

SHB 2995 - H AMD 1321

By Representative DeBolt

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

3 "Sec. 1. RCW 19.285.030 and 2017 c 315 s 1 are each amended to
4 read as follows:

5 The definitions in this section apply throughout this chapter
6 unless the context clearly requires otherwise.

7 (1) "Attorney general" means the Washington state office of the
8 attorney general.

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

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

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

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

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

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

31 (7) "Cost-effective" has the same meaning as defined in RCW
32 80.52.030.

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

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

5 (10) "Department" means the department of commerce or its
6 successor.

7 (11) "Distributed generation" means an eligible renewable
8 resource where the generation facility or any integrated cluster of
9 such facilities has a generating capacity of not more than five
10 megawatts.

11 (12) "Eligible renewable resource" means:

12 (a) Electricity from a generation facility powered by a renewable
13 resource other than freshwater that commences operation after March
14 31, 1999, where: (i) The facility is located in the ((~~Pacific~~
15 ~~Northwest~~)) western interconnection; or (ii) the electricity from the
16 facility is delivered into Washington state on a real-time basis
17 without shaping, storage, or integration services;

18 (b) Incremental electricity produced as a result of efficiency
19 improvements completed after March 31, 1999, to hydroelectric
20 generation projects owned by a qualifying utility and located in the
21 ((~~Pacific Northwest~~)) western interconnection where the additional
22 generation does not result in new water diversions or impoundments;

23 (c) Hydroelectric generation from a project completed after March
24 31, 1999, where the generation facility is located in irrigation
25 pipes, irrigation canals, water pipes whose primary purpose is for
26 conveyance of water for municipal use, and wastewater pipes located
27 in Washington where the generation does not result in new water
28 diversions or impoundments;

29 (d) Qualified biomass energy;

30 (e) For a qualifying utility that serves customers in other
31 states, electricity from a generation facility powered by a renewable
32 resource other than freshwater that commences operation after March
33 31, 1999, where: (i) The facility is located within a state in which
34 the qualifying utility serves retail electrical customers; and (ii)
35 the qualifying utility owns the facility in whole or in part or has a
36 long-term contract with the facility of at least twelve months or
37 more; ((~~or~~))

38 (f)(i) Incremental electricity produced as a result of a capital
39 investment completed after January 1, 2010, that increases, relative
40 to a baseline level of generation prior to the capital investment,

1 the amount of electricity generated in a facility that generates
2 qualified biomass energy as defined under subsection (18)(c)(ii) of
3 this section and that commenced operation before March 31, 1999.

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

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

12 (g) Beginning January 1, 2018, the portion of incremental
13 electricity produced as a result of efficiency improvements completed
14 after March 31, 1999, attributable to a qualifying utility's share of
15 electricity output from hydroelectric generation projects whose
16 energy output is marketed by the Bonneville power administration,
17 where the additional generation does not result in new water
18 diversions or impoundments; or

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

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

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

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

36 (b) "Nonpower attributes" does not include any aspects, claims,
37 characteristics, and benefits associated with the on-site capture and
38 destruction of methane or other greenhouse gases at a facility
39 through a digester system, landfill gas collection system, or other
40 mechanism, which may be separately marketable as greenhouse gas

1 emission reduction credits, offsets, or similar tradable commodities.
2 However, these separate avoided emissions may not result in or
3 otherwise have the effect of attributing greenhouse gas emissions to
4 the electricity.

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

9 (17) "Public facility" has the same meaning as defined in RCW
10 39.35C.010.

11 (18) "Qualified biomass energy" means electricity produced from a
12 biomass energy facility that: (a) Commenced operation before March
13 31, 1999; (b) contributes to the qualifying utility's load; and (c)
14 is owned either by: (i) A qualifying utility; or (ii) an industrial
15 facility that is directly interconnected with electricity facilities
16 that are owned by a qualifying utility and capable of carrying
17 electricity at transmission voltage.

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

24 (20) "Renewable energy credit" means a tradable certificate of
25 proof of at least one megawatt-hour of an eligible renewable resource
26 where, except as provided in subsection (12)(h) of this section, the
27 generation facility is not powered by freshwater. The certificate
28 includes all of the nonpower attributes associated with that one
29 megawatt-hour of electricity, and the certificate is verified by a
30 renewable energy credit tracking system selected by the department.

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

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

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

3 (24) "Carbon reduction investment" means an investment in support
4 of eligible projects or actions that reduce, prevent, or remove from
5 the atmosphere the emissions of greenhouse gases in the state. An
6 eligible project or action includes, but is not limited to,
7 investment in the following: (a) Installation of electric vehicle
8 chargers and related infrastructure and other transportation
9 electrification measures; (b) demand side management of electricity
10 consumption; (c) energy storage technologies; and (d) carbon
11 sequestration programs, including forest health investments.

12 (25) "Clean energy resource" means: (a) Water; (b) wind; (c)
13 solar energy; (d) geothermal energy; (e) landfill gas; (f) wave,
14 ocean, or tidal power; (g) gas from sewage treatment facilities; (h)
15 biodiesel fuel as defined in RCW 82.29A.135 that is not derived from
16 crops raised on land cleared from old growth or first-growth forests
17 where the clearing occurred after December 7, 2006; (i) biomass
18 energy; (j) energy conservation measures, including but not limited
19 to combined heat and power; (k) nuclear energy; and (l) any other
20 energy resource that has the potential to be deployed to serve
21 electric load at the utility scale and is effectively carbon neutral.

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

24 (27) "Greenhouse gas" means carbon dioxide, methane, nitrogen
25 trifluoride, nitrous oxide, sulfur hexafluoride, hydrofluorocarbons,
26 perfluorocarbons, and other fluorinated greenhouse gases.

27 (28) "New energy or capacity need" means any electricity
28 generation needed by an electric utility, as the term "electric
29 utility" is defined in RCW 19.29A.010, to meet any of the following:

- 30 (a) Electricity load growth;
31 (b) Changes in capacity needs;
32 (c) Changes in ancillary services needs;
33 (d) Changes in reliability needs;
34 (e) Changes in flexibility needs;
35 (f) Needs arising due to replacing electricity generation; or
36 (g) Needs arising due to replacing expiring electricity resource
37 contracts.

38 (29) "North American electric reliability corporation" means the
39 electricity reliability organization designated by the federal energy
40 regulatory commission to ensure legal compliance with mandatory

1 electricity reliability standards in accordance with the energy
2 policy act of 2005 (119 Stat. 941; 16 U.S.C. Sec. 824o).

3 (30) "Tier 1 contract" means a power sales contract between an
4 electric utility and the Bonneville power administration under which
5 the utility purchases power from the Bonneville power administration
6 at rates established in accordance with the Bonneville power
7 administration's tiered rate methodology.

8 **Sec. 2.** RCW 19.285.040 and 2017 c 315 s 2 are each amended to
9 read as follows:

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

12 (a) By January 1, 2010, using methodologies consistent with those
13 used by the Pacific Northwest electric power and conservation
14 planning council in the most recently published regional power plan
15 as it existed on June 12, 2014, or a subsequent date as may be
16 provided by the department or the commission by rule, each qualifying
17 utility (~~shall~~) must identify its achievable cost-effective
18 conservation potential through 2019. Nothing in the rule adopted
19 under this subsection precludes a qualifying utility from using its
20 utility specific conservation measures, values, and assumptions in
21 identifying its achievable cost-effective conservation potential. At
22 least every two years thereafter, the qualifying utility (~~shall~~)
23 must review and update this assessment for the subsequent ten-year
24 period.

25 (b) Beginning January 2010, each qualifying utility (~~shall~~)
26 must establish and make publicly available a biennial acquisition
27 target for cost-effective conservation consistent with its
28 identification of achievable opportunities in (a) of this subsection,
29 and meet that target during the subsequent two-year period. At a
30 minimum, each biennial target must be no lower than the qualifying
31 utility's pro rata share for that two-year period of its cost-
32 effective conservation potential for the subsequent ten-year period.

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

1 (ii) Beginning January 1, 2014, a qualifying utility may use
2 single large facility conservation savings in excess of its biennial
3 target to meet up to an additional five percent of the immediately
4 subsequent two biennial acquisition targets, such that no more than
5 twenty-five percent of any biennial target may be met with excess
6 conservation savings allowed under all of the provisions of this
7 section combined. For the purposes of this subsection (1)(c)(ii),
8 "single large facility conservation savings" means cost-effective
9 conservation savings achieved in a single biennial period at the
10 premises of a single customer of a qualifying utility whose annual
11 electricity consumption prior to the conservation savings exceeded
12 five average megawatts.

13 (iii) Beginning January 1, 2012, and until December 31, 2017, a
14 qualifying utility with an industrial facility located in a county
15 with a population between ninety-five thousand and one hundred
16 fifteen thousand that is directly interconnected with electricity
17 facilities that are capable of carrying electricity at transmission
18 voltage may use cost-effective conservation from that industrial
19 facility in excess of its biennial acquisition target to help meet
20 the immediately subsequent two biennial acquisition targets, such
21 that no more than twenty-five percent of any biennial target may be
22 met with excess conservation savings allowed under all of the
23 provisions of this section combined.

24 (d) In meeting its conservation targets, a qualifying utility may
25 count high-efficiency cogeneration owned and used by a retail
26 electric customer to meet its own needs. High-efficiency cogeneration
27 is the sequential production of electricity and useful thermal energy
28 from a common fuel source, where, under normal operating conditions,
29 the facility has a useful thermal energy output of no less than
30 thirty-three percent of the total energy output. The reduction in
31 load due to high-efficiency cogeneration (~~shall~~) must be: (i)
32 Calculated as the ratio of the fuel chargeable to power heat rate of
33 the cogeneration facility compared to the heat rate on a new and
34 clean basis of a best-commercially available technology
35 combined-cycle natural gas-fired combustion turbine; and (ii) counted
36 towards meeting the biennial conservation target in the same manner
37 as other conservation savings.

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

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

3 (2)(a) Except as provided in (j) of this subsection, each
4 qualifying utility (~~shall~~) must use eligible renewable resources or
5 acquire equivalent renewable energy credits, or any combination of
6 them, to meet the following annual targets:

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

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

11 (iii) At least fifteen percent of its load by January 1, 2020,
12 and each year thereafter until January 1, 2028.

13 (b) A qualifying utility may count distributed generation at
14 double the facility's electrical output if the utility: (i) Owns or
15 has contracted for the distributed generation and the associated
16 renewable energy credits; or (ii) has contracted to purchase the
17 associated renewable energy credits.

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

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

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

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

38 (i) Eligible renewable resources or distributed generation where
39 the associated renewable energy credits are owned by a separate
40 entity; or

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

4 (g) Where fossil and combustible renewable resources are cofired
5 in one generating unit located in the (~~Pacific Northwest~~) western
6 interconnection where the cofiring commenced after March 31, 1999,
7 the unit (~~shall be~~) is considered to produce eligible renewable
8 resources in direct proportion to the percentage of the total heat
9 value represented by the heat value of the renewable resources.

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

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

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

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

20 (i) A qualifying utility (~~shall be~~) is considered in compliance
21 with an annual target in (a) of this subsection if events beyond the
22 reasonable control of the utility that could not have been reasonably
23 anticipated or ameliorated prevented it from meeting the renewable
24 energy target. Such events include weather-related damage, mechanical
25 failure, strikes, lockouts, and actions of a governmental authority
26 that adversely affect the generation, transmission, or distribution
27 of an eligible renewable resource under contract to a qualifying
28 utility.

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

33 (ii) A qualifying utility may no longer use electricity and
34 associated renewable energy credits from a qualified biomass energy
35 facility if the associated industrial pulping or wood manufacturing
36 facility ceases operation other than for purposes of maintenance or
37 upgrade.

38 (k) An industrial facility that hosts a qualified biomass energy
39 facility may only transfer or sell renewable energy credits
40 associated with qualified biomass energy generated at its facility to

1 the qualifying utility with which it is directly interconnected with
2 facilities owned by such a qualifying utility and that are capable of
3 carrying electricity at transmission voltage. The qualifying utility
4 may only use an amount of renewable energy credits associated with
5 qualified biomass energy that are equivalent to the proportionate
6 amount of its annual targets under (a)(ii) and (iii) of this
7 subsection that was created by the load of the industrial facility. A
8 qualifying utility that owns a qualified biomass energy facility may
9 not transfer or sell renewable energy credits associated with
10 qualified biomass energy to another person, entity, or qualifying
11 utility.

12 (l) Beginning January 1, 2018, a qualifying utility may use
13 eligible renewable resources as identified under RCW 19.285.030(12)
14 (g) and (h) to meet its compliance obligations under this subsection
15 (2). A qualifying utility may not transfer or sell these eligible
16 renewable resources to another utility for compliance purposes under
17 this chapter.

18 (m) Renewable energy credits allocated under RCW
19 19.285.030(12)(h) may not be transferred or sold to another
20 qualifying utility for compliance under this chapter.

21 (n)(i) Beginning January 1, 2020, a qualifying utility is in
22 compliance with an annual target in (a) of this subsection if: (A)
23 The utility uses any combination of eligible renewable resources and
24 clean energy resources that are not eligible renewable resources to
25 serve one hundred percent of its load; and (B) the utility makes
26 carbon reduction investments in a dollar amount that is at least
27 equal to the incremental cost of complying with the annual target in
28 (a) of this subsection, as calculated pursuant to RCW 19.285.050.

29 (ii) In using the compliance pathway established in (n)(i) of
30 this subsection, a qualifying utility may not count the same resource
31 as both a clean energy resource and a carbon reduction investment.

32 (iii) Except as provided in RCW 19.285.030(15)(b), any tradable
33 certificate of proof of a clean energy resource, including but not
34 limited to a renewable energy credit, associated with the portion of
35 any resource or resources used to satisfy the requirements of the
36 compliance pathway established in (n)(i) of this subsection must be
37 retired for the purposes of this section and cannot be sold,
38 transferred, or used for other purposes. A qualifying utility may not
39 use a tradable certificate or proof of a clean energy resource,
40 including but not limited to a renewable energy credit, to meet the

1 requirements of this section if the associated energy or capacity has
2 been sold, transferred, or otherwise used separately.

3 (3) Utilities that become qualifying utilities after December 31,
4 2006, (~~shall~~) must meet the requirements in this section on a time
5 frame comparable in length to that provided for qualifying utilities
6 as of December 7, 2006.

7 NEW SECTION. Sec. 3. (1) This section is the tax preference
8 performance statement for the tax preferences established in sections
9 4 through 6, chapter . . . , Laws of 2018 (sections 4 through 6 of
10 this act). This performance statement is only intended to be used for
11 subsequent evaluation of the tax preferences. It is not intended to
12 create a private right of action by any party or be used to determine
13 eligibility for preferential tax treatment.

14 (2) The legislature categorizes the tax preferences created under
15 sections 4 through 6, chapter . . . , Laws of 2018 (sections 4 through
16 6 of this act) as intended to induce certain designated behavior by
17 taxpayers, as indicated in RCW 82.32.808(2)(a).

18 (3) It is the legislature's specific public policy objective to
19 reduce the cost of transitioning to electric generation sources that
20 have very low or zero carbon dioxide emissions. It is the intent of
21 the legislature to provide a suite of tax preferences in order to
22 reduce the cost to ratepayers of constructing and operating new
23 renewable energy generation capacity equal to or greater than
24 necessary to serve projected Washington electricity load growth, as
25 measured by projections in the most recently adopted Northwest power
26 and conservation council power plan.

27 (4) The legislature does not intend to extend the expiration date
28 of the tax preferences contained in this act.

29 (5) Because the tax preferences contained in this act are not for
30 the primary purpose of creating or retaining jobs or attracting or
31 attaining businesses, and because the legislature does not intend to
32 extend the expiration of the tax preferences, the legislature does
33 not intend for a review by the joint legislative audit and review
34 committee.

35 **Sec. 4.** RCW 82.16.055 and 1980 c 149 s 3 are each amended to
36 read as follows:

37 (1) In computing tax under this chapter there (~~shall be~~) is
38 deducted from the gross income:

1 (a) An amount equal to the cost of production at the plant for
2 consumption within the state of Washington of:

3 (i) Electrical energy produced or generated from ~~((cogeneration))~~
4 combined heat and power as defined in RCW ~~((82.35.020))~~ 19.280.020;
5 and

6 (ii) Electrical energy or gas produced or generated from
7 renewable ~~((energy))~~ resources ~~((such as solar energy, wind energy,~~
8 ~~hydroelectric energy, geothermal energy, wood, wood wastes, municipal~~
9 ~~wastes, agricultural products and wastes, and end-use waste heat))~~ as
10 defined in RCW 19.285.030; and

11 (b) Those amounts expended to improve consumers' efficiency of
12 energy end use or to otherwise reduce the use of electrical energy or
13 gas by the consumer.

14 (2) This section applies only to the following facilities:

15 (a) New facilities for the production or generation of energy
16 from ~~((cogeneration or renewable energy resources))~~ combined heat and
17 power or renewable resources or measures to improve the efficiency of
18 energy end use on which construction or installation is begun after
19 June 12, 1980, and before January 1, 1990; and

20 (b) New facilities for the production or generation of
21 electricity from renewable resources on which construction or
22 installation is begun after January 1, 2020, and before January 1,
23 2028.

24 (3) Deductions under subsection (1)(a) of this section ~~((shall~~
25 ~~be))~~ are allowed for a period not to exceed thirty years after the
26 project is placed in operation.

27 (4) Measures or projects encouraged under this section ~~((shall))~~
28 at the time they are placed in service must be reasonably expected to
29 save, produce, or generate energy at a total incremental system cost
30 per unit of energy delivered to end use which is less than or equal
31 to the incremental system cost per unit of energy delivered to end
32 use from similarly available conventional energy resources which
33 utilize nuclear energy or fossil fuels and which the gas or electric
34 utility could acquire to meet energy demand in the same time period.

35 (5) The department of revenue, after consultation with the
36 utilities and transportation commission in the case of investor-owned
37 utilities and the governing bodies of locally regulated utilities,
38 ~~((shall))~~ must determine the eligibility of individual projects and
39 measures for deductions under this section.

40 (6) This section expires January 1, 2029.

1 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.16
2 RCW to read as follows:

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

5 (a) "Carbon reduction investment" means an investment in support
6 of eligible projects or actions that reduce, prevent, or remove from
7 the atmosphere the emissions of greenhouse gases in the state. An
8 eligible project or action includes, but is not limited to,
9 investment in the following: (i) Installation of electric vehicle
10 chargers and related infrastructure and other transportation
11 electrification measures; (ii) demand side management of electricity
12 consumption; (iii) energy storage technologies; and (iv) carbon
13 sequestration programs, including forest health investments.

14 (b) "Greenhouse gas" means carbon dioxide, methane, nitrogen
15 trifluoride, nitrous oxide, sulfur hexafluoride, hydrofluorocarbons,
16 perfluorocarbons, and other fluorinated greenhouse gases.

17 (2) In computing the tax imposed under this chapter, a credit is
18 authorized for persons who reduce their own greenhouse gas emissions
19 through carbon reduction investment projects.

20 (3)(a) The credit is equal to the total amount of carbon
21 reduction investment project expenditures of a person.

22 (b) Credit may be earned by a person for multiple carbon
23 reduction investment projects.

24 (c) Credit earned under this section may equal or exceed the tax
25 otherwise due under this chapter for the tax reporting period. Any
26 unused credit may be accrued and carried over until it is used.

27 (4) No application is necessary for the tax credit. The person
28 must keep records necessary for the department to verify eligibility
29 under this section. The person is subject to all of the requirements
30 of chapter 82.32 RCW. No refunds may be granted for credits under
31 this section.

32 (5) If at any time the department finds that a person is not
33 eligible for the tax credit under this section, the amount of taxes
34 for which a credit has been claimed is immediately due. The
35 department must assess interest, but not penalties, on the taxes for
36 which the person is not eligible. The interest must be assessed at
37 the rate provided for delinquent excise taxes under chapter 82.32
38 RCW, is retroactive to the date the tax credit was taken, and accrues
39 until the taxes for which a credit has been used are repaid.

1 (6) A person claiming the credit under this section must file a
2 complete annual report with the department under RCW 82.32.534.

3 (7) This section expires January 1, 2029.

4 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.63
5 RCW to read as follows:

6 (1)(a) Except as otherwise provided in this section, the
7 department must issue a sales and use tax deferral certificate for
8 state and local sales and use taxes due under chapters 82.08, 82.12,
9 82.14, and 81.104 RCW on each eligible renewable energy investment
10 project.

11 (b) The amount of tax imposed under chapters 82.08 and 82.12 RCW
12 eligible for a deferral under a certificate issued pursuant to this
13 section is limited to one million dollars per eligible renewable
14 energy investment project per person. Once a person reaches the one
15 million dollar limit in this subsection (1)(b), the person may no
16 longer defer under this chapter any state or local sales or use taxes
17 due on the eligible renewable energy investment project.

18 (2) The department may not issue deferral certificates under this
19 section until January 1, 2020.

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

22 (a) "Eligible renewable energy investment project" means an
23 investment project that either initiates a new renewable energy
24 generation facility or expands, upgrades, or improves a current
25 renewable energy generation facility by increasing its energy
26 efficiency or energy capacity, and includes new or upgraded
27 transmission and distribution infrastructure necessary to connect the
28 project to the electrical grid.

29 (b) "Renewable energy generation facility" means an electric
30 generation facility powered by a renewable resource, as that term is
31 defined in RCW 19.285.030.

32 (4) This section expires January 1, 2028.

33 NEW SECTION. **Sec. 7.** (1)(a) A legislative task force on carbon
34 free, renewable, and economical energy is established, with members
35 as provided in this subsection (1).

36 (i) The president of the senate must appoint two voting members
37 from each of the two largest caucuses of the senate.

1 (ii) The speaker of the house of representatives must appoint two
2 voting members from each of the two largest caucuses of the house of
3 representatives.

4 (iii) The president of the senate and the speaker of the house of
5 representatives jointly must appoint the following nonvoting members
6 representing relevant stakeholders:

7 (A) The governor, or the governor's designee;

8 (B) Three representatives of investor-owned utilities;

9 (C) Four representatives of consumer-owned utilities, with one
10 representative of each of the following: A utility that owns and
11 operates thermal electric generation resources, a utility that owns
12 and operates hydroelectric generation resources, a utility that does
13 not own and operate thermal electric generation resources or
14 hydroelectric generation resources, and a rural electric cooperative;

15 (D) One representative of industrial ratepayers;

16 (E) One representative of the Bonneville power administration;

17 (F) Three representatives of organizations which advocate for
18 clean energy technologies and greenhouse gas emissions reductions;

19 (G) One representative of a statewide labor organization; and

20 (H) Public counsel or an advocate for electric utility ratepayers
21 designated by public counsel.

22 (iv) The governor must appoint nonvoting members in an advisory
23 role including, but not limited to, the following:

24 (A) One representative of the Washington state utilities and
25 transportation commission;

26 (B) One representative of the department of commerce;

27 (C) Two representatives of the two largest state institutions of
28 higher education;

29 (D) One representative of the Pacific Northwest national
30 laboratory;

31 (E) An expert in, or developer of, clean energy technologies;

32 (F) One representative of the Northwest power and planning
33 council; and

34 (G) One representative of the Western electricity coordinating
35 council.

36 (b) The task force must choose its cochairs from among its
37 legislative membership. The chair of the joint committee on energy
38 supply and energy conservation shall convene the initial meeting of
39 the task force.

1 (2) The task force must determine the appropriate carbon
2 reduction targets for electric utilities, to be achieved according to
3 the following schedule:

4 (a) January 1, 2030, and each year thereafter through December
5 31, 2034;

6 (b) January 1, 2035, and each year thereafter through December
7 31, 2039;

8 (c) January 1, 2040, and each year thereafter through December
9 31, 2044; and

10 (d) January 1, 2045, and each year thereafter.

11 (3) In determining the targets under subsection (2) of this
12 section, the task force must review the technological feasibility,
13 timeline, cost, and other impacts of transitioning Washington's
14 electricity sector to carbon free generation resources, including but
15 not limited to the following issues:

16 (a) Technological feasibility, including an examination of
17 resources known to be commercially available, the potential for
18 storage, and replacement of baseload fossil fuel generation;

19 (b) Reliability, ratepayer costs, and regional market impacts,
20 including impacts on multistate utilities, energy imbalance markets,
21 the potential for negative pricing, and impacts on renewable energy
22 credit markets;

23 (c) The unique aspects of Washington's utilities;

24 (d) The effect of transportation electrification and the
25 electrification of other sectors on a utility's load;

26 (e) The potential policy interactions between an emission
27 reduction requirement for the electricity sector and other carbon
28 reduction policies;

29 (f) An assessment of appropriate incentives, if any, to
30 facilitate the transition to carbon free generation resources;

31 (g) Federal and state regulatory and legal considerations; and

32 (h) Equitable treatment among utilities.

33 (4) Staff support for the task force must be provided by the
34 senate committee services and the house of representatives office of
35 program research.

36 (5) Legislative members of the task force are reimbursed for
37 travel expenses in accordance with RCW 44.04.120. Nonlegislative
38 members are not entitled to be reimbursed for travel expenses if they
39 are elected officials or are participating on behalf of an employer,

1 governmental entity, or other organization. Any reimbursement for
2 other nonlegislative members is subject to chapter 43.03 RCW.

3 (6) The expenses of the task force must be paid jointly by the
4 senate and the house of representatives. Task force expenditures are
5 subject to approval by the senate facilities and operations committee
6 and the house of representatives executive rules committee, or their
7 successor committees.

8 (7) The task force must convene at least four meetings in 2018.

9 (8) In order for a recommendation to be included in the report,
10 it must be supported by a majority of the task force's voting
11 members. Minority reports or comments must be included in the report.

12 (9) The task force must report its findings and recommendations
13 to the governor and the appropriate committees of the legislature, in
14 compliance with RCW 43.01.036, by January 1, 2019.

15 (10) This section expires January 1, 2019.

16 NEW SECTION. **Sec. 8.** (1) The following acts or parts of acts,
17 as now existing or hereafter amended, are each repealed, effective
18 upon the effective date of any act by the legislature that imposes a
19 tax, fee, or other monetary price on the carbon content of fossil
20 fuels and electricity sold or used within the state, such as a carbon
21 tax or cap-and-trade program:

22 (a) RCW 19.285.010 (Intent) and 2007 c 1 s 1;

23 (b) RCW 19.285.020 (Declaration of policy) and 2007 c 1 s 2;

24 (c) RCW 19.285.030 (Definitions) and 2017 c 315 s 1 & 2014 c 45 s
25 1;

26 (d) RCW 19.285.040 (Energy conservation and renewable energy
27 targets) and 2017 c 315 s 2, 2014 c 26 s 1, 2013 c 158 s 2, 2012 c 22
28 s 3, & 2007 c 1 s 4;

29 (e) RCW 19.285.045 (Energy conservation and renewable energy
30 targets—Analysis and advisory opinion) and 2012 c 254 s 1;

31 (f) RCW 19.285.050 (Resource costs) and 2007 c 1 s 5;

32 (g) RCW 19.285.060 (Accountability and enforcement—Energy
33 independence act special account) and 2015 c 225 s 22 & 2007 c 1 s 6;

34 (h) RCW 19.285.070 (Reporting and public disclosure) and 2007 c 1
35 s 7;

36 (i) RCW 19.285.080 (Rule making) and 2017 c 315 s 3 & 2007 c 1 s
37 8;

38 (j) RCW 19.285.900 (Construction—2007 c 1) and 2007 c 1 s 9; and

1 (k) RCW 19.285.902 (Short title—2007 c 1) and 2007 c 1 s 11.

2 (2) The department of commerce must provide written notice of the
3 effective date of the act that repeals the sections identified in
4 this section to all affected parties, the chief clerk of the house of
5 representatives, the secretary of the senate, the office of the code
6 reviser, and others as deemed appropriate by the department of
7 commerce.

8 NEW SECTION. **Sec. 9.** This act may be known and cited as the
9 carbon free Washington act."

10 Correct the title.

EFFECT: Strikes the underlying material. Suspends the 15 percent annual renewable resource target under the Energy Independence Act beginning January 1, 2028. Establishes tax preferences for certain renewable energy and carbon reduction investments. Establishes a legislative task force on carbon free, renewable, and economical energy. Repeals the Energy Independence Act effective upon the effective date of any act by the legislature that imposes a tax, fee, or other monetary price on the carbon content of fossil fuels and electricity sold or used within the state, such as a carbon tax or cap-and-trade program.

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