

2SSB 6203 - S AMD 844
By Senator Carlyle

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** (1) Greenhouse gas pollution, including
4 carbon, is a significant contributor to climate change, and has
5 devastating negative impacts on Washington's economy, environment,
6 natural resources, and communities. Our state is already experiencing
7 rising sea levels, depleting snowpack, increased flooding, acidifying
8 oceans, and more frequent and severe wildfires. These impacts impair
9 our prosperity and have already hurt our businesses and communities.

10 (2) Transitioning to a clean energy economy can help our
11 residents and businesses thrive without increasing carbon pollution
12 that leads to climate change. Building a vibrant and successful clean
13 energy economy can serve as an example to other regions, will put
14 Washington on the cutting edge of twenty-first century economies,
15 create new jobs, and support the health and prosperity of all
16 residents of Washington.

17 (3) Washington state is home to some of the world's most
18 innovative companies, a highly skilled workforce, and important
19 industries. As our state transitions away from fossil fuels, we must
20 do so in a way that protects these assets, and allows our businesses
21 to thrive. By launching a bold new set of investments in carbon
22 reduction infrastructure and natural resource resilience, we can
23 reduce our state's carbon emissions while preparing our economy for
24 the future. In doing so, we recognize that some industries are energy
25 dependent and trade-exposed, and thus have independent incentive to
26 be energy efficient. These industries are exempt from carbon taxation
27 in order to allow them to remain globally competitive and ensure
28 these industries and jobs remain in Washington.

29 (4) Washington is home to more than ten million acres of working
30 forestlands, including private landowners and state trust lands.
31 These lands represent the foundation of a forest products industry
32 that sequesters massive amounts of carbon from the atmosphere simply

1 through its standard, baseline operations. These working forests are
2 one of the state's greatest natural assets in combating global carbon
3 emissions. A statewide carbon policy must support and maintain the
4 ecosystem values provided by the forest products industry. Healthy,
5 working forests maximize the forests' ability to absorb carbon with
6 lumber and other forest products continuing to sequester that carbon.

7 (5) Fossil fuel combustion also is responsible for other
8 pollutants, like nitrous oxide, carbon monoxide, benzene, and others
9 that contribute to respiratory diseases like asthma and lung cancer
10 that compromise public health and shorten life expectancy. This
11 pollution burden overwhelmingly falls on low-income communities,
12 communities of color, and the vulnerable parts of our population.
13 Reducing our reliance on fossil fuels, therefore, will contribute to
14 improved air quality and better public health.

15 (6) This act establishes a tax to account for the economic and
16 environmental impacts of carbon pollution. The revenue will
17 facilitate the transition from fossil fuels to clean energy and fund
18 investments that will benefit our businesses, our families, and our
19 communities. It will also invest in adapting to the impacts of
20 climate change and protecting our rural communities and key economic
21 sectors including agriculture, shellfish, and forestry.

22 (7) Further, in general, low-income rural and urban communities
23 are disproportionately impacted by carbon pollution and are less able
24 to respond to climate change. This act provides targeted economic
25 stimulus to ensure that the job creation and health benefits of this
26 measure are focused in the communities that can most benefit from
27 these investments.

28 **Part I**

29 **Carbon Pollution Tax**

30 NEW SECTION. **Sec. 101.** DEFINITIONS. The definitions in this
31 section apply throughout this chapter unless the context clearly
32 requires otherwise.

33 (1) "Aircraft fuel" has the same meaning as provided in RCW
34 82.42.010.

35 (2) "Asset controlling supplier" means any entity that owns or
36 operates interconnected electricity generating facilities or serves
37 as an exclusive marketer for these facilities even though it does not
38 own them, and is assigned a supplier-specific identification number

1 and system emission factor by the department of ecology, in
2 consultation with the department of commerce, for the wholesale
3 electricity procured from its system and sold into Washington.

4 (3) "Carbon calculation" means a calculation made by the
5 department of ecology, in consultation with the department of
6 commerce, for purposes of determining the carbon dioxide emissions
7 from the complete combustion or oxidation of fossil fuels and, for
8 each specified source, the carbon dioxide emissions in electricity
9 for use in calculating the carbon pollution tax pursuant to section
10 102 of this act.

11 (4) "Carbon dioxide emissions content inherent in electricity"
12 means the carbon dioxide generated by the production of electricity
13 from fossil fuels.

14 (5) "Carbon dioxide equivalent" means a metric measure used to
15 compare the emissions from various greenhouse gases based on their
16 global warming potential.

17 (6) "Carbon pollution tax" means the tax created in section 102
18 of this act.

19 (7) "Coal" means a readily combustible rock of carbonaceous
20 material, including anthracite coal, bituminous coal, subbituminous
21 coal, lignite, waste coal, syncoal, and coke of any kind.

22 (8) "Department" means the department of revenue.

23 (9) "Direct access electricity customer" means a person who
24 purchases electricity for consumption from any seller other than a
25 seller registered with the department for purposes of paying taxes
26 due under chapter 82.04 or 82.16 RCW.

27 (10) "Direct access gas customer" means a person who purchases
28 natural gas for consumption from any seller other than a seller
29 registered with the department for purposes of paying taxes due under
30 chapter 82.04 or 82.16 RCW.

31 (11) "Direct service industrial customer" has the same meaning as
32 provided in RCW 82.16.0495.

33 (12) "Energy-intensive trade-exposed manufacturing facility"
34 means a manufacturing business that meets the numerical criteria
35 established by the department of commerce in section 103(3)(b) of
36 this act, or has a proper primary North American industry
37 classification system code as provided in section 103(3)(c) of this
38 act.

39 (13) "Facility" means any physical property, plant, building,
40 structure, source, or stationary equipment located on one or more

1 contiguous or adjacent properties in actual physical contact or
2 separated solely by a public roadway or other public right-of-way and
3 under common ownership or common control, that emits or may emit any
4 greenhouse gas.

5 (14) "Fossil fuel" means motor vehicle fuel, special fuel, dyed
6 special fuel, aircraft fuel, natural gas, coal, and any form of
7 solid, liquid, or gaseous fuel derived from natural gas, coal,
8 petroleum, or crude oil, including without limitation still gas,
9 propane, and petroleum residuals including bunker fuel.

10 (15) "Gas distribution business" has the same meaning as provided
11 in RCW 82.16.010.

12 (16) "Greenhouse gas" means carbon dioxide (CO₂), methane (CH₄),
13 nitrogen trifluoride (NF₃), nitrous oxide (N₂O), sulfur hexafluoride
14 (SF₆), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and other
15 fluorinated greenhouse gases.

16 (17) "Highly impacted communities" means those areas designated
17 pursuant to section 502 of this act.

18 (18) "Light and power business" has the same meaning as provided
19 in RCW 82.16.010.

20 (19) "Motor vehicle fuel" has the same meaning as provided in RCW
21 82.38.020.

22 (20) "Natural gas" means naturally occurring mixtures of
23 hydrocarbon gases and vapors consisting principally of methane,
24 whether in gaseous or liquid form, including methane clathrate.

25 (21) "Person" has the same meaning as provided in RCW 82.04.030.

26 (22) "Sale" has the same meaning as provided in RCW 82.04.040.

27 (23) "Special fuel" has the same meaning as provided in RCW
28 82.38.020.

29 (24) "Specified source" means an electrical generation facility
30 serving Washington customers in which the taxpayer directly or
31 indirectly has full or partial ownership in the facility or unit or
32 is party to a written contract or other agreement to procure
33 electricity generated by that facility.

34 (25) "Taxpayer" means a person subject to the carbon pollution
35 tax imposed in this chapter.

36 (26) "Tribal lands" has the same meaning as "Indian country" as
37 provided in 18 U.S.C. Sec. 1151, and also includes sacred sites,
38 traditional cultural properties, burial grounds and other tribal
39 sites protected by federal or state law.

1 (27) "Unspecified source" means electricity from a source other
2 than a specified source.

3 (28)(a) "Use," "used," "using," or "put to use" means, with
4 respect to any fossil fuel other than natural gas, the consumption in
5 this state of the fossil fuel by the taxpayer or the possession or
6 storage in this state of the fossil fuel by the taxpayer preparatory
7 to subsequent consumption of the fossil fuel within this state by the
8 taxpayer.

9 (b) "Use," "used," "using," or "put to use" means, with respect
10 to natural gas, the consumption in this state of the fossil fuel by
11 the taxpayer.

12 (c) For purposes of this subsection (28), "possession" means the
13 control of fossil fuel located within this state and includes either
14 actual and/or constructive possession. "Actual possession" occurs
15 when the person with control has physical possession. "Constructive
16 possession" occurs when the person with control does not have
17 physical possession. "Control" means the power to sell or use a
18 fossil fuel or to authorize the sale or use by another.

19 (29) "Western interconnection" means the area comprising those
20 states and provinces, or portions thereof, in western Canada,
21 northern Mexico, and the western United States in which members of
22 the western electricity coordinating council, or any successor
23 thereto, operate synchronously connected transmission systems.

24 (30) "Year" means the twelve-month period commencing January 1st
25 and ending December 31st unless otherwise specified.

26 NEW SECTION. **Sec. 102.** CARBON POLLUTION TAX. (1)(a) Beginning
27 July 1, 2019, a carbon pollution tax is imposed on:

28 (i) The sale or use within this state of all fossil fuels, except
29 fossil fuels used to generate electricity in the state; or

30 (ii) The generation within or import for consumption to this
31 state of electricity generated through the combustion of fossil
32 fuels.

33 (b) The measure of the carbon pollution tax is the carbon dioxide
34 emissions:

35 (i) Resulting from the complete combustion or oxidation of fossil
36 fuels sold or used by the taxpayer within this state; or

37 (ii) Inherent in electricity generated within or imported for
38 consumption to this state.

1 (c)(i) The tax rate is equal to twelve dollars per metric ton of
2 carbon dioxide.

3 (ii) Beginning July 1, 2021, the department must annually adjust
4 the previous year's tax rate by one dollar and eighty cents per
5 metric ton until reaching thirty dollars per metric ton of carbon
6 dioxide. The department must calculate tax rate adjustments under
7 this subsection (1)(c)(ii) in July of each year and publish on its
8 web site the tax rate for any year by January 1st of that year.

9 (2) For the purposes of this chapter, the carbon pollution tax is
10 imposed:

11 (a) Only once with respect to the same unit of fossil fuel or
12 electric energy;

13 (b) At the time and place of the first taxable event within this
14 state, except as otherwise provided in this section, occurring on or
15 after the effective date of this section, regardless of whether the
16 fossil fuel or electricity was previously sold, used, or consumed
17 within this state before the effective date of this section; and

18 (c) Upon the first taxable person within this state, except as
19 otherwise provided in this section. A taxable person is:

20 (i) A person required to be registered with the department under
21 RCW 82.32.030(1);

22 (ii) The state, its political subdivisions, and municipal
23 corporations; and

24 (iii) A person who maintains a place of business in this state
25 but who is not required to be registered with the department under
26 RCW 82.32.030(1).

27 (3) As provided in this section, the carbon pollution tax on the
28 sale or use of fossil fuels is imposed on the seller or user of the
29 fossil fuel.

30 (4) The carbon pollution tax on the sale or use of natural gas is
31 imposed as follows:

32 (a) Natural gas transported through the state that is not
33 produced or delivered in the state is exempt from the carbon
34 pollution tax imposed by this section. Natural gas possessed or
35 stored in this state is exempt from the carbon pollution tax imposed
36 by this section unless taxed under (b), (c), or (d) of this
37 subsection;

38 (b) For natural gas sold by a gas distribution business to a
39 retail customer in the state, the carbon pollution tax is imposed on

1 the gas distribution business upon the sale of such natural gas to
2 the retail customer;

3 (c) For natural gas sold to a light and power business for the
4 purpose of generation of electricity in the state, the carbon
5 pollution tax is imposed on the light and power business as provided
6 for in subsection (5)(a) of this section; and

7 (d) For natural gas sold to a direct access gas customer in the
8 state, the carbon pollution tax is imposed on the direct access gas
9 customer upon the consumption of such natural gas by the direct
10 access gas customer.

11 (5) The carbon pollution tax on the generation or import of
12 electricity for consumption in this state is imposed as follows:

13 (a) For electricity produced in the state, the carbon pollution
14 tax is imposed on the person required to be registered with the
15 department for purposes of paying taxes due under chapter 82.04 or
16 82.16 RCW that owns or operates the electrical generation facility
17 producing the electricity; and

18 (b) For electricity produced outside the state and imported for
19 consumption in the state, the carbon pollution tax is imposed on the
20 first person that imports or delivers such electricity to or within
21 the state.

22 (6) For motor vehicle fuel and special fuel, the carbon pollution
23 tax is imposed on the seller or user of the fuel at the points of
24 taxation specified in RCW 82.38.030(9).

25 (7)(a) The carbon pollution tax does not apply to the sale or use
26 of fossil fuels or consumption of electricity upon which the tax
27 under this chapter has been imposed.

28 (b) A sale of fossil fuel takes place in this state when the
29 fossil fuel is delivered in this state to the purchaser or a person
30 designated by the purchaser, notwithstanding any contract terms
31 designating a location outside of this state as the place of sale.

32 (c) All taxable sales within this state of a fossil fuel or
33 electricity must document the amount of carbon pollution tax paid in
34 accordance with rules adopted by the department.

35 (d)(i) The carbon pollution tax liability imposed on a person
36 consistent with (a) and (b) of this subsection may be assumed by a
37 light and power business when it purchases electricity if the light
38 and power business meets the following requirements:

39 (A) A light and power business must have a clean energy
40 investment plan approved by a responsible entity.

1 (B) A light and power business must apply to the responsible
2 entity, in a manner and form acceptable to the responsible entity,
3 for approval to assume liability for the carbon pollution tax
4 pursuant to this subsection (7)(d).

5 (C) Upon approval of an application pursuant to (d)(i)(B) of this
6 subsection, the entity must issue a certificate or other
7 documentation, as prescribed by the department, authorizing the light
8 and power business to assume liability for the carbon pollution tax
9 pursuant to this subsection (7)(d).

10 (D) A light and power business that elects to assume liability
11 for the carbon pollution tax as authorized under this subsection
12 (7)(d) must present the certificate or documentation issued pursuant
13 to (d)(i)(C) of this subsection to a person selling electricity to
14 the light and power business. Acceptance of the certificate or
15 documentation presented by a light and power business under this
16 subsection (7)(d) relieves that person from paying the carbon
17 pollution tax due on such a sale. Acceptance of the certificate or
18 documentation may not be unreasonably withheld. The person selling
19 electricity must keep a copy of the certificate or documentation in
20 its records pursuant to RCW 82.32.070. If the light and power
21 business does not elect to assume the carbon pollution tax, the
22 carbon pollution tax on the sale of electricity is imposed pursuant
23 to (a) or (b) of this subsection, as applicable.

24 (ii) For the purposes of this subsection (7)(d), "responsible
25 entity" means the entity responsible for approving the clean energy
26 investment plan of a light and power business pursuant to sections
27 201 through 206 or 301 through 306 of this act, whichever is
28 applicable.

29 (8) For purposes of determining the carbon pollution tax due
30 under this chapter:

31 (a) The department must use the carbon calculation for all fossil
32 fuels sold or used within the state or inherent in electricity
33 generated or imported for consumption within this state;

34 (b) For fossil fuels, the department of ecology, in consultation
35 with the department of commerce, must adopt by rule criteria for
36 making the carbon calculation;

37 (c) For the import of electricity sourced from an asset
38 controlling supplier, including the Bonneville power administration
39 and others as approved by the department of ecology, the department
40 of ecology must calculate and publish on its web site no later than

1 December 1st of each year the system emissions factors for each asset
2 controlling supplier for the previous calendar year. Such system
3 emissions factors must be used to determine the carbon tax associated
4 with power sourced from asset controlling supplier systems for the
5 upcoming calendar year. Asset controlling suppliers are considered
6 specified sources of electricity;

7 (d) For the generation or import of electricity from an
8 unspecified source, the carbon dioxide inherent in that electricity
9 is equal to the default emission factor adopted by the department of
10 ecology, in consultation with the department of commerce, in a manner
11 consistent with the default emission factors for electricity
12 established for other markets in the western interconnection, or, if
13 the department of ecology has not adopted a default emission factor
14 by rule, 0.437 metric tons of carbon dioxide per megawatt-hour;

15 (e) For the generation or import of electricity from a specified
16 source, the carbon dioxide inherent in that electricity must be based
17 on the carbon calculation for that source established by the
18 department of ecology. The department of ecology, in consultation
19 with the department of commerce, must adopt by rule criteria for
20 making the carbon calculation for specified sources; and

21 (f) The department of ecology may require additional information
22 to existing reporting programs as necessary, in consultation with the
23 department of commerce, for determining the carbon calculation under
24 this chapter.

25 (9) For taxpayers who are also subject to any of the taxes
26 imposed under chapter 82.04, 82.08, 82.12, or 82.16 RCW, the
27 frequency of reporting and payment of the carbon pollution tax must,
28 to the extent practicable, coincide with a taxpayer's reporting
29 periods for the taxes imposed under chapter 82.04, 82.08, 82.12, or
30 82.16 RCW.

31 (10) The department must develop and make available worksheets,
32 tax tables, and guidance documents it deems necessary to calculate
33 the carbon dioxide emissions of fossil fuels or the carbon dioxide
34 emissions inherent in electricity.

35 NEW SECTION. **Sec. 103.** EXEMPTIONS AND CREDITS. (1) The carbon
36 pollution tax does not apply to:

37 (a) Fossil fuels brought into this state by means of the primary
38 fuel supply tank of a motor vehicle, vessel, locomotive, or aircraft,

1 actively supplying fuel for combustion upon entry into the state, and
2 any electricity generated by such fossil fuels;

3 (b) Fossil fuels or electricity that the state is prohibited from
4 taxing under the state Constitution or the Constitution or laws of
5 the United States;

6 (c)(i) Fossil fuels or electricity exported from this state.
7 Export from this state includes electricity transmitted through the
8 state that is not produced or consumed in the state including, but
9 not limited to, imports of electricity that are netted by exports of
10 electricity with a comparable carbon content by the same entity
11 within or for the same hour. Export to Indian country located within
12 the boundaries of this state is not considered export from this
13 state. For purposes of this subsection, "Indian country" has the same
14 meaning as provided in RCW 37.12.160.

15 (ii) An exporter of fossil fuels or electricity upon which
16 another person previously paid the carbon pollution tax is entitled
17 to a credit or refund of the tax paid, if the exporter can establish
18 to the department's satisfaction that the tax under this chapter was
19 previously paid on the exported fossil fuels or electricity. The
20 person who paid the carbon pollution tax is not entitled to an
21 exemption under this subsection (1)(c) when any other person is
22 entitled to a refund or credit under this subsection (1)(c)(ii). For
23 purposes of this subsection, "exporter" means a person who exports
24 fossil fuels or electricity from this state;

25 (d) The sale or use of coal transition power as defined in RCW
26 80.80.010;

27 (e) Diesel fuel, biodiesel fuel, or aircraft fuel when these
28 fuels are used solely for agricultural purposes by a farm fuel user,
29 as those terms are defined in RCW 82.08.865;

30 (f) Biogas, which includes renewable liquid natural gas or liquid
31 compressed natural gas made from biogas, landfill gas, biodiesel,
32 renewable diesel, and cellulosic ethanol;

33 (g) Aircraft fuel as defined in RCW 82.42.010;

34 (h) Facilities that manufacture equipment used to generate
35 electricity from eligible renewable resources as defined in RCW
36 19.285.030(21) or facilities that produce components or materials
37 used exclusively to manufacture eligible renewable resources;

38 (i) The portion of fossil fuels purchased in the state and
39 combusted outside the state by interstate motor carriers and vessels
40 used primarily in interstate or foreign commerce. The department must

1 provide a methodology by rule to apportion fossil fuels consumed
2 inside the state of Washington by interstate motor carriers and
3 vessels used primarily in interstate or foreign commerce;

4 (j) Activities or property of Indian tribes and individual
5 Indians that are exempt from state taxation as a matter of federal
6 law or state law, whether by statute, rule, or compact;

7 (k) Until January 1, 2020, fossil fuels consumed by or
8 electricity generated by any light and power business, that is not an
9 electric utility as defined in RCW 19.29A.010; and

10 (l) Fossil fuels used for transporting logs as described in RCW
11 82.16.010(5).

12 (2)(a) For any electricity and fossil fuels subject to the carbon
13 pollution tax imposed by section 102 of this act that are also
14 subject to a comparable carbon pollution tax or charge on carbon
15 content imposed by another jurisdiction, including the federal
16 government or allowances required to be purchased by another
17 jurisdiction, the entity may take a credit against the tax imposed
18 under this chapter by the amount of the comparable pollution tax or
19 charge paid to the other jurisdiction up to the amount of tax owed
20 under this chapter, provided that the taxpayer claiming the credit
21 provides evidence acceptable to the department that the equivalent
22 tax has been paid.

23 (b) For the purposes of this section, a comparable carbon
24 pollution tax or charge means a tax or charge that is not generally
25 imposed on other activities or privileges that is:

26 (i) Imposed on:

27 (A) The sale, use, possession, transfer, or consumption of fossil
28 fuels; or

29 (B) The sale, consumption, or generation of electricity produced
30 through the combustion of fossil fuels; and

31 (ii) Measured in terms of greenhouse gas emissions by the
32 greenhouse gas emissions resulting from the complete combustion or
33 oxidation of such fossil fuels or by the greenhouse gases inherent in
34 such electricity.

35 (3)(a) The carbon pollution tax imposed in section 102 of this
36 act does not apply to fossil fuels and electricity sold to or used
37 on-site for manufacturing processes by an energy-intensive trade-
38 exposed facility. The fossil fuel exemption does not apply to fossil
39 fuels used for generation of electricity which is not used on site by
40 the facility.

1 (b) The department of commerce will establish objective numerical
2 criteria for both energy intensity and trade exposure for the purpose
3 of identifying energy-intensive trade-exposed manufacturing
4 facilities. The criteria will take into consideration approaches used
5 by other jurisdictions with existing carbon reduction or carbon
6 pricing programs, and the impact of the carbon pollution tax on
7 manufacturing activity, including manufacturers with a 2017 North
8 American industry classification system code 31-33 as developed by
9 the office of management and budget. A manufacturing business that
10 can demonstrate to the department of commerce that its facility or
11 facilities meet the criteria must be issued a certificate denoting
12 energy-intensive trade-exposed exempt status for the purpose of
13 exempting appropriate on-site manufacturing processes.

14 (c)(i) Notwithstanding the criteria established in (b) of this
15 subsection, the department must issue a certificate denoting energy-
16 intensive trade-exposed exempt status to:

17 (A) Any facility engaged in an activity described in RCW
18 82.04.260(12); or

19 (B) A facility primarily engaged in an activity encompassed
20 within any of the following North American industry classification
21 system codes (2017):

22 112310: Chicken egg production;

23 112320: Broilers and other meat type chicken production;

24 112330: Turkey production;

25 112340: Poultry hatcheries;

26 112390: Other poultry production;

27 212230: Copper, nickel, lead, and zinc mining;

28 311211: Flour milling;

29 311221: Wet corn milling;

30 311224: Soybean and other oilseed processing;

31 311225: Fats and oils refining and blending;

32 311230: Breakfast cereal manufacturing;

33 311411: Frozen fruit, juice, and vegetable manufacturing;

34 311412: Frozen specialty food manufacturing;

35 311421: Fruit and vegetable canning;

36 311422: Specialty canning;

37 311423: Dried and dehydrated food manufacturing;

38 311511: Fluid milk manufacturing;

39 311512: Creamery butter manufacturing;

40 311513: Cheese manufacturing;

1 311514: Dry, condensed, and evaporated dairy product
2 manufacturing;
3 311520: Ice cream and frozen dessert manufacturing;
4 311611: Animal (except poultry) processing;
5 311612: Meat processed from carcasses;
6 311613: Rendering and meat by-product processing;
7 311615: Poultry processing;
8 311710: Seafood product preparation and packaging;
9 311812: Commercial bakeries;
10 311821: Cookie and cracker manufacturing;
11 311824: Flour mixes and dough manufacturing from purchased flour;
12 311830: Tortilla manufacturing;
13 311911: Roasted nuts and peanut butter manufacturing;
14 311919: Other snack food manufacturing;
15 311930: Flavoring syrup and concentrate manufacturing;
16 311941: Mayonnaise, dressing, and other prepared sauce
17 manufacturing;
18 311942: Spice and extract manufacturing;
19 311991: Perishable prepared food manufacturing;
20 311999: All other miscellaneous food manufacturing;
21 312112: Bottled water manufacturing;
22 321212: Softwood veneer and plywood manufacturing;
23 321213: Sawmills;
24 322110: Pulp mills;
25 322121: Paper (except newsprint) mills;
26 322122: Newsprint mills;
27 322130: Paperboard mills;
28 324110: Petroleum refineries;
29 325188: All other basic inorganic chemical manufacturing;
30 325193: Biodiesel manufacturing;
31 325199: All other basic organic chemical manufacturing;
32 325311: Nitrogenous fertilizer manufacturing;
33 327211: Flat glass manufacturing;
34 327213: Glass container manufacturing;
35 327310: Cement manufacturing;
36 327410: Lime manufacturing;
37 327420: Gypsum product manufacturing;
38 331110: Iron and steel mills;
39 331312: Primary aluminum production;
40 331313: Aluminum refining and primary aluminum production;

1 331314: Secondary smelting and alloying of aluminum;
2 331315: Aluminum sheet, plate, and foil manufacturing;
3 331318: Other aluminum rolling, drawing, and extruding;
4 334413: Semiconductor and related device manufacturing;
5 336411: Aircraft manufacturing;
6 336412: Aircraft engine and engine parts manufacturing;
7 336413: Other aircraft parts and auxiliary equipment
8 manufacturing;
9 336414: Guided missile and space vehicle manufacturing;
10 336415: Guided missile and space vehicle propulsion unit and
11 propulsion unit parts manufacturing;
12 336419: Other guided missile and space vehicle parts and
13 auxiliary equipment manufacturing; and
14 423930: Recyclable material merchant wholesalers.

15 (ii) The exemptions under (c)(i)(B) of this subsection (3) apply
16 to electricity and fossil fuels used on-site for manufacturing
17 activities by energy-intensive and trade-exposed manufacturers.

18 (d)(i) To qualify for an exemption under this subsection (3) for
19 a specific facility, a person must obtain an exemption certificate by
20 verifying its North American industry classification system code with
21 the department in the form and manner required by the department. An
22 exemption certificate must be granted to any person classified with
23 the codes enumerated in this section absent a finding that the
24 facility has been misclassified for the purposes of this exemption.

25 (ii) If a person qualifies for an exemption for more than one
26 facility, the department must issue an exemption certificate for each
27 exempt facility or, at the request of the person, for a contiguous
28 group of facilities under uniform ownership and management. An
29 exemption certificate issued under this subsection (3) must include
30 the name of the person operating the facility, the physical location
31 of the facility, and the activities that qualify the facility for an
32 exemption. A seller of fossil fuels or electricity who is responsible
33 for paying the carbon pollution tax authorized under section 102 of
34 this act must be provided with an exemption certificate for the
35 exempt facility before the seller may claim any exemption or credit
36 against the tax authorized under section 102 of this act. If a person
37 purchases electricity or fossil fuels that are used on-site at an
38 exempt facility, the person may provide an exemption certificate to
39 the seller of the electricity or fossil fuels if the seller is liable
40 for the tax.

1 (e)(i) The department may rescind an exemption certificate issued
2 under this subsection (3) if it determines that the facility does not
3 meet the qualifications for an exemption under this subsection (3).
4 The department must notify the certificate holder of its decision to
5 rescind an exemption certificate.

6 (ii) A person receiving an exemption under this subsection (3)
7 based on a certificate issued in error must immediately repay to the
8 department the exempted amounts plus interest as provided in chapter
9 82.32 RCW. No penalties apply if amounts assessed by the department
10 under this subsection (3)(e)(ii) are paid in full by the date due.

11 (4)(a) A credit is authorized against the tax otherwise due under
12 this chapter. The credit amount may be up to one hundred percent of
13 the taxes owed under this chapter by a light and power business or a
14 gas distribution business that chooses to claim a credit pursuant to
15 sections 202 and 301 of this act.

16 (b) Any amount taken as a tax credit by a light and power
17 business or gas distribution business under subsection (1)(c)(ii) or
18 (2) of this section is not subject to the provisions of part II or
19 III of this act.

20 (5)(a) A person is entitled to a refund or credit of carbon
21 pollution tax included in the price of fossil fuels or electricity
22 purchased by the person if:

23 (i) An exemption under this chapter applies to the person or the
24 person's use or disposition of the fossil fuel or electricity;

25 (ii) The person can establish to the department's satisfaction
26 that the tax under this chapter was previously paid on the fossil
27 fuel or electricity; and

28 (iii) The person submits an application to the department in a
29 form and manner required by the department within four years after
30 the calendar year in which the person paid the carbon pollution taxes
31 for which the refund or credit is sought.

32 (b) A person is not entitled to a refund or credit of carbon
33 pollution tax under this section if any subsequent purchaser of the
34 fossil fuel or electricity is entitled to a refund or credit of that
35 tax under this subsection.

36 (c) Refunds or credits under this subsection are not subject to
37 interest.

38 (d) For purposes of this subsection (5), "person" means any
39 purchaser or consumer of fossil fuel or electricity who indirectly

1 paid carbon pollution tax included in the price of the fossil fuel or
2 electricity.

3 NEW SECTION. **Sec. 104.** RULE MAKING AND OTHER ADMINISTRATIVE
4 AUTHORITY. (1) The provisions of chapter 82.32 RCW apply to this
5 chapter.

6 (2) The department and department of ecology may adopt rules as
7 they deem necessary to administer this chapter. The department of
8 commerce may adopt rules as it deems necessary to administer section
9 103 of this act.

10 (3) The department of commerce must convene a stakeholder work
11 group to examine the efficient and consistent integration of carbon
12 pricing in electricity markets within the state and transactions with
13 markets outside the state, including the market operated by the
14 California independent system operator. To assist in its examination
15 of the issues identified in this subsection, as well as any other
16 issues pertinent to its review, the work group must, at a minimum,
17 consist of light and power businesses, gas distribution businesses,
18 the Bonneville power administration, and other agencies. The work
19 group must prepare a report to the legislature of its findings and
20 recommendations to improve the carbon transparency and market
21 liquidity in electricity markets and submit the report, in compliance
22 with RCW 43.01.036, by no later than December 1, 2020. The department
23 and the department of ecology must provide necessary data and other
24 support to the department of commerce.

25 (4) By December 31, 2025, the department of revenue, supported by
26 the departments of commerce and ecology must review the energy-
27 intensive trade-exposed process under section 103 of this act,
28 including its effectiveness in controlling leakage and minimizing any
29 unnecessary exemptions from taxation, merits of alternative exemption
30 structures such as production-based incentives, and the scope of
31 industries within the energy-intensive trade-exposed designation.

32 (5) The department of commerce must provide information on its
33 web site regarding the impacts of the carbon pollution tax under this
34 chapter on the price of electricity, natural gas, and vehicle fuels
35 by sector.

36 NEW SECTION. **Sec. 105.** REPORT BY THE DEPARTMENT OF COMMERCE.

37 (1) On or before December 31, 2020, and each year thereafter, and in
38 compliance with RCW 43.01.036, the department of commerce, with

1 support from the department of revenue as well as the state auditor
2 for the initial report, must submit a report to the joint committee
3 on climate programs oversight under section 801 of this act. The
4 initial report must include recommendations for establishing a
5 process to audit account uses and allow for public input. Each annual
6 report must contain specific recommendations for modifications or
7 improvements to this act to ensure the goals of this act are being
8 met in addition to the following with respect to the annual period
9 ending the December 31st immediately preceding the reporting date:

10 (a) The total carbon pollution tax collected during the reporting
11 period and a list of the taxpayers and the amount of carbon pollution
12 tax paid by those taxpayers. The department must provide the
13 information required under this subsection (1)(a), which is not
14 confidential tax information under RCW 82.32.330;

15 (b) Estimated costs incurred by the department, the department of
16 commerce, the department of ecology, and the Washington State
17 University extension energy program directly associated with
18 administration of the carbon pollution tax, shown both in dollar
19 amounts and as a percentage of the total amount of carbon pollution
20 tax revenues collected. The department of ecology, the department of
21 commerce, and Washington State University extension energy program
22 must report their estimated administrative costs under this
23 subsection to the department of commerce each year at least one month
24 before the deadline for the report required under this section;

25 (c) The estimated overall net revenue gain or loss calculated by
26 comparison of this subsection and subsection (2) of this section in
27 dollar amounts and the estimated costs determined under subsection
28 (2) of this section as a percentage of carbon pollution tax revenues
29 collected;

30 (d) The impact on the economic health of Washington state,
31 including verifiable data on emissions leakage and any job loss since
32 the implementation of the carbon pollution tax under section 102 of
33 this act;

34 (e) An analysis of whether the point of taxation is appropriate
35 under section 102 of this act;

36 (f) A summary of the investments made through its administration
37 of the energy transformation account created in section 401 of this
38 act and the rural economic development account created in section 701
39 of this act. The summary must include amounts invested in each
40 program area, project descriptions, names of grant recipients, an

1 estimate of the greenhouse gas emissions reductions achieved or
2 anticipated via the investments, and other pertinent information or
3 information as periodically requested by the legislature;

4 (g) A summary of the progress made by utilities implementing
5 their plans under the clean energy investment program created in
6 parts II and III of this act. The summary must include aggregate
7 totals of anticipated greenhouse gas reductions called for by plans
8 and progress made toward achieving these reductions; an accounting of
9 funds spent and average cost per ton of verified greenhouse gas
10 reductions achieved through program investments; and a review of the
11 mitigation of increased gas or electric costs to qualifying low-
12 income customers and recommendations on whether consumer-owned energy
13 utilities have the resources to mitigate these costs;

14 (h) An analysis on the impact of section 102 and parts II and III
15 of this act on the utility rates as it affects individuals of varying
16 income levels, ethnic backgrounds, and racial backgrounds; and

17 (i) In consultation with relevant stakeholders, an analysis and
18 recommendations on whether and how offsets for entities with tax
19 liability under section 102 of this act may be incorporated under
20 this chapter.

21 (2) On or before December 1, 2026, the department of commerce, in
22 consultation with the department of ecology, must provide specific
23 recommendations to the joint committee on climate programs oversight
24 under section 801 of this act on whether or not the carbon pollution
25 tax rate under section 102 of this act will need to be adjusted
26 upward or downward or will be sufficient to meet the net cumulative
27 reduction of greenhouse gas emissions of twenty-five percent below
28 1990 levels by the year 2035.

29 NEW SECTION. **Sec. 106.** TECHNICAL ASSISTANCE. Upon request of
30 the department, the department of commerce, the department of
31 ecology, and the Washington State University extension energy program
32 must provide technical assistance to the department as may be
33 necessary for the department to effectively administer this chapter.

34 NEW SECTION. **Sec. 107.** CARBON POLLUTION REDUCTION ACCOUNT. The
35 carbon pollution reduction account is created in the state treasury.
36 All receipts from the carbon pollution tax under section 102 of this
37 act, and other moneys directed to the account by the legislature,
38 must be deposited into the account. Moneys in the account may only be

1 spent after appropriation. Moneys in the account must be first
2 appropriated to the department of revenue and other appropriate
3 agencies for the administration of chapter . . . , Laws of 2018 (this
4 act). Expenditures from the account must be distributed by the state
5 treasurer as follows:

6 (1) Fifty percent of the moneys to the energy transformation
7 account created in section 401 of this act;

8 (2) Thirty percent of the moneys to the water and natural
9 resources resilience account created in section 601 of this act;

10 (3) Fifteen percent of the moneys for the transition assistance
11 account created in section 501 of this act;

12 (4) Five percent of the moneys for the rural economic development
13 account created in section 701 of this act.

14 NEW SECTION. **Sec. 108.** TRIBAL COMPACTS. (1) The governor may
15 enter into an agreement with any federally recognized Indian tribe
16 located on a reservation within this state regarding carbon pollution
17 taxes included in the price of fuel delivered to a retail station
18 wholly owned and operated by a tribe, tribal enterprise, or tribal
19 member licensed by the tribe to operate a retail station located on
20 reservation or trust property. The agreement may provide mutually
21 agreeable means to address any tribal immunities or any preemption of
22 the carbon pollution tax.

23 (2) The provisions of this section do not repeal existing state/
24 tribal fuel tax agreements or consent decrees in existence upon the
25 effective date of this section.

26 (3) If a new agreement is negotiated, the agreement must:

27 (a) Require that the tribe or the tribal retailer acquire all
28 fuel only from persons or companies operating lawfully in accordance
29 with this chapter as a fuel distributor, supplier, or blender, or
30 from a tribal distributor, supplier, or blender lawfully doing
31 business according to all applicable laws;

32 (b) Provide that the tribe will expend carbon pollution tax
33 proceeds or equivalent amounts on: Reducing greenhouse gas emissions
34 or increasing the resilience of tribal lands to the impacts of
35 climate change;

36 (c) Include provisions for audits or other means of ensuring
37 compliance to certify the number of gallons of fuel purchased by the
38 tribe for resale at tribal retail stations, and the use of carbon
39 pollution tax proceeds or their equivalent for the purposes

1 identified in (b) of this subsection. Compliance reports must be
2 delivered to the director of the department of licensing.

3 (4) Information from the tribe or tribal retailers received by
4 the state or open to state review under the terms of an agreement are
5 deemed personal information under RCW 42.56.230(4)(b) and are exempt
6 from public inspection and copying.

7 (5) The governor may delegate the power to negotiate carbon
8 pollution tax agreements to the department of licensing.

9 (6) The department of licensing must include in its annual report
10 to the legislature on the status of fuel tax agreements with tribes
11 the status of carbon pollution tax agreements with tribes as well as
12 any negotiations on such agreements with tribes.

13 Part II

14 Clean Energy Investment Fund for Investor-Owned Energy Utilities

15 NEW SECTION. **Sec. 201.** DEFINITIONS. The definitions in this
16 section apply throughout this chapter unless the context clearly
17 requires otherwise.

18 (1) "Commission" means the utilities and transportation
19 commission.

20 (2) "Consumer-owned energy utility" means any consumer-owned gas
21 distribution business or consumer-owned light and power business.

22 (3) "Consumer-owned gas distribution business" means any gas
23 distribution business not subject to regulation by the commission of
24 the rates, tolls, rentals, contracts or charges, or service rendered,
25 or the adequacy or sufficiency of the facilities, equipment,
26 instrumentalities, or buildings, or the reasonableness of rules or
27 regulations made, furnished, used, supplied, or in force affecting
28 any gas plant owned and operated by such gas distribution business.

29 (4) "Consumer-owned light and power business" means any light and
30 power business not subject to regulation by the commission of the
31 rates, tolls, rentals, contracts or charges, or service rendered, or
32 the adequacy or sufficiency of the facilities, equipment,
33 instrumentalities, or buildings, or the reasonableness of rules or
34 regulations made, furnished, used, supplied, or in force affecting
35 any electric plant owned and operated by such light and power
36 business.

37 (5) "Department" means the department of commerce.

1 (6) "Gas distribution business" has the same meaning as provided
2 in RCW 82.16.010.

3 (7) "Investor-owned energy utility" means any investor-owned gas
4 distribution business or investor-owned light and power business.

5 (8) "Investor-owned gas distribution business" means any gas
6 distribution business subject to regulation by the commission of the
7 rates, tolls, rentals, contracts or charges, or service rendered, or
8 the adequacy or sufficiency of the facilities, equipment,
9 instrumentalities, or buildings, or the reasonableness of rules or
10 regulations made, furnished, used, supplied, or in force affecting
11 any gas plant owned and operated by such gas distribution business.

12 (9) "Investor-owned light and power business" means any light and
13 power business subject to regulation by the commission of the rates,
14 tolls, rentals, contracts or charges, or service rendered, or the
15 adequacy or sufficiency of the facilities, equipment,
16 instrumentalities, or buildings, or the reasonableness of rules or
17 regulations made, furnished, used, supplied, or in force affecting
18 any electric plant owned and operated by such light and power
19 business.

20 (10) "Light and power business" has the same meaning as provided
21 in RCW 82.16.010.

22 (11) "Low income" means an annual income, adjusted for household
23 size, that is at or below the greater of: (a) Eighty percent of area
24 median income; or (b) two hundred percent of the federal poverty
25 level.

26 NEW SECTION. **Sec. 202.** CREDITS FOR CLEAN ENERGY INVESTMENTS OF
27 INVESTOR-OWNED ENERGY UTILITIES. (1) Except as provided in subsection
28 (2) of this section, beginning July 1, 2019, each investor-owned
29 energy utility may claim a credit against the carbon pollution tax
30 imposed in section 102 of this act for clean energy investments
31 approved pursuant to this chapter, not to exceed one hundred percent
32 of the taxes owed under section 102 of this act in the same calendar
33 year.

34 (2) For electricity produced by a generating facility that burns
35 coal as the primary fuel source and the electricity is not otherwise
36 exempt from the carbon pollution tax imposed in section 102 of this
37 act, the department of revenue will adopt a schedule for each
38 facility to calculate the credits such that beginning January 1,

1 2020, the credit decreases on a pro rata basis annually until
2 reaching zero percent in 2036.

3 (3) To be eligible for the credit under this section for clean
4 energy investment, an investor-owned energy utility must, as of the
5 date the credit is claimed, have received approval by the commission
6 of a clean energy investment plan pursuant to section 205 of this
7 act. Remaining carbon pollution tax owed under section 102 of this
8 act, if any, must be remitted to the department of revenue and
9 deposited in the carbon pollution reduction account created in
10 section 107 of this act.

11 (4) Each investor-owned energy utility claiming a credit pursuant
12 to this section must establish and maintain a separate clean energy
13 investment account into which it must deposit amounts equal to the
14 credit taken under this section. Moneys in the clean energy
15 investment account must be deposited in an interest-bearing account
16 in a financial institution as defined by RCW 30A.22.040 that is
17 separate from other accounts and that credits all interest earned on
18 the funds to that account. Moneys in the clean energy investment
19 account may only be expended for the purposes identified in this
20 chapter.

21 (5) An investor-owned energy utility may not earn a rate of
22 return from the portion of investments paid for with moneys from the
23 clean energy investment account.

24 (6) Moneys in the separate clean energy investment account are
25 considered gross operating revenue for the purpose of RCW 80.24.010,
26 and may not be considered gross income for the purposes of chapters
27 82.04 and 82.16 RCW. Each investor-owned energy utility must report
28 to the commission the total amount of revenue placed in its clean
29 energy investment account during the preceding calendar year. In
30 addition to fees paid pursuant to RCW 80.24.010 on moneys in the
31 clean energy investment account, each investor-owned energy utility
32 must pay an annual fee set by the commission of up to one percent of
33 moneys deposited in the clean energy investment account to pay the
34 reasonable cost of administering sections 201 through 206 of this
35 act. The commission must set the fee each year by general order. Any
36 additional fees collected by the commission under this subsection
37 must be deposited into the public service revolving fund.

38 NEW SECTION. **Sec. 203.** TECHNICAL STANDARDS COMMITTEE CREATED.

39 (1) The commission must create a technical standards committee for

1 the purpose of advising the commission and other state agencies, the
2 legislature, utilities, and local governments on utility reinvestment
3 of moneys credited pursuant to section 202 of this act. The technical
4 standards committee must develop standards and guidelines used by the
5 commission to evaluate, quantify, and verify greenhouse gas emissions
6 reductions proposed by utility plans pursuant to section 205 of this
7 act. The duties of the technical standards committee include, but are
8 not limited to:

9 (a) Establishing standard protocols for verification and
10 evaluation of greenhouse gas emissions reductions from utility
11 investments;

12 (b) Developing common planning assumptions for use in utility
13 clean energy investment plans;

14 (c) Developing a standard reporting format to be adopted by the
15 commission for all investments and activities supported by the clean
16 energy investment accounts; and

17 (d) Other duties consistent with the purpose of this section, as
18 required by the commission.

19 (2) The technical standards committee established in this section
20 constitutes a class one group under RCW 43.03.220. Expenses for the
21 technical standards committee are an appropriate administrative
22 expense for the purpose of section 205(7)(b)(xiii) of this act. Staff
23 support must be provided by the commission.

24 (3) The commission may elect to work with the department under
25 section 302 of this act to create one joint technical standards
26 committee for the purpose of advising on utility reinvestment of
27 moneys credited pursuant to sections 202 and 301 of this act.

28 NEW SECTION. **Sec. 204.** WASHINGTON CLEAN ENERGY INVESTMENT
29 PROGRAMS ESTABLISHED FOR INVESTOR-OWNED ENERGY UTILITIES—RULE MAKING.
30 By July 1, 2019, the commission must adopt rules concerning the
31 process, timelines, reporting, and documentation required to ensure
32 the proper implementation of this chapter. Such rules must also
33 establish requirements for review, approval, performance standards,
34 and independent monitoring and evaluation of clean energy investment
35 plans of investor-owned energy utilities. The department of commerce
36 and the commission must, to the extent practicable, adopt rules that
37 are similar enough to ensure coordinated and consistent
38 implementation of this chapter for consumer-owned and investor-owned
39 energy utilities.

1 NEW SECTION. **Sec. 205.** CLEAN ENERGY INVESTMENT PLANS FOR
2 INVESTOR-OWNED ENERGY UTILITIES. (1) To be eligible for the tax
3 credit under section 202 of this act, an investor-owned energy
4 utility must develop and maintain an approved clean energy investment
5 plan, which identifies approved funding for clean energy investments
6 over a ten-year period, pursuant to subsection (5) of this section.
7 The clean energy investment plan must eliminate, to the extent
8 feasible and at a reasonable cost, any tax obligation imposed by this
9 act associated with electricity by 2050.

10 (2) When developing and updating its clean energy investment
11 plan, an investor-owned energy utility must solicit public input
12 through public processes under the oversight of the commission.

13 (3) Beginning July 1, 2019, an investor-owned energy utility
14 seeking a credit under section 202 of this act must submit:

15 (a) A clean energy investment plan;

16 (b) A summary of the public input received during development of
17 the plan; and

18 (c) A schedule for independent evaluation of activities financed
19 through the clean energy investment plan, including verification of
20 carbon emissions reductions. The reasonable costs of such independent
21 evaluations may be included in a utility's clean energy investment
22 plan and paid for from a utility's clean energy investment account.

23 (4) An investor-owned energy utility's clean energy investment
24 plan may use methods and calculations that deviate from the common
25 protocols and planning assumptions recommended by the technical
26 standards committee when approved by the commission.

27 (5) Each clean energy investment plan must include the following:

28 (a) A demonstration that the portfolio of funded activities will
29 achieve significant greenhouse gas emissions reductions at a
30 reasonable cost over the shortest reasonable time frame;

31 (b) An estimate, based on protocols developed by the technical
32 standards committee, of the cost per ton of emissions reductions for
33 the portfolio of projects in the clean energy investment plan;

34 (c) A demonstration that expenditures in the clean energy
35 investment plan will be additional to expenditures necessary to meet
36 other emissions reduction, energy conservation, low-income programs,
37 or renewable energy requirements existing on the effective date of
38 this section;

39 (d) Sufficient funding, as determined by the commission, to
40 mitigate all increases in gas or electric costs to qualifying low-

1 income customers as a result of the carbon pollution tax imposed in
2 section 102 of this act. Such moneys must be additional to other
3 funding for low-income energy assistance; and

4 (e) A demonstration that all funded activities within the clean
5 energy investment plan were developed using the cumulative impact
6 analysis in section 502 of this act and that expenditures prioritize
7 highly impacted communities.

8 (6) Each clean energy investment plan may include the following:

9 (a) A customer education and outreach program to promote
10 widespread participation by consumers and businesses; and

11 (b) Up to ten percent of the expenditures in the clean energy
12 investment accounts pursuant to this section may be dedicated for
13 research and development by the investor-owned energy utility that
14 will promote energy conservation, or the deployment of zero-emission
15 energy resources.

16 (7)(a) A clean energy investment plan must include programs for
17 investments or expenditures that are incremental to investments or
18 expenditures required by laws and regulations existing on the
19 effective date of this section; and

20 (i) Reduce greenhouse gas emissions of the investor-owned energy
21 utility; or

22 (ii) Advance market transformation, educate consumers, develop
23 new low carbon fuels such as renewable natural gas, increase
24 participation in programs that incentivize consumers to choose low
25 carbon alternatives, or increase carbon sequestration.

26 (b) Eligible investments may include contributions in aid of
27 construction or expenditures for the following:

28 (i) Additional conservation in excess of the target established
29 under RCW 19.285.040(1), other state obligations, or other obligation
30 established by the commission in effect on the effective date of this
31 section;

32 (ii) Market transformation for energy efficiency products;

33 (iii) Eligible renewable resources as defined by RCW 19.285.030,
34 in excess of the target established under RCW 19.285.040(2) in effect
35 on the effective date of this section;

36 (iv) Low-income weatherization;

37 (v) Measures to support electrification of the transportation
38 sector including, but not limited to:

39 (A) Equipment on an electrical company's transmission and
40 distribution system to accommodate electric vehicle connections, and

1 smart grid systems, that enable electronic interaction between the
2 company and charging systems, and facilitate company utilization of
3 vehicle batteries for system needs;

4 (B) Incentives for car dealers to sell alternative vehicles;

5 (C) Incentives for property owners to install charging equipment
6 for alternative vehicles; and

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

8 (vi) Investments that support the use of alternative fuels in the
9 transportation sector for medium and heavy duty vehicles and
10 equipment that will result in a reduction of greenhouse gas emissions
11 and if the commission determines the alternative fuel is more cost-
12 effective and commercially accepted than electrification;

13 (vii) Investment in clean distributed energy resources and grid
14 modernization to facilitate distributed resources and improved grid
15 resiliency;

16 (viii) Research and development that will promote energy
17 conservation, or the deployment of zero-emission energy resources;

18 (ix) Investments in renewable natural gas production, including
19 equipment to collect or condition biogas, or equipment used solely
20 for the purpose of delivering biogas for consumption;

21 (x) Incentives for small businesses to support energy efficiency
22 and the replacement of equipment;

23 (xi) Contributions to self-directed investments in the following
24 measures to serve the sites of large industrial gas and electrical
25 customers; conservation; new renewable energy resources; behind-the-
26 meter technology that facilitates demand response cooperation to
27 reduce peak loads; infrastructure to support electrification of
28 transportation needs and heating loads; or renewable natural gas
29 production, including gas conditioning equipment for biogas;

30 (xii) Pumped storage facilities whose development does not
31 conflict with existing state and federal fish recovery plans and that
32 comply with all local, state, and federal laws and regulations; and

33 (xiii) The reasonable costs of administration of the carbon
34 pollution tax under section 102 of this act and the clean energy
35 investment program, as determined by the commission.

36 (8) Funds from a clean energy investment account may be expended
37 by an investor-owned utility to replace all or some of the debt
38 financing portion of capital projects identified in the utility's
39 approved clean energy investment plan, if the commission determines
40 that such treatment would reduce the overall cost of the project to

1 customers, and is otherwise consistent with the purposes of this
2 section.

3 (9) Investments in infrastructure or facilities to process or
4 liquefy fossil fuels are not eligible for inclusion in a clean energy
5 investment plan.

6 NEW SECTION. **Sec. 206.** CLEAN ENERGY INVESTMENT PROGRAM
7 EXPENDITURE MONITORING, AUDITING, AND OVERSIGHT FOR INVESTOR-OWNED
8 ENERGY UTILITIES. (1) Upon approval of a clean energy investment
9 plan, an investor-owned energy utility must expend moneys from its
10 clean energy investment account in accordance with the clean energy
11 investment plan approved by the commission.

12 (2) In order to maintain eligibility for the tax credit under
13 section 202 of this act and to retain authority to expend money from
14 a clean energy investment account, an investor-owned energy utility
15 must submit and receive approval of an updated clean energy
16 investment plan every two years, and submit annual reports to the
17 commission, including:

18 (a) The status of projects approved in the previous clean energy
19 investment plan;

20 (b) Demonstration that the plan has met performance standards
21 established by the commission by order;

22 (c) An accounting of verified emissions reductions, and the cost
23 per ton of emissions reductions compared to estimates of the cost per
24 ton in emissions reductions contained in the clean energy investment
25 plan; and

26 (d) An updated estimate of future emissions reductions and the
27 estimated cost per ton.

28 (3) If the commission determines that the plan or any project in
29 the plan did not meet performance standards, the commission may
30 require the utility to remit remaining tax moneys dedicated for the
31 nonperforming plan or project to the department of revenue.

32 (4) The commission must annually provide the department of
33 revenue a report summarizing who is entitled to the credit, over what
34 timeline, any required adjustments to credit previously issued, and
35 any further information required to assist the department of revenue
36 in administering the credit.

37

Part III

Clean Energy Investment Fund for Consumer-Owned Energy Utilities

1 NEW SECTION. **Sec. 301.** CARBON POLLUTION TAX CREDIT. (1)

2 Beginning July 1, 2019, each consumer-owned energy utility may claim
3 a credit against the carbon pollution tax imposed in section 102 of
4 this act for clean energy investments approved pursuant to this
5 chapter, not to exceed one hundred percent of the taxes owed under
6 section 102 of this act in the same calendar year.

7 (2) To be eligible for the credit under this section for clean
8 energy investment, a consumer-owned energy utility must, as of the
9 date the credit is claimed, have a plan, approved by the governing
10 body of a consumer-owned energy utility, to reinvest an equivalent
11 amount of revenues collected from customers during that year, the
12 preceding year, or any of the three subsequent years. Remaining
13 carbon pollution tax amounts owing must be remitted to the department
14 of revenue and deposited in the carbon pollution reduction account
15 created in section 107 of this act.

16 (3) Each consumer-owned energy utility claiming a credit pursuant
17 to this section must establish and maintain a separate clean energy
18 investment account into which it must deposit amounts equal to the
19 credit taken under this section. Moneys in this account must be kept
20 separate from other accounts, and may only be expended for the
21 purposes identified in this chapter. Interest accrued on this account
22 must be expended only for purposes identified in this chapter.

23 (4) Moneys retained in the separate clean energy investment
24 account are not considered gross income for the purpose of chapter
25 82.16 RCW.

26 NEW SECTION. **Sec. 302.** TECHNICAL ADVISORY COMMITTEE CREATED.

27 (1) The department must create a broadly representative technical
28 advisory committee for the purpose of advising the department, other
29 state agencies, the legislature, utilities, and local governments on
30 consumer-owned energy utility reinvestment of moneys credited
31 pursuant to section 301 of this act. The advisory committee will
32 advise on guidelines developed or adopted by the department to
33 evaluate, quantify, and verify greenhouse gas emissions reductions
34 proposed by utility plans pursuant to section 304 of this act. The
35 duties of the technical advisory committee include, but are not
36 limited to:

37 (a) Advising on standard protocols for verification and
38 evaluation of greenhouse gas emissions reductions from utility
39 investments;

1 (b) Recommending common planning assumptions for use in utility
2 clean energy investment plans;

3 (c) Advising on a standard reporting format to be adopted by the
4 department for all investments and activities supported by the clean
5 energy investment accounts; and

6 (d) Other duties consistent with the purpose of this section, as
7 required by the department.

8 (2) The technical advisory committee established in this section
9 constitutes a class one group under RCW 43.03.220. Expenses for the
10 technical advisory committee are an appropriate administrative
11 expense for the purpose of section 304(6)(n) of this act. Staff
12 support must be provided by the department.

13 (3) The department may elect to work with the commission under
14 section 203 of this act to create one joint technical standards
15 committee for the purpose of advising on utility reinvestment of
16 moneys credited pursuant to sections 202 and 301 of this act.

17 NEW SECTION. **Sec. 303.** WASHINGTON CLEAN ENERGY INVESTMENT
18 PROGRAMS ESTABLISHED—RULE MAKING. By July 1, 2019, the department
19 must adopt rules concerning only the process, timelines, reporting,
20 documentation, and performance metrics required to ensure the proper
21 implementation of this chapter. Such rules may include rules
22 associated with utility development, implementation, and evaluation
23 of clean energy investment plans. The department and the commission
24 must, to the extent practicable, adopt rules that are similar enough
25 to ensure coordinated and consistent implementation of this chapter
26 for consumer-owned and investor-owned energy utilities.

27 NEW SECTION. **Sec. 304.** CLEAN ENERGY INVESTMENT PLANS. (1) To be
28 eligible for the tax credit under section 301 of this act, a
29 consumer-owned energy utility must develop and maintain a clean
30 energy investment plan that is approved by its governing body.

31 (2) When developing and updating its clean energy investment
32 plan, a consumer-owned energy utility must solicit public input
33 through public processes under the oversight of its governing body.

34 (3) Each clean energy investment plan must include:

35 (a) A summary of the public input received during development of
36 the plan; and

37 (b) A schedule for independent evaluation of activities financed
38 through the clean energy investment plan, including verification of

1 carbon emissions reductions. The reasonable costs of such independent
2 evaluations may be included in a utility's clean energy investment
3 plan and paid for from a utility's clean energy investment account.

4 (4) A consumer-owned energy utility's clean energy investment
5 plan may use methods and calculations that deviate from the common
6 protocols and planning assumptions recommended by the technical
7 advisory committee when approved by the governing body.

8 (5) A clean energy investment plan must include:

9 (a) Programs for investments or expenditures that:

10 (i) Are incremental to investments or expenditures required by
11 existing regulations on the effective date of this section; and

12 (ii)(A) Reduce carbon dioxide emissions of the utility; or

13 (B) Advance market transformation, educate consumers, develop new
14 low carbon fuels such as renewable natural gas, and increase
15 participation in programs that enable consumers to choose low carbon
16 alternatives;

17 (b) A demonstration that the portfolio of funded activities can
18 reasonably be expected to achieve reductions in greenhouse gas
19 emissions;

20 (c) An estimate, based on protocols developed by the technical
21 advisory committee or other protocol as authorized under subsection
22 (4) of this section, of the metric tons of emissions reductions and
23 the cost per metric ton of emissions reductions for the portfolio of
24 projects in the clean energy investment plan;

25 (d) A demonstration that expenditures in the clean energy
26 investment plan will be additional to expenditures necessary to meet
27 other emissions reductions, energy conservation, or renewable energy
28 requirements not to exceed an average cost per metric ton of
29 greenhouse gases abated at three hundred percent of the carbon tax
30 rate or to be determined by the department as appropriate;

31 (e) A customer education and outreach program;

32 (f) Sufficient funding, as determined by the department, to
33 mitigate all increases in gas or electric costs to qualifying low-
34 income customers as a result of the carbon pollution tax imposed in
35 section 102 of this act. Such moneys must be additional to other
36 funding for low-income energy assistance; and

37 (g) A demonstration that all funded activities within the clean
38 energy investment plan were developed using the cumulative impact
39 analysis in section 502 of this act and that expenditures prioritize
40 highly impacted communities.

1 (6) A clean energy investment plan may only include the following
2 types of investments or expenditures:

3 (a) Additional conservation in excess of the target established
4 under RCW 19.285.040(1), or other state obligations;

5 (b) Market transformation for energy efficiency products;

6 (c) Eligible renewable resources as defined by RCW 19.285.030, in
7 excess of the target established under RCW 19.285.040(2);

8 (d) Low-income weatherization;

9 (e) Measures to support electrification of the transportation
10 sector including, but not limited to:

11 (i) Equipment on an electrical company's transmission and
12 distribution system to accommodate electric vehicle connections, and
13 smart grid systems, that enable electronic interaction between the
14 company and charging systems, and facilitate company utilization of
15 vehicle batteries for system needs;

16 (ii) Incentives for car dealers to sell alternative vehicles;

17 (iii) Incentives for property owners to install charging
18 equipment for alternative vehicles; and

19 (iv) Incentives for the electrification of vehicle fleets;

20 (f) Investment in clean distributed energy resources and grid
21 modernization to facilitate distributed resources and improved grid
22 resiliency;

23 (g) Research and development that will promote energy
24 conservation, or the deployment of zero-emission energy resources;

25 (h) Investments in renewable natural gas production, including
26 gas conditioning equipment for biogas;

27 (i) Investments in the following measures to serve the sites of
28 large industrial gas and electrical customers: Conservation; new
29 renewable energy resources; behind-the-meter technology that
30 facilitates demand response cooperation to reduce peak loads;
31 infrastructure to support electrification of transportation needs and
32 heating loads; or renewable natural gas production, including gas
33 conditioning equipment for biogas;

34 (j) Investments in zero-carbon emission resources, including
35 installing generation capacity at levies, irrigation canals, and
36 existing unpowered dams that comply with all federal and state
37 permitting requirements;

38 (k) Investments that lower net emissions through fuel switching;

39 (l) Incentives for small businesses to support energy efficiency
40 and the replacement of equipment;

1 (m) Other measures determined by the governing body to meet the
2 requirements of subsection (5) of this section; and

3 (n) The reasonable costs of administration of the clean energy
4 investment program, as determined by the department.

5 (7) In order to maintain eligibility for the tax credit under
6 section 301 of this act and to continue to retain authority to expend
7 money from the utility's clean energy investment account, a consumer-
8 owned energy utility must submit and receive approval from the
9 governing body of the consumer-owned energy utility of an updated
10 clean energy investment plan every two years.

11 NEW SECTION. **Sec. 305.** AGGREGATION OF THE CARBON POLLUTION TAX
12 CREDIT AND JOINT DEVELOPMENT OF CLEAN ENERGY INVESTMENT PLANS. (1) A
13 consumer-owned energy utility may enter into an agreement with a
14 joint operating agency organized under chapter 43.52 RCW on or before
15 January 1, 2017, to aggregate their claims against the carbon
16 pollution tax imposed in section 102 of this act and to develop and
17 implement a joint clean energy investment plan. Implementation of a
18 joint clean energy investment plan may not begin until the governing
19 bodies of all member utilities have approved the plan through a
20 public process. The purpose of this section is to facilitate broad,
21 equitable, and efficient use of the carbon pollution tax credit.

22 (2) A consumer-owned energy utility that is not a member of a
23 joint operating agency may enter into an agreement with a nonprofit
24 organization to aggregate their claims against the carbon pollution
25 tax imposed in section 102 of this act and to develop and implement a
26 joint clean energy investment plan. Implementation of a joint clean
27 energy investment plan may not begin until the governing bodies of
28 all participating utilities have approved the plan through a public
29 process. The purpose of this section is to facilitate broad,
30 equitable, and efficient use of the carbon pollution tax credit.

31 (3) Each utility that enters into an agreement authorized in
32 subsection (1) or (2) of this section must empower the joint
33 operating agency or nonprofit organization to, on their behalf, claim
34 the credit against the carbon pollution tax imposed in section 102 of
35 this act. The joint operating agency or nonprofit organization must
36 establish and maintain a separate clean energy investment account and
37 deposit into that account amounts equal to the credits taken under
38 this section. Moneys in this account must be kept separate from other

1 accounts, and may only be expended for the purposes identified in
2 this chapter.

3 NEW SECTION. **Sec. 306.** CLEAN ENERGY INVESTMENT PROGRAM
4 EXPENDITURE MONITORING AND OVERSIGHT. (1) A consumer-owned energy
5 utility or a joint operating agency or nonprofit organization on
6 behalf of an aggregated group of consumer-owned utilities must submit
7 annual reports to the department including, but not limited to:

8 (a) The status of projects approved in the previous clean energy
9 investment plan; and

10 (b) Using the performance metrics established by the department:

11 (i) An accounting of greenhouse gas emissions reductions achieved
12 and the cost per metric ton of emissions reductions compared to
13 estimates of the cost per metric ton in emissions reductions
14 contained in the clean energy investment plan; and

15 (ii) An updated estimate of future greenhouse gas emissions
16 reductions and the estimated cost per metric ton.

17 (2) The state auditor is responsible for auditing compliance with
18 the approved plan for consumer-owned energy utilities that are
19 subject to the jurisdiction of the state auditor and the attorney
20 general is responsible for enforcing that compliance. An independent
21 auditor selected by a consumer-owned energy utility that is not
22 subject to the jurisdiction of the state auditor is responsible for
23 auditing compliance with the approved plan and the attorney general
24 is responsible for enforcing that compliance.

25 (3) If the department determines that the plan or any project in
26 the plan did not meet performance metrics, the department must notify
27 the department of revenue. The department of revenue may require the
28 utility to remit remaining tax moneys dedicated for the nonperforming
29 plan or project.

30 **Part IV**
31 **Energy Transformation Account Funds**

32 NEW SECTION. **Sec. 401.** A new section is added to chapter 43.31
33 RCW to read as follows:

34 ENERGY TRANSFORMATION ACCOUNT. (1) The energy transformation
35 account is created in the state treasury. The account must receive
36 moneys distributed to the account from the carbon pollution reduction
37 account created in section 107 of this act as well as other moneys

1 directed to the account by the legislature. Moneys in the account
2 must be used for projects and incentive programs that yield
3 verifiable reductions in carbon pollution in excess of current
4 practices, and may only be spent after appropriation. On a biennial
5 basis a minimum of ten percent of the expenditures under this section
6 must be for projects and activities located in communities designated
7 under section 502 of this act.

8 (2) The department must solicit proposals and award grants for
9 projects and incentive programs that reduce greenhouse gas emissions
10 in Washington state or reduce emissions directly connected to energy
11 use and other activity in Washington state.

12 (a) Grant awards must be aligned to a strategy, which when
13 combined with the utility clean energy investments plans in sections
14 205 and 304 of this act, are anticipated to achieve a net cumulative
15 reduction of greenhouse gas emissions of twenty-five percent below
16 1990 levels by the year 2035 within the amounts as appropriated.

17 (b)(i) The department of commerce must consider the
18 recommendation of the Washington State University extension energy
19 program in section 405 of this act in determining the award amount
20 offered for a given project and the appropriate process or method for
21 awarding proposals in that program area.

22 (ii) The award amounts must reflect the impact of the carbon
23 pollution tax in section 102 of this act, and the availability of
24 other public incentives or credits to determine the minimum level
25 necessary to catalyze investment of each project type but avoid
26 windfall profits in projects.

27 (iii) Award amounts from the energy transformation account may
28 not exceed one hundred dollars in 2017 dollars per ton of carbon
29 dioxide equivalent or reduced emissions of greenhouse gases; however
30 the total project cost per ton of reduced emissions may exceed that
31 amount when additional funding is provided from another source.

32 (3) The department must consult with the department of ecology
33 and the Washington State University extension energy program in the
34 design and operation of the fund and must follow the guidelines and
35 obligations set forth in the implementation plan created in section
36 405 of this act.

37 (4) Priority must be given to the following:

38 (a) Projects and activities that are determined utilizing the
39 cumulative impact analysis in section 502 of this act and prioritized
40 to benefit highly impacted communities provided the projects achieve

1 equivalent net emissions reductions and are cost-competitive compared
2 to other proposals;

3 (b) Consideration for procuring and using materials and content
4 that have lower carbon emissions associated with their transportation
5 and manufacturing, as determined through the best available reporting
6 and assessment tools;

7 (c) Support for high quality labor standards, apprenticeship and
8 preapprenticeship utilization and preferred entry standards,
9 community workforce agreements with priority local hire, procurement
10 from women and minority-owned businesses, procurement from and
11 contract with entities that have a history of complying with federal
12 and state wage and hour laws and regulations, and other related labor
13 standards;

14 (d) Applications from entities subject to the carbon pollution
15 tax under section 102 of this act who are not eligible to receive
16 credits under sections 202 or 301 of this act;

17 (e) Applications from consumer-owned energy utilities with
18 retained credit amounts of less than five million dollars annually
19 for comparable incentives for utility customers who otherwise would
20 not have access to the programs, services, and investments offered in
21 a clean energy investment plan as provided in sections 205 and 304 of
22 this act; and

23 (f) Projects with a high leverage ratio of nonenergy
24 transformation account funds to energy transformation account funds,
25 excluding funding sourced from utility credits as provided in
26 sections 205 and 304 of this act.

27 (5)(a) Projects and incentive programs must meet all of the
28 following criteria to be eligible for funding. Emissions reductions
29 from projects and incentive programs must be:

30 (i) Real, specific, identifiable, and quantifiable;

31 (ii) Permanent: The department will look to other jurisdictions
32 in setting this standard and will make a reasonable determination on
33 length of time recognizing the advantages of near-term reductions and
34 the potential for future technology to mitigate the long-term release
35 of greenhouse gas emissions into the atmosphere;

36 (iii) Enforceable by the state of Washington;

37 (iv) Verifiable; and

38 (v) Not eligible for funding, if an emissions reduction is
39 required by another statute, rule, or other legal requirement, or is
40 approved under a clean energy investment plan as provided in sections

1 205 and 304 of this act, or can be reasonably assumed to occur absent
2 additional funding in the near future.

3 (b) Funding may be provided for incremental carbon reductions
4 from projects which have already secured funding, but can furnish
5 more carbon reductions with additional resources.

6 (6) Emissions reductions resulting in part or in whole from the
7 policies listed in (a) through (d) of this subsection (6) are
8 eligible under this program:

9 (a) Commute trip reduction programs as established through RCW
10 70.94.527 under WAC 173-442-160(3);

11 (b) Carbon dioxide emissions from the industrial combustion of
12 biomass in the form of fuel wood, wood waste, wood by-products, and
13 wood residuals are carbon neutral and result in zero CO₂ emissions as
14 defined under RCW 70.235.020(3);

15 (c) Washington's carbon dioxide mitigation standard for fossil-
16 fueled electric generation facilities, through an energy facility
17 site evaluation council site certificate or by chapter 80.70 RCW; and

18 (d) The acquisition of conservation and energy efficiency in
19 excess of the targets required by the energy independence act under
20 RCW 19.285.040.

21 (7) The department must consider projects and incentive programs
22 for the following activities:

23 (a) Industrial energy efficiency, including projects that
24 increase the energy efficiency or reduce the greenhouse gas emissions
25 at manufacturing facilities. Examples include projects to implement
26 combined heat and power, district energy, or on-site renewables or to
27 upgrade existing equipment such as boilers to more efficient models
28 and to switch to less carbon intensive fuel sources. Projects that
29 reduce process emissions may also be considered;

30 (b) Clean transportation, including projects and programs that:

31 (i) Exceed workplace targets for commute trip reduction under the
32 authority of chapter 70.94 RCW; accelerate uptake of renewable fuels
33 and electrification in transit and other vehicle fleets; promote
34 advanced-technology transportation networks that achieve greater
35 safety and energy efficiency; create electric vehicle charging or
36 hydrogen refueling infrastructure; and increase equitable transit-
37 oriented development; and (ii) implement biomethane or other gaseous
38 or liquid biofuels for transportation that result in reduced
39 greenhouse gas emissions;

1 (c) Energy efficiency and electrification for existing buildings,
2 including projects that improve energy efficiency and utilize demand
3 side management of electricity. A priority must be accorded to
4 projects otherwise eligible and not receiving funding from
5 investments pursuant to part III of this act;

6 (d) Agricultural, forestry, and other working lands emissions,
7 including projects and programs that achieve energy efficiency and
8 emission reductions in the agricultural sector including fertilizer
9 management, soil management, bioenergy, and biogas;

10 (e) Other technologies not explicitly covered by the program in
11 (a) through (d) of this subsection, such as proposals that diversify
12 opportunities for addressing peak loads such as storage and demand
13 response or advance market transformation, educate consumers, develop
14 new low carbon fuels such as renewable natural gas, increase
15 participation in programs, or that incentivize consumers to choose
16 low carbon alternatives;

17 (f) Low carbon architecture, including projects that develop,
18 promote, or result in buildings constructed of newly emerging
19 alternative building materials that result in a lower carbon
20 footprint in the built environment over the life cycle of the
21 building and component building materials; and

22 (g) Decarbonization of aviation fuels, including projects and
23 programs that accelerate the development of sustainable aviation fuel
24 production facilities; reduce the cost differential between low
25 carbon aviation fuels and fossil aviation fuels; promote greater
26 coordination between regional sustainable aviation fuel production
27 feedstock suppliers and producers; and increases sustainable aviation
28 fuel access and integration into existing fueling infrastructure and
29 pipelines.

30 (8) Recipients of funding for projects must submit to the
31 department a progress report at a date or dates to be determined by
32 the department. The progress report must include the following in
33 addition to any other information the department may require:

34 (a) A summary of the investments made and technology or other
35 changes installed and deployed; and

36 (b) Verification of the avoided greenhouse gas emissions since
37 the date of the signed contract or the last report from a qualified
38 third party, as identified by the department of commerce. The
39 qualified third party must report on:

1 (i) Whether the project was built or implemented according to the
2 proposed design and any protocols or methodologies that were
3 referenced in the proposal, as approved in the funding contract;

4 (ii) A verification plan that details the methods used to
5 evaluate the project;

6 (iii) Their review of the recipient's accounting of current and
7 projected emissions reductions;

8 (iv) The site visits conducted by verifiers; and

9 (v) Any additional data as the department identifies by rule to
10 sufficiently evaluate the project and to provide the highest level of
11 integrity and verification for the emissions reductions.

12 (9) The department must design project funding contracts, monitor
13 project implementation, and track contract performance, to actively
14 assist the project proponent in securing the expected project
15 outcomes. The department may suspend or terminate funding when
16 projects do not achieve projected reductions as provided in the
17 funding agreement and, in cases of gross misuse of funds, may require
18 a return of grant funding.

19 (10) Amounts must be appropriated to the department from the
20 account for the department's and other agencies' costs to administer
21 the projects and programs in this section.

22 (11) The department may adopt rules necessary to implement this
23 section.

24 (12) Public entities, including but not limited to state
25 agencies, municipal corporations, and federally recognized Indian
26 tribes, and private entities, both not-for-profit and for-profit, are
27 eligible to receive energy transformation account funds authorized by
28 this section.

29 (13) The department must develop an electronic database available
30 to the public to track projects and incentive programs receiving
31 funding under this section. Projects will be ranked and sortable
32 based on quantitative performance metrics, including the avoided cost
33 of a ton of carbon dioxide.

34 NEW SECTION. **Sec. 402.** SEQUESTRATION OF CARBON. (1) Funds
35 appropriated from the account created in section 401 of this act may
36 be used for the following carbon sequestration activities using
37 procedures and criteria developed by the appropriate state agencies,
38 in consultation with Indian tribes, universities, and stakeholders
39 with expertise on natural resources and carbon sequestration:

1 (a) Sequestration of carbon in aquatic marine and freshwater
2 natural resources. The recreation and conservation office with
3 technical assistance from the department of natural resources will
4 award grants for blue carbon projects, such as wetland and seagrass
5 restoration projects, that result in aquatic carbon sequestration
6 outcomes with priority given, when relevant, to projects that also
7 provide multiple benefits for coastal and wetland habitat restoration
8 and are consistent with the Puget Sound partnership action agenda
9 produced under chapter 90.71 RCW;

10 (b) Sequestration of carbon in agricultural lands and soils. The
11 department of agriculture will award grants for projects to increase
12 soil sequestration and reduce emissions from the loss and disturbance
13 of soils and conversion of grassland and cropland soils to urban
14 development;

15 (c) Sequestration of carbon in terrestrial, riparian, and aquatic
16 habitats. The recreation and conservation office with technical
17 assistance from the department of natural resources will award grants
18 for projects and activities that protect and prevent the loss of
19 ecosystems that provide fish and wildlife habitat and carbon
20 sequestration values;

21 (d) The establishment of a working forest conservation grant
22 program developed and administered by the recreation and conservation
23 office with technical assistance from the department of natural
24 resources. The procedures and criteria must be developed in
25 consultation with Indian tribes and be designed to achieve additional
26 carbon absorption and sequestering values provided by Washington's
27 working forests. The procedures and criteria must also include, at a
28 minimum, a mechanism for ranking project applicants that allows for
29 the prioritization of projects that maximize the acres of working
30 forests able to be maintained by the program, considering
31 scientifically based, landscape scale forest ecosystem carbon
32 sequestration calculations to determine the life-cycle carbon
33 sequestration capacity of the carbon stored in wood from the working
34 forest and including consideration of carbon sequestered in resulting
35 wood building materials. The working forest conservation program must
36 be designed for the carbon sequestration value in working forests,
37 prevent conversion of working forests to nonforestry uses, avoid wood
38 market leakage through a sustainable supply of timber, ensure the
39 ecological longevity of working forests, and provide long-term,
40 sustainable jobs in rural communities.

1 (i) The priority uses of funds in the working forest conservation
2 program must be to:

3 (A) Fund the acquisition or transfer of development rights or
4 other property interests designed to limit or prevent the loss of
5 working forests and their associated carbon absorbing and
6 sequestering value; and

7 (B) Provide grants for the purchase of nonforested land for the
8 purpose of afforestation and establishing a working forest.

9 (ii) If the recreation and conservation office determines it is
10 necessary to capture a forest's carbon sequestration potential, the
11 program may include the acquisition of easements for forest land for
12 which there is a comparatively high probability that contiguous
13 forestland acreage will eventually be converted to nonforestry uses,
14 otherwise sold in smaller acreage parcels, or its timber stock
15 liquidated in the near term.

16 (iii) The recreation and conservation office may give preference
17 under this subsection (1)(d) to projects that are proposed by small
18 forest landowners as defined in RCW 76.09.450.

19 (2) The projects funded under this section must prioritize and
20 rank projects considering the achievement of carbon sequestration and
21 the comparative need of the applicants. Associated benefits that must
22 also be considered include improving landscape scale ecological
23 functions to protect water, soils, and provide improved fish and
24 wildlife habitat.

25 NEW SECTION. **Sec. 403.** A new section is added to chapter 43.31
26 RCW to read as follows:

27 CLEAN TRANSPORTATION ACCOUNT. (1) Annually, thirty percent of the
28 moneys from the energy transformation account under section 401 of
29 this act must be deposited by the state treasurer into the multimodal
30 transportation account. Moneys distributed under this section must be
31 appropriated and spent as follows:

32 (a) Ninety percent of the moneys may be used only for:

33 (i) Transportation electrification projects; and

34 (ii) Funding for projects that can demonstrate reduced single-
35 occupant vehicle trips and increased transit ridership, including
36 park and rides, increased transit service, regional mobility grants,
37 rural mobility grants, transit priority infrastructure projects,
38 transit pass subsidies, and the commute trip reduction act; and

1 (b) Ten percent of the moneys to support the electrification of
2 transportation in rural communities pursuant to section 404 of this
3 act.

4 (2) The department must utilize the cumulative impact analysis in
5 section 502 of this act and ensure expenditures prioritize highly
6 impacted communities.

7 NEW SECTION. **Sec. 404.** A new section is added to chapter 43.31
8 RCW to read as follows:

9 RURAL ELECTRIFICATION PROJECTS. (1) The department of commerce
10 must administer a grant program designed to support the
11 electrification of transportation in rural communities with a legacy
12 of nonfossil fuel generated electric power. Eligible grant recipients
13 may be public entities, including municipal corporations, school
14 districts, public transit benefit areas, and consumer-owned
15 utilities; federally recognized Indian tribes; and private entities,
16 both not-for-profit and for-profit.

17 (2) Grants must be awarded in counties with a population of less
18 than two hundred fifty thousand based on 2010 census data served by a
19 consumer-owned utility with an electric resources portfolio that is
20 composed of at least ninety percent renewable resources as defined in
21 RCW 19.285.030 as existing on the effective date of this section, and
22 electrification projects must be served by that consumer-owned
23 utility. In addition, the department must utilize the cumulative
24 impact analysis in section 502 of this act and ensure expenditures
25 prioritize highly impacted communities.

26 (3) Moneys received by an entity pursuant to this subsection must
27 be spent on the development and implementation of the following
28 greenhouse gas reducing activities in their respective county:

29 (a) The electrification of transportation in all industry
30 sectors; to include but not be limited to the conversion of passenger
31 and commercial vehicles, short-haul agricultural, private and public
32 fleets, including transit fleets, and school buses.

33 (b) Programs or investments to support energy efficiency and
34 conservation measures, including but not limited to projects or
35 research designed to increase the efficiency and production
36 capability of hydroelectric project generation, demand response and
37 enhanced energy efficiency, and measures beyond the conservation
38 targets required in RCW 19.285.040(1).

1 (4) The department of commerce must set potential annual award
2 amounts for each eligible county based on available funds. Potential
3 award amounts must be set at an amount equal to the percentage of the
4 population of each eligible county in proportion to the population of
5 all eligible counties, based on 2010 census data.

6 (5) The department must prioritize applications which demonstrate
7 strong community partnerships and leverage the participation and
8 investment of private businesses. A consumer-owned energy utility
9 receiving funds must follow the process and procedures of a clean
10 energy investment plan as provided in section 304 of this act
11 concerning expenditures, monitoring, auditing, and oversight for
12 consumer-owned utilities. Receiving moneys pursuant to this
13 subsection does not preclude submitting proposals or receiving
14 additional grants under the energy transformation account in section
15 401 of this act.

16 (6) Moneys not expended according to potential awards pursuant to
17 subsection (4) of this section must first be made available to other
18 eligible entities on a competitive grant basis. Any remaining funds
19 must be transferred to the energy transformation account created in
20 section 401 of this act.

21 NEW SECTION. **Sec. 405.** A new section is added to chapter 43.31
22 RCW to read as follows:

23 IMPLEMENTATION PLAN FOR THE ENERGY TRANSFORMATION ACCOUNT. (1)
24 The department must, by June 30, 2019, develop an implementation plan
25 for the investment of the energy transformation account. This
26 planning and preparation must include:

27 (a) Analysis, to be implemented in partnership with the
28 Washington State University extension energy program, to further
29 determine overall carbon pollution abatement opportunities in
30 Washington. The analysis may include the development of a marginal
31 abatement cost curve for Washington that may be used by the
32 department to recommend appropriate award amounts per metric ton of
33 carbon dioxide equivalent of greenhouse gas emissions reductions for
34 a variety of clean energy, efficiency, transportation
35 electrification, and other project portfolio types. By March 1, 2021,
36 and by March 1st of each odd-numbered year thereafter, the Washington
37 State University extension energy program and the department of
38 commerce must update the recommended amounts per metric ton of
39 emissions reductions for the following two-year period;

1 (b) Preparation of robust monitoring and evaluation systems to
2 ensure that the effects and cost-effectiveness of grants are
3 rigorously assessed and that such assessments are used over time to
4 inform and strengthen the grant-making process;

5 (c) Assessment and development of efficient and transparent
6 grant-making strategies designed to ensure program objectives are met
7 and taxpayer interests are protected including, but not limited to,
8 leveraging investments through partnerships, reverse auctions, and
9 pay-for-performance mechanisms in which funding is released upon
10 emissions reductions verifications and the development of incentive
11 programs;

12 (d) Outreach and education to engage eligible recipients for
13 grant funding and to prepare them to develop and submit grant
14 applications for priority projects;

15 (e) Utilization of the cumulative impact analysis in section 502
16 of this act to ensure expenditures prioritize highly impacted
17 communities; and

18 (f) Assessment of the relationship between priority areas of the
19 energy transformation account and the carbon reduction policies and
20 plans being made by key sectors in the state, including the state's
21 aviation sector. In the last five years, aviation fuel consumption in
22 Washington has grown more than twenty percent, and is projected to
23 continue to grow in step with population growth and economic
24 development. Airport operators in the state have set aggressive goals
25 to reduce the carbon emissions associated with their operations,
26 while also helping to support development of a sustainable fuels
27 supply chain in a manner that would support rural economic
28 development. The department should address these activities in its
29 implementation plan, and seek to ensure that the state's investments
30 through the energy transformation account support a sustainable
31 future for the aviation sector in Washington state.

32 (2) The department must implement a performance management
33 system, complete an independent audit every two years, and report the
34 results of each assessment to the joint committee on climate programs
35 oversight created in section 801 of this act and to the appropriate
36 committees of the legislature.

37 **Part V**

38 **Transition Assistance**

1 NEW SECTION. **Sec. 501.** TRANSITION ASSISTANCE ACCOUNT. (1) The
2 legislature finds that increased energy expenses will have a
3 disproportionate impact upon the finances of low-income households
4 engaging in life-sustaining activities including but not limited to
5 heating, cooling, and transportation. The legislature therefore
6 creates the transition assistance account to provide a financially
7 equitable transition to a clean energy economy by providing economic,
8 financial, and public health supports, programs, services, and
9 assistance to low-income households. Additionally, in providing
10 mitigation of the impact of carbon pricing on those most impacted,
11 the legislature intends to provide general property tax relief in
12 combination with this legislation.

13 (2) The transition assistance account is created in the state
14 treasury. The account must receive moneys distributed to the account
15 from the carbon pollution reduction account created in section 107 of
16 this act as well as other moneys directed to the account by the
17 legislature. Moneys in the account may only be used for the purposes
18 described in this section and sections 503 and 504 of this act, and
19 may only be spent after appropriation.

20 NEW SECTION. **Sec. 502.** (1) By December 31, 2018, for the
21 purposes of mitigating harm from climate change and dangerous air
22 pollutants that impact human health or the environment and are
23 regulated under the federal clean air act or chapter 70.94 RCW, the
24 department of health must conduct or adopt a cumulative impact
25 analysis to designate the communities highly impacted by fossil fuel
26 pollution and climate change in Washington.

27 (2) The cumulative impact analysis must map, rank, and designate
28 a percentile of census tracts as highly impacted communities based on
29 an index of criteria, including:

30 (a) Vulnerable population characteristics including, but not
31 limited to, socioeconomic factors, like unemployment, housing and
32 transportation burden, and linguistic isolation, and sensitivity,
33 such as low birth weight and hospitalizations;

34 (b) Environmental burden characteristics including, but not
35 limited to, exposures to air, water, and toxics and environmental
36 effects such as toxic sites, hazardous waste, and climate impacts;
37 and

1 (c) Census tracts that are wholly or partly "Indian country," as
2 that term is defined in 25 U.S.C. Sec. 1151, in effect on the
3 effective date of this section.

4 (3) The department of health must conduct meaningful consultation
5 with vulnerable communities in Washington, including Indian tribes,
6 and consult the University of Washington department of environmental
7 and occupational health sciences in developing the analysis, or adopt
8 an analysis that included this consultation.

9 (4) The cumulative impact analysis may integrate with and build
10 upon other population tracking resources used by the department of
11 health and analysis done by the University of Washington department
12 of environmental and occupational health sciences.

13 (5) By March 1, 2023, and every two years thereafter, the
14 department of health, under advisement from the economic and
15 environmental justice oversight panel created under section 805 of
16 this act, must update the designation of highly impacted communities
17 pursuant to this section. By March 1, 2025, and every four years
18 thereafter, the department of health must review and consider
19 revisions to the cumulative impacts methodology for designating
20 highly impacted communities to reflect best practices.

21 NEW SECTION. **Sec. 503.** ENERGY TRANSITION ASSISTANCE TO LOW-
22 INCOME HOUSEHOLDS. (1) Using funds appropriated from the account
23 created in section 501 of this act, the department of commerce must
24 provide for an equitable transition to a clean energy economy by
25 providing funding to assist low-income households during that
26 transition with increased energy prices that will have a
27 disproportionate impact upon such households and to provide access to
28 clean energy and low carbon housing, transportation options, and
29 technologies to those with greater barriers and where pollution is
30 concentrated. For the purposes of this section, the term "low income"
31 means at or below eighty percent of area median income or two hundred
32 percent of the federal poverty level.

33 (2) Funding must be prioritized to mitigate any additional energy
34 and transportation costs borne by low-income persons as a direct
35 result of this act and not fully mitigated by utilities plans in
36 sections 201 through 306 of this act and the reduced vehicle fees
37 under sections 506 through 508 of this act. Funding must also be
38 prioritized to provide assistance to displaced fossil fuel-related
39 industries workers as provided under section 504 of this act.

1 Remaining funds must be used to reduce carbon pollution and reduce
2 vulnerable population characteristics or environmental burdens in
3 highly impacted communities designated by the department of health
4 under section 502 of this act.

5 (3) Transition assistance under this chapter may include direct
6 financial assistance in the form of a grant, subsidy, rebate, or
7 other similar financial benefit or product including:

8 (a) Through expansion of or increases to existing programs and
9 authorizations administered by the department of social and health
10 services;

11 (b) Expansion or increases to existing regional community health
12 programs administered by the health care authority; or

13 (c) New programs that efficiently enable direct financial
14 assistance.

15 (4) The assistance may include but is not limited to programs
16 such as energy bill pay subsidies, energy efficiency and
17 weatherization assistance and services, public health programs and
18 services, affordable transportation services and options, affordable
19 housing, improved community services, and reductions in vehicle fees
20 as provided in sections 506, 507, and 508 of this act.

21 (5) The department must form a transition assistance advisory
22 group comprised of appropriate state agencies, local governments,
23 Indian tribes, social service agencies, workers, representatives of
24 vulnerable populations in highly impacted communities, and low-income
25 and community advocacy organizations to develop an implementation
26 plan that selects the most efficient and financially equitable
27 delivery of transition assistance to low-income households across the
28 state. The department must consult with and take into strong
29 consideration the recommendations of the advisory group, as well as
30 the views of the economic and environmental justice oversight panel
31 created under section 805 of this act. The advisory group may consist
32 of a subcommittee of the panel created under section 805 of this act.
33 The implementation plan together with recommendations for
34 appropriations and recommended legislative action must be provided to
35 the joint committee on climate programs oversight created in section
36 801 of this act and to the governor and appropriate committees of the
37 senate and house of representatives not later than December 31, 2018.

38 NEW SECTION. **Sec. 504.** ENERGY TRANSITION ASSISTANCE TO
39 DISPLACED WORKERS. (1) Using funds appropriated from the account

1 created in section 501 of this act, the department of commerce, with
2 the assistance of the employment security department and in
3 consultation with fossil fuel-related businesses, labor
4 organizations, and the panel created in section 805 of this act, must
5 develop a program and provide assistance to eligible displaced fossil
6 fuel-related industries workers.

7 (2) The assistance provided for in subsection (1) of this section
8 may include, but is not limited to:

9 (a) Wage, pension, and health benefits replacement for up to two
10 years; the replacement assistance must be based on the average of the
11 worker's previous two years' wages received, pension contributions
12 made by the employer for the worker's benefit, and the cost to the
13 employer of the worker's health insurance benefits while the worker
14 was working in the fossil fuel-related industry;

15 (b) Notwithstanding the benefits in (a) of this subsection,
16 displaced workers with more than five years of employment in the
17 industry are eligible for up to two years of wage insurance;

18 (c) For a worker who is within five years of eligibility for a
19 union pension or social security, the period of time the replacement
20 assistance described in (a) of this subsection may be paid continues
21 until the worker is eligible for the union pension or full social
22 security benefits, whichever is later;

23 (d) Training and education costs not to exceed the average cost
24 of two years tuition and fees at Washington state's community and
25 technical colleges;

26 (e) Peer counseling services;

27 (f) Enhanced job placement services; and

28 (g) Relocation expenses and assistance.

29 (3) The definitions in this subsection apply throughout this
30 section unless the context clearly requires otherwise.

31 (a) "Eligible displaced fossil fuel-related industries worker"
32 means a fossil fuel-related industries worker who:

33 (i)(A) Has been terminated or received notice of termination from
34 employment and is unlikely to return to employment in the
35 individual's principal occupation or previous industry because of a
36 diminishing demand for the individual's skills in that occupation or
37 industry; or

38 (B) Is self-employed and has been displaced from the individual's
39 business because of the diminishing demand for the business'
40 services; and

1 (ii) Was working at a fossil fuel-related industries facility
2 when at least one of the following situations occurs with respect to
3 the facility:

4 (A) Any permanent fossil fuel facility or major portion thereof
5 is permanently closed or curtailed, or closed or curtailed for more
6 than six months;

7 (B) A facility reduces production by more than three percent
8 relative to its average production over the previous three years; or

9 (C) A facility's production is replaced by an increase in fossil
10 fuels imported into the state from foreign or domestic sources.

11 (b) "Fossil fuel-related industries" means petroleum refining,
12 natural gas distribution, oil and gas pipeline construction and
13 transportation, petroleum bulk stations and terminals, and fossil
14 fuel-based electric power generation in Washington state.

15 (c) "Fossil fuel-related industries worker" means a full-time
16 worker who is covered under a collective bargaining agreement, and is
17 a nonsupervisory worker; or is a full-time independent contractor
18 working in the fossil fuel-related industries.

19 NEW SECTION. **Sec. 505.** EDUCATION PROGRAMS. Using funds
20 appropriated from the account created in section 501 of this act, the
21 office of the superintendent of public instruction may provide
22 education programs and teacher professional development opportunities
23 at public schools to expand awareness of and increase preparedness
24 for the environmental, social, and economic impacts of climate change
25 and strategies to reduce carbon pollution, and to prepare all
26 students for employment opportunities in the clean energy economy.

27 NEW SECTION. **Sec. 506.** REPORTING. The department of commerce
28 must provide reports on assistance provided to low-income persons
29 under section 503 of this act and to displaced fossil fuel-related
30 industry workers under section 504 of this act to the joint committee
31 on climate programs oversight created under section 801 of this act
32 at such intervals as the committee requests.

33 **Sec. 507.** RCW 46.17.005 and 2010 c 161 s 501 are each amended to
34 read as follows:

35 (1)(a) A person who applies for a vehicle registration or for any
36 other right to operate a vehicle on the highways of this state

1 (~~shall~~) must pay a three dollar filing fee in addition to any other
2 fees and taxes required by law.

3 (b) Subsection (1)(a) of this section does not apply to a person
4 with an income at or below two hundred percent of the federal poverty
5 line. On the last day of January, April, July, and October of each
6 year, the state treasurer, based upon information provided by the
7 department, must transfer from the transition assistance account
8 created in section 501 of this act for distribution under RCW
9 46.68.400 a sum equal to the dollar amount that would otherwise have
10 been distributed under subsection (3) of this section during the
11 prior calendar quarter but for the exemption provided in this
12 subsection (1)(b).

13 (2) A person who applies for a certificate of title (~~shall~~)
14 must pay a four dollar filing fee in addition to any other fees and
15 taxes required by law.

16 (3) The filing fees established in this section must be
17 distributed under RCW 46.68.400.

18 **Sec. 508.** RCW 46.17.350 and 2014 c 30 s 2 are each amended to
19 read as follows:

20 (1) Except as provided in subsection (2) of this section, before
21 accepting an application for a vehicle registration, the department,
22 county auditor or other agent, or subagent appointed by the director
23 (~~shall~~) must require the applicant, unless specifically exempt, to
24 pay the following vehicle license fee by vehicle type:

25	VEHICLE TYPE	INITIAL	RENEWAL	DISTRIBUTED
26		FEE	FEE	UNDER
27	(a) Auto stage, six seats or	\$ 30.00	\$ 30.00	RCW 46.68.030
28	less			
29	(b) Camper	\$ 4.90	\$ 3.50	RCW 46.68.030
30	(c) Commercial trailer	\$ 34.00	\$ 30.00	RCW 46.68.035
31	(d) For hire vehicle, six	\$ 30.00	\$ 30.00	RCW 46.68.030
32	seats or less			
33	(e) Mobile home (if	\$ 30.00	\$ 30.00	RCW 46.68.030
34	registered)			
35	(f) Moped	\$ 30.00	\$ 30.00	RCW 46.68.030
36	(g) Motor home	\$ 30.00	\$ 30.00	RCW 46.68.030

	VEHICLE TYPE	INITIAL FEE	RENEWAL FEE	DISTRIBUTED UNDER
2				
3				
1	(h) Motorcycle	\$ 30.00	\$ 30.00	RCW 46.68.030
4				
5	(i) Off-road vehicle	\$ 18.00	\$ 18.00	RCW 46.68.045
6	(j) Passenger car	\$ 30.00	\$ 30.00	RCW 46.68.030
7	(k) Private use single-axle trailer	\$ 15.00	\$ 15.00	RCW 46.68.035
8	(l) Snowmobile	\$ 50.00	\$ 50.00	RCW 46.68.350
9				
10	(m) Snowmobile, vintage	\$ 12.00	\$ 12.00	RCW 46.68.350
11	(n) Sport utility vehicle	\$ 30.00	\$ 30.00	RCW 46.68.030
12	(o) Tow truck	\$ 30.00	\$ 30.00	RCW 46.68.030
13	(p) Trailer, over 2000 pounds	\$ 30.00	\$ 30.00	RCW 46.68.030
14	(q) Travel trailer	\$ 30.00	\$ 30.00	RCW 46.68.030
15				
16	(r) Wheeled all-terrain vehicle, on-road use	\$ 12.00	\$ 12.00	RCW 46.09.540
17	(s) Wheeled all-terrain vehicle, off-road use	\$ 18.00	\$ 18.00	RCW 46.09.510
18				

19 (2) Subsection (1)(a), (d), (e), (h), (j), (n), and (o) of this
20 section do not apply to an applicant with an income at or below two
21 hundred percent of the federal poverty line. On the last day of
22 January, April, July, and October of each year, the state treasurer,
23 based upon information provided by the department, must transfer from
24 the transition assistance account created in section 501 of this act
25 for distribution under RCW 46.68.030 a sum equal to the dollar amount
26 that would otherwise have been distributed under subsection (1) of
27 this section during the prior calendar quarter but for the exemption
28 provided in this subsection (2).

29 (3) The vehicle license fee required in subsection (1) of this
30 section is in addition to the filing fee required under RCW
31 46.17.005, and any other fee or tax required by law.

1 **Sec. 509.** RCW 46.17.365 and 2015 3rd sp.s. c 44 s 202 are each
2 amended to read as follows:

3 (1) Except as provided in subsection (2) of this section, a
4 person applying for a motor vehicle registration and paying the
5 vehicle license fee required in RCW 46.17.350(1) (a), (d), (e), (h),
6 (j), (n), and (o) (~~shall~~) must pay a motor vehicle weight fee in
7 addition to all other fees and taxes required by law.

8 (a) For vehicle registrations that are due or become due before
9 July 1, 2016, the motor vehicle weight fee:

10 (i) Must be based on the motor vehicle scale weight;

11 (ii) Is the difference determined by subtracting the vehicle
12 license fee required in RCW 46.17.350 from the license fee in
13 Schedule B of RCW 46.17.355, plus two dollars; and

14 (iii) Must be distributed under RCW 46.68.415.

15 (b) For vehicle registrations that are due or become due on or
16 after July 1, 2016, the motor vehicle weight fee:

17 (i) Must be based on the motor vehicle scale weight as follows:

WEIGHT	FEE
4,000 pounds	\$ 25.00
6,000 pounds	\$ 45.00
8,000 pounds	\$ 65.00
16,000 pounds and over	\$ 72.00;

24 (ii) If the resultant motor vehicle scale weight is not listed in
25 the table provided in (b)(i) of this subsection, must be increased to
26 the next highest weight; and

27 (iii) Must be distributed under RCW 46.68.415 unless prior to
28 July 1, 2023, the actions described in (b)(iii)(A) or (B) of this
29 subsection occur, in which case the portion of the revenue that is
30 the result of the fee increased in this subsection must be
31 distributed to the connecting Washington account created under RCW
32 46.68.395.

33 (A) Any state agency files a notice of rule making under chapter
34 34.05 RCW for a rule regarding a fuel standard based upon or defined
35 by the carbon intensity of fuel, including a low carbon fuel standard
36 or clean fuel standard.

37 (B) Any state agency otherwise enacts, adopts, orders, or in any
38 way implements a fuel standard based upon or defined by the carbon

1 intensity of fuel, including a low carbon fuel standard or clean fuel
2 standard.

3 (C) Nothing in this subsection acknowledges, establishes, or
4 creates legal authority for the department of ecology or any other
5 state agency to enact, adopt, order, or in any way implement a fuel
6 standard based upon or defined by the carbon intensity of fuel,
7 including a low carbon fuel standard or clean fuel standard.

8 (2) Subsection (1) of this section does not apply to a person
9 with an income at or below two hundred percent of the federal poverty
10 line, but only if the person's motor vehicle falls under the 4,000
11 pounds or 6,000 pounds fee schedule in subsection (1)(b)(i) of this
12 section. On the last day of January, April, July, and October of each
13 year, the state treasurer, based upon information provided by the
14 department, must transfer from the transition assistance account
15 created in section 501 of this act for distribution under subsection
16 (1)(b)(iii) of this section a sum equal to the dollar amount that
17 would otherwise have been distributed under subsection (1)(b)(iii) of
18 this section during the prior calendar quarter but for the exemption
19 provided in this subsection (2).

20 (3) A person applying for a motor home vehicle registration
21 (~~shall~~) must, in lieu of the motor vehicle weight fee required in
22 subsection (1) of this section, pay a motor home vehicle weight fee
23 of seventy-five dollars in addition to all other fees and taxes
24 required by law. The motor home vehicle weight fee must be
25 distributed under RCW 46.68.415.

26 (~~(3)~~) (4) Beginning July 1, 2022, in addition to the motor
27 vehicle weight fee as provided in subsection (1) of this section, the
28 department, county auditor or other agent, or subagent appointed by
29 the director must require an applicant to pay an additional weight
30 fee of ten dollars, which must be distributed to the multimodal
31 transportation account under RCW 47.66.070 unless prior to July 1,
32 2023, the actions described in (a) or (b) of this subsection occur,
33 in which case the portion of the revenue that is the result of the
34 fee increased in this subsection must be distributed to the
35 connecting Washington account created under RCW 46.68.395.

36 (a) Any state agency files a notice of rule making under chapter
37 34.05 RCW for a rule regarding a fuel standard based upon or defined
38 by the carbon intensity of fuel, including a low carbon fuel standard
39 or clean fuel standard.

1 (b) Any state agency otherwise enacts, adopts, orders, or in any
2 way implements a fuel standard based upon or defined by the carbon
3 intensity of fuel, including a low carbon fuel standard or clean fuel
4 standard.

5 (c) Nothing in this subsection acknowledges, establishes, or
6 creates legal authority for the department of ecology or any other
7 state agency to enact, adopt, order, or in any way implement a fuel
8 standard based upon or defined by the carbon intensity of fuel,
9 including a low carbon fuel standard or clean fuel standard.

10 ((~~4~~)) (5) The department (~~shall~~) must:

11 (a) Rely on motor vehicle empty scale weights provided by vehicle
12 manufacturers, or other sources defined by the department, to
13 determine the weight of each motor vehicle; and

14 (b) Adopt rules for determining weight for vehicles without
15 manufacturer empty scale weights.

16 **Part VI**
17 **Climate Resilience**

18 NEW SECTION. **Sec. 601.** WATER AND NATURAL RESOURCES RESILIENCE
19 ACCOUNT. (1) The water and natural resources resilience account is
20 created in the state treasury. The account must receive moneys
21 distributed to the account from the carbon pollution reduction
22 account created in section 107 of this act as well as other moneys
23 directed to the account by the legislature. Moneys in the account may
24 only be used for the purposes described in sections 602 and 603 of
25 this act. Within this account on a biennial basis, sixty-seven
26 percent of the funding appropriated from the account must be provided
27 for the purposes set forth in section 602 of this act. The remaining
28 moneys must be deposited to two subaccounts hereby created in the
29 state treasury as follows:

30 (a) Twenty-five percent to the fire prevention and suppression
31 account; and

32 (b) Seventy-five percent to the forest resilience account.

33 (2) Moneys in the account may not be used for projects that would
34 violate tribal rights or result in long-term damage to critical
35 habitat or ecological functions. Instead, investments under this
36 account must result in long-term environmental benefit and increased
37 resiliency to the impacts of climate change.

1 (3) The departments of ecology and natural resources must prepare
2 such progress reports as required by the joint committee on climate
3 programs oversight created under section 801 of this act, and prepare
4 information as necessary to inform the government-to-government
5 consultation with Indian tribes required under section 802 of this
6 act.

7 NEW SECTION. **Sec. 602.** WATER-RELATED PROJECTS AND ACTIVITIES.

8 (1) From funds appropriated by the legislature from the account
9 created in section 601 of this act, the department of ecology may
10 provide grants and loans for water-related projects and activities
11 described in this section. The department may not sign contracts or
12 financially obligate funds from the account created in section 601 of
13 this act before the legislature has appropriated funds for a specific
14 list of project and activities. The department must develop an
15 implementation plan for such expenditures using extensive public
16 involvement and considering the peer-reviewed science on climate
17 risks, resilience, and risk management. The department must consult
18 with appropriate state agencies, Indian tribes, and the climate
19 impacts group at the University of Washington in developing the
20 implementation plan and funding criteria. On a biennial basis, a
21 minimum of ten percent of the expenditures under this section must be
22 for projects and activities that directly benefit highly impacted
23 communities designated under section 502 of this act.

24 (2) The department may fund projects and activities that include
25 but are not limited to:

26 (a) Project-specific planning, design, and construction projects
27 that reduce stormwater impacts from existing infrastructure and
28 development. Grants must be made available to public and private
29 entities for projects that reduce stormwater impacts from existing
30 infrastructure and development, where there is a substantial water
31 quality benefit and the project is not required by court order or
32 required as a condition of a local or state permit;

33 (b) Reducing the risk of flooding by restoring natural floodplain
34 ecological functions, protecting against damage caused by floods, and
35 protecting or restoring naturally functioning areas where floods
36 occur, including modeling of projected flood risks;

37 (c) Improving the availability and reliability of water supplies
38 for instream and out-of-stream uses, including groundwater mapping
39 and modeling;

1 (d) Construction by the department of transportation of fish
2 barrier correction projects at state highways required by the
3 injunction entered in *United States v. Washington (Civ No CV9213RSM)*.
4 Where the department determines that the amounts appropriated exceed
5 the current biennial appropriation necessary to meet the overall
6 timeline for compliance with the injunction, the department may
7 provide funding for fish barrier correction projects on state or
8 local roadways, with the highest priority for funding to be accorded
9 to projects with the greatest restoration of fish habitat access. In
10 making awards for projects not subject to the injunction, the
11 department must obtain the recommendations of the fish passage
12 barrier removal board created in RCW 77.95.160;

13 (e) Projects to prepare for sea level rise and to restore and
14 protect estuaries, fisheries, marine shoreline and inland habitats,
15 including anadromous fish passage and habitat projects with a fair
16 allocation of funding to all geographic regions of the state, and
17 including small forest landowner fish passage barrier projects
18 authorized under RCW 76.09.420; and

19 (f) Increasing the ability to adapt to and remediate the impacts
20 of ocean acidification. This may include the activities of the
21 Kenneth K. Chew center for shellfish research and restoration. The
22 department must consult with the recreation and conservation office,
23 and the climate impacts group and ocean acidification center at the
24 University of Washington in developing the implementation for
25 investments under this subsection (2)(f).

26 (3) The department must provide information about the projects
27 when the government-to-government consultation with Indian tribes is
28 conducted under section 802 of this act.

29 (4) The department must adopt rigorous performance-based criteria
30 and objectives for funding decisions, and incorporate project
31 implementation monitoring and evaluation requirements into the
32 projects. Examples of numeric performance criteria include the
33 quantity of offstream water supplies made available or more secure
34 during drought, the number of rivers and streams meeting minimum flow
35 standards, miles of river and stream habitat made available through
36 passage barrier removals, and the number of municipal stormwater
37 discharges meeting state and federal standards.

38 (5) The department must utilize the cumulative impact analysis in
39 section 502 of this act when developing the implementation plan and

1 prioritize funding and investments to benefit highly impacted
2 communities.

3 (6) The department must require annual progress reports by all
4 recipients of funding under this section, and provide summaries of
5 those reports and assessment of achievement of the performance-based
6 criteria and objectives to the joint committee on climate programs
7 oversight created under section 801 of this act at such intervals as
8 the committee requests.

9 (7) The department must consult with the climate impacts group at
10 the University of Washington, establish a citizen advisory group to
11 provide input on the development of project funding criteria and
12 project funding decisions, and must seek input from the panel created
13 under section 805 of this act.

14 NEW SECTION. **Sec. 603.** NATURAL RESOURCES-RELATED PROJECTS AND
15 ACTIVITIES. (1) From funds appropriated by the legislature from the
16 account created in section 601 of this act, the department of natural
17 resources may undertake or contract for, and provide grants and loans
18 for natural resources-related projects and activities described in
19 this section. The department must develop an implementation plan for
20 such expenditures using extensive public involvement and considering
21 the best available science on climate risks, resilience, and risk
22 management. The department must consult with appropriate state
23 agencies, Indian tribes, and the climate impacts group at the
24 University of Washington in developing the implementation plan and
25 funding criteria.

26 (2)(a) Funds appropriated by the legislature from the forest
27 resilience account must be used to improve forest and natural lands
28 health and resilience to the impacts of climate change. The projects
29 and activities that may be funded include but are not limited to
30 thinning or prescribed fires, with priority given to projects
31 prioritized subject to RCW 76.06.200 and 79.10.530 across any
32 combination of voluntarily participating local, state, federal,
33 tribal, and private ownerships that accommodates the management
34 objectives of the landowner.

35 (b) The department of natural resources must consider the
36 benefits of supporting cross-laminated timber and other mass timber
37 technologies in its funding decisions and attempt to prioritize
38 projects that help develop mass timber investment opportunities.

1 (c) The department must utilize the forest health advisory
2 committee established in RCW 76.06.200 for input on forest health
3 projects funded under this section.

4 (d) Nothing in this section provides a basis for regulations or
5 nonvoluntary participation.

6 (3) The board for community and technical colleges, in
7 consultation with the governor, will develop a center of excellence
8 to research and promote renewable forest products and research to
9 improve forest health and reduce fire risk.

10 (4) Funds appropriated by the legislature from the fire
11 prevention and suppression account may be used to undertake agency
12 activities and provide grants that go beyond existing state efforts
13 for:

14 (a) Wildland fire prevention;

15 (b) Projects and activities that reduce the risk of wildland
16 fires to communities and improve their ability to adapt to wildfires;
17 and

18 (c) Supporting fire prevention, suppression, and recovery for
19 tribal communities impacted and potentially impacted by wildfires.

20 (5) The department of natural resources must adopt rigorous
21 performance-based criteria and objectives for funding decisions, and
22 incorporate project implementation monitoring and evaluation
23 requirements into projects funded under this section other than to
24 the state board for community and technical colleges. Examples of
25 numeric performance criteria include the number of acres thinned or
26 otherwise treated to improve forest health, acres of forest for which
27 wildland fire prevention measures have been implemented, and the
28 number of communities in the wildland urban interface for which
29 wildfire resilience and defense measures have been implemented.

30 (6) The department of natural resources must utilize the
31 cumulative impact analysis in section 502 of this act and ensure
32 expenditures prioritize highly impacted communities.

33 (7) The department of natural resources must require annual
34 progress reports by all recipients of funding under this section
35 other than the state board for community and technical colleges, and
36 must also periodically summarize the department's activities. It must
37 submit those reports and an assessment of the achievement of the
38 performance-based criteria and objectives to the joint committee on
39 climate programs oversight created under section 801 of this act at
40 such intervals as the committee requests.

1 (8) The department of natural resources may not provide funding
2 to projects that would violate tribal rights or result in significant
3 long-term damage to critical habitat or ecological functions. The
4 department must provide information about the projects when the
5 government-to-government consultation with Indian tribes is conducted
6 under section 802 of this act.

7 (9) The department of natural resources must consult with the
8 climate impacts group at the University of Washington and seek input
9 from the panel created under section 805 of this act in the
10 development of the funding program and in the review and selection of
11 projects to be funded under this section. The department may also
12 obtain input from existing advisory groups, including the forest
13 health and wildland fire advisory committees created under RCW
14 76.06.200 and 76.04.179.

15 **Part VII**

16 **Rural Economic Development Account**

17 NEW SECTION. **Sec. 701.** A new section is added to chapter 43.31
18 RCW to read as follows:

19 **RURAL ECONOMIC DEVELOPMENT ACCOUNT.** (1) The rural economic
20 development account is created in the state treasury. The account
21 must receive moneys distributed to the account from the carbon
22 pollution reduction account created in section 107 of this act as
23 well as other moneys directed to the account by the legislature.
24 Moneys in the account may only be used for the purposes described in
25 this section, and may only be spent after appropriation.

26 (2) Using funds appropriated from the account, the department
27 must provide assistance to rural communities. The assistance may
28 include:

29 (a) Support for low carbon innovation and entrepreneurship,
30 providing for increased affordable transportation options and
31 services, partnerships and investments that enhance rural economic
32 and natural resource resilience related to reducing greenhouse gas
33 emissions, and encouraging telecommuting by funding the expansion of
34 broadband and telecommunications services; and

35 (b) Support for providing local governments, communities, public
36 and private entities, federally recognized tribes, and consumer-owned
37 and investor-owned energy utilities to develop strategies and plans

1 for deployment of broadband infrastructure and access to broadband
2 services to unserved and underserved areas of the state.

3 (3) The department must develop a grant application process to
4 competitively select small businesses as defined under RCW
5 19.85.020(3) to receive grant awards to assist with projects eligible
6 for funding under the energy transformation account in section 401 of
7 this act. The department must utilize the cumulative impact analysis
8 in section 502 of this act and ensure expenditures prioritize highly
9 impacted communities and consult with the economic and environmental
10 justice oversight panel in section 805 of this act when designing and
11 awarding grants under this subsection.

12 (4)(a) The state board for community and technical colleges, in
13 consultation with the governor, must use funds deposited into this
14 account to establish two clean energy centers for excellence in the
15 state community and technical college system located in rural
16 counties, with one center each devoted to:

17 (i) Renewable energy integration and generation; and

18 (ii) Smart grid technology and the next generation of hydropower
19 resources.

20 (b) The centers must work with industry to ensure their program
21 offerings are aligned with local employer needs. In addition, the
22 state's energy research institutions must facilitate research and
23 development, help attract investment in clean energy, and promote
24 clean energy jobs across a range of sectors.

25 (5) The department may adopt rules necessary to implement this
26 section.

27 **Part VIII**

28 **Oversight of Climate Programs**

29 NEW SECTION. **Sec. 801.** JOINT COMMITTEE ON CLIMATE PROGRAMS
30 OVERSIGHT. (1) The joint committee on climate programs oversight is
31 created. The committee must consist of:

32 (a) The governor or the governor's designee;

33 (b) The commissioner of public lands or the commissioner's
34 designee;

35 (c) The state auditor or the auditor's designee;

36 (d) Two members of the senate, appointed by the president of the
37 senate, one from each major political party; and

1 (e) Two members of the house of representatives, appointed by the
2 speaker, one from each major political party.

3 (2) The committee must select a chair from among its members. The
4 committee must have staff support from the senate and house of
5 representatives. All state agencies must provide information and
6 assistance as requested by the committee in order to perform its
7 responsibilities.

8 (3) The committee is responsible for ongoing review of the
9 implementation of the carbon pollution tax and funding from the
10 revenues of that tax to ensure the fairest, most efficient, and
11 timely achievement of objectives in this act regarding greenhouse gas
12 emissions reductions, transition assistance, jobs development, and
13 climate resilience. The committee's responsibilities include but are
14 not limited to:

15 (a) Reviewing the report by the department of commerce under
16 section 105 of this act;

17 (b) Reviewing the plans for implementing the funding programs
18 authorized in sections 401, 501, 601, and 701 of this act;

19 (c) Reviewing the criteria for funding allocations and project
20 award decisions;

21 (d) Reviewing project and activity funding decisions as well as
22 summary reports and information regarding implementing projects;

23 (e) Reviewing compliance of consultation requirements and
24 providing recommendations for how implementation can come into
25 compliance; and

26 (f) Providing recommendations for standards by which to measure
27 emissions reductions outcomes from investments of funds under
28 sections 205 and 304 of this act.

29 (4) The committee may contract for independent evaluative
30 expertise in its review of the performance of the carbon pollution
31 tax and funding programs in meeting this act's objectives regarding
32 greenhouse gas emissions reductions, transition assistance, job
33 creation, rural economic development, and climate resilience.

34 (5) Beginning July 1, 2019, the committee must meet at least
35 quarterly.

36 (6) The committee has no appropriation authority.

37 NEW SECTION. **Sec. 802.** GOVERNMENT-TO-GOVERNMENT CONSULTATION.
38 To ensure mutual respect for the rights, interests, and obligations
39 of each sovereign Indian tribe, the governor must develop a framework

1 for government-to-government consultation with Indian tribes
2 consistent with the centennial accord, chapter 43.376 RCW, and
3 applicable tribal policies. The consultation must ensure meaningful
4 tribal involvement in the implementation of this act, including rule
5 making, programmatic, and project level decisions. Within this
6 framework, the governor at least once each year must invite all
7 federally recognized Indian tribes with reserved rights within the
8 geographical boundaries of the state to meet in government-to-
9 government consultation. The governor must also invite the joint
10 committee on climate programs oversight to the meeting. The purpose
11 of the meeting is to share information, views, tribal knowledge and
12 science, and recommendations regarding the progress of implementing
13 the carbon pollution tax and providing funding from revenues of the
14 tax to reduce emissions, to strengthen climate resilience in
15 communities throughout the state, to strengthen climate resilience in
16 the water and natural resources shared by all citizens in the state,
17 and to ensure a just transition to a clean energy economy.

18 NEW SECTION. **Sec. 803.** INDIAN TRIBE CONSULTATION. (1) In order
19 to achieve the goals set forth in this act, any state agency
20 receiving carbon tax revenue must consult with Indian tribes on all
21 decisions that may affect Indian tribes' rights and interests in
22 their tribal lands. Such consultation must occur pursuant to chapter
23 43.376 RCW and must be independent of any public participation
24 process required by state law, or by a state agency, and regardless
25 of whether the agency receives a request for consultation from an
26 Indian tribe. A consultation framework must be developed in
27 coordination with tribal governments that includes best practices,
28 protocols for communication, and collaboration with Indian tribes.

29 (2) No project that impacts tribal lands may be funded prior to
30 meaningful consultation with affected Indian tribes. For projects
31 that directly impact tribal lands, the goal of the consultation
32 process is to obtain free, prior and informed consent for the
33 project, and at the end of such consultation, the Indian tribe's
34 government will provide the community climate advisory board created
35 in section 804 of this act with a written resolution providing
36 consent or withholding consent. If any project that impacts tribal
37 lands is funded under this act without consultation with Indian
38 tribes, an affected Indian tribe may request that all further action

1 on the project cease until consultation with any directly impacted
2 Indian tribe is completed.

3 NEW SECTION. **Sec. 804.** COMMUNITY CLIMATE ADVISORY BOARD. (1)
4 The community climate advisory board is established within the
5 executive office of the governor. The purpose of the board is to
6 oversee implementation of this act toward reducing pollution and
7 facilitating the transition to a clean energy economy equitably,
8 sustainably, and efficiently.

9 (2)(a) The board must have twenty-one voting members. Voting
10 members of the board must be appointed by the governor. The board
11 must include, at a minimum, representatives from tribal, local
12 government, business, environmental, labor, land conservation, and
13 public health organizations. At least one-third of the appointees
14 must be members of the panel established in section 805 of this act.
15 The board may also appoint representatives from public agencies as
16 nonvoting board members.

17 (b) The governor must appoint members of the board by January 1,
18 2019. Any member appointed by the governor may be removed by the
19 governor for cause. The governor must appoint board members to
20 achieve a board membership with balanced representation by geography,
21 gender, and ethnicity.

22 (3) The board has the following powers and duties:

23 (a) Providing advice and recommendations to the governor, the
24 legislature, the oversight committee created in section 801 of this
25 act, and state agencies regarding the implementation of this act,
26 including evaluating biannually the tax imposed pursuant to section
27 102 of this act;

28 (b) Monitoring the implementation of this act to ensure it
29 furthers the intent and purposes of this act and does not lead to
30 inequitable environmental or economic impacts, including but not
31 limited to leakage of emissions related to energy-intensive trade-
32 exposed manufacturing facilities; and

33 (c) Reporting periodically to the legislature, the governor, and
34 the oversight committee created in section 801 of this act on such
35 matters.

36 (4) Members of the board who are not state employees are entitled
37 to reimbursement for expenses related to the work of the board as a
38 class one group under RCW 43.03.220.

1 NEW SECTION. **Sec. 805.** ECONOMIC AND ENVIRONMENTAL JUSTICE

2 OVERSIGHT PANEL. (1) An economic and environmental justice oversight
3 panel is established as a subcommittee of the advisory board created
4 in section 804 of this act. The board will appoint the panel members
5 consistent with this section, and the panel will coordinate its work
6 with the governor's office, the department of commerce, the
7 department of health, and other state departments or divisions as the
8 governor may determine. The membership of the panel must consist of
9 at least nine persons, based on the nomination of statewide
10 organizations that represent the following interests:

11 (a) Five or more members, representing vulnerable populations and
12 residing in highly impacted communities, as identified in section 502
13 of this act;

14 (b) Two members representing union labor with expertise in
15 economic dislocation, clean energy economy, or energy-intensive
16 trade-exposed facilities; and

17 (c) Two members representing tribal governments.

18 (2) The purpose of the panel is to:

19 (a) Provide a forum for analysis of whether the policies adopted
20 in this act lead to improvements within highly impacted communities.
21 This subcommittee must also advise the board created in section 804
22 of this act in the performance of its responsibilities;

23 (b) Make recommendations on the cumulative impact analysis and
24 highly impacted communities designation required by section 502 of
25 this act;

26 (c) Make recommendations on the investment allocations authorized
27 by parts II through VII of this act, including its evaluation of the
28 projected performance of the investments to meet the criteria and
29 objectives developed in specific implementation plans;

30 (d) Evaluate the level of funding provided to assist low-income
31 individuals and displaced workers under part V of this act and the
32 funding of projects and activities located within or benefiting
33 highly impacted communities designated under section 502 of this act;
34 and

35 (e) Provide recommendations to implementation agencies for
36 meaningful consultation with vulnerable populations.

37 (3) The panel must conduct an evaluation of the economic impacts
38 of the emissions tax imposed under section 102 of this act on low and
39 middle-income households and vulnerable populations, including
40 communities of color and indigenous communities. The panel's

1 evaluation must include a summary of projected household economic
2 impacts of the emissions tax in the first decade of its
3 implementation, the projected impacts of investments in parts II
4 through VII of this act, including assistance directed to low-income
5 populations in part V of this act, and provide recommendations to
6 reduce any disproportionate impact upon low and middle-income
7 households, either through revisions in the tax or through measures
8 that mitigate for that impact. The evaluation must also include an
9 assessment of expenditures for light rail versus other mass transit
10 options by individuals living in disadvantaged communities. The
11 report must include recommendations to reduce the regressivity of the
12 carbon pollution tax through transit-related options such as
13 providing free or reduced-price transit passes or ridership. The
14 panel's report must be provided to the legislature, in compliance
15 with RCW 43.01.036, not later than December 31, 2020. The panel may
16 collaborate with the caseload forecast council to include its
17 evaluation and recommendations in a general disproportionality report
18 provided by the council to the legislature pursuant to section 2,
19 chapter . . ., Laws of 2018 (Engrossed Substitute Senate Bill No.
20 5588).

21 **Part IX**
22 **Preemption**

23 NEW SECTION. **Sec. 901.** (1) No state agency may adopt or enforce
24 a statewide program that sets a greenhouse gas emissions cap or
25 charge except as provided in this chapter.

26 (2) As of the effective date of this section, chapter 173-442 WAC
27 (the clean air rule) and associated amendments to chapter 173-441 WAC
28 previously adopted by the department of ecology may not be enforced
29 by the department of ecology. Nothing in this subsection
30 acknowledges, establishes, or creates legal authority for the
31 department of ecology or any other state agency to enact, adopt,
32 order, or in any way implement a rule or policy establishing a
33 statewide limit, cap, or standard to control the amount of greenhouse
34 gas emissions occurring during a period of time.

35 (3) For the purposes of this section, "cap" means a statewide
36 aggregate emission limit that applies to one or more economic sectors
37 and that requires the designated entities responsible for emissions

1 within those sectors to keep their cumulative emissions at or below
2 the level of the aggregate limit.

3 NEW SECTION. **Sec. 902.** (1) The carbon pollution tax levied in
4 section 102 of this act is in lieu of any carbon tax upon the sale or
5 use within this state of all fossil fuels, including fossil fuels
6 used in generating electricity and the retail sale or consumption
7 within this state of electricity generated through the combustion of
8 fossil fuels. No city, town, county, township, or other subdivision
9 or municipal corporation of the state may levy or collect any
10 comparable carbon tax or charge upon the sale or use within this
11 state of all fossil fuels, including fossil fuels used in generating
12 electricity and the retail sale or consumption within this state of
13 electricity generated through the combustion of fossil fuels.

14 (2) No city, town, county, township, or other subdivision or
15 municipal corporation of the state may levy any tax of any kind
16 whatsoever on amounts received by any person with respect to a carbon
17 pollution tax liability imposed under the provisions of the carbon
18 pollution tax act. This restriction is not imposed upon federally
19 recognized Indian tribes and this section places no restriction on
20 the ability of such tribes to institute a comparable tribal tax
21 within tribal lands.

22 **Part X**

23 **Incremental Electricity**

24 **Sec. 1001.** RCW 19.285.030 and 2017 c 315 s 1 are each amended to
25 read as follows:

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

28 (1) "Attorney general" means the Washington state office of the
29 attorney general.

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

35 (3)(a) "Biomass energy" includes: (i) Organic by-products of
36 pulping and the wood manufacturing process; (ii) animal manure; (iii)
37 solid organic fuels from wood; (iv) forest or field residues; (v)

1 untreated wooden demolition or construction debris; (vi) food waste
2 and food processing residuals; (vii) liquors derived from algae;
3 (viii) dedicated energy crops; and (ix) yard waste.

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

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

10 (5) "Commission" means the Washington state utilities and
11 transportation commission.

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

15 (7) "Cost-effective" has the same meaning as defined in RCW
16 80.52.030.

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

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

21 (10) "Department" means the department of commerce or its
22 successor.

23 (11) "Distributed generation" means an eligible renewable
24 resource where the generation facility or any integrated cluster of
25 such facilities has a generating capacity of not more than five
26 megawatts.

27 (12) "Eligible renewable resource" means:

28 (a) Electricity from a generation facility powered by a renewable
29 resource other than freshwater that commences operation after March
30 31, 1999, where: (i) The facility is located in the Pacific
31 Northwest; or (ii) the electricity from the facility is delivered
32 into Washington state on a real-time basis without shaping, storage,
33 or integration services;

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

39 (c) Hydroelectric generation from a project completed after March
40 31, 1999, where the generation facility is located in irrigation

1 pipes, irrigation canals, water pipes whose primary purpose is for
2 conveyance of water for municipal use, and wastewater pipes located
3 in Washington where the generation does not result in new water
4 diversions or impoundments;

5 (d) Qualified biomass energy;

6 (e) For a qualifying utility that serves customers in other
7 states, electricity from a generation facility powered by a renewable
8 resource other than freshwater that commences operation after March
9 31, 1999, where: (i) The facility is located within a state in which
10 the qualifying utility serves retail electrical customers; and (ii)
11 the qualifying utility owns the facility in whole or in part or has a
12 long-term contract with the facility of at least twelve months or
13 more; ((~~or~~))

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

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

24 (iii) The facility must demonstrate that the incremental
25 electricity resulted from the capital investment, which does not
26 include expenditures on operation and maintenance in the normal
27 course of business, through direct or calculated measurement;

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

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

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

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

4 (15)(a) "Nonpower attributes" means all environmentally related
5 characteristics, exclusive of energy, capacity reliability, and other
6 electrical power service attributes, that are associated with the
7 generation of electricity from a renewable resource, including but
8 not limited to the facility's fuel type, geographic location,
9 vintage, qualification as an eligible renewable resource, and avoided
10 emissions of pollutants to the air, soil, or water, and avoided
11 emissions of carbon dioxide and other greenhouse gases.

12 (b) "Nonpower attributes" does not include any aspects, claims,
13 characteristics, and benefits associated with the on-site capture and
14 destruction of methane or other greenhouse gases at a facility
15 through a digester system, landfill gas collection system, or other
16 mechanism, which may be separately marketable as greenhouse gas
17 emission reduction credits, offsets, or similar tradable commodities.
18 However, these separate avoided emissions may not result in or
19 otherwise have the effect of attributing greenhouse gas emissions to
20 the electricity.

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

25 (17) "Public facility" has the same meaning as defined in RCW
26 39.35C.010.

27 (18) "Qualified biomass energy" means electricity produced from a
28 biomass energy facility that: (a) Commenced operation before March
29 31, 1999; (b) contributes to the qualifying utility's load; and (c)
30 is owned either by: (i) A qualifying utility; or (ii) an industrial
31 facility that is directly interconnected with electricity facilities
32 that are owned by a qualifying utility and capable of carrying
33 electricity at transmission voltage.

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

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

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

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

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

20 **Sec. 1002.** RCW 19.285.040 and 2017 c 315 s 2 are each amended to
21 read as follows:

22 (1) Each qualifying utility (~~shall~~) must pursue all available
23 conservation that is cost-effective, reliable, and feasible.

24 (a) By January 1, 2010, using methodologies consistent with those
25 used by the Pacific Northwest electric power and conservation
26 planning council in the most recently published regional power plan
27 as it existed on June 12, 2014, or a subsequent date as may be
28 provided by the department or the commission by rule, each qualifying
29 utility (~~shall~~) must identify its achievable cost-effective
30 conservation potential through 2019. Nothing in the rule adopted
31 under this subsection precludes a qualifying utility from using its
32 utility specific conservation measures, values, and assumptions in
33 identifying its achievable cost-effective conservation potential. At
34 least every two years thereafter, the qualifying utility (~~shall~~)
35 must review and update this assessment for the subsequent ten-year
36 period.

37 (b) Beginning January 2010, each qualifying utility (~~shall~~)
38 must establish and make publicly available a biennial acquisition
39 target for cost-effective conservation consistent with its

1 identification of achievable opportunities in (a) of this subsection,
2 and meet that target during the subsequent two-year period. At a
3 minimum, each biennial target must be no lower than the qualifying
4 utility's pro rata share for that two-year period of its cost-
5 effective conservation potential for the subsequent ten-year period.

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

13 (ii) Beginning January 1, 2014, a qualifying utility may use
14 single large facility conservation savings in excess of its biennial
15 target to meet up to an additional five percent of the immediately
16 subsequent two biennial acquisition targets, such that no more than
17 twenty-five percent of any biennial target may be met with excess
18 conservation savings allowed under all of the provisions of this
19 section combined. For the purposes of this subsection (1)(c)(ii),
20 "single large facility conservation savings" means cost-effective
21 conservation savings achieved in a single biennial period at the
22 premises of a single customer of a qualifying utility whose annual
23 electricity consumption prior to the conservation savings exceeded
24 five average megawatts.

25 (iii) Beginning January 1, 2012, and until December 31, 2017, a
26 qualifying utility with an industrial facility located in a county
27 with a population between ninety-five thousand and one hundred
28 fifteen thousand that is directly interconnected with electricity
29 facilities that are capable of carrying electricity at transmission
30 voltage((τ)) may use cost-effective conservation from that industrial
31 facility in excess of its biennial acquisition target to help meet
32 the immediately subsequent two biennial acquisition targets, such
33 that no more than twenty-five percent of any biennial target may be
34 met with excess conservation savings allowed under all of the
35 provisions of this section combined.

36 (d) In meeting its conservation targets, a qualifying utility may
37 count high-efficiency cogeneration owned and used by a retail
38 electric customer to meet its own needs. High-efficiency cogeneration
39 is the sequential production of electricity and useful thermal energy
40 from a common fuel source, where, under normal operating conditions,

1 the facility has a useful thermal energy output of no less than
2 thirty-three percent of the total energy output. The reduction in
3 load due to high-efficiency cogeneration (~~shall~~) must be: (i)
4 Calculated as the ratio of the fuel chargeable to power heat rate of
5 the cogeneration facility compared to the heat rate on a new and
6 clean basis of a best-commercially available technology
7 combined-cycle natural gas-fired combustion turbine; and (ii) counted
8 towards meeting the biennial conservation target in the same manner
9 as other conservation savings.

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

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

15 (2)(a) Except as provided in (j) and (l) of this subsection, each
16 qualifying utility (~~shall~~) must use eligible renewable resources or
17 acquire equivalent renewable energy credits, or any combination of
18 them, to meet the following annual targets:

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

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

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

25 (b) A qualifying utility may count distributed generation at
26 double the facility's electrical output if the utility: (i) Owns or
27 has contracted for the distributed generation and the associated
28 renewable energy credits; or (ii) has contracted to purchase the
29 associated renewable energy credits.

30 (c) In meeting the annual targets in (a) of this subsection, a
31 qualifying utility (~~shall~~) must calculate its annual load based on
32 the average of the utility's load for the previous two years.

33 (d) A qualifying utility (~~shall be~~) is considered in compliance
34 with an annual target in (a) of this subsection if: (i) The utility's
35 weather-adjusted load for the previous three years on average did not
36 increase over that time period; (ii) after December 7, 2006, the
37 utility did not commence or renew ownership or incremental purchases
38 of electricity from resources other than coal transition power or
39 renewable resources other than on a daily spot price basis and the
40 electricity is not offset by equivalent renewable energy credits; and

1 (iii) the utility invested at least one percent of its total annual
2 retail revenue requirement that year on eligible renewable resources,
3 renewable energy credits, or a combination of both.

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

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

10 (i) Eligible renewable resources or distributed generation where
11 the associated renewable energy credits are owned by a separate
12 entity; or

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

16 (g) Where fossil and combustible renewable resources are cofired
17 in one generating unit located in the Pacific Northwest where the
18 cofiring commenced after March 31, 1999, the unit (~~shall be~~) is
19 considered to produce eligible renewable resources in direct
20 proportion to the percentage of the total heat value represented by
21 the heat value of the renewable resources.

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

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

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

29 (ii) The council (~~shall~~) must establish minimum levels of labor
30 hours to be met through apprenticeship programs to qualify for this
31 extra credit.

32 (i) A qualifying utility (~~shall be~~) is considered in compliance
33 with an annual target in (a) of this subsection if events beyond the
34 reasonable control of the utility that could not have been reasonably
35 anticipated or ameliorated prevented it from meeting the renewable
36 energy target. Such events include weather-related damage, mechanical
37 failure, strikes, lockouts, and actions of a governmental authority
38 that adversely affect the generation, transmission, or distribution
39 of an eligible renewable resource under contract to a qualifying
40 utility.

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

5 (ii) A qualifying utility may no longer use electricity and
6 associated renewable energy credits from a qualified biomass energy
7 facility if the associated industrial pulping or wood manufacturing
8 facility ceases operation other than for purposes of maintenance or
9 upgrade.

10 (k) An industrial facility that hosts a qualified biomass energy
11 facility may only transfer or sell renewable energy credits
12 associated with qualified biomass energy generated at its facility to
13 the qualifying utility with which it is directly interconnected with
14 facilities owned by such a qualifying utility and that are capable of
15 carrying electricity at transmission voltage. The qualifying utility
16 may only use an amount of renewable energy credits associated with
17 qualified biomass energy that are equivalent to the proportionate
18 amount of its annual targets under (a)(ii) and (iii) of this
19 subsection that was created by the load of the industrial facility. A
20 qualifying utility that owns a qualified biomass energy facility may
21 not transfer or sell renewable energy credits associated with
22 qualified biomass energy to another person, entity, or qualifying
23 utility.

24 (l) Beginning January 1, 2019, a qualifying utility may use
25 eligible renewable resources as identified under RCW 19.285.030(12)
26 (g) and (h) to meet its compliance obligation under this subsection
27 (2). A qualifying utility may not transfer or sell these eligible
28 renewable resources to another utility for compliance purposes under
29 this chapter.

30 (m) Renewable energy credits allocated under RCW
31 19.285.030(12)(h) may not be transferred or sold to another
32 qualifying utility for compliance under this chapter.

33 (3) Utilities that become qualifying utilities after December 31,
34 2006, (~~shall~~) must meet the requirements in this section on a time
35 frame comparable in length to that provided for qualifying utilities
36 as of December 7, 2006.

37 **Part XI**

38 **Miscellaneous Provisions**

1 NEW SECTION. **Sec. 1101.** The provisions of RCW 82.32.805 and
2 82.32.808 do not apply to this act.

3 NEW SECTION. **Sec. 1102.** Part I of this act constitutes a new
4 chapter in Title 82 RCW.

5 NEW SECTION. **Sec. 1103.** Sections 402 and 501 through 506 of
6 this act and parts II, III, VIII, and IX of this act constitute a new
7 chapter in Title 43 RCW.

8 NEW SECTION. **Sec. 1104.** Part VI of this act constitutes a new
9 chapter in Title 70 RCW.

10 NEW SECTION. **Sec. 1105.** If any provision of this act or its
11 application to any person or circumstance is held invalid, the
12 remainder of the act or the application of the provision to other
13 persons or circumstances is not affected.

14 NEW SECTION. **Sec. 1106.** Section 102 of this act takes effect
15 July 1, 2019.

16 NEW SECTION. **Sec. 1107.** Sections 507 through 509 of this act
17 take effect April 1, 2019.

18 NEW SECTION. **Sec. 1108.** CONTINGENT EXPIRATION DATE. (1)(a) This
19 act expires on the earlier of the date that any of the following
20 statutes, rules, or measures take effect:

21 (i) Any statewide law that places a charge, tax, or cap on the
22 level of carbon emissions within the state; or

23 (ii) A statewide initiative measure by the people that creates a
24 charge, tax, or cap upon the emission of greenhouse gases that is
25 imposed broadly upon those persons subject to the state carbon
26 pollution tax imposed under section 102 of this act.

27 (b) For the purposes of this section, "cap" means a statewide
28 aggregate emission limit that applies to one or more economic sectors
29 and that requires the designated entities responsible for emissions
30 within those sectors to keep their cumulative emissions at or below
31 the level of the aggregate limit.

32 (2) The department must provide written notice of the expiration
33 date of this act to affected parties, the chief clerk of the house of

1 representatives, the secretary of the senate, the office of the code
2 reviser, and others as deemed appropriate by the department."

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3 On page 1, beginning on line 2 of the title, after "economy;"
4 strike the remainder of the title and insert "amending RCW 46.17.005,
5 46.17.350, 46.17.365, 19.285.030, and 19.285.040; adding new sections
6 to chapter 43.31 RCW; adding a new chapter to Title 82 RCW; adding a
7 new chapter to Title 43 RCW; adding a new chapter to Title 70 RCW;
8 creating a new section; providing effective dates; and providing a
9 contingent expiration date."

EFFECT: (1) Exempts from the carbon pollution tax:

(a) Fossil fuels consumed by or electricity generated by any light and power business, that is not an electric utility, until January 1, 2020;

(b) A facility with the North American industry classification system code (NAICS) of 212230 copper, nickel, lead, and zinc mining; and

(c) A facility with the NAICS code of 423930 recyclable material merchant wholesalers.

(2) Requires a person to obtain an exemption certificate by verifying its NAICS code with DOR to qualify for an exemption; allows a business to make a request for contiguous group of facilities under uniform ownership, if each facility is engaging in a qualifying activity; and requires a seller of fossil fuels or electricity who is responsible for paying the carbon pollution tax to be provided with an exemption certificate for the exempt facility before the seller may claim an exemption or credit against the tax.

(3) Requires Commerce, in consultation with relevant stakeholders, to provide an analysis and recommendations on whether and how offsets for entities with a carbon pollution tax liability may be incorporated under the new chapter created in Title 82 RCW.

(4) Changes the distribution of carbon pollution tax revenues as follows: (a) Increases from 20 to 30 percent the moneys for the water and natural resources resilience account, with 67 percent of the account spent on water-related projects; and

(b) Decreases from 15 to 5 percent the moneys for the rural economic development account.

(5) Removes the requirement that the clean energy investment plan for consumer-owned utilities must seek to eliminate any tax obligation imposed by this act associated with electricity.

(6) Clarifies that priority for distributions from the energy transformation account must be given to projects and activities that are determined utilizing the cumulative impact analysis and prioritized to benefit highly impacted communities.

(7) Clarifies that the working forest conservation grant program developed by the recreation and conservation office must be designed for the carbon sequestration value in working forests.

(8) Removes the clean transportation account as the subaccount of the multimodal transportation account.

(9) Specifies that the 30 percent of the energy transformation account deposited directly into the multimodal transportation account is to be appropriated as follows:

(a) 90 percent for transportation electrification projects and projects to reduce single-occupant vehicle trips and increased transit ridership; and

(b) 10 percent for electrification of transportation in rural communities.

(10) Directs that the state board for community and technical colleges must develop three centers of excellence in consultation with the governor.

(11) Removes the intent to appropriate \$30 million in fiscal year 2020 to rural broadband and instead designates general support for strategies and plans for deployment of broadband infrastructure and access to broadband services to unserved and underserved areas of the state.

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