34 rules to ensure the proper implementation and enforcement of this
35 chapter as it applies to investor-owned utilities.

36 (2) The department may adopt rules to ensure the proper
37 implementation and enforcement of this chapter as it applies to
38 consumer-owned utilities. Nothing in this subsection may be construed

1 to restrict the rate-making authority of the governing body of a
2 consumer-owned utility as otherwise provided by law.

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

6 (4) The commission and department may consult with other state
7 agencies in the development of rules under this chapter.

8 (5) Pursuant to the administrative procedure act, chapter 34.05
9 RCW, rules needed for the implementation of this chapter must be
10 adopted by January 1, 2021. These rules may be revised as needed to
11 carry out the intent and purposes of this chapter.

12 NEW SECTION. **Sec. 11.** (1) The requirements of sections 3
13 through 8 of this act do not replace or modify the requirements
14 established under chapter 19.285 RCW. All utility activities to
15 comply with the requirements established under chapter 19.285 RCW
16 also qualify for compliance with the requirements contained in this
17 chapter.

18 (2) Any market customer that purchases electricity exclusively
19 from carbon-free resources and eligible renewable resources, as
20 defined in RCW 19.285.030 as of January 1, 2019, pursuant to a
21 special contract with an investor-owned utility approved, prior to
22 the effective date of this section, by order of the commission is
23 subject to the requirements of such an order and not to sections 4
24 and 5 of this act. For the purposes of interpreting such a special
25 contract, chapter 19.285 RCW, as in effect on January 1, 2019, is
26 not, either directly or indirectly, amended or supplemented.

27 NEW SECTION. **Sec. 12.** (1) It is the intent of the legislature
28 to demonstrate progress toward making energy assistance funds
29 available to low-income households consistent with the targets
30 identified in this section.

31 (2) An electric utility must make funding available for energy
32 assistance to low-income households by July 31, 2021. Each utility
33 must demonstrate progress on energy assistance pursuant to the
34 assessment and plans in subsection (4) of this section. To the extent
35 practicable, priority must be given to low-income households with a
36 higher energy burden.

37 (3) Beginning July 31, 2020, each retail supplier must disclose
38 the following information on energy assistance and energy assistance

1 need in their service territory. The disclosure must be updated
2 biennially and submitted to the department. The disclosure must
3 include, but is not limited to:

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

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

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

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

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

18 (b) The outreach strategies used to maximize participation of all
19 eligible households, including consultation with community-based
20 organizations and Indian tribes as appropriate, and comprehensive
21 enrollment campaigns that are language and culturally appropriate to
22 the vulnerable populations in their service territory to inform and
23 enroll more difficult to reach eligible households; and

24 (c) Current and prospective funding mechanisms including, but not
25 limited to, customer rates, system benefits charges, public funds,
26 and private funds needed to meet sixty percent of the energy
27 assistance need or a fifteen percent increase over 2020 levels,
28 whichever is greater, by 2030, and ninety percent of the energy
29 assistance need by 2050.

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

35 (6) The commission, for investor-owned utilities, and department,
36 for consumer-owned utilities, shall adopt rules to implement this
37 section including, but not limited to, a shared definition and
38 calculation of energy burden and energy assistance need. The
39 governing boards for consumer-owned utilities is solely responsible
40 for enforcement of this chapter for consumer-owned utilities.

1 (7) The commission and department must submit biennially to the
2 legislature a report aggregating utility disclosures into a statewide
3 summary of energy assistance programs, energy burden, and energy
4 assistance need, and identifying and sharing optimal mechanisms for
5 energy assistance.

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

8 (a) Efficient and consistent integration of this act and
9 transactions with carbon and electricity markets outside the state;
10 and

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

13 (2) To assist in its examination of the issues identified in this
14 section, as well as any other issues pertinent to its review, the
15 work group must, at a minimum, consist of light and power businesses,
16 gas distribution businesses, the Bonneville power administration, and
17 other agencies.

18 (3) The work group must prepare a report to the legislature of
19 its findings and recommendations to improve the carbon transparency
20 and market liquidity in electricity markets and submit the report, in
21 compliance with RCW 43.01.036, by December 1, 2020. The department
22 and the department of ecology must provide necessary data and other
23 support to the work group.

24 (4) This section expires June 30, 2021.

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

27 Each electric utility must develop a plan consistent with this
28 section.

29 (1) Utilities with more than twenty-five thousand customers that
30 are not full requirements customers shall develop or update an
31 integrated resource plan by September 1, 2008. At a minimum, progress
32 reports reflecting changing conditions and the progress of the
33 integrated resource plan must be produced every two years thereafter.
34 An updated integrated resource plan must be developed at least every
35 four years subsequent to the 2008 integrated resource plan. The
36 integrated resource plan, at a minimum, must include:

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

4 (b) An assessment of commercially available conservation and
5 efficiency resources, as informed, as applicable, by the ten-year
6 assessment for cost-effective conservation potential under RCW
7 19.285.040. Such assessment may include, as appropriate,
8 opportunities for development of combined heat and power as an energy
9 and capacity resource, demand response and load management programs,
10 and currently employed and new policies and programs needed to obtain
11 the conservation and efficiency resources;

12 (c) An assessment of commercially available, utility scale
13 renewable and nonrenewable generating technologies including a
14 comparison of the benefits and risks of purchasing power or building
15 new resources;

16 (d) A comparative evaluation of renewable and nonrenewable
17 generating resources, including transmission and distribution
18 delivery costs, and conservation and efficiency resources using
19 "lowest reasonable cost" as a criterion;

20 (e) An assessment of methods, commercially available
21 technologies, or facilities for integrating renewable resources,
22 including but not limited to battery storage and pumped storage, and
23 addressing overgeneration events, if applicable to the utility's
24 resource portfolio;

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

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

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

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

37 (j) The integration of the demand forecasts (~~and~~), resource
38 evaluations, and resource adequacy requirement into a long-range
39 assessment describing the mix of supply side generating resources and
40 conservation and efficiency resources that will meet current and

1 projected needs, including mitigating overgeneration events and
2 implementing sections 3 through 5 of this act, at the lowest
3 reasonable cost and risk to the utility and its ((ratepayers))
4 customers, while maintaining and protecting the safety, reliable
5 operation, and balancing of its electric system; ((and

6 ~~(g))~~ (k) An assessment of energy and nonenergy benefits and
7 reductions of burdens to vulnerable populations and highly impacted
8 communities; long-term and short-term public health and environmental
9 benefits, costs, and risks; and energy security and risk; informed by
10 the cumulative impact analysis performed by the department of health
11 pursuant to section 24 of this act;

12 (l) A ((short-term)) ten-year clean energy action plan proposing
13 interim targets for implementing sections 3 and 4 of this act at the
14 lowest reasonable cost, and at an acceptable resource adequacy
15 standard; and a four-year clean energy implementation plan
16 identifying the specific actions to be taken by the utility
17 consistent with the long-range integrated resource plan; and

18 (m) A twenty-year clean energy transformation plan identifying
19 the lowest reasonable cost pathways to implement section 5 of this
20 act.

21 (2) For an investor-owned utility, the clean energy action plan
22 and clean energy implementation plan must: (a) Propose interim
23 targets for meeting the requirement in section 4 of this act; (b)
24 identify and be informed by the utility's ten-year cost-effective
25 conservation potential assessment as determined under RCW 19.285.040,
26 if applicable; (c) establish a resource adequacy requirement; (d)
27 identify the potential cost-effective demand response and load
28 management programs that may be acquired; (e) identify renewable
29 resources, nonrenewable resources, and distributed energy resources
30 that may be acquired and evaluate how each identified resource may be
31 expected to contribute to meeting the utility's resource adequacy
32 requirement; (f) identify any need to develop new, or expand or
33 upgrade existing, transmission and distribution facilities; and (g)
34 identify the nature and possible extent to which the utility may need
35 to rely on alternative compliance options under section 4(1)(b) of
36 this act, if appropriate.

37 (3) (a) An electric utility shall consider the social cost of
38 greenhouse gas emissions, as determined by the commission for
39 investor-owned utilities pursuant to section 15 of this act and the
40 department for consumer-owned utilities, when developing integrated

1 resource plans and clean energy action plans. An electric utility
2 must incorporate the social cost of greenhouse gas emissions as a
3 cost adder when:

4 (i) Evaluating and selecting conservation policies, programs, and
5 targets;

6 (ii) Developing integrated resource plans and clean energy action
7 plans; and

8 (iii) Evaluating and selecting intermediate term and long-term
9 resource options.

10 (b) For the purposes of this subsection: (i) Gas consisting
11 largely of methane and other hydrocarbons derived from the
12 decomposition of organic material in landfills, wastewater treatment
13 facilities, and anaerobic digesters must be considered a nonemitting
14 resource; and (ii) qualified biomass energy must be considered a
15 nonemitting resource.

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

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

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

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

27 (c) Explains why the resources in (b) of this subsection were
28 chosen and, if the resources chosen are not: (i) Renewable resources;
29 (ii) methods, commercially available technologies, or facilities for
30 integrating renewable resources, including addressing any
31 overgeneration event; or (iii) conservation and efficiency resources,
32 why such a decision was made; and

33 (d) By December 31, 2020, identifies how the utility plans over a
34 ten-year period to meet the standard in section 4 of this act and by
35 December 31, 2025, identifies how the utility plans over a twenty-
36 year period to implement section 5 of this act.

37 (~~(3)~~) (6) Assessments for demand side resources included in an
38 integrated resource plan may include combined heat and power systems
39 as one of the measures in a conservation supply curve. The value of

1 recoverable waste heat resulting from combined heat and power must be
2 reflected in analyses of cost-effectiveness under this subsection.

3 ~~((4))~~ (7) An electric utility that is required to develop a
4 resource plan under this section must complete its initial plan by
5 September 1, 2008.

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

8 ~~((6))~~ (9) Plans shall not be a basis to bring legal action
9 against electric utilities.

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

13 NEW SECTION. **Sec. 15.** A new section is added to chapter 80.28
14 RCW to read as follows:

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

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

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

29 (1) "Eligible coal plant" means a coal-fired electric generation
30 facility that: (a) ~~((Had two or fewer generating units as of January
31 1, 1980, and four generating units as of January 1, 2016; (b))~~ Is
32 owned in whole or in part by more than one electrical company as of
33 January 1, 2016; and ~~((e))~~ (b) provides, as a portion of the load
34 served by the coal-fired electric generation facility, electricity
35 paid for in rates by customers in the state of Washington.

36 (2) "Eligible coal unit" means any generating unit of an eligible
37 coal plant.

1 NEW SECTION. **Sec. 17.** This section is the tax preference
2 performance statement for the tax preferences contained in sections
3 18 and 19, chapter . . ., Laws of 2019 (sections 18 and 19 of this
4 act). This performance statement is only intended to be used for
5 subsequent evaluation of the tax preference. It is not intended to
6 create a private right of action by any party or be used to determine
7 eligibility for preferential tax treatment.

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

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

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

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

1 **Sec. 18.** RCW 82.08.962 and 2018 c 164 s 5 are each amended to
2 read as follows:

3 (1) (a) (~~Except as provided in RCW 82.08.963,~~) Purchasers who
4 have paid the tax imposed by RCW 82.08.020 on machinery and equipment
5 used directly in generating electricity using fuel cells, wind, sun,
6 biomass energy, tidal or wave energy, geothermal resources, or
7 technology that converts otherwise lost energy from exhaust, as the
8 principal source of power, or to sales of or charges made for labor
9 and services rendered in respect to installing such machinery and
10 equipment, are eligible for an exemption as provided in this section,
11 but only if the purchaser develops with such machinery, equipment,
12 and labor a facility capable of generating not less than one thousand
13 watts of electricity.

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

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

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

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

1 (iii) One hundred percent of the state and local sales tax paid,
2 if the department of labor and industries certifies that the project
3 is developed under a community workforce agreement or project labor
4 agreement.

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

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

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

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

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

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

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

39 (c)(i) "Machinery and equipment" means fixtures, devices, and
40 support facilities that are integral and necessary to the generation

1 of electricity using fuel cells, wind, sun, biomass energy, tidal or
2 wave energy, geothermal resources, or technology that converts
3 otherwise lost energy from exhaust.

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

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

17 (4)(a) Machinery and equipment is "used directly" in generating
18 electricity by wind energy, solar energy, biomass energy, tidal or
19 wave energy, geothermal resources, or technology that converts
20 otherwise lost energy from exhaust if it provides any part of the
21 process that captures the energy of the wind, sun, biomass energy,
22 tidal or wave energy, geothermal resources, or technology that
23 converts otherwise lost energy from exhaust, converts that energy to
24 electricity, and stores, transforms, or transmits that electricity
25 for entry into or operation in parallel with electric transmission
26 and distribution systems.

27 (b) Machinery and equipment is "used directly" in generating
28 electricity by fuel cells if it provides any part of the process that
29 captures the energy of the fuel, converts that energy to electricity,
30 and stores, transforms, or transmits that electricity for entry into
31 or operation in parallel with electric transmission and distribution
32 systems.

33 ~~((4))~~ (5)(a)(i) A purchaser claiming an exemption in the form
34 of a remittance under subsection (1)(b) or (c) of this section must
35 pay the tax imposed by RCW 82.08.020 and all applicable local sales
36 taxes imposed under the authority of chapters 82.14 and 81.104 RCW.
37 The purchaser may then apply to the department for remittance in a
38 form and manner prescribed by the department. A purchaser may not
39 apply for a remittance under this section more frequently than once
40 per quarter. The purchaser must specify the amount of exempted tax

1 claimed and the qualifying purchases for which the exemption is
2 claimed. The purchaser must retain, in adequate detail, records to
3 enable the department to determine whether the purchaser is entitled
4 to an exemption under this section, including: Invoices; proof of tax
5 paid; and documents describing the machinery and equipment.

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

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

14 ~~((5))~~ (6) The exemption provided by this section expires
15 September 30, 2017, as it applies to: (a) Machinery and equipment
16 that is used directly in the generation of electricity using solar
17 energy and capable of generating no more than five hundred kilowatts
18 of electricity; or (b) sales of or charges made for labor and
19 services rendered in respect to installing such machinery and
20 equipment.

21 ~~((6))~~ (7) This section expires January 1, ~~((2020))~~ 2030.

22 **Sec. 19.** RCW 82.12.962 and 2018 c 164 s 7 are each amended to
23 read as follows:

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

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

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

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

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

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

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

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

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

36 (b) Set requirements for all good faith efforts under subsection
37 (1)(c)(i) and (ii) of this section, as well as documentation
38 requirements and a certification process. Requirements for all good
39 faith efforts must be designed to maximize the likelihood that the
40 project is completed with said standards and could include proactive

1 outreach to firms that are women, minority, and veteran-owned
2 businesses, advertising in local community publications and
3 publications appropriate to identified firms, participating in
4 community job fairs, conferences, and trade shows, and other
5 measures. The certification process and timeline must be designed to
6 prevent undue delay to project development.

7 (3)(a)(i) A person claiming an exemption in the form of a
8 remittance under subsection (1)(b) of this section must pay the tax
9 imposed by RCW 82.12.020 and all applicable local use taxes imposed
10 under the authority of chapters 82.14 and 81.104 RCW. The consumer
11 may then apply to the department for remittance in a form and manner
12 prescribed by the department. A consumer may not apply for a
13 remittance under this section more frequently than once per quarter.
14 The consumer must specify the amount of exempted tax claimed and the
15 qualifying purchases or acquisitions for which the exemption is
16 claimed. The consumer must retain, in adequate detail, records to
17 enable the department to determine whether the consumer is entitled
18 to an exemption under this section, including: Invoices; proof of tax
19 paid; and documents describing the machinery and equipment.

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

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

28 ~~((3))~~ (4) Purchases exempt under RCW 82.08.962 are also exempt
29 from the tax imposed under RCW 82.12.020.

30 ~~((4))~~ (5) The definitions in RCW 82.08.962 apply to this
31 section.

32 ~~((5))~~ (6) The exemption provided in subsection (1) of this
33 section does not apply:

34 (a) To machinery and equipment used directly in the generation of
35 electricity using solar energy and capable of generating no more than
36 five hundred kilowatts of electricity, or to sales of or charges made
37 for labor and services rendered in respect to installing such
38 machinery and equipment, when first use within this state of such
39 machinery and equipment, or labor and services, occurs after
40 September 30, 2017; and

1 (b) To any other machinery and equipment described in subsection
2 (1)(a) of this section, or to sales of or charges made for labor and
3 services rendered in respect to installing such machinery or
4 equipment, when first use within this state of such machinery and
5 equipment, or labor and services, occurs after December 31, ((2019))
6 2029.

7 ((+6)) (7) This section expires January 1, ((2020)) 2030.

8 **Sec. 20.** RCW 80.04.250 and 2011 c 214 s 9 are each amended to
9 read as follows:

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

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

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

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

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

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

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

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

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

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

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

3 (b) For the duration of a power purchase agreement, a rate of
4 return of no less than the authorized cost of debt and no greater
5 than the authorized rate of return of the electrical company.

6 **Sec. 22.** RCW 43.21F.090 and 1996 c 186 s 106 are each amended to
7 read as follows:

8 (1) The department shall review the state energy strategy ((as
9 developed under section 1, chapter 201, Laws of 1991, periodically
10 with the guidance of an advisory committee. For each review, an
11 advisory committee shall be established with a membership resembling
12 as closely as possible the original energy strategy advisory
13 committee specified under section 1, chapter 201, Laws of 1991.)) by
14 December 31, 2020, and at least once every eight years thereafter,
15 subject to funding provided for this purpose, for the purpose of
16 aligning the state energy strategy with the requirements of RCW
17 43.21F.088 and chapters 19.285 and 19.--- RCW (the new chapter
18 created in section 27 of this act), and the emission reduction
19 targets recommended by the department of ecology under RCW
20 70.235.040. The department must establish an energy strategy advisory
21 committee for each review to provide guidance to the department in
22 conducting the review. The membership of the energy strategy advisory
23 committee must consist of the following:

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

25 (b) One person recommended by investor-owned natural gas
26 utilities;

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

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

30 (e) One person recommended by municipally owned electric
31 utilities;

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

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

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

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

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

37 (k) One person recommended by the association of Washington
38 cities;

1 (l) One person recommended by the Washington association of
2 counties;

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

4 (n) One person recommended by businesses in the clean energy
5 industry;

6 (o) One person recommended by labor unions;

7 (p) Two persons recommended by civic organizations, one of which
8 must be a representative of a civic organization that represents
9 vulnerable populations;

10 (q) Two persons recommended by environmental organizations;

11 (r) One person representing independent power producers;

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

14 (t) One of the representatives of the state of Washington to the
15 Pacific Northwest electric power and conservation planning council
16 selected by the governor;

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

19 (v) One member from each of the two largest caucuses of the house
20 of representatives selected by the speaker of the house of
21 representatives; and

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

24 (2) The chair of the advisory committee must be appointed by the
25 governor from citizen members. The director may establish technical
26 advisory groups as necessary to assist in the development of the
27 strategy. The director shall provide for extensive public involvement
28 throughout the development of the strategy.

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

36 NEW SECTION. Sec. 23. (1) By January 1, 2020, the department of
37 commerce must convene an energy and climate policy advisory committee
38 to develop recommendations to the legislature for the coordination of
39 existing resources, or the establishment of new ones, for the

1 purposes of examining the costs and benefits of energy-related
2 policies, programs, functions, activities, and incentives on an on-
3 going basis and conducting other energy-related studies and analyses
4 as may be directed by the legislature.

5 (2) The advisory committee convened under this section must
6 consist of, at minimum, representatives of each the state's public
7 four-year institutions of higher education, the Pacific Northwest
8 National Laboratory, and the Washington state institute for public
9 policy.

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

14 NEW SECTION. **Sec. 24.** By December 31, 2020, the department of
15 health must develop a cumulative impact analysis to designate the
16 communities highly impacted by fossil fuel pollution and climate
17 change in Washington. The cumulative impact analysis may integrate
18 with and build upon other concurrent cross-agency efforts in
19 developing a cumulative impact analysis and population tracking
20 resources used by the department of health and analysis performed by
21 the University of Washington department of environmental and
22 occupational health sciences. By December 31, 2021, the department of
23 commerce and the utilities and transportation commission shall adopt
24 rules establishing the requirements for incorporating the cumulative
25 impact analysis into the criteria for developing clean energy action
26 plans and clean energy transformation plans, as required in RCW
27 19.280.030.

28 NEW SECTION. **Sec. 25.** (1) The legislature finds that based on
29 current technology, there will likely need to be upgrades to
30 electricity transmission and distribution infrastructure across the
31 state to meet the goals specified in this act. These facilities
32 require a significant planning horizon to deliver electricity
33 generation sites to retail electric load. Pursuant to RCW 80.50.040,
34 the energy facility site evaluation council chair shall convene a
35 transmission corridors work group and report its findings to the
36 governor and the appropriate committees of the legislature by
37 December 31, 2020.

1 (2) The work group must include one representative from each of
2 the following state agencies: The department of commerce, the
3 utilities and transportation commission, the department of ecology,
4 the department of fish and wildlife, the department of natural
5 resources, the department of transportation, the department of
6 archaeology and historic preservation, and the state military
7 department. The work group shall also include two representatives
8 designated by the association of Washington cities, one from central
9 or eastern Washington and one from western Washington; two
10 representatives designated by the Washington state association of
11 counties, one from central or eastern Washington and one from western
12 Washington; two members designated by sovereign tribal governments;
13 one member representing affected utility industries; one member
14 representing public utility districts; and two members representing
15 statewide environmental organizations. The energy facility site
16 evaluation council chair shall invite the Bonneville power
17 administration and the United States department of defense to each
18 appoint an ex officio work group member.

19 (3) The work group shall:

20 (a) Review the need for upgraded and new electricity transmission
21 and distribution facilities to improve reliability, relieve
22 congestion, and enhance the capability of the transmission and
23 distribution facilities in the state to deliver electricity from
24 electric generation, nonemitting electric generation, or renewable
25 resources to retail electric load;

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

28 (c) Identify environmental review options that may be required to
29 complete the designation of such corridors and recommend ways to
30 expedite review of transmission projects without compromising
31 required environmental protection.

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

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

35 NEW SECTION. **Sec. 26.** This chapter may be known and cited as
36 the Washington clean energy transformation act.

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

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

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

5 (1) "Attorney general" means the Washington state office of the
6 attorney general.

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

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

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

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

24 (5) "Commission" means the Washington state utilities and
25 transportation commission.

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

29 (7) "Cost-effective" has the same meaning as defined in RCW
30 80.52.030.

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

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

35 (10) "Department" means the department of commerce or its
36 successor.

37 (11) "Distributed generation" means an eligible renewable
38 resource where the generation facility or any integrated cluster of
39 such facilities has a generating capacity of not more than five
40 megawatts.

1 (12) "Eligible renewable resource" means:

2 (a) Electricity from a generation facility powered by a renewable
3 resource other than freshwater that commences operation after March
4 31, 1999, where: (i) The facility is located in the Pacific
5 Northwest; or (ii) the electricity from the facility is delivered
6 into Washington state on a real-time basis without shaping, storage,
7 or integration services;

8 (b) Incremental electricity produced as a result of efficiency
9 improvements completed after March 31, 1999, to hydroelectric
10 generation projects owned by a qualifying utility and located in the
11 Pacific Northwest where the additional generation does not result in
12 new water diversions or impoundments;

13 (c) Hydroelectric generation from a project completed after March
14 31, 1999, where the generation facility is located in irrigation
15 pipes, irrigation canals, water pipes whose primary purpose is for
16 conveyance of water for municipal use, and wastewater pipes located
17 in Washington where the generation does not result in new water
18 diversions or impoundments;

19 (d) Qualified biomass energy;

20 (e) For a qualifying utility that serves customers in other
21 states, electricity from a generation facility powered by a renewable
22 resource other than freshwater that commences operation after March
23 31, 1999, where: (i) The facility is located within a state in which
24 the qualifying utility serves retail electrical customers; and (ii)
25 the qualifying utility owns the facility in whole or in part or has a
26 long-term contract with the facility of at least twelve months or
27 more; ((~~or~~))

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

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

38 (iii) The facility must demonstrate that the incremental
39 electricity resulted from the capital investment, which does not

1 include expenditures on operation and maintenance in the normal
2 course of business, through direct or calculated measurement;

3 (g) That portion of incremental electricity produced as a result
4 of efficiency improvements completed after March 31, 1999,
5 attributable to a qualifying utility's share of the electricity
6 output from hydroelectric generation projects whose energy output is
7 marketed by the Bonneville power administration where the additional
8 generation does not result in new water diversions or impoundments;
9 or

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

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

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

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

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

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

1 (17) "Public facility" has the same meaning as defined in RCW
2 39.35C.010.

3 (18) "Qualified biomass energy" means electricity produced from a
4 biomass energy facility that: (a) Commenced operation before March
5 31, 1999; (b) contributes to the qualifying utility's load; and (c)
6 is owned either by: (i) A qualifying utility; or (ii) an industrial
7 facility that is directly interconnected with electricity facilities
8 that are owned by a qualifying utility and capable of carrying
9 electricity at transmission voltage.

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

16 (20) "Renewable energy credit" means a tradable certificate of
17 proof, except as provided in RCW 19.285.040(2)(m), of at least one
18 megawatt-hour of an eligible renewable resource where, except as
19 provided in subsection (12)(h) of this section, the generation
20 facility is not powered by freshwater. The certificate includes all
21 of the nonpower attributes associated with that one megawatt-hour of
22 electricity, and the certificate is verified by a renewable energy
23 credit tracking system selected by the department.

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

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

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

35 **Sec. 29.** RCW 19.285.040 and 2017 c 315 s 2 are each amended to
36 read as follows:

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

1 (a) By January 1, 2010, using methodologies consistent with those
2 used by the Pacific Northwest electric power and conservation
3 planning council in the most recently published regional power plan
4 as it existed on June 12, 2014, or a subsequent date as may be
5 provided by the department or the commission by rule, each qualifying
6 utility shall identify its achievable cost-effective conservation
7 potential through 2019. Nothing in the rule adopted under this
8 subsection precludes a qualifying utility from using its utility
9 specific conservation measures, values, and assumptions in
10 identifying its achievable cost-effective conservation potential. At
11 least every two years thereafter, the qualifying utility shall review
12 and update this assessment for the subsequent ten-year period.

13 (b) Beginning January 2010, each qualifying utility shall
14 establish and make publicly available a biennial acquisition target
15 for cost-effective conservation consistent with its identification of
16 achievable opportunities in (a) of this subsection, and meet that
17 target during the subsequent two-year period. At a minimum, each
18 biennial target must be no lower than the qualifying utility's pro
19 rata share for that two-year period of its cost-effective
20 conservation potential for the subsequent ten-year period.

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

28 (ii) Beginning January 1, 2014, a qualifying utility may use
29 single large facility conservation savings in excess of its biennial
30 target to meet up to an additional five percent of the immediately
31 subsequent two biennial acquisition targets, such that no more than
32 twenty-five percent of any biennial target may be met with excess
33 conservation savings allowed under all of the provisions of this
34 section combined. For the purposes of this subsection (1)(c)(ii),
35 "single large facility conservation savings" means cost-effective
36 conservation savings achieved in a single biennial period at the
37 premises of a single customer of a qualifying utility whose annual
38 electricity consumption prior to the conservation savings exceeded
39 five average megawatts.

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

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

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

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

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

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

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

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

1 (b) A qualifying utility may count distributed generation at
2 double the facility's electrical output if the utility: (i) Owns or
3 has contracted for the distributed generation and the associated
4 renewable energy credits; or (ii) has contracted to purchase the
5 associated renewable energy credits.

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

9 (d) A qualifying utility shall be considered in compliance with
10 an annual target in (a) of this subsection if: (i) The utility's
11 weather-adjusted load for the previous three years on average did not
12 increase over that time period; (ii) after December 7, 2006, the
13 utility did not commence or renew ownership or incremental purchases
14 of electricity from resources other than coal transition power or
15 renewable resources other than on a daily spot price basis and the
16 electricity is not offset by equivalent renewable energy credits; and
17 (iii) the utility invested at least one percent of its total annual
18 retail revenue requirement that year on eligible renewable resources,
19 renewable energy credits, or a combination of both.

20 (e) The requirements of this section may be met for any given
21 year with renewable energy credits produced during that year, the
22 preceding year, or the subsequent year. Each renewable energy credit
23 may be used only once to meet the requirements of this section.

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

26 (i) Eligible renewable resources or distributed generation where
27 the associated renewable energy credits are owned by a separate
28 entity; or

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

32 (g) Where fossil and combustible renewable resources are cofired
33 in one generating unit located in the Pacific Northwest where the
34 cofiring commenced after March 31, 1999, the unit shall be considered
35 to produce eligible renewable resources in direct proportion to the
36 percentage of the total heat value represented by the heat value of
37 the renewable resources.

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

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

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

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

8 (i) A qualifying utility shall be considered in compliance with
9 an annual target in (a) of this subsection if events beyond the
10 reasonable control of the utility that could not have been reasonably
11 anticipated or ameliorated prevented it from meeting the renewable
12 energy target. Such events include weather-related damage, mechanical
13 failure, strikes, lockouts, and actions of a governmental authority
14 that adversely affect the generation, transmission, or distribution
15 of an eligible renewable resource under contract to a qualifying
16 utility.

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

21 (ii) A qualifying utility may no longer use electricity and
22 associated renewable energy credits from a qualified biomass energy
23 facility if the associated industrial pulping or wood manufacturing
24 facility ceases operation other than for purposes of maintenance or
25 upgrade.

26 (k) An industrial facility that hosts a qualified biomass energy
27 facility may only transfer or sell renewable energy credits
28 associated with qualified biomass energy generated at its facility to
29 the qualifying utility with which it is directly interconnected with
30 facilities owned by such a qualifying utility and that are capable of
31 carrying electricity at transmission voltage. The qualifying utility
32 may only use an amount of renewable energy credits associated with
33 qualified biomass energy that are equivalent to the proportionate
34 amount of its annual targets under (a)(ii) and (iii) of this
35 subsection that was created by the load of the industrial facility. A
36 qualifying utility that owns a qualified biomass energy facility may
37 not transfer or sell renewable energy credits associated with
38 qualified biomass energy to another person, entity, or qualifying
39 utility.

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

7 (m) Renewable energy credits allocated under RCW
8 19.285.030(12)(h) may not be transferred or sold to another
9 qualifying utility for compliance under this chapter.

10 (n) Beginning January 1, 2030, a qualifying utility is
11 considered to be in compliance with an annual target in (a) of this
12 subsection if the utility uses electricity from: (i) Renewable
13 resources and renewable energy credits as defined in RCW 19.285.030;
14 and (ii) nonemitting electric generation as defined in section 2 of
15 this act, in an amount equal to one hundred percent of the utility's
16 average annual retail electric load. Nothing in this subsection
17 relieves the requirements of a qualifying utility to comply with
18 subsection (1) of this section.

19 (3) Utilities that become qualifying utilities after December 31,
20 2006, shall meet the requirements in this section on a time frame
21 comparable in length to that provided for qualifying utilities as of
22 December 7, 2006.

23 NEW SECTION. Sec. 30. If any provision of this act or its
24 application to any person or circumstance is held invalid, the
25 remainder of the act or the application of the provision to other
26 persons or circumstances is not affected.

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

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