S-4780.3

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**SECOND SUBSTITUTE SENATE BILL 6253**

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**State of Washington 65th Legislature 2018 Regular Session**

**By** Senate Ways & Means (originally sponsored by Senators Ranker, Carlyle, Palumbo, Keiser, Liias, Frockt, Kuderer, Chase, Hunt, and Saldaña)

AN ACT Relating to establishing a clean, efficient, renewable energy standard; adding a new chapter to Title 19 RCW; creating a new section; prescribing penalties; and providing an expiration date.

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

NEW SECTION. **Sec.**  (1) The legislature finds that Washington should continue its leadership in clean energy, climate change mitigation, and economic growth through the development of emerging clean energy technologies.

(2) By putting utilities on a pathway to one hundred percent fossil-free electricity, Washington can build on the state's foundation of hydroelectric generation with clean energy resources. Clean energy creates more jobs per unit of energy produced than fossil fuel sources, so this transition will contribute job growth in Washington while addressing our climate crisis head on.

(3) The legislature declares that Washington can promote energy independence, create high-quality jobs in the clean energy sector, maintain stable and affordable rates for all customers, and protect clean air and water in the Pacific Northwest.

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

(1) "Attorney general" has the same meaning as defined in RCW 19.285.030.

(2) "Auditor" has the same meaning as defined in RCW 19.285.030.

(3) "Clean resources" means electricity from a generation facility powered by a fuel whose conversion to electricity produces no emissions.

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

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

(6) "Conservation" has the same meaning as defined in RCW 19.285.030.

(7) "Consumer-owned utility" has the same meaning as defined in RCW 19.29A.010.

(8) "Customer" has the same meaning as defined in RCW 19.285.030.

(9) "Department" means the department of commerce or its successor.

(10) "Electric utility" has the same meaning as defined in RCW 19.29A.010.

(11) "Emission" has the same meaning as provided in RCW 70.94.030.

(12) "Fossil fuel" means petroleum products that are intended for combustion, including natural gas, crude oil, petroleum, coal, or coke of any kind, or any form of solid, liquid, or gaseous fuel derived from these products including but not limited to motor vehicle fuel, special fuel, aircraft fuel, marine fuel, still gas, propane, and petroleum residuals such as bunker fuel.

(13) "Fossil fuel generating resource" is an electric generating unit that generates electricity from the combustion or oxidation of fossil fuels.

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

(15) "Low-income" means household income as defined by the department or commission, provided that the definition may not exceed eighty percent of area median household income, adjusted for household size.

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

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

(18) "Petroleum product" has the same meaning as defined in RCW 82.23A.010.

(19) "Renewable resource" has the same meaning as defined in RCW 19.285.030.

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

NEW SECTION. **Sec.**  (1)(a) On or before January 1, 2030, all electric utilities must eliminate from electric rates all costs associated with delivering electricity to customers that is generated from a coal-fired resource. This does not include costs associated with decommissioning and remediation of these facilities.

(b) The commission may accelerate depreciation schedules for any coal-fired resource owned by investor-owned utilities to a date no later than January 1, 2030.

(2) The commission may not extend the depreciation schedule for any fossil fuel generating resource.

(3) Electric utilities and market customers shall reduce the total number of megawatt hours from fossil fuel generating resources used to serve the utility's load by the following annual targets:

(a) At least a twenty-five percent reduction from 2017 levels by January 1, 2030;

(b) At least a fifty percent reduction from 2017 levels by January 1, 2035;

(c) At least a seventy-five percent reduction from 2017 levels by January 1, 2040; and

(d) One hundred percent reduction by December 31, 2045.

(4) Electric utilities and market customers shall seek to achieve the targets in subsection (3) of this section at the lowest possible costs, to the maximum extent practicable avoid the imposition of the pollution mitigation charge in section 4(1)(a) of this act, and rely on renewable resources or clean resources.

(5) Any tradable certificate of proof of conservation, renewable resource, carbon reduction compliance mechanism, or other environmental attribute associated with the portion of any resource or resources used to meet the requirements of this section must be retired for the purposes of this section and cannot be sold, transferred, or used for other purposes, except for an electric utility's own compliance with the renewable energy requirements under chapter 19.285 RCW.

(6) Hydroelectric generation may not include new diversions, new impoundments, new bypass reaches, or expansion of existing reservoirs constructed after the effective date of this section unless the diversions, bypass reaches, or reservoir expansions are necessary for the operation of a pumped storage facility that: (a) Does not conflict with existing state or federal fish recovery plans; and (b) complies with all local, state, and federal laws and regulations.

NEW SECTION. **Sec.**  (1)(a) An electric utility or market customer shall pay a pollution mitigation charge to the department for fossil fuel megawatt hours in excess of limits established in section 3(3) of this act. This charge must be set per megawatt hour and increase according to the schedule below:

|  |  |  |
| --- | --- | --- |
| **Year** | **Level** | **Annual escalation** |
| 2030 | Fifty dollars/MWh | None  |
| 2040 | Seventy-five dollars/MWh | None |
| 2045 | One hundred dollars/MWh | Two percent |

(b) All dollar amounts set forth in (a) of this subsection are in 2018 dollars. Beginning on the effective date of this section, this charge must be adjusted annually according to the rate of change of the inflation indicator, gross domestic product-implicit price deflator, as published by the bureau of economic analysis of the United States department of commerce or its successor.

(2)(a) For an investor-owned utility, the commission shall determine compliance with the provisions of this chapter and assess charges as provided in subsection (1) of this section.

(b) For a consumer-owned utility, the department is responsible for assessing charges as provided in subsection (1) of this section. The auditor shall determine compliance with the provisions of this chapter and the attorney general is responsible for enforcing compliance.

(c) For a market customer, the auditor shall determine compliance with this chapter and the attorney general is responsible for enforcing compliance, except that the commission shall determine compliance with section 3 of this act for a market customer of an investor-owned utility.

(3)(a) By June 1, 2020, and annually thereafter, each electric utility and market customer shall report to the department on progress towards the reduction in the total number of megawatt hours from fossil fuel generating resources under section 3 of this act.

(b) Each investor-owned utility shall also report all information required in (a) of this subsection to the commission.

(c) All electric utilities shall also make reports required in this section available to its customers and each market customer shall make all information required in this subsection available to the attorney general.

(4) Moneys collected from electric utilities and market customers pursuant to subsection (1)(a) of this section must be expended by the department to assist electric utilities and market customers in eliminating future payments of the pollution mitigation charge in the following manner:

(a) One-third of revenue must be expended on projects that reduce energy spending by low-income electricity customers, with priority for distributed generation and conservation projects in excess of existing requirements; and

(b) The remaining funds must be expended for projects that assist electric utilities and market customers in meeting the carbon reduction requirements in section 3 of this act including, but not limited to: (i) Smart grid and grid modernization projects; and (ii) research and deployment of renewable resources with capacity factors above fifty percent.

NEW SECTION. **Sec.**  (1) The legislature finds and declares all of the following:

(a) There is insufficient information available to fully realize the potential of solar photovoltaic energy generation to serve low-income customers, including those in disadvantaged communities.

(b) There is insufficient understanding of the barriers to access for low-income customers to all forms of renewable energy being generated in the state.

(c) There is insufficient understanding of the barriers to access for low-income customers to energy efficiency investments.

(d) There is insufficient understanding of the barriers to access for low-income customers to zero emission and near-zero emission transportation options.

(2) By January 1, 2019, the department of commerce, with input from relevant state agencies and the public, shall conduct and complete a study on both of the following:

(a) Barriers to, and opportunities for, solar photovoltaic energy generation as well as barriers to, and opportunities for, access to other renewable energy by low-income customers; and

(b) Barriers to contracting opportunities for local small businesses in disadvantaged communities.

(3) By January 1, 2019, the department of commerce, with input from relevant state agencies and the public, shall develop and publish a study on barriers for low-income customers to energy efficiency and weatherization investments, including those in disadvantaged communities, as well as recommendations on how to increase access to energy efficiency and weatherization investments to low-income customers.

(4) By January 1, 2019, the department of commerce, with input from relevant state agencies and the public, shall develop and publish a study on barriers for low-income customers to zero emission and near-zero emission transportation options, including those in disadvantaged communities, as well as recommendations on how to increase access to zero emission and near-zero emission transportation options to low-income customers, including those in disadvantaged communities.

(5) By January 1, 2019, the department of commerce, with input from relevant state agencies and the public, shall develop and publish a study on the impact of chapter . . ., Laws of 2018 (this act) on utility rates as it affects individuals of varying income levels, ethnic backgrounds, and racial backgrounds.

(6) The definitions in RCW 19.285.030 apply throughout this section.

(7) This section expires July 1, 2019.

NEW SECTION. **Sec.**  The commission, in the case of investor-owned utilities, and the department, in the case of consumer-owned utilities, shall adopt rules to implement this act.

NEW SECTION. **Sec.**  Sections 1 through 4 and 6 of this act constitute a new chapter in Title 19 RCW.

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

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