
SUBSTITUTE HOUSE BILL 1211

State of Washington

66th Legislature

2019 Regular Session

By House Environment & Energy (originally sponsored by Representatives Tarleton, Doglio, Pollet, Stanford, Chapman, Peterson, Jinkins, Hudgins, Orwall, Wylie, Fitzgibbon, Valdez, Dolan, Sells, Ryu, Senn, Callan, Ortiz-Self, Fey, Morris, Slatter, Walen, Macri, Tharinger, Goodman, Kloba, Riccelli, and Robinson; by request of Governor Inslee)

READ FIRST TIME 02/08/19.

1 AN ACT Relating to supporting Washington's clean energy economy
2 and transitioning to a clean, affordable, and reliable energy future;
3 amending RCW 19.280.030, 80.84.010, 82.08.962, 82.12.962, 80.04.250,
4 and 43.21F.090; adding new sections to chapter 80.28 RCW; adding a
5 new chapter to Title 19 RCW; creating new sections; prescribing
6 penalties; providing expiration dates; and declaring an emergency.

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

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

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

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

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

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

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

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

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

6 (7) The legislature recognizes the value of quickly developing
7 new nonemitting sources of electricity and seeks to expedite
8 permitting and remove regulatory burdens to the siting of all
9 nonemitting sources of electricity.

10 NEW SECTION. **Sec. 2.** The definitions in this section apply
11 throughout this chapter unless the context clearly requires
12 otherwise.

13 (1) "Administrative penalty" means, for any calendar year, an
14 amount equal to the lesser of: (a) The maximum administrative penalty
15 rate for such a calendar year; or (b) the applicable carbon tax or
16 fee, if any, as expressed in dollars per metric ton of carbon dioxide
17 for such a calendar year.

18 (2) "Allocation of electricity" means, for the purposes of
19 setting electricity rates, the costs and benefits associated with the
20 resources used to provide electricity to an electric utility's retail
21 electricity consumers that are located in this state.

22 (3) "Alternative compliance payment" means the payment
23 established in section 8(2) of this act.

24 (4) "Attorney general" means the Washington state office of the
25 attorney general.

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

31 (6)(a) "Biomass energy" includes: (i) Organic by-products of
32 pulping and the wood manufacturing process; (ii) animal manure; (iii)
33 solid organic fuels from wood; (iv) forest or field residues; (v)
34 untreated wooden demolition or construction debris; (vi) food waste
35 and food processing residuals; (vii) liquors derived from algae;
36 (viii) dedicated energy crops; and (ix) yard waste.

37 (b) "Biomass energy" does not include: (i) Wood pieces that have
38 been treated with chemical preservatives such as creosote,

1 pentachlorophenol, or copper-chrome-arsenic; (ii) wood from old
2 growth forests; or (iii) municipal solid waste.

3 (7) "Carbon credit" has the same meaning as defined in RCW
4 80.70.010.

5 (8) "Carbon dioxide emissions content inherent in electricity"
6 means the carbon dioxide generated by the production of electricity
7 from fossil fuels.

8 (9) "Carbon dioxide equivalent" has the same meaning as defined
9 in RCW 70.235.010.

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

13 (b) "Coal-fired resource" does not include an electric generating
14 facility that is included as part of a limited duration wholesale
15 power purchase, not to exceed one month, made by an electric utility
16 for delivery to retail electricity consumers that are located in this
17 state for which the source of the power is not known at the time of
18 entry into the transaction to procure the electricity.

19 (11) "Commission" means the Washington utilities and
20 transportation commission.

21 (12) "Conservation and efficiency resources" means any reduction
22 in electric power consumption that results from increases in the
23 efficiency of energy use, production, transmission, or distribution.

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

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

39 (15) "Department" means the department of commerce.

1 (16) "Distributed energy resource" means a nonemitting resource
2 that provides electric energy, capacity, or ancillary services to an
3 electric utility and that is located on the distribution system, any
4 subsystem of the distribution system, or behind the customer meter,
5 including conservation and energy efficiency.

6 (17) "Electric utility" means a consumer-owned utility or an
7 investor-owned utility.

8 (18) "Energy assistance" means a program undertaken by a utility
9 to reduce the household energy burden of its customers.

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

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

18 (19) "Energy assistance need" means the amount of assistance
19 necessary to achieve a level of household energy burden established
20 by the department or commission.

21 (20) "Energy burden" means the share of annual household income
22 used to pay annual home energy bills.

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

29 (b) "Energy transformation project" may include but is not
30 limited to:

31 (i) Home weatherization or other energy efficiency measures,
32 including market transformation for energy efficiency products, in
33 excess of the target established under RCW 19.285.040(1), if
34 applicable, other state obligations, or other obligations in effect
35 on the effective date of this section;

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

38 (A) Equipment on an electric utility's transmission and
39 distribution system to accommodate electric vehicle connections, and
40 smart grid systems that enable electronic interaction between the

1 electric utility and charging systems, and facilitate the utilization
2 of vehicle batteries for system needs;

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

4 (C) Incentives for property owners to install charging equipment
5 for electric vehicles; and

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

7 (iii) Investment in distributed energy resources;

8 (iv) Investments in renewable natural gas production, including
9 equipment to condition biogas, or equipment used solely for the
10 purpose of delivering biogas for consumption;

11 (v) Contributions to self-directed investments in the following
12 measures to serve the sites of large industrial gas and electrical
13 customers: (A) Conservation; (B) new renewable resources; (C) behind-
14 the-meter technology that facilitates demand response cooperation to
15 reduce peak loads; (D) infrastructure to support electrification of
16 transportation needs; or (E) renewable natural gas production,
17 including gas conditioning equipment for biogas; and

18 (vi) Projects and programs that achieve energy efficiency and
19 emission reductions in the agricultural sector, including bioenergy
20 and biogas projects.

21 (22) "Fossil fuel" means natural gas, petroleum, coal, or any
22 form of solid, liquid, or gaseous fuel derived from such a material.

23 (23) "Governing body" means the council of a city or town, the
24 commissioners of an irrigation district, municipal electric utility,
25 or public utility district, or the board of directors of an electric
26 cooperative or mutual association that has the authority to set and
27 approve rates.

28 (24) "Greenhouse gas" includes carbon dioxide, methane, nitrous
29 oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and
30 any other gas or gases designated by the department of ecology by
31 rule under RCW 70.235.010.

32 (25) "Greenhouse gas content calculation" means a calculation
33 made by the department of ecology, in consultation with the
34 department, for the purposes of determining the emissions from the
35 complete combustion or oxidation of fossil fuels and the greenhouse
36 gas emissions in electricity for use in calculating the greenhouse
37 gas emissions content in electricity, expressed in carbon dioxide
38 equivalent.

39 (26) "Highly impacted communities" are those communities
40 designated by the agencies based on cumulative impact analyses in

1 section 25 of this act and census tracts that are fully or partially
2 on "Indian country" as defined in 18 U.S.C. Sec. 1151.

3 (27) "Investor-owned utility" means a company owned by investors
4 that meets the definition of "corporation" in RCW 80.04.010 and is
5 engaged in distributing electricity to more than one retail electric
6 customer in the state.

7 (28) "Low-income" means household incomes as defined by the
8 department or commission, provided that the definition may not exceed
9 the higher of eighty percent of area median household income or two
10 hundred percent of the federal poverty level, adjusted for household
11 size.

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

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

19 (b) "Natural gas" does not include renewable natural gas or the
20 portion of renewable natural gas when blended into other fuels.

21 (31)(a) "Nonemitting electric generation" means electricity from
22 a generating facility or a resource, including a distributed energy
23 resource, that provides electric energy, capacity, or ancillary
24 services to an electric utility and that does not emit greenhouse
25 gases as a by-product of energy generation.

26 (b) "Nonemitting electric generation" does not include renewable
27 resources.

28 (32)(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, including but not limited to the
32 facility's fuel type, geographic location, vintage, qualification as
33 a renewable resource, and avoided emissions of pollutants to the air,
34 soil, or water, and avoided emissions of carbon dioxide and other
35 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 (33) "Permanent carbon credit" means a carbon credit that
6 satisfies the criteria established in RCW 80.70.030.

7 (34) "Qualified transmission line" means an overhead transmission
8 line that is: (a) Designed to carry a voltage in excess of one
9 hundred thousand volts; (b) owned in whole or in part by an investor-
10 owned utility; and (c) primarily or exclusively used by such an
11 investor-owned utility as of the effective date of this section to
12 transmit electricity generated by a coal-fired resource.

13 (35) "Renewable energy credit" means a tradable certificate of
14 proof of one megawatt-hour of a renewable resource. The certificate
15 includes all of the nonpower attributes associated with that one
16 megawatt-hour of electricity and the certificate is verified by a
17 renewable energy credit tracking system selected by the department.

18 (36) "Renewable natural gas" means a gas consisting largely of
19 methane and other hydrocarbons derived from the decomposition of
20 organic material in landfills, wastewater treatment facilities, and
21 anaerobic digesters.

22 (37) "Renewable resource" means: (a) Water; (b) wind; (c) solar
23 energy; (d) geothermal energy; (e) renewable natural gas; (f) wave,
24 ocean, or tidal power; (g) biodiesel fuel that is not derived from
25 crops raised on land cleared from old growth or first growth forests;
26 or (h) biomass energy.

27 (38)(a) "Retail electric customer" means a person or entity that
28 purchases electricity from any electric utility for ultimate
29 consumption and not for resale.

30 (b) "Retail electric customer" does not include, in the case of
31 any electric utility, any person or entity that purchases electricity
32 exclusively from nonemitting and eligible renewable resources, as
33 defined in RCW 19.285.030 as of January 1, 2019, pursuant to a
34 special contract with an investor-owned utility approved by an order
35 of the commission prior to the effective date of this section.

36 (39) "Retail electric load" means the amount of megawatt-hours of
37 electricity delivered in a given calendar year by an electric utility
38 to its Washington retail electric customers.

1 (40) "Unbundled renewable energy credit" means a renewable energy
2 credit that is sold, delivered, or purchased separately from
3 electricity.

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

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

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

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

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

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

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

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

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

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

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

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

21 (b) Through December 31, 2039, an electric utility may satisfy up
22 to twenty percent of its compliance obligation under (a) of this
23 subsection with an alternative compliance option consistent with this
24 section. Beginning January 1, 2040, through December 31, 2044, an
25 electric utility may satisfy up to ten percent of its compliance
26 obligation under (a) of this subsection with an alternative
27 compliance option consistent with this subsection. An alternative
28 compliance option may include any combination of the following:

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

31 (ii) Using unbundled renewable energy credits, including
32 unbundled renewable energy credits used for compliance with RCW
33 19.285.040. Renewable energy credits used for compliance with this
34 section may be banked and used for compliance within three years of
35 being generated;

36 (iii) Investing in energy transformation projects, including
37 additional conservation and efficiency resources beyond what is
38 otherwise required under this section, provided the projects meet the

1 requirements of subsection (2) of this section and are not credited
2 as resources used to meet the standard under (a) of this subsection.

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

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

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

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

30 (g) Nothing in this section prohibits an electric utility from
31 purchasing power from the Bonneville power administration.

32 (2) Investments in energy transformation projects used to satisfy
33 an alternative compliance option provided under subsection (1)(b) of
34 this section must use criteria developed by the department of
35 ecology, in consultation with the department and the commission. For
36 the purpose of crediting an energy transformation project toward the
37 standard in subsection (1)(a) of this section, the conversion factor
38 must be set in a manner consistent with the default emission factors
39 for electricity established for other markets in the western
40 interconnection, or, if the department has not adopted a default

1 emission factor by rule, 0.437 metric tons of carbon dioxide per
2 megawatt-hour of electricity. Emissions reductions from energy
3 transformation projects must be:

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

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

8 (c) Enforceable by the state of Washington;

9 (d) Verifiable;

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

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

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

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

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

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

37 (7) The commission, after a hearing, must adopt by order interim
38 targets for each investor-owned utility. The interim targets for an
39 investor-owned utility must be informed by the utility's clean energy
40 action plans submitted under RCW 19.280.030, beginning no later than

1 January 1, 2020. The commission must, at a minimum, adopt interim
2 targets for energy efficiency, demand response, and renewable energy.
3 The commission may adopt more stringent targets and periodically
4 adjust or expedite timelines if it can be demonstrated that levels of
5 attainment can be achieved in a manner consistent with the following:

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

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

10 (c) Ensuring that all customers are benefiting from the
11 transition to clean energy, including: An equitable distribution of
12 energy and nonenergy benefits and reduction of burdens to vulnerable
13 populations and highly impacted communities; long-term and short-term
14 public health and environmental benefits, costs, and risks; and
15 energy security and resiliency; and

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

20 (8) The governing body of a consumer-owned utility must adopt
21 interim targets, informed by the utility's clean energy action plans
22 submitted under RCW 19.280.030. The governing body must, at a
23 minimum, adopt interim targets for energy efficiency, demand
24 response, and renewable energy. The governing body may adopt more
25 stringent targets and periodically adjust or expedite timelines if it
26 can be demonstrated that levels of attainment can be achieved in a
27 manner consistent with the following:

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

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

32 (c) Ensuring that all customers are benefiting from the
33 transition to clean energy, including: An equitable distribution of
34 energy and nonenergy benefits and reduction of burdens to vulnerable
35 populations and highly impacted communities; long-term and short-term
36 public health and environmental benefits, costs, and risks; and
37 energy security and resiliency; and

38 (d) Ensuring that no customer or class of customers are
39 unreasonably harmed by resulting increases in the cost of utility-

1 supplied electricity necessary to comply with the standard
2 established under subsection (1) of this section.

3 (9) (a) In meeting interim targets established under this section,
4 an electric utility must, consistent with the requirements of RCW
5 19.285.040, if applicable, pursue all cost-effective, reliable, and
6 feasible conservation and efficiency resources, and demand response.
7 In making new investments, an electric utility must, to the maximum
8 extent feasible:

9 (i) Achieve targets at the lowest reasonable cost, considering
10 risk;

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

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

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

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

22 (11) In complying with this section, an electric utility must
23 seek to maximize equitable distribution of energy and nonenergy
24 benefits and reduction of burdens to vulnerable populations and
25 highly impacted communities; long-term and short-term public health
26 and environmental benefits, costs, and risks; and energy security and
27 resiliency.

28 (12) Customers who become market customers after the effective
29 date of this section must comply with the obligations of this
30 section.

31 (13) A market customer that purchases electricity exclusively
32 from carbon-free resources and eligible renewable resources, as
33 defined in RCW 19.285.030 as of January 1, 2019, pursuant to a
34 special contract with an investor-owned utility approved, prior to
35 the effective date of this section, by order of the commission must
36 be subject to the requirements of such an order and not to the
37 standards established in this section. For purposes of interpreting
38 any such special contract, chapter 19.285 RCW, as in effect on
39 January 1, 2019, is not, either directly or indirectly, amended or
40 supplemented.

1 NEW SECTION. **Sec. 5.** (1) It is the policy of the state that
2 nonemitting electric generation and electricity from renewable
3 resources supply one hundred percent of all retail sales of
4 electricity to Washington customers by January 1, 2045. By January 1,
5 2045, and each year thereafter, an electric utility must supply one
6 hundred percent of its retail electric sales using nonemitting
7 electric generation and renewable resources, or pay the
8 administrative penalty established under section 8(1) of this act. In
9 implementing this policy, the state must prioritize the maximization
10 of family wage job creation, seek to ensure that all customers are
11 benefiting from the transition to a clean energy economy, and provide
12 safeguards to ensure that the achievement of this policy does not
13 impair the reliability of the electricity system or impose
14 unreasonable costs on utility customers.

15 (2) Each electric utility must incorporate subsection (1) of this
16 section into all relevant planning and resource acquisition practices
17 and demonstrate compliance with this section annually, beginning
18 January 1, 2046.

19 (3) An electric utility must comply with the standard established
20 under subsection (1) of this section.

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

29 (5) The commission, for investor-owned utilities, or the
30 governing body, for consumer-owned utilities, may adopt more
31 stringent targets and may periodically adjust or expedite timelines
32 if it can be demonstrated that levels of attainment can be achieved
33 in a manner consistent with the following:

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

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

38 (c) Ensuring that all customers are benefiting from the
39 transition to clean energy, including: An equitable distribution of
40 energy and nonenergy benefits and reduction of burdens to vulnerable

1 populations and highly impacted communities; long-term and short-term
2 public health and environmental benefits, costs, and risks; and
3 energy security and resiliency; and

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

8 (6) In planning to meet projected demand consistent with the
9 requirements of subsection (2) of this section, an electric utility
10 must pursue all cost-effective, reliable, and feasible conservation
11 and efficiency resources, reductions in demand, and demand management
12 prior to making new investments to meet projected demand, and to the
13 maximum extent feasible must:

14 (a) Achieve targets at the lowest reasonable cost;

15 (b) Consider acquisition of existing surplus renewable resources;
16 and

17 (c) In the acquisition of new resources constructed after the
18 effective date of this section, rely on renewable resources, demand
19 response, and energy storage, insofar as doing so is consistent with
20 (a) of this subsection, the utility's clean energy action plan, and,
21 for an investor-owned utility, its compliance strategy developed
22 under RCW 19.280.030.

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

28 (8) (a) In satisfying the requirements of this section,
29 hydroelectric generation may not include new diversions, new
30 impoundments, new bypass reaches, or expansion of existing reservoirs
31 constructed after the effective date of this section unless the
32 diversions, bypass reaches, or reservoir expansions are necessary for
33 the operation of a pumped storage facility that: (i) Does not
34 conflict with existing state or federal fish recovery plans; and (ii)
35 complies with all local, state, and federal laws and regulations.

36 (b) Nothing in (a) of this subsection precludes an electric
37 utility that owns and operates hydroelectric generating facilities
38 from making efficiency or other improvements to its hydroelectric
39 generating facilities existing as of the effective date of this
40 section or installing hydroelectric generation in pipes, culverts,

1 irrigation canals, and other manmade waterways as long as those
2 changes do not create conflicts with existing state or federal fish
3 recovery plans and comply with all local, state, and federal laws and
4 regulations.

5 (9) Nothing in this section prohibits an electric utility from
6 purchasing power from the Bonneville power administration.

7 (10) Customers who become new market customers as of the
8 effective date of this section must comply with the obligations of
9 this section.

10 (11) Any market customer that purchases electricity exclusively
11 from carbon-free resources and eligible renewable resources, as
12 defined in RCW 19.285.030 as of January 1, 2019, pursuant to a
13 special contract with an investor-owned utility approved, prior to
14 the effective date of this section, by order of the commission is
15 subject to the requirements of such an order and not to the standards
16 established in this section. For the purposes of interpreting such a
17 special contract, chapter 19.285 RCW, as in effect on January 1,
18 2019, is not, either directly or indirectly, amended or supplemented.

19 NEW SECTION. **Sec. 6.** (1)(a) The department shall adopt rules
20 that establish how the department shall calculate the fuel mix for
21 the Bonneville power administration for the purposes of compliance
22 with sections 3 through 5 of this act. The department shall calculate
23 annually the percentage of the Bonneville power administration's
24 reported fuel mix that is electricity from renewable resources or
25 nonemitting electric generation. The department shall multiply this
26 percentage by the total megawatt-hours sold by the Bonneville power
27 administration to an electric utility or market customer in
28 Washington. The megawatt-hours resulting from this calculation must
29 be deemed to be the total megawatt-hours of electricity from
30 renewable resources and nonemitting electric generation resulting
31 from the power sold by the Bonneville power administration to an
32 electric utility or market customer.

33 (b) For the purposes of these calculations, the Bonneville power
34 administration may exclude from its fuel mix reported to the
35 department any purchases of electric generation that are made for the
36 purpose of serving load outside of the state of Washington.

37 (2) Each electric utility must disclose the greenhouse gas
38 content inherent in its electricity supply in conformance with this
39 section. A utility's disclosure must be consistent with the fuel

1 sources that it reports and discloses in compliance with chapter
2 19.29A RCW. The department must by rule incorporate the carbon
3 content disclosure into the power source or fuel mix disclosure
4 required under chapter 19.29A RCW.

5 (3) For unspecified sources of electricity, the utility must use
6 an emissions rate determined, and periodically updated, by the
7 department by rule.

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

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

16 (b) (i) An evaluation, produced in consultation with electric
17 utilities, transmission operators in Washington, the reliability
18 coordinator for electric utilities, and any regional planning
19 organization serving electric utilities, identifying the potential
20 benefits, impacts, and risks on system reliability associated with
21 achieving the standards described in sections 4 and 5 of this act.
22 The evaluation must assess whether electric utilities have sufficient
23 electric generation resources to meet forecasted retail electric load
24 in addition to adequate transmission capability to implement sections
25 3 through 5 of this act.

26 (ii) If the evaluation finds insufficient generation resources or
27 inadequate transmission capability, the evaluation must also identify
28 the mitigation and investments necessary to correct those
29 deficiencies at the lowest reasonable cost.

30 (c) An evaluation identifying the nature of any anticipated
31 financial costs and benefits to electric, gas, and water utilities,
32 including customer rate impacts and benefits including, but not
33 limited to:

34 (i) Rates of electric utilities;

35 (ii) Greenhouse gas emissions of electric utilities;

36 (iii) The allocation of risk between customers and electric
37 utilities;

38 (iv) The allocation of financial costs among electric utilities
39 in the state and whether retail electric customers are equitably

1 bearing the financial costs of implementing sections 3 through 5 of
2 this act;

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

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

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

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

10 NEW SECTION. **Sec. 8.** (1)(a) An electric utility that fails to
11 comply with the standards established in sections 3 through 5 of this
12 act shall pay an administrative penalty to the state of Washington in
13 the amount of one hundred dollars, times the following multipliers,
14 for each megawatt-hour of electric generation used to meet load that
15 is not electricity from a renewable resource or nonemitting electric
16 generation:

17 (i) 1.5 for coal-fired resources;

18 (ii) 0.84 for gas-fired peaking power plants; and

19 (iii) 0.55 for gas-fired combined-cycle power plants.

20 (b) Beginning in 2027, this penalty must be adjusted on a
21 biennial basis according to the rate of change of the inflation
22 indicator, gross domestic product implicit price deflator, as
23 published by the bureau of economic analysis of the United States
24 department of commerce or its successor. Beginning in 2040, the
25 commission may by rule increase this penalty for investor-owned
26 utilities if the commission determines that doing so will accelerate
27 utilities' compliance with the standards established under this
28 chapter and that doing so is in the public interest.

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

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

37 (i) After taking all reasonable measures, the investor-owned
38 utility's compliance with this chapter is likely to result in
39 conflicts with or compromises to its obligation to comply with the

1 mandatory and enforceable reliability standards of the North American
2 electric reliability corporation, violate prudent utility practice
3 for assuring resource adequacy, or compromise the power quality or
4 integrity of its system; or

5 (ii) The investor-owned utility is unable to comply with the
6 standards established in sections 3 through 5 of this act due to
7 reasons beyond the reasonable control of the investor-owned utility,
8 as set forth in subsection (8) of this section.

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

13 (i) Notwithstanding the standards established in sections 3
14 through 5 of this act, temporarily exempting the investor-owned
15 utility from the requirements of section 4 or 5 of this act for an
16 amount of time sufficient to allow the investor-owned utility to
17 achieve full compliance with the standard;

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

22 (iii) Directing the investor-owned utility to take specific
23 actions to achieve full compliance with the requirements of this
24 chapter.

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

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

32 (5)(a) The attorney general may, at the recommendation of the
33 auditor and, in accordance with the findings of the joint report to
34 the legislature submitted pursuant to section 7 of this act, relieve
35 a consumer-owned utility of its administrative penalty obligation
36 under subsection (1) of this section if the attorney general finds
37 that:

38 (i) The consumer-owned utility's compliance with this chapter is
39 likely to result in conflicts with or compromises to its obligation
40 to comply with the mandatory and enforceable reliability standards of

1 the North American electric reliability corporation, violate prudent
2 utility practice for assuring resource adequacy, or compromise the
3 power quality or integrity of its system;

4 (ii) The consumer-owned utility is unable to comply with the
5 standards established in sections 3 through 5 of this act due to
6 reasons beyond the reasonable control of the utility, as set forth in
7 subsection (8) of this section and based on documentation submitted
8 by the governing body of the consumer-owned utility.

9 (b) Notwithstanding the standards established in sections 3
10 through 5 of this act, the attorney general may issue a finding:

11 (i) Temporarily exempting the consumer-owned utility from the
12 requirements of section 4 or 5 of this act for an amount of time
13 sufficient to allow the consumer-owned utility to achieve full
14 compliance with the standard;

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

20 (iii) Directing the consumer-owned utility to take specific
21 actions to achieve full compliance with the requirements of this
22 chapter.

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

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

28 (6) Upon petition by an investor-owned utility, and after a
29 hearing, the commission may issue an order relieving the utility of
30 the requirements of this section if it finds that the utility had no
31 choice but to use electric generation that is not electricity from a
32 renewable resource or nonemitting electric generation to maintain the
33 reliability and safety of the grid. The commission may use its
34 standard practices and procedures to make a reliability determination
35 under this subsection. In making the determination, the commission
36 must prioritize reliability so as to prevent any service interruption
37 to customers.

38 (7) The auditor may relieve a consumer-owned utility of the
39 requirements of this section if the auditor finds that the utility
40 had no choice but to use electric generation that is not electricity

1 from a renewable resource or nonemitting electric generation to
2 maintain reliability and safety of the grid based on documentation
3 submitted by the governing body of the consumer-owned utility. In
4 making the determination, the auditor must prioritize reliability so
5 as to prevent any service interruption to customers.

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

10 (a) Weather-related damage;

11 (b) Natural disasters;

12 (c) Mechanical or resource failure;

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

15 (e) Labor strikes or lockouts;

16 (f) Actions of governmental authorities that adversely affect the
17 generation, transmission, or distribution of nonemitting electric
18 generation or renewable resources under contract to an electric
19 utility;

20 (g) Inability to acquire sufficient transmission to transmit
21 electricity from nonemitting electric generation or renewable
22 resources to load; and

23 (h) Substantial limitations, restrictions, or prohibitions on
24 nonemitting electric generation or renewable resources.

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

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

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

37 (12) For utilities that are not investor-owned utilities, the
38 auditor is responsible for auditing compliance with this chapter and
39 rules adopted under this chapter that apply to those utilities and
40 the attorney general is responsible for enforcing that compliance.

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

5 NEW SECTION. **Sec. 9.** (1) The commission may consider an
6 investor-owned utility to be in compliance with the requirements of
7 sections 4 and 5 of this act if the commission determines, after an
8 adjudicative hearing, that the cost of full compliance would create a
9 material and undue burden to be borne by retail electric customers of
10 the utility.

11 (2) In considering compliance under this section, the commission
12 shall require an investor-owned utility to demonstrate that it has
13 achieved as much compliance with the requirements of sections 4 and 5
14 of this act as is reasonably possible, and that it has attempted to
15 maximize the cumulative benefits to retail electric customers
16 consistent with the goals and objectives of this chapter.

17 NEW SECTION. **Sec. 10.** (1) The department must adopt rules
18 establishing reporting requirements for electric utilities to
19 demonstrate compliance with this chapter. The requirements must, to
20 the extent practicable, be consistent with the disclosures required
21 under chapter 19.29A RCW.

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

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

26 NEW SECTION. **Sec. 11.** (1) It is the intent of this chapter that
27 the commission and department adopt rules to streamline the
28 implementation of this act with chapter 19.285 RCW to simplify
29 compliance and avoid duplicative processes. The commission may adopt
30 rules to ensure the proper implementation and enforcement of this
31 chapter as it applies to investor-owned utilities.

32 (2) The department may adopt rules to ensure the proper
33 implementation and enforcement of this chapter as it applies to
34 consumer-owned utilities. Nothing in this subsection may be construed
35 to restrict the rate-making authority of the governing body of a
36 consumer-owned utility as otherwise provided by law.

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

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

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

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

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

25 NEW SECTION. **Sec. 13.** (1) It is the intent of the legislature
26 to demonstrate progress toward making energy assistance funds
27 available to low-income households consistent with the targets
28 identified in this section.

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

35 (3) Beginning July 31, 2020, each retail supplier must disclose
36 the following information on energy assistance and energy assistance
37 need in their service territory. The disclosure must be updated

1 biennially and submitted to the department. The disclosure must
2 include, but is not limited to:

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

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

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

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

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

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

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

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

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

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

6 NEW SECTION. **Sec. 14.** (1) By December 31, 2020, the commission
7 and the department shall investigate and complete a consultant study
8 on the feasibility, need, and potential costs and benefits of
9 participation of electric utilities in interstate organized energy
10 markets to, among other things, integrate nonemitting electric
11 generation and renewable resources and other technologies that reduce
12 greenhouse gas emissions, reduce overall greenhouse gas emissions
13 content inherent in electricity, and implement sections 4 and 5 of
14 this act at the lowest reasonable cost and risk to electric utilities
15 and retail electric customers in the state.

16 (2) The commission and the department shall work with
17 stakeholders, including investor-owned utilities, consumer-owned
18 utilities, the Bonneville power administration, the Northwest power
19 and conservation council, and public interest groups and submit a
20 final report of the findings to the energy committees of the
21 legislature by January 7, 2020.

22 (3) This section expires January 31, 2021.

23 **Sec. 15.** RCW 19.280.030 and 2015 3rd sp.s. c 19 s 9 are each
24 amended to read as follows:

25 Each electric utility must develop a plan consistent with this
26 section.

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

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

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

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

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

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

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

25 (g) A determination of load loss probability under different
26 resource acquisition scenarios for implementing sections 3 through 5
27 of this act;

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

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

34 (j) The integration of the demand forecasts (~~and~~), resource
35 evaluations, and resource adequacy requirement into a long-range
36 assessment describing the mix of supply side generating resources and
37 conservation and efficiency resources that will meet current and
38 projected needs, including mitigating overgeneration events and
39 implementing sections 3 through 5 of this act, at the lowest
40 reasonable cost and risk to the utility and its (~~ratepayers~~)

1 customers, while maintaining and protecting the safety, reliable
2 operation, and balancing of its electric system; ((and

3 (g))) (k) A ((short-term)) ten-year clean energy action plan and
4 compliance strategy identifying the specific actions to be taken by
5 the utility consistent with the long-range integrated resource plan
6 and resource adequacy requirements, and proposing interim targets for
7 implementing sections 3 and 4 of this act at the lowest reasonable
8 cost, and at an acceptable resource adequacy standard;

9 (1) A twenty-year clean energy transformation plan identifying
10 the lowest reasonable cost pathways to implement section 5 of this
11 act.

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

28 (3)(a) An electric utility shall consider the social cost of
29 greenhouse gas emissions, as determined by the commission for
30 investor-owned utilities pursuant to section 16 of this act and the
31 department for consumer-owned utilities, when developing integrated
32 resource plans and clean energy action plans. An electric utility
33 must incorporate the social cost of greenhouse gas emissions as a
34 cost adder when:

35 (i) Evaluating and selecting conservation policies, programs, and
36 targets;

37 (ii) Developing integrated resource plans and clean energy action
38 plans; and

39 (iii) Evaluating and selecting intermediate term and long-term
40 resource options.

1 (b) For the purposes of this subsection: (i) Gas consisting
2 largely of methane and other hydrocarbons derived from the
3 decomposition of organic material in landfills, wastewater treatment
4 facilities, and anaerobic digesters must be considered a nonemitting
5 resource; and (ii) qualified biomass energy must be considered a
6 nonemitting resource.

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

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

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

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

18 (c) Explains why the resources in (b) of this subsection were
19 chosen and, if the resources chosen are not: (i) Renewable resources;
20 (ii) methods, commercially available technologies, or facilities for
21 integrating renewable resources, including addressing any
22 overgeneration event; or (iii) conservation and efficiency resources,
23 why such a decision was made; and

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

28 ~~((3))~~ (6) Assessments for demand side resources included in an
29 integrated resource plan may include combined heat and power systems
30 as one of the measures in a conservation supply curve. The value of
31 recoverable waste heat resulting from combined heat and power must be
32 reflected in analyses of cost-effectiveness under this subsection.

33 ~~((4))~~ (7) An electric utility that is required to develop a
34 resource plan under this section must complete its initial plan by
35 September 1, 2008.

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

38 ~~((6))~~ (9) Plans shall not be a basis to bring legal action
39 against electric utilities.

1 (~~(7)~~) (10) Each electric utility shall publish its final plan
2 either as part of an annual report or as a separate document
3 available to the public. The report may be in an electronic form.

4 NEW SECTION. **Sec. 16.** A new section is added to chapter 80.28
5 RCW to read as follows:

6 For the purposes of this act, and for other purposes as the
7 commission may prescribe, the cost of greenhouse gas emissions
8 resulting from the generation of electricity, including the effect of
9 emissions is equal to the cost per metric ton of carbon dioxide
10 equivalent emissions, using the two and one-half percent discount
11 rate, listed in table 2, technical support document: Technical update
12 of the social cost of carbon for regulatory impact analysis under
13 Executive Order No. 12866, published by the interagency working group
14 on social cost of greenhouse gases of the United States government,
15 August 2016. The commission must adjust the costs established in this
16 section to reflect the effect of inflation.

17 NEW SECTION. **Sec. 17.** A new section is added to chapter 80.28
18 RCW to read as follows:

19 (1) The legislature declares that changes in technology and the
20 structure of the energy industry may produce conditions under which
21 traditional rate of return, rate-based regulation of electrical and
22 gas companies may not in all cases provide the most efficient and
23 effective means of achieving the legislature's intent and the public
24 policy goals of this state as declared in chapters 19.280 and 19.285
25 RCW and this title. The commission should be authorized to employ an
26 alternative form of regulation if that alternative is better suited
27 to achieving those policy goals.

28 (2)(a) Subject to the conditions set forth in this chapter, the
29 commission may regulate an electrical or gas company by authorizing
30 an alternative form of regulation. The commission may determine the
31 manner and extent of any alternative form of regulation as may be
32 appropriate in the public interest, including, but not limited to,
33 authorizing an alternative form of regulation for all or individual
34 utility services.

35 (b) The commission shall consider, to the extent applicable, the
36 extent to which an alternative form of regulation is expected to:

37 (i) Align utility regulatory incentives with the public interest;

1 (ii) Maintain and enhance the ability of the electrical or gas
2 company to furnish safe, adequate, and efficient service to its
3 customers;

4 (iii) Support prudent and efficient use of the electrical or
5 natural gas system and utility operations;

6 (iv) Maintain and enhance overall electrical or natural gas
7 system reliability, security, and resilience;

8 (v) Allow an electrical or gas company to support and participate
9 in market transformation for enabling technologies without harming
10 competition;

11 (vi) Allow an electrical or gas company to be financially
12 indifferent as to: (A) The ownership of the property necessary to
13 furnish utility service to its customers; or (B) the quantity of
14 electricity or gas sold to its customers;

15 (vii) Reasonably protect customers, including low-income
16 customers, from associated short and long-term risks;

17 (viii) Ensure an appropriate level of consumer protection;

18 (ix) Support the achievement of state emissions reduction goals;

19 (x) Consider adverse environmental impacts; and

20 (xi) Provide for broad customer engagement to promote
21 participation by a diversity of customers, particularly underserved
22 communities or segments thereof, in the associated programs to help
23 achieve the criteria identified in this subsection (2)(b).

24 (3) An electrical or gas company may petition the commission to
25 establish an alternative form of regulation. The electrical or gas
26 company shall submit with the petition a plan for an alternative form
27 of regulation, which may include provisions establishing a reasonable
28 range for rate of return on investment. The plan must contain a
29 proposal for transition to the alternative form of regulation and the
30 proposed duration of the plan. The plan must also contain a proposal
31 for ensuring adequate customer service quality, including service
32 quality standards, and appropriate enforcement or remedial provisions
33 in the event the company fails to meet service quality standards or
34 performance measures. The commission also may initiate consideration
35 of alternative forms of regulation for a company or companies on its
36 own motion. The commission, after notice and hearing, shall issue an
37 order accepting, modifying, or rejecting the plan within eleven
38 months after the petition or motion is filed, unless extended by the
39 commission for good cause. Nothing in this section may be interpreted
40 as requiring an electrical or gas company to submit a petition for a

1 plan for an alternative form of regulation as part of or concurrent
2 with a general rate case or other proceeding for recovery of costs of
3 such a company.

4 (4) Not later than sixty days from the entry of the commission's
5 order, the electrical or gas company affected by the order shall file
6 with the commission: (a) An election to proceed with the alternative
7 form of regulation as authorized by the commission; or (b) an
8 election not to proceed with the alternative form of regulation as
9 authorized by the commission.

10 (5) The commission may waive such a regulatory requirement under
11 this title for an electrical or gas company subject to an alternative
12 form of regulation as may be appropriate to facilitate the
13 implementation of this section. However, as part of a proceeding to
14 consider alternative forms of regulation, the commission may not
15 waive any grant of legal rights to any person contained in this
16 chapter and chapter 80.04 RCW. The commission may waive different
17 regulatory requirements for different electrical or gas companies or
18 services if the different treatment is in the public interest.

19 (6) Upon petition by the electrical or gas company, and after
20 notice and hearing, the commission may rescind or modify an
21 alternative form of regulation in the manner requested by the
22 electrical or gas company.

23 (7) The commission or any person may file a complaint under RCW
24 80.04.110 alleging that an electrical or gas company under an
25 alternative form of regulation has not complied with the terms and
26 conditions set forth in the alternative form of regulation. The
27 complainant bears the burden of proving the allegations in the
28 complaint.

29 (8) During a state of emergency declared under RCW 43.06.010(12),
30 the governor may waive or suspend the operation or enforcement of
31 this section or any portion of this section or under any
32 administrative rule, and issue any orders to facilitate the operation
33 of state or local government or to promote and secure the safety and
34 protection of the civilian population.

35 **Sec. 18.** RCW 80.84.010 and 2016 c 220 s 1 are each amended to
36 read as follows:

37 The definitions in this section apply throughout this chapter
38 unless the context clearly requires otherwise.

1 (1) "Eligible coal plant" means a coal-fired electric generation
2 facility that: (a) ~~((Had two or fewer generating units as of January~~
3 ~~1, 1980, and four generating units as of January 1, 2016; (b))~~ Is
4 owned in whole or in part by more than one electrical company as of
5 January 1, 2016; and ~~((e))~~ (b) provides, as a portion of the load
6 served by the coal-fired electric generation facility, electricity
7 paid for in rates by customers in the state of Washington.

8 (2) "Eligible coal unit" means any generating unit of an eligible
9 coal plant.

10 NEW SECTION. **Sec. 19.** This section is the tax preference
11 performance statement for the tax preferences contained in sections
12 20 and 21, chapter . . ., Laws of 2019 (sections 20 and 21 of this
13 act). This performance statement is only intended to be used for
14 subsequent evaluation of the tax preference. It is not intended to
15 create a private right of action by any party or be used to determine
16 eligibility for preferential tax treatment.

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

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

35 (3) It is also the legislature's specific public policy objective
36 to provide an incentive for more of the projects that meet the
37 objectives of subsection (2) of this section to be constructed with
38 high labor standards, including family level wages and providing
39 benefits including health care and pensions, as well as maximizing

1 access to economic benefits from such projects for local workers and
2 diverse businesses.

3 (4) The joint legislative audit and review committee is not
4 required to perform a tax preference review under chapter 43.136 RCW
5 for the tax preferences contained in sections 20 and 21,
6 chapter . . . , Laws of 2019 (sections 20 and 21 of this act) and it
7 is the intent of the legislature to allow the tax preferences to
8 expire upon their scheduled expiration dates.

9 **Sec. 20.** RCW 82.08.962 and 2018 c 164 s 5 are each amended to
10 read as follows:

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

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

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

30 (i) Fifty percent of the state and local sales tax paid, if the
31 department of labor and industries certifies that the project
32 includes procurement from and contracts with women, minority, or
33 veteran-owned businesses, includes procurement from and contracts
34 with entities that have a history of complying with federal and state
35 wage and hour laws and regulations, apprenticeship utilization, and
36 preferred entry for workers living in the area where the project is
37 being constructed. In the event that a project is built without one
38 or more of these standards and a project developer or its designated
39 principle contractor demonstrates it has made all good faith efforts

1 to meet the standards but was unable to comply due to lack of
2 availability of qualified businesses or local hires, the department
3 of labor and industries may certify that the developer complied with
4 that standard;

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

10 (iii) One hundred percent of the state and local sales tax paid,
11 if the department of labor and industries certifies that the project
12 is developed under a community workforce agreement or project labor
13 agreement.

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

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

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

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

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

36 (a) "Biomass energy" includes: (i) By-products of pulping and
37 wood manufacturing process; (ii) animal waste; (iii) solid organic
38 fuels from wood; (iv) forest or field residues; (v) wooden demolition
39 or construction debris; (vi) food waste; (vii) liquors derived from
40 algae and other sources; (viii) dedicated energy crops; (ix)

1 biosolids; and (x) yard waste. "Biomass energy" does not include wood
2 pieces that have been treated with chemical preservatives such as
3 creosote, pentachlorophenol, or copper-chrome-arsenic; wood from old
4 growth forests; or municipal solid waste.

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

8 (c)(i) "Machinery and equipment" means fixtures, devices, and
9 support facilities that are integral and necessary to the generation
10 of electricity using fuel cells, wind, sun, biomass energy, tidal or
11 wave energy, geothermal resources, or technology that converts
12 otherwise lost energy from exhaust.

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

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

26 (4)(a) Machinery and equipment is "used directly" in generating
27 electricity by wind energy, solar energy, biomass energy, tidal or
28 wave energy, geothermal resources, or technology that converts
29 otherwise lost energy from exhaust if it provides any part of the
30 process that captures the energy of the wind, sun, biomass energy,
31 tidal or wave energy, geothermal resources, or technology that
32 converts otherwise lost energy from exhaust, converts that energy to
33 electricity, and stores, transforms, or transmits that electricity
34 for entry into or operation in parallel with electric transmission
35 and distribution systems.

36 (b) Machinery and equipment is "used directly" in generating
37 electricity by fuel cells if it provides any part of the process that
38 captures the energy of the fuel, converts that energy to electricity,
39 and stores, transforms, or transmits that electricity for entry into

1 or operation in parallel with electric transmission and distribution
2 systems.

3 ~~((4))~~ (5)(a)(i) A purchaser claiming an exemption in the form
4 of a remittance under subsection (1)(b) or (c) of this section must
5 pay the tax imposed by RCW 82.08.020 and all applicable local sales
6 taxes imposed under the authority of chapters 82.14 and 81.104 RCW.
7 The purchaser may then apply to the department for remittance in a
8 form and manner prescribed by the department. A purchaser may not
9 apply for a remittance under this section more frequently than once
10 per quarter. The purchaser must specify the amount of exempted tax
11 claimed and the qualifying purchases for which the exemption is
12 claimed. The purchaser must retain, in adequate detail, records to
13 enable the department to determine whether the purchaser is entitled
14 to an exemption under this section, including: Invoices; proof of tax
15 paid; and documents describing the machinery and equipment.

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

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

24 ~~((5))~~ (6) The exemption provided by this section expires
25 September 30, 2017, as it applies to: (a) Machinery and equipment
26 that is used directly in the generation of electricity using solar
27 energy and capable of generating no more than five hundred kilowatts
28 of electricity; or (b) sales of or charges made for labor and
29 services rendered in respect to installing such machinery and
30 equipment.

31 ~~((6))~~ (7) This section expires January 1, ~~((2020))~~ 2030.

32 **Sec. 21.** RCW 82.12.962 and 2018 c 164 s 7 are each amended to
33 read as follows:

34 (1)(a) ~~((Except as provided in RCW 82.12.963,))~~ Consumers who
35 have paid the tax imposed by RCW 82.12.020 on machinery and equipment
36 used directly in generating electricity using fuel cells, wind, sun,
37 biomass energy, tidal or wave energy, geothermal resources, or
38 technology that converts otherwise lost energy from exhaust, or to
39 sales of or charges made for labor and services rendered in respect

1 to installing such machinery and equipment, are eligible for an
2 exemption as provided in this section, but only if the purchaser
3 develops with such machinery, equipment, and labor a facility capable
4 of generating not less than one thousand watts of electricity.

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

10 ~~((2))~~ (c) Beginning on January 1, 2020, through December 31,
11 2030, the consumer is entitled to an exemption, in the form of a
12 remittance, under this subsection (1)(c) in an amount equal to:

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

27 (ii) Seventy-five percent of the state and local sales use tax
28 paid, if the department of labor and industries certifies that the
29 project complies with (c)(i) of this subsection and compensates
30 workers at prevailing wage rates determined by local collective
31 bargaining as determined by the department of labor and industries;
32 or

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

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

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

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

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

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

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

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

38 ~~((3))~~ (4) Purchases exempt under RCW 82.08.962 are also exempt
39 from the tax imposed under RCW 82.12.020.

1 ~~((4))~~ (5) The definitions in RCW 82.08.962 apply to this
2 section.

3 ~~((5))~~ (6) The exemption provided in subsection (1) of this
4 section does not apply:

5 (a) To machinery and equipment used directly in the generation of
6 electricity using solar energy and capable of generating no more than
7 five hundred kilowatts of electricity, or to sales of or charges made
8 for labor and services rendered in respect to installing such
9 machinery and equipment, when first use within this state of such
10 machinery and equipment, or labor and services, occurs after
11 September 30, 2017; and

12 (b) To any other machinery and equipment described in subsection
13 (1)(a) of this section, or to sales of or charges made for labor and
14 services rendered in respect to installing such machinery or
15 equipment, when first use within this state of such machinery and
16 equipment, or labor and services, occurs after December 31, ~~((2019))~~
17 2029.

18 ~~((6))~~ (7) This section expires January 1, ~~((2020))~~ 2030.

19 **Sec. 22.** RCW 80.04.250 and 2011 c 214 s 9 are each amended to
20 read as follows:

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

25 (2) The commission has power upon complaint or upon its own
26 motion to ascertain and determine the fair value for rate making
27 purposes of the property of any public service company used and
28 useful for service in this state by or during the rate effective
29 period and shall exercise such power whenever it deems such valuation
30 or determination necessary or proper under any of the provisions of
31 this title. ~~((In determining what property is used and useful for~~
32 ~~providing electric, gas, wastewater company services, or water~~
33 ~~service, the commission may include the reasonable costs of~~
34 ~~construction work in progress to the extent that the commission finds~~
35 ~~that inclusion is in the public interest.~~

36 ~~(2))~~ The valuation may include consideration of any property of
37 the public service company acquired or constructed by or during the
38 rate effective period, including the reasonable costs of construction
39 work in progress, to the extent that the commission finds that such

1 an inclusion is in the public interest and will yield fair, just,
2 reasonable, and sufficient rates.

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

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

13 ~~((3))~~ (5) The commission shall, before any hearing is had,
14 notify the complainants and the public service company concerned of
15 the time and place of such hearing by giving at least thirty days'
16 written notice thereof, specifying that at the time and place
17 designated a hearing will be held for the purpose of ascertaining the
18 value of the company's property, used and useful as aforesaid, which
19 notice must be sufficient to authorize the commission to inquire into
20 and pass upon the matters designated in this section.

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

24 **Sec. 23.** RCW 43.21F.090 and 1996 c 186 s 106 are each amended to
25 read as follows:

26 (1) The department shall review the state energy strategy ((as
27 developed under section 1, chapter 201, Laws of 1991, periodically
28 with the guidance of an advisory committee. For each review, an
29 advisory committee shall be established with a membership resembling
30 as closely as possible the original energy strategy advisory
31 committee specified under section 1, chapter 201, Laws of 1991.)) by
32 December 31, 2020, and at least once every eight years thereafter,
33 subject to funding provided for this purpose, for the purpose of
34 aligning the state energy strategy with the requirements of RCW
35 43.21F.088 and chapters 19.285 and 19.--- RCW (the new chapter
36 created in section 28 of this act), and the emission reduction
37 targets recommended by the department of ecology under RCW
38 70.235.040. The department must establish an energy strategy advisory
39 committee for each review to provide guidance to the department in

1 conducting the review. The membership of the energy strategy advisory
2 committee must consist of the following:

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

4 (b) One person recommended by investor-owned natural gas
5 utilities;

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

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

9 (e) One person recommended by municipally owned electric
10 utilities;

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

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

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

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

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

16 (k) One person recommended by the association of Washington
17 cities;

18 (l) One person recommended by the Washington association of
19 counties;

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

21 (n) One person recommended by businesses in the clean energy
22 industry;

23 (o) One person recommended by labor unions;

24 (p) Two persons recommended by civic organizations, one of which
25 must be a representative of a civic organization that represents
26 vulnerable populations;

27 (q) Two persons recommended by environmental organizations;

28 (r) One person representing independent power producers;

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

31 (t) One of the representatives of the state of Washington to the
32 Pacific Northwest electric power and conservation planning council
33 selected by the governor;

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

36 (v) One member from each of the two largest caucuses of the house
37 of representatives selected by the speaker of the house of
38 representatives; and

39 (w) One member from each of the two largest caucuses of the
40 senate selected by the majority leader of the senate.

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

6 (3) Upon completion of a public hearing regarding the advisory
7 committee's advice and recommendations for revisions to the energy
8 strategy, a written report shall be conveyed by the department to the
9 governor and the appropriate legislative committees. ((Any)) The
10 energy strategy advisory committee established under this section
11 ((shall)) must be dissolved within three months after their written
12 report is conveyed.

13 NEW SECTION. Sec. 24. (1) By January 1, 2020, the department of
14 commerce must convene an energy and climate policy advisory committee
15 to develop recommendations to the legislature for the coordination of
16 existing resources, or the establishment of new ones, for the
17 purposes of examining the costs and benefits of energy-related
18 policies, programs, functions, activities, and incentives on an on-
19 going basis and conducting other energy-related studies and analyses
20 as may be directed by the legislature.

21 (2) The advisory committee convened under this section must
22 consist of, at minimum, representatives of each the state's public
23 four-year institutions of higher education, the Pacific Northwest
24 National Laboratory, and the Washington state institute for public
25 policy.

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

30 NEW SECTION. Sec. 25. By December 31, 2020, the department of
31 health must develop a cumulative impact analysis to designate the
32 communities highly impacted by fossil fuel pollution and climate
33 change in Washington. The cumulative impact analysis may integrate
34 with and build upon other concurrent cross-agency efforts in
35 developing a cumulative impact analysis and population tracking
36 resources used by the department of health and analysis performed by
37 the University of Washington department of environmental and
38 occupational health sciences.

1 NEW SECTION. **Sec. 26.** (1) The legislature finds that based on
2 current technology, there will likely need to be upgrades to
3 electricity transmission and distribution infrastructure across the
4 state to meet the goals specified in this act. These facilities
5 require a significant planning horizon to deliver electricity
6 generation sites to retail electric load. Pursuant to RCW 80.50.040,
7 the energy facility site evaluation council chair shall convene a
8 transmission corridors work group and report its findings to the
9 governor and the appropriate committees of the legislature by
10 December 31, 2020.

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

29 (3) The work group shall:

30 (a) Review the need for upgraded and new electricity transmission
31 and distribution facilities to improve reliability, relieve
32 congestion, and enhance the capability of the transmission and
33 distribution facilities in the state to deliver electricity from
34 electric generation, nonemitting electric generation, or renewable
35 resources to retail electric load;

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

38 (c) Identify environmental review options that may be required to
39 complete the designation of such corridors and recommend ways to

1 expedite review of transmission projects without compromising
2 required environmental protection.

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

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

6 NEW SECTION. **Sec. 27.** This chapter may be known and cited as
7 the Washington clean energy transformation act.

8 NEW SECTION. **Sec. 28.** Sections 1 through 14 and 27 of this act
9 constitute a new chapter in Title 19 RCW.

10 NEW SECTION. **Sec. 29.** 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. 30.** This act is necessary for the immediate
15 preservation of the public peace, health, or safety, or support of
16 the state government and its existing public institutions, and takes
17 effect immediately.

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