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HOUSE BILL 1619

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State of Washington

68th Legislature

2023 Regular Session

By Representatives Fey, Duerr, and Wylie

Read first time 01/26/23. Referred to Committee on Environment & Energy.

1 AN ACT Relating to incentivizing development and acquisition of  
2 renewable energy resources; amending RCW 80.28.385; adding a new  
3 section to chapter 82.08 RCW; adding a new section to chapter 82.12  
4 RCW; adding a new section to chapter 80.28 RCW; creating new  
5 sections; and providing expiration dates.

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

7 NEW SECTION. **Sec. 1.** The legislature finds that renewable  
8 energy resources are a critical component to reducing overall carbon  
9 emissions. The legislature further finds it prudent to incentivize  
10 development of multiple types of renewable energy infrastructure in  
11 order to maintain energy reliability, resiliency, and security as the  
12 state transitions toward decarbonizing its energy resources.  
13 Therefore, it is the intent of the legislature to incentivize the  
14 development of renewable natural gas and green hydrogen and assist  
15 with the provision of decarbonized energy as a service.

16 NEW SECTION. **Sec. 2.** (1) This section is the tax preference  
17 performance statement for the tax preference contained in sections 3  
18 and 4, chapter . . ., Laws of 2023 (sections 3 and 4 of this act).  
19 This performance statement is only intended to be used for subsequent  
20 evaluation of the tax preference. It is not intended to create a

1 private right of action by any party or to be used to determine  
2 eligibility for preferential tax treatment.

3 (2) The legislature categorizes this tax preference as one  
4 intended to induce certain designated behavior by taxpayers, as  
5 indicated in RCW 82.32.808(2) (a).

6 (3) It is the legislature's specific public policy objective to  
7 promote the development of renewable natural gas projects.

8 (4) If the review finds that the total number of methane emission  
9 capture projects increase in number over the time of adoption of this  
10 exemption and the majority of those projects process the methane into  
11 renewable natural gas that is sold in Washington the legislature  
12 intends to extend the expiration date of this tax preference.

13 (5) In order to obtain the data necessary to perform the review  
14 in subsection (4) of this section, the joint legislative audit and  
15 review committee may refer to any data collected by the state.

16 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.08  
17 RCW to read as follows:

18 (1)(a) Beginning January 1, 2024, and subject to the requirements  
19 of this section, the tax imposed by RCW 82.08.020 does not apply to  
20 sales of machinery and equipment used directly in generating  
21 renewable natural gas, or the charges made for labor and services  
22 rendered in respect to installing such machinery and equipment  
23 including, but not limited to, machinery, equipment, and labor for a  
24 facility capable of connecting to the existing natural gas  
25 infrastructure.

26 (b) Beginning January 1, 2024, and subject to the requirements of  
27 this section, the tax imposed by RCW 82.08.020 does not apply to  
28 sales of machinery and equipment used directly in connecting a  
29 renewable natural gas facility to an end user of the renewable  
30 natural gas or to the existing natural gas infrastructure, or the  
31 charges made for labor and services rendered in respect to installing  
32 such machinery and equipment.

33 (2) A person claiming an exemption under this section must keep  
34 records necessary for the department to verify eligibility under this  
35 section. Sellers may make tax exempt sales under this section if the  
36 buyer provides the seller with an exemption certification in a form  
37 and manner prescribed by the department. The seller must retain a  
38 copy of the certification for the seller's files.

1 (3) The definitions in this subsection apply throughout this  
2 section and section 3 of this act unless the context clearly requires  
3 otherwise.

4 (a)(i) "Machinery and equipment" means fixtures, devices, and  
5 support facilities that are integral and necessary to the generation  
6 of renewable natural gas or the connecting to the existing natural  
7 gas infrastructure. "Machinery and equipment" does not include: (A)  
8 Hand-powered tools; (B) property with a useful life of less than one  
9 year; (C) repair parts required to restore machinery and equipment to  
10 normal working order; (D) replacement parts that do not increase  
11 productivity, improve efficacy, or extend the useful life of  
12 machinery and equipment; (E) buildings; or (F) building fixtures that  
13 are not integral and necessary to the generation of renewable natural  
14 gas or connecting to existing natural gas infrastructure that are  
15 permanently affixed to and become a physical part of a building.

16 (ii)(A) Machinery and equipment is "used directly" in the  
17 generation of renewable natural gas if it gathers and processes  
18 methane into a usable form of natural gas that would otherwise be  
19 released into the atmosphere.

20 (B) Machinery and equipment is "used directly" in the connection  
21 to existing natural gas infrastructure if it provides a mechanism to  
22 link a renewable natural gas facility to a natural gas pipeline.

23 (b) "Renewable natural gas" has the same meaning as defined in  
24 RCW 19.405.020.

25 (4) A person claiming the retail sales tax exemption under this  
26 section must file an annual tax preference report with the department  
27 as required in RCW 82.32.534.

28 (5) This section expires January 1, 2035.

29 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.12  
30 RCW to read as follows:

31 (1)(a) Beginning January 1, 2024, the provisions of this chapter  
32 do not apply to the use of machinery and equipment used directly in  
33 generating renewable natural gas, and labor and services rendered in  
34 respect to installing such machinery and equipment including, but not  
35 limited to, machinery, equipment, and labor at a facility capable of  
36 connecting to the existing natural gas infrastructure.

37 (b) Beginning January 1, 2024, the provisions of this chapter do  
38 not apply to the use of machinery and equipment used directly in  
39 connecting a renewable natural gas facility to an end user of the

1 renewable natural gas or to the existing natural gas infrastructure,  
2 and labor and services rendered in respect to installing such  
3 machinery and equipment.

4 (2) The eligibility requirements, conditions, and definitions in  
5 section 3 of this act apply to this section, including the filing of  
6 an annual tax preference report with the department under RCW  
7 82.32.534.

8 (3) This section expires January 1, 2035.

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

11 Each gas company may construct and maintain facilities and  
12 projects that reduce greenhouse gas emissions from the full  
13 combustion of natural gas delivered to customers in the state and  
14 from the consumption of electricity generated from fossil fuels by  
15 retail electric customers in the state, and each gas company may seek  
16 recovery of these investments in rates from the commission pursuant  
17 to this chapter. These investments may include, but are not limited  
18 to:

19 (1) Residential and commercial rooftop solar, including battery  
20 storage and supplemental solar;

21 (2) Community solar projects designed to offset carbon associated  
22 with the use of conventional natural gas;

23 (3) Ground source heat pumps as a compliance strategy under  
24 chapter 70A.65 RCW for district heating and targeted load reduction  
25 in new buildings;

26 (4) Renewable gaseous fuels projects, including renewable natural  
27 gas and green electrolytic hydrogen, along with associated facility  
28 and pipeline infrastructure, upgrades, and improvements for  
29 industrial and heavy duty transportation;

30 (5) Carbon capture and sequestration projects associated with  
31 natural gas projects and facilities; and

32 (6) Research, development, and pilot efforts pertaining to  
33 nonemitting natural gas equipment and technologies.

34 **Sec. 6.** RCW 80.28.385 and 2019 c 285 s 13 are each amended to  
35 read as follows:

36 (1) A natural gas company may propose a renewable natural gas  
37 program under which the company would supply renewable natural gas  
38 for a portion of the natural gas sold or delivered to its retail

1 customers. The renewable natural gas program is subject to review and  
2 approval by the commission. (~~The customer charge for a renewable~~  
3 ~~natural gas program may not exceed five percent of the amount charged~~  
4 ~~to retail customers for natural gas.~~)

5 (2) The environmental attributes of renewable natural gas  
6 provided under this section must be retired using procedures  
7 established by the commission and may not be used for any other  
8 purpose. The commission must approve procedures for banking and  
9 transfer of environmental attributes.

10 (3) As used in this section, "renewable natural gas" includes  
11 renewable natural gas as defined in RCW 54.04.190. The commission may  
12 approve inclusion of other sources of gas if those sources are  
13 produced without consumption of fossil fuels.

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