

ESSB 6001 - H COMM AMD

By Committee on Appropriations

NOT ADOPTED 04/12/2007

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

3 "NEW SECTION. **Sec. 1.** (1) The legislature finds that:

4 (a) Washington is especially vulnerable to climate change because  
5 of the state's dependence on snow pack for summer stream flows and  
6 because the expected rise in sea levels threatens our coastal  
7 communities. Extreme weather, a warming Pacific Northwest, reduced  
8 snow pack, and sea level rise are four major ways that climate change  
9 is disrupting Washington's economy, environment, and communities;

10 (b) Washington's greenhouse gas emissions are continuing to  
11 increase, despite international scientific consensus that worldwide  
12 emissions must be reduced significantly below current levels to avert  
13 catastrophic climate change;

14 (c) Washington has been a leader in actions to reduce the increase  
15 of emissions, including the adoption of the nation's most stringent  
16 carbon dioxide mitigation program for new thermal electric generation  
17 facilities, a requirement for integrated resource planning by electric  
18 utilities to include life-cycle costs of carbon dioxide emissions,  
19 clean car standards, stronger appliance energy efficiency standards,  
20 increased production and use of renewable liquid fuels, and increased  
21 renewable energy sources by electrical utilities;

22 (d) Washington state's greenhouse gases are substantially caused by  
23 the transportation sector of the economy;

24 (e) Washington has participated with other Western states in  
25 designing regional approaches to reduce greenhouse gas emissions, and  
26 a regional cap and trade mechanism will be more effective than if  
27 implemented separately in each state;

28 (f) While these actions are significant, there is a need to assess  
29 the trend of emissions statewide over the next several decades, and to

1 take sufficient actions so that Washington meets its responsibility to  
2 contribute to the global actions needed to reduce the impacts and the  
3 pace of global warming;

4 (g) Actions to reduce greenhouse gas emissions will spur technology  
5 development and increase efficiency, thus resulting in benefits to  
6 Washington's economy and businesses; and

7 (h) Numerous states and nations have adopted emission reduction  
8 goals to assist emission sources with planning for changes in practices  
9 and technologies.

10 (2) The legislature further finds that companies that generate  
11 greenhouse gas emissions or manufacture products that generate such  
12 emissions are purchasing carbon credits from landowners and from other  
13 companies in order to provide carbon credits. Companies that are  
14 purchasing carbon credits would benefit from a program to trade and to  
15 bank carbon credits. Washington forests are one of the most effective  
16 resources that can absorb carbon dioxide from the atmosphere. Forests,  
17 and other planted lands and waters, provide carbon storage and mitigate  
18 greenhouse gas emissions. Washington contains the most productive  
19 forests in the world and both public and private landowners could  
20 benefit from a carbon storage trading and banking program. The  
21 legislature further finds that catastrophic forest fires are a major  
22 source of greenhouse gas emissions, and that federal and state forest  
23 land management should seek to manage forests to reduce the risk of  
24 such fires.

25 (3) The legislature intends by this act to establish goals for the  
26 statewide reduction in greenhouse gas emissions and reduction in  
27 petroleum use, and to adopt the governor's mechanism in Executive Order  
28 No. 07-02 to design and recommend a comprehensive set of measures to  
29 accomplish the goals. The legislature further intends by this act to  
30 authorize immediate actions in the electric power generation sector for  
31 the reduction of greenhouse gas emissions and to accelerate efficiency  
32 in the transportation sector.

33 NEW SECTION. **Sec. 2.** The following greenhouse gas emissions  
34 reduction and clean energy economy goals are established for Washington  
35 state:

36 (1) By 2020, reduce greenhouse gas emissions in the state to 1990  
37 levels;

1 (2) By 2035, reduce greenhouse gas emissions in the state to  
2 twenty-five percent below 1990 levels;

3 (3) By 2050, the state will do its part to reach global climate  
4 stabilization levels by reducing emissions to fifty percent below 1990  
5 levels or seventy percent below the state's expected emissions that  
6 year;

7 (4) By 2020, increase the number of clean energy sector jobs to  
8 twenty-five thousand from the eight thousand four hundred jobs the  
9 state had in 2004; and

10 (5) By 2020, reduce expenditures by twenty percent on fuel imported  
11 into the state by developing Washington resources and supporting  
12 efficient energy use.

13 NEW SECTION. **Sec. 3.** (1) Executive Order No. 07-02 shall provide  
14 the mechanisms for identifying the policies and strategies necessary to  
15 achieve the economic and emission reduction goals of section 2 of this  
16 act. Consistent with the Executive Order's directive to seek a  
17 healthier and more prosperous future for Washington state, agency and  
18 stakeholder representatives participating in the Washington climate  
19 change challenge shall also seek emission reduction policies and  
20 strategies that, to the maximum extent possible, minimize economic  
21 disruptions and protect jobs for Washington state workers, citizens,  
22 and businesses, while avoiding policies and strategies that would  
23 result in the transfer or outsourcing of economic advantages or jobs to  
24 other states, regions, or nations.

25 (2) In addition to the policies and strategies that the climate  
26 change stakeholder group shall develop for the governor and the  
27 legislature, the group shall:

28 (a) Identify economic and regulatory incentives to encourage the  
29 replacement of the highest emitting thermal electric plants in the  
30 state that have exceeded their expected useful life with newer  
31 technologies that have lower greenhouse gases emission levels to  
32 facilitate meeting the goals established in this section; and

33 (b) Identify methods to utilize indigenous resources, such as  
34 landfill gas, geothermal resources, and other assets that might reduce  
35 greenhouse gases emissions consistent with the purposes of this  
36 section.

1        NEW SECTION.    **Sec. 4.**    By December 31st of each even-numbered year  
2 beginning in 2010, the departments of ecology and community, trade, and  
3 economic development shall report to the governor and the appropriate  
4 committees of the senate and house of representatives the total  
5 greenhouse gas emissions for the preceding two years, and totals in  
6 each major source sector.

7        NEW SECTION.    **Sec. 5.**    (1) The legislature finds that:

8        (a) The United Nation's intergovernmental panel on climate change  
9 report, released February 2, 2007, states that evidence of the  
10 climate's warming "is unequivocal, as is now evident from observations  
11 of increases in global average air and ocean temperatures, widespread  
12 melting of snow and ice, and rising global mean sea level";

13        (b) Global warming will have serious adverse consequences on the  
14 economy, health, and environment of Washington;

15        (c) During the last several years, the state has taken significant  
16 strides towards implementing an environmentally and economically sound  
17 energy policy through reliance on energy efficiency, conservation, and  
18 renewable energy resources in order to promote a sustainable energy  
19 future that ensures an adequate and reliable energy supply at  
20 reasonable and stable prices;

21        (d) The governor, in Executive Order No. 07-02, has called for the  
22 reduction of Washington's emission of greenhouse gases to 1990 levels  
23 by 2020;

24        (e) To the extent energy efficiency and renewable resources are  
25 unable to satisfy increasing energy and capacity needs, the state will  
26 rely on clean and efficient fossil fuel fired generation and will  
27 encourage the development of cost-effective, highly efficient, and  
28 environmentally sound supply resources to provide reliability and  
29 consistency with the state's energy priorities;

30        (f) It is vital to ensure all electric utilities internalize the  
31 significant and underrecognized cost of emissions and to reduce  
32 Washington's exposure to costs associated with future regulation of  
33 these emissions;

34        (g) A greenhouse gases emissions performance standard for new long-  
35 term financial commitments to electric generating resources will reduce  
36 potential exposure of Washington's consumers to future reliability  
37 problems in electricity supplies;

1 (h) The state of California recently enacted a law establishing a  
2 greenhouse gases emissions performance standard for electric utility  
3 procurement of baseload electric generation that is based on the  
4 emissions of a combined-cycle thermal electric generation facility  
5 fueled by natural gas;

6 (i) The legislature recognizes that state or federal legislation  
7 may be enacted and federal regulation may occur that would provide  
8 standards or programs that would preempt, make inconsistent, or render  
9 unnecessary emission standards or schedules established in this act;  
10 and

11 (j) The state of Washington has an obligation to provide clear  
12 guidance for the procurement of baseload electric generation to  
13 alleviate regulatory uncertainty while addressing risks that can affect  
14 the ability of electric utilities to make necessary and timely  
15 investments to ensure an adequate, reliable, and cost-effective supply  
16 of electricity.

17 (2) The legislature declares that:

18 (a) A greenhouse gases emissions performance standard for new  
19 long-term financial commitments for baseload electric generation should  
20 reduce financial risk to electric utilities and their customers from  
21 future pollution-control costs, without jeopardizing the state's  
22 commitment to lowest reasonable cost resources and the need to maintain  
23 a reliable regional electric system.

24 (b) A greenhouse gases emissions performance standard will  
25 complement the state's carbon dioxide mitigation policy for  
26 fossil-fueled thermal electric generation facilities under chapter  
27 80.70 RCW.

28 (c) The need for long-term financial commitments for new baseload  
29 electric generation can be reduced over time through the deployment by  
30 electric utilities of technologies that improve the efficiency of  
31 electricity production, transmission, distribution, and consumption.

32 NEW SECTION. **Sec. 6.** The definitions in this section apply  
33 throughout this chapter unless the context clearly requires otherwise.

34 (1) "Attorney general" means the Washington state office of the  
35 attorney general.

36 (2) "Auditor" means: (a) The Washington state auditor's office or

1 its designee for consumer-owned utilities under its jurisdiction; or  
2 (b) an independent auditor selected by a consumer-owned utility that is  
3 not under the jurisdiction of the state auditor.

4 (3) "Baseload electric generation" means electric generation from  
5 a power plant that is designed and intended to provide electricity at  
6 an annualized plant capacity factor of at least sixty percent.

7 (4) "Cogeneration facility" means a power plant in which the heat  
8 or steam is also used for industrial or commercial heating or cooling  
9 purposes and that meets federal energy regulatory commission standards  
10 for qualifying facilities under the public utility regulatory policies  
11 act of 1978 (16 U.S.C. Sec. 824a-3), as amended.

12 (5) "Combined-cycle natural gas thermal electric generation  
13 facility" means a power plant that employs a combination of one or more  
14 gas turbines and steam turbines in which electricity is produced in the  
15 steam turbine from otherwise lost waste heat exiting from one or more  
16 of the gas turbines.

17 (6) "Commercially available" means that at least one hundred plants  
18 of substantially the same design, specifications, and performance  
19 characteristics have been in commercial operation for at least three  
20 years.

21 (7) "Commission" means the Washington utilities and transportation  
22 commission.

23 (8) "Consumer-owned utility" means a municipal utility formed under  
24 Title 35 RCW, a public utility district formed under Title 54 RCW, an  
25 irrigation district formed under chapter 87.03 RCW, a cooperative  
26 formed under chapter 23.86 RCW, a mutual corporation or association  
27 formed under chapter 24.06 RCW, or port district within which an  
28 industrial district has been established as authorized by Title 53 RCW,  
29 that is engaged in the business of distributing electricity to more  
30 than one retail electric customer in the state.

31 (9) "Department" means the department of ecology.

32 (10) "Distributed generation" has the same meaning as defined in  
33 RCW 19.285.030.

34 (11) "Electrical company" means a company owned by investors that  
35 meets the definition of RCW 80.04.010.

36 (12) "Electric utility" means an electrical company or a consumer-  
37 owned utility.

1 (13) "Governing board" means the board of directors or legislative  
2 authority of a consumer-owned utility.

3 (14) "Greenhouse gases" includes carbon dioxide, methane, nitrous  
4 oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride.

5 (15) "Injected permanently" means the carbon dioxide injected into  
6 a geological formation will remain in the target geological formation  
7 with only de minimis leakage, as demonstrated using site-specific data.

8 (16) "Long-term financial commitment" means:

9 (a) Either a new ownership interest in baseload electric generation  
10 or an upgrade to a baseload electric generation facility; or

11 (b) A new or renewed contract for baseload electric generation with  
12 a term of five or more years for the provision of retail power or  
13 wholesale power to end-use customers in this state.

14 (17) "Output-based methodology" means a greenhouse gases emissions  
15 performance standard that is expressed in pounds of greenhouse gases  
16 emitted per net megawatt-hour produced. For purposes of this  
17 subsection, "net" refers to the difference between the heat energy  
18 dedicated to power production and the electrical equivalent of useful  
19 thermal energy employed for purposes other than the generation of  
20 electricity.

21 (18) "Plant capacity factor" means the ratio of the electricity  
22 produced during a given time period, measured in kilowatt-hours, to the  
23 electricity the unit could have produced if it had been operated at its  
24 rated capacity during that period, expressed in kilowatt-hours.

25 (19) "Power plant" means a facility for the generation of  
26 electricity that includes one or more generating units at the same  
27 location.

28 (20) "Unspecified sources" means baseload electric generation  
29 supplied under a power purchase agreement that does not specify or  
30 otherwise identify the power plant or power plants that are the source  
31 of power delivered to an electric utility.

32 (21) "Upgrade" means any modification made for the primary purpose  
33 of increasing the electric generation capacity of a baseload electric  
34 generation facility. "Upgrade" does not include routine or necessary  
35 maintenance, installation of emission control equipment, installation,  
36 replacement, or modification of equipment that improves the heat rate  
37 of the facility, or installation, replacement, or modification of  
38 equipment for the primary purpose of maintaining reliable generation

1 output capability that does not increase the heat input or fuel usage  
2 as specified in generation air quality permits that are in effect on  
3 the effective date of this section but may result in incidental  
4 increases in generation capacity.

5 NEW SECTION. **Sec. 7.** (1) Beginning July 1, 2008, the greenhouse  
6 gases emissions performance standard for all baseload electric  
7 generation for which electric utilities enter into long-term financial  
8 commitments on or after such date is the lower of:

9 (a) One thousand one hundred pounds of greenhouse gases per  
10 megawatt-hour; or

11 (b) The rate of emissions of greenhouse gases for a commercially  
12 available combined-cycle natural gas thermal electric generation  
13 facility that provides baseload electric generation.

14 (2) Even if their actual emissions are higher than the greenhouse  
15 gas emissions performance standard, all baseload electric generation  
16 facilities in operation as of June 30, 2008, are deemed to be in  
17 compliance with the greenhouse gas emissions performance standard  
18 established under this section until the facilities are the subject of  
19 long-term financial commitments.

20 (3) All electric generating facilities or power plants powered by  
21 renewable resources, as defined in RCW 19.285.030, are deemed to be in  
22 compliance with the greenhouse gas emissions performance standard  
23 established under this section.

24 (4) All electric generating facilities or power plants, including  
25 cogeneration, that use either exclusively or in combination with a  
26 renewable resource, as defined in RCW 19.285.030, fuel that is a  
27 byproduct of pulping or wood manufacturing processes, including but not  
28 limited to bark, sawdust, and lignin in spent pulping liquors, are  
29 deemed to be in compliance with the greenhouse gas emissions  
30 performance standard established under this section.

31 (5) In determining the rate of emissions of greenhouse gases for  
32 baseload electric generation, the total emissions associated with  
33 producing electricity shall be included.

34 (6) The department shall establish an output-based methodology to  
35 ensure that the calculation of emissions of greenhouse gases for a  
36 cogeneration facility recognizes the total usable energy output of the  
37 process, and includes all greenhouse gases emitted by the facility in



1 the production of both electrical and thermal energy. In developing  
2 and implementing the greenhouse gases emissions performance standard,  
3 the department shall consider and act in a manner consistent with any  
4 rules adopted pursuant to the public utilities regulatory policy act of  
5 1978 (16 U.S.C. Sec. 824a-3), as amended.

6 (7) Carbon dioxide emissions produced by baseload electric  
7 generation owned or contracted through a long-term financial commitment  
8 that are injected permanently in geological formations or that are  
9 permanently sequestered by other means approved by the department shall  
10 not be counted as emissions of the power plant in determining  
11 compliance with the greenhouse gases emissions performance standard.

12 (8) In adopting and implementing the greenhouse gases emissions  
13 performance standard, the department, in consultation with the  
14 commission, the Bonneville power administration, the western  
15 electricity coordination council, the energy facility site evaluation  
16 council, the department of community, trade, and economic development  
17 energy policy division, electric utilities, public interest  
18 representatives, and consumer representatives shall consider the  
19 effects of the greenhouse gases emissions performance standard on  
20 system reliability and overall costs to electricity customers.

21 (9) In developing and implementing the greenhouse gases emissions  
22 performance standard, the department shall, with assistance of the  
23 commission, the department of community, trade, and economic  
24 development energy policy division, and electric utilities, and to the  
25 extent practicable, address long-term purchases of electricity from  
26 unspecified sources in a manner consistent with this chapter.

27 (10) The department shall adopt the greenhouse gases emissions  
28 performance standard by rule pursuant to chapter 34.05 RCW, the  
29 administrative procedure act. The department shall adopt rules to  
30 enforce the requirements of this section, and adopt procedures to  
31 verify the emissions of greenhouse gases from any baseload electric  
32 generation supplied directly or under a contract subject to the  
33 greenhouse gases emissions performance standard to ensure compliance  
34 with the standard. Enforcement of the greenhouse gases emissions  
35 performance standard must begin immediately upon the establishment of  
36 the standard.

37 (11) In adopting the rules for implementing this section, the

1 department shall include criteria to be applied in evaluating the  
2 carbon sequestration plan. The rules shall include but not be limited  
3 to:

4 (a) Provisions for financial assurances, as a condition of plant  
5 operation, sufficient to ensure successful implementation of the carbon  
6 sequestration plan, including construction and operation of necessary  
7 equipment, and any other significant costs;

8 (b) Provisions for geological or other approved sequestration  
9 commencing within five years of plant operation, including full and  
10 sufficient technical documentation to support the planned  
11 sequestration;

12 (c) Provisions for monitoring the effectiveness of the  
13 implementation of the sequestration plan;

14 (d) Penalties for failure to achieve implementation of the plan on  
15 schedule; and

16 (e) Provisions for public notice and comment on the carbon  
17 sequestration plan.

18 (12)(a) Except as provided in (b) of this subsection, as part of  
19 its role enforcing the greenhouse gases emissions performance standard,  
20 the department shall determine whether a plan for sequestration will  
21 provide safe, reliable, and permanent protection against the greenhouse  
22 gases entering the atmosphere from the power plant and all ancillary  
23 facilities.

24 (b) For facilities under its jurisdiction, the energy facility site  
25 evaluation council shall contract for review of the carbon  
26 sequestration plan with the department, consider the adequacy of the  
27 plan in its adjudicative proceedings conducted under RCW 80.50.090(3)  
28 and incorporate specific findings regarding adequacy in its  
29 recommendation to the governor under RCW 80.50.100.

30 (13) A project under consideration by the energy facility site  
31 evaluation council before the adoption of rules in subsection (11) of  
32 this section is required to include all of the requirements of  
33 subsection (11) of this section in its carbon sequestration plan  
34 submitted as part of the energy facility site evaluation council  
35 process.

36 (14) The department shall adopt the rules necessary to implement  
37 this section by June 30, 2008.

1        NEW SECTION.    **Sec. 8.**    (1) No electrical company may enter into a  
2 long-term financial commitment unless the baseload electric generation  
3 supplied under such a long-term financial commitment complies with the  
4 greenhouse gases emissions performance standard established under  
5 section 7 of this act.

6        (2) In order to enforce the requirements of this chapter, the  
7 commission shall review in a general rate case or as provided in  
8 subsection (5) of this section any long-term financial commitment  
9 entered into by an electrical company after June 30, 2008, to determine  
10 whether the baseload electric generation to be supplied under that  
11 long-term financial commitment complies with the greenhouse gases  
12 emissions performance standard established under section 7 of this act.

13        (3) In determining whether a long-term financial commitment is for  
14 baseload electric generation, the commission shall consider the design  
15 of the power plant and its intended use, based upon the electricity  
16 purchase contract, if any, permits necessary for the operation of the  
17 power plant, and any other matter the commission determines is relevant  
18 under the circumstances.

19        (4) Upon application by an electric utility, the commission may  
20 provide a case-by-case exemption from the greenhouse gases emissions  
21 performance standard to address:    (a) Unanticipated electric system  
22 reliability needs; or (b) catastrophic events or threat of significant  
23 financial harm that may arise from unforeseen circumstances.

24        (5) Upon application by an electrical company, the commission shall  
25 make a determination regarding the company's proposed decision to  
26 acquire electric generation or enter into a power purchase agreement  
27 for electricity that complies with the greenhouse gases emissions  
28 performance standard established under section 7 of this act, as to the  
29 need for the resource, and the appropriateness of the specific resource  
30 selected. The commission shall take into consideration factors such as  
31 the company's forecasted loads, need for energy, power plant  
32 technology, expected costs, and other associated investment decisions.  
33 In addition, the commission shall provide for recovery of the prudently  
34 incurred capital and operating cost of these resources and may impose  
35 such conditions as it finds necessary to ensure that rates are fair,  
36 just, reasonable, and sufficient, coincident with the in-service date  
37 of the project or the effective date of the power purchase agreement.

1 (6) An electrical company may account for and defer for later  
2 consideration by the commission costs incurred in connection with the  
3 long-term financial commitment, including operating and maintenance  
4 costs, depreciation, taxes, and cost of invested capital. The deferral  
5 begins with the date on which the power plant begins commercial  
6 operation or the effective date of the power purchase agreement and  
7 ends on the effective date of the final decision by the commission  
8 regarding recovery in rates of these deferred costs. Creation of such  
9 a deferral account does not by itself determine whether recovery of any  
10 or all of these costs is appropriate.

11 (7) In establishing rates for each electrical company regulated  
12 under chapter 80.28 RCW, the commission shall adopt policies allowing  
13 an additional return on investments to encourage meeting energy  
14 requirements through distributed generation as defined in RCW  
15 19.285.030, and to accelerate efficiencies in electric transmission and  
16 distribution systems that increase reliability and reduce energy losses  
17 or otherwise increase the efficiency of energy delivery to end-use  
18 consumers. These policies shall include but are not limited to adding  
19 an increment of two percent to the rate of return on common equity  
20 permitted on an electrical company's other investments for prudently  
21 incurred investments in distributed generation, and in measures that  
22 improve, as measured in kilowatt-hour savings, the overall efficiency  
23 of transmission, distribution, and end-use consumption of electricity  
24 through energy efficiency technologies, including any device,  
25 instrument, machine, appliance, or process related to the transmission,  
26 distribution, and consumption of electricity to increase energy  
27 efficiency, including but not limited to smart grid technology, smart  
28 meters, and demand response technologies. The rate of return increment  
29 must be allowed for a period, at the commission's discretion, of at  
30 least seven but not more than thirty years after the investment is  
31 first placed in the rate base. Measures or projects encouraged under  
32 this section are those for which construction or installation is begun  
33 after July 1, 2007, and before January 1, 2017, and which, at the time  
34 they are placed in the rate base, are reasonably expected to save,  
35 produce, or generate energy at a total incremental system cost per unit  
36 of energy delivered to end use that is less than or equal to the  
37 incremental system cost per unit of energy delivered to end use from

1 new baseload or peaking electric generation and that the electrical  
2 company could acquire to meet energy demand in the same time period.

3 (8) The commission shall apply the procedures adopted by the  
4 department to verify the emissions of greenhouse gases from baseload  
5 electric generation under section 7 of this act.

6 (9) The commission shall adopt rules for the enforcement of this  
7 section with respect to electrical companies and adopt procedural rules  
8 for approving costs incurred by an electrical company under subsection  
9 (4) of this section.

10 (10) The commission shall adopt the rules necessary to implement  
11 this section by December 31, 2008.

12 NEW SECTION. **Sec. 9.** (1) No consumer-owned utility may enter into  
13 a long-term financial commitment unless the baseload electric  
14 generation supplied under such a long-term financial commitment  
15 complies with the greenhouse gases emissions performance standard  
16 established under section 7 of this act.

17 (2) The governing board of a consumer-owned utility shall review  
18 and make a determination on any long-term financial commitment by the  
19 utility, pursuant to this chapter, to determine whether the baseload  
20 electric generation to be supplied under that long-term financial  
21 commitment complies with the greenhouse gases emissions performance  
22 standard established under section 7 of this act. No consumer-owned  
23 utility may enter into a long-term financial commitment unless the  
24 baseload electric generation to be supplied under that long-term  
25 financial commitment complies with the greenhouse gases emissions  
26 performance standard established under section 7 of this act.

27 (3) In confirming that a long-term financial commitment is for  
28 baseload electric generation, the governing board shall consider the  
29 design of the power plant and the intended use of the power plant based  
30 upon the electricity purchase contract, if any, permits necessary for  
31 the operation of the power plant, and any other matter the governing  
32 board determines is relevant under the circumstances.

33 (4) The governing board may provide a case-by-case exemption from  
34 the greenhouse gases emissions performance standard to address: (a)  
35 Unanticipated electric system reliability needs; or (b) catastrophic  
36 events or threat of significant financial harm that may arise from  
37 unforeseen circumstances.

1 (5) The governing board shall apply the procedures adopted by the  
2 department to verify the emissions of greenhouse gases from baseload  
3 electric generation pursuant to section 7 of this act, and may request  
4 assistance from the department in doing so.

5 (6) For consumer-owned utilities, the auditor is responsible for  
6 auditing compliance with this chapter and rules adopted under this  
7 chapter that apply to those utilities and the attorney general is  
8 responsible for enforcing that compliance.

9 NEW SECTION. **Sec. 10.** A new section is added to chapter 43.19 RCW  
10 to read as follows:

11 (1) During the biennium ending June 30, 2009, the department of  
12 general administration is authorized to purchase at least one hundred  
13 plug-in electric hybrid vehicles for state agency light duty vehicle  
14 uses, when commercially available at comparable life costs to other  
15 vehicles. The department of general administration shall assign these  
16 vehicles to departments and job functions that on average log the most  
17 miles driving light duty vehicles. The vehicles must bear a prominent  
18 designation as a plug-in electric hybrid vehicle. The department of  
19 general administration shall develop a purchasing contract under which  
20 state agencies and local governments may purchase plug-in electric  
21 hybrid vehicles.

22 (2) Any agency that owns plug-in hybrid vehicles shall contribute  
23 data to an economic analysis of the total life-cycle cost to the state  
24 over the vehicle's estimated useful life, including energy inputs into  
25 the production of the vehicle, fuel usage, and all related costs of  
26 selection, acquisition, operation, maintenance, and disposal, as far as  
27 these costs can reasonably be determined, minus the salvage value at  
28 the end of the vehicle's estimated useful life.

29 (3) By December 31, 2009, the department of general administration  
30 shall provide a report to the transportation and energy committees of  
31 the senate and house of representatives on the acquisition of these  
32 vehicles and their operational and maintenance performance.

33 NEW SECTION. **Sec. 11.** The legislature finds and declares that  
34 greenhouse gases offset contracts, credits, and other greenhouse gases  
35 mitigation efforts are a recognized utility purpose that confers a  
36 direct benefit on the utility's ratepayers. The legislature declares

1 that this act is intended to reverse the result of *Okeson v. City of*  
2 *Seattle*, No. 77888-4 (January 18, 2007), by expressly granting  
3 municipal utilities and public utility districts the statutory  
4 authority to engage in mitigation activities to offset their utility's  
5 impact on the environment.

6 NEW SECTION. **Sec. 12.** A new section is added to chapter 35.92 RCW  
7 to read as follows:

8 (1) A city or town authorized to acquire and operate utilities for  
9 the purpose of furnishing the city or town and its inhabitants and  
10 other persons with electricity for lighting and other purposes may  
11 develop and make publicly available a plan to reduce its greenhouse  
12 gases emissions or achieve no-net emissions from all sources of  
13 greenhouse gases that the utility owns, leases, uses, contracts for, or  
14 otherwise controls.

15 (2) A city or town authorized to acquire and operate utilities for  
16 the purpose of furnishing the city or town and its inhabitants and  
17 other persons with electricity for lighting and other purposes may, as  
18 part of its utility operation, mitigate the environmental impacts, such  
19 as greenhouse gases emissions, of its operation and any power  
20 purchases. The mitigation may include, but is not limited to, those  
21 greenhouse gases mitigation mechanisms recognized by independent,  
22 qualified organizations with proven experience in emissions mitigation  
23 activities. Mitigation mechanisms may include the purchase, trade, and  
24 banking of greenhouse gases offsets or credits. If a state greenhouse  
25 gases registry is established, a utility that has purchased, traded, or  
26 banked greenhouse gases mitigation mechanisms under this section shall  
27 receive credit in the registry.

28 NEW SECTION. **Sec. 13.** A new section is added to chapter 54.16 RCW  
29 to read as follows:

30 (1) A public utility district may develop and make publicly  
31 available a plan for the district to reduce its greenhouse gases  
32 emissions or achieve no-net emissions from all sources of greenhouse  
33 gases that the district owns, leases, uses, contracts for, or otherwise  
34 controls.

35 (2) A public utility district may, as part of its utility  
36 operation, mitigate the environmental impacts, such as greenhouse gases

1 emissions, of its operation and any power purchases. Mitigation may  
2 include, but is not limited to, those greenhouse gases mitigation  
3 mechanisms recognized by independent, qualified organizations with  
4 proven experience in emissions mitigation activities. Mitigation  
5 mechanisms may include the purchase, trade, and banking of greenhouse  
6 gases offsets or credits. If a state greenhouse gases registry is  
7 established, a public utility district that has purchased, traded, or  
8 banked greenhouse gases mitigation mechanisms under this section shall  
9 receive credit in the registry.

10 NEW SECTION. **Sec. 14.** A new section is added to chapter 82.16 RCW  
11 to read as follows:

12 (1) Subject to the limitations in this section, a consumer-owned  
13 utility may claim a credit against the tax imposed under this chapter.

14 (2) The amount of credit is equal to two percent annually, for a  
15 period of at least seven but not more than thirty years after the  
16 investment commences, of the cost of investments in distributed  
17 generation, and in measures that improve, as measured in kilowatt-hour  
18 savings, the overall efficiency of transmission, distribution, and  
19 end-use consumption of electricity through energy efficiency  
20 technologies, including any device, instrument, machine, appliance, or  
21 process related to the transmission, distribution, and consumption of  
22 electricity to increase energy efficiency, including but not limited to  
23 smart grid technology, smart meters, and demand response technologies.

24 (3) Measures or projects encouraged under this section are those  
25 for which construction or installation is begun after July 1, 2007, and  
26 before January 1, 2017, and which, at the time they are placed in the  
27 rate base, are reasonably expected to save, produce, or generate energy  
28 at a total incremental system cost per unit of energy delivered to end  
29 use that is less than or equal to the incremental system cost per unit  
30 of energy delivered to end use from new baseload or peaking electric  
31 generation and that the eligible light and power business could acquire  
32 to meet energy demand in the same time period.

33 (4) The amount of credit taken under this section may not exceed  
34 one million dollars in total for all light and power businesses in a  
35 calendar year. If the department receives applications for credit that  
36 exceed one million dollars prior to the end of the calendar year, the



1 department shall apportion the credit on a method determined by the  
2 department.

3 (5) For purposes of this section, "consumer-owned utility" means a  
4 municipal utility formed under Title 35 RCW, a public utility district  
5 formed under Title 54 RCW, an irrigation district formed under chapter  
6 87.03 RCW, a cooperative formed under chapter 23.86 RCW, a mutual  
7 corporation or association formed under chapter 24.06 RCW, or port  
8 district within which an industrial district has been established as  
9 authorized by Title 53 RCW, that is engaged in the business of  
10 distributing electricity to more than one retail electric customer in  
11 the state.

12 NEW SECTION. **Sec. 15.** For the purposes of sections 5 through 9 of  
13 this act, the department and the commission shall review the greenhouse  
14 gases emission performance standard established in this chapter to  
15 determine need, applicability, and effectiveness no less than every  
16 five years following the effective date of this section, or upon  
17 implementation of a federal or state law or rule regulating carbon  
18 dioxide emissions of electrical utilities, and report to the  
19 legislature.

20 NEW SECTION. **Sec. 16.** (1) The office of Washington state  
21 climatologist is created.

22 (2) The office of Washington state climatologist consists of the  
23 director of the office, who is the state climatologist, and appropriate  
24 staff and administrative support as necessary to carry out the powers  
25 and duties of the office as enumerated in section 17 of this act.

26 (3) The director of the office of Washington state climatologist  
27 must be appointed jointly by the president of Washington State  
28 University and the president of the University of Washington. The  
29 office of Washington state climatologist is administered as determined  
30 jointly by these two presidents.

31 NEW SECTION. **Sec. 17.** The office of Washington state  
32 climatologist has the following powers and duties:

33 (1) To serve as a credible and expert source of climate and weather  
34 information for state and local decision makers and agencies working on  
35 drought, flooding, climate change, and other related issues;

1 (2) To gather and disseminate, and where practicable archive, in  
2 the most cost-effective manner possible, all climate and weather  
3 information that is or could be of value to policy and decision makers  
4 in the state;

5 (3) To act as the representative of the state in all climatological  
6 and meteorological matters, both within and outside of the state, when  
7 requested by the legislative or executive branches of the state  
8 government;

9 (4) To prepare, publish, and disseminate climate summaries for  
10 those individuals, agencies, and organizations whose activities are  
11 related to the welfare of the state and are affected by climate and  
12 weather;

13 (5) To supply critical information for drought preparedness and  
14 emergency response as needed to implement the state's drought  
15 contingency response plan maintained by the department of ecology under  
16 RCW 43.83B.410, and to serve as a member of the state's drought water  
17 supply and emergency response committees as may be formed in response  
18 to a drought event;

19 (6) To conduct and report on studies of climate and weather  
20 phenomena of significant socioeconomic importance to the state; and

21 (7) To evaluate the significance of natural and man-made changes in  
22 important features of the climate affecting the state, and to report  
23 this information to those agencies and organizations in the state who  
24 are likely to be affected by these changes.

25 NEW SECTION. **Sec. 18.** Sections 1 through 4 of this act constitute  
26 a new chapter in Title 43 RCW.

27 NEW SECTION. **Sec. 19.** Sections 5 through 9 and 15 of this act  
28 constitute a new chapter in Title 80 RCW.

29 NEW SECTION. **Sec. 20.** Sections 16 and 17 of this act constitute  
30 a new chapter in Title 43 RCW."

31 Correct the title.

EFFECT: Strikes the provisions of the underlying bill.

Adds intent language, which describes actions Washington state has taken to reduce its greenhouse gases emissions.

Adds two new charges for the Stakeholder group to be convened by the Governor according to Executive Order No. 07-02:

(1) Identify economic and regulatory incentives to encourage the replacement of the highest emitting thermal electric plants in the state with newer technologies with lower greenhouse gases emissions levels; and

(2) Identify methods to use indigenous resources, such as landfill gas and thermal resources, that reduce greenhouse gases emissions.

Adds definitions:

(1) Defines "injected permanently", for the purposes of the carbon sequestration provisions of the bill, to mean the carbon dioxide injected into a geological formation that will remain in the formation with only de minimus leakage.

(2) Expands on the definition of "output-based methodology" by defining what net emissions refers to. Defines "net" emissions as the difference between the heat energy dedicated to power production and the electrical equivalent of useful thermal energy employed for purposes other than generating electricity.

Adds that the Department of Ecology shall consult with the Energy Policy Division of the Department of Community, Trade, and Economic Development in developing and implementing the greenhouse gases emissions performance standard.

Clarifies that carbon dioxide emissions may be sequestered by other means (besides permanent injection into a geological formation), provided that it has been approved by the Department of Ecology. If the means of sequestration is approved, those carbon dioxide emissions shall not be counted as emissions for purposes of applying the greenhouse gases emissions performance standard.

Adds that the Department of Ecology shall determine whether a proposed carbon sequestration plan will provide safe, reliable, and permanent protection against greenhouse gases entering into the atmosphere.

Clarifies that for facilities under the Energy Facility and Site Evaluation Council's (EFSEC) jurisdiction, the EFSEC shall contract with DOE for review of the carbon sequestration plan, and that the EFSEC will consider the adequacy of the carbon sequestration plan and make findings in its recommendations to the Governor regarding the proposal.

Pushes back the date by which the Utilities and Transportation Commission must complete its rules by six months to December 31, 2008.

Allows consumer-owned utilities to claim an annual public utility tax (PUT) credit equal to two percent of investments in distributed generation or energy efficiency improvements. The total amount of credit for all consumer-owned utilities is limited to \$1 million per calendar year.

Removes the authority for counties to engage in greenhouse gases mitigation activities. Broadens what a municipal utility or public utility district is allowed to mitigate as part of its utility operation.

Makes technical changes.

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