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**SUBSTITUTE HOUSE BILL 2506**

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**State of Washington 64th Legislature 2016 Regular Session**

**By** House Technology & Economic Development (originally sponsored by Representatives Young, Tarleton, Smith, Morris, and Harmsworth)

AN ACT Relating to the development of a state plan to implement federal regulations on electric generation facilities; adding a new section to chapter 80.80 RCW; and creating a new section.

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

NEW SECTION. **Sec.**  The legislature finds that it is in the public interest for the Washington department of ecology to file with the United States environmental protection agency an initial submittal of a state plan with an extension request to comply with the federal clean power plan no later than September 6, 2016. The legislature finds that the state has emerged as a leader in the national effort to reduce power sector emissions with its existing policies and regulations, including the greenhouse gas emissions performance standard established in chapter 80.80 RCW. It is the intent of the legislature to analyze and carefully assess all of the state's options in complying with the federal clean power plan, including but not limited to a cumulative statewide mass-based compliance option, an average statewide rate-based compliance option, and the adoption of other market-based regulations.

NEW SECTION. **Sec.**  A new section is added to chapter 80.80 RCW to read as follows:

(1) In developing, adopting, and implementing a state plan to comply with the requirements of the federal rule relating to greenhouse gas emissions from existing electric generation facilities published in the federal register on October 23, 2015, (80 FR 64966), the department must develop a state plan that:

(a) Maintains state flexibility to achieve compliance using market-based regulations that include the use of market-based tools, including intrastate trading of allowance allocations;

(b) Facilitates Washington's participation in a regional or multistate program to trade compliance instruments such that:

(i) The state's opportunity to reduce greenhouse gas emissions and realize benefit is maximized at the least risk and least cost to electric generation facilities and ratepayers;

(ii) The current system reliability, diversification, and diversity of the state's electric generation sources is not diminished; and

(iii) The administration and distribution of compliance instruments minimizes rate impacts on low-income families and other customer classes served by the state's electric utilities; and

(c) Distributes all compliance instruments equal to the baseline emissions for the compliance period.

(2)(a) The initial submittal of the state plan under subsection (1) of this section must outline a cumulative statewide mass-based implementation plan.

(b) By December 1, 2016, the department must submit and present a report to the appropriate committees of the legislature on the cumulative statewide mass-based implementation plan outlined in the initial submittal of a state plan.

(c) The report submitted under this subsection must include an analysis of the projected economic impact or value of the cumulative statewide mass-based implementation plan outlined in the initial state plan submittal compared with the projected economic impact or value of a rate-based implementation plan utilizing an average statewide rate-based carbon dioxide emission goal that takes into consideration the greenhouse gas emissions performance standard established in this chapter.

(d) The department may select the rate-based implementation plan for a final state plan only if the department concludes in the report submitted under this subsection that a rate-based implementation plan using the average statewide rate-based carbon dioxide emission goal would provide greater quantifiable benefit to electric generation facilities, the flexibility of operation of the regional electric grid, and ratepayers in the state.

(3) Nothing in this section changes the terms of or otherwise amends the memorandum of agreement with owners of a coal-fired baseload facility established under RCW 80.80.100.

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