
SUBSTITUTE HOUSE BILL 1303

State of Washington

60th Legislature

2007 Regular Session

By House Committee on Agriculture & Natural Resources (originally sponsored by Representatives Dickerson, B. Sullivan, Jarrett, Linville, Priest, Appleton, Pedersen, Kenney, Sells, Morrell, Lantz, O'Brien, Chase, Eickmeyer, McCoy, Haigh, Rolfes, Hurst, Eddy, Springer, Schual-Berke, Fromhold, Moeller, Hunt, Goodman, Williams, Darneille, Kagi, Lovick, Campbell, Dunshee, Sommers, Simpson, Hunter, Roberts and Miloscia)

READ FIRST TIME 02/13/07.

1 AN ACT Relating to providing for the means to encourage the use of
2 cleaner energy thereby providing for healthier communities by reducing
3 emissions; amending RCW 53.08.040, 70.94.017, 15.110.040, 15.110.020,
4 and 43.19.642; adding a new section to chapter 28A.300 RCW; adding a
5 new section to chapter 82.08 RCW; adding a new section to chapter 82.12
6 RCW; adding a new section to chapter 15.110 RCW; adding a new section
7 to chapter 19.112 RCW; adding new sections to chapter 43.19 RCW; adding
8 a new section to chapter 43.01 RCW; adding a new section to chapter
9 43.41 RCW; adding new sections to chapter 43.31 RCW; adding a new
10 section to chapter 43.135 RCW; adding a new section to chapter 28B.30
11 RCW; creating new sections; making appropriations; providing an
12 effective date; and providing an expiration date.

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

14 NEW SECTION. **Sec. 1.** (1) The legislature finds that excessive
15 dependence on fossil fuels jeopardizes Washington's economic security,
16 environmental integrity, and public health. Accelerated development
17 and use of clean fuels and clean vehicle technologies will reduce the
18 drain on Washington's economy from importing fossil fuels. As fossil

1 fuel prices rise, clean fuels and vehicles can save money for consumers
2 while promoting the development of a major, sustainable industry that
3 provides good jobs and a new source of rural prosperity.

4 (2) Clean fuels and vehicles will protect public health by reducing
5 toxic air pollution and reduce our largest source of global warming
6 pollution. The state must better understand and prepare for the
7 effects of global warming and the challenges and opportunities
8 associated with evolving climate policies and carbon markets.

9 (3) To reduce fossil fuel dependence and build our clean energy
10 economy, the state should develop policies and incentives that help
11 businesses, consumers, and farmers gain greater access to affordable
12 clean fuels and vehicles and to produce clean fuels in the state.
13 These policies and incentives should include: Incentives for
14 replacement of the most polluting diesel engines, especially in school
15 buses; transitional incentives for development of the most promising
16 in-state clean fuels and fuel feedstocks, including biodiesel crops and
17 ethanol from plant waste; reduced fossil fuel consumption by state
18 fleets; development of promising new technologies for displacing
19 petroleum with electricity, such as "plug-in hybrids"; and impact
20 analysis and emission accounting procedures that prepare Washington to
21 respond and prosper as global warming impacts occur and as policies and
22 markets to reduce global warming pollution are developed.

23 **PART 1**

24 **CLEAN DIESEL INITIATIVE**

25 NEW SECTION. **Sec. 101.** (1) The legislature finds that fine
26 particle air pollution attributable to diesel fuel is a significant
27 health hazard to school children and other residents in our state.
28 Sources of diesel emissions include diesel-powered trucks, buses and
29 cars, diesel-powered marine vessels, construction equipment, trains,
30 aircraft support equipment, cargo handling equipment, and a variety of
31 other on and off-road engines. Reducing fine particles and toxic
32 emissions from diesel emissions and other sources of pollution reduces
33 the adverse health impacts on children, reduces cancer risk, and
34 reduces the incidence and severity of asthma attacks and chronic
35 bronchitis. Reducing diesel emissions, in addition to strategies to
36 reduce wood smoke, will also aid areas of the state facing potential

1 nonattainment of new fine particle standards established by the United
2 States environmental protection agency and help avoid the adverse
3 health and economic impacts of nonattainment.

4 (2) Under the current Washington state clean school bus program,
5 approximately seven thousand five hundred diesel school buses, over
6 three-quarters of the existing fleet statewide, will be retrofitted by
7 2008. Reduced exhaust emissions from these retrofitted buses provide
8 cleaner air to breathe for the children riding the buses and the
9 citizens in the communities served by the buses.

10 (3) The legislature finds that it is not cost-effective to retrofit
11 much older buses because of their mechanical condition and very high
12 emissions. Replacement with new, ultra-low emission buses, beginning
13 with the model year 2007, is the most effective means to nearly
14 eliminate the toxic emissions generated by the use of these older
15 buses. In addition, newer buses are safer, more reliable, provide
16 significantly higher fuel economy, and have lower overall operating
17 costs. An incentive program to accelerate purchase of newer buses and
18 replacement of older buses will more quickly achieve these gains and
19 result in a lower health risk to children.

20 (4) Even with new federal diesel fuel and engine standards going
21 into effect in 2006 and 2007, and due to the long life of diesel
22 engines, diesel emissions will continue to be an air pollution concern
23 for many years.

24 (5) Many public and private fleets continue to use diesel equipment
25 that has not been retrofitted to reduce emissions. Therefore, the
26 legislature finds that it is important to continue to take measures to
27 reduce diesel emissions in our state so we protect the health of our
28 citizens and create healthier communities. Reducing diesel emissions
29 will also allow continued growth in major ports in the state by
30 maintaining air quality within federal standards.

31 NEW SECTION. **Sec. 102.** A new section is added to chapter 28A.300
32 RCW to read as follows:

33 (1) The office of the superintendent of public instruction shall
34 implement a school bus replacement incentive program. As part of the
35 program, the office shall fund up to ten percent of the cost of a new
36 2007 or later model year school bus purchased by a school district by

1 no later than June 30, 2009, provided that the new bus is replacing a
2 1994 or older school bus in the school district's fleet. Replacement
3 of the oldest buses must be given highest priority.

4 (2) The office of the superintendent of public instruction shall
5 ensure that buses being replaced through this program are surplused
6 under RCW 28A.335.180. As part of the surplus process, school
7 districts must provide written documentation to the office of the
8 superintendent of public instruction demonstrating that buses being
9 replaced are scrapped and not purchased for road use. The
10 documentation must include bus make, model, year, vehicle
11 identification number, engine make, engine serial number, and salvage
12 yard receipts; and must demonstrate that the engine and body of the bus
13 being replaced has been rendered unusable.

14 NEW SECTION. **Sec. 103.** The sum of five million dollars, or as
15 much thereof as may be necessary, is appropriated for the biennium
16 ending June 30, 2009, from the clean energy incentive account created
17 in section 601 of this act to the office of the superintendent of
18 public instruction for the purposes of section 102 of this act.

19 NEW SECTION. **Sec. 104.** A new section is added to chapter 82.08
20 RCW to read as follows:

21 (1) The tax levied by RCW 82.08.020 does not apply to sales of
22 emissions control equipment, or for labor and services rendered in
23 respect to installing, repairing, cleaning, altering, or improving the
24 equipment, including repair and replacement parts, if the equipment is
25 used to retrofit diesel vehicles that are 1994 model year or older.

26 (2) For the purposes of this section, "emissions control equipment"
27 means a device with an oxidation catalyst, particulate filter,
28 crankcase ventilation filter, or other means of reducing emissions from
29 diesel vehicles, and that has been verified under the federal
30 environmental protection agency's voluntary diesel retrofit program.

31 NEW SECTION. **Sec. 105.** A new section is added to chapter 82.12
32 RCW to read as follows:

33 (1) The provisions of this chapter do not apply in respect to the
34 use of emissions control equipment, or of labor and services rendered

1 in respect to installing, repairing, cleaning, altering, or improving
2 the equipment, if the equipment is used to retrofit diesel vehicles
3 that are 1994 model year or older.

4 (2) For the purposes of this section, the definitions in section
5 104 of this act apply.

6 **Sec. 106.** RCW 53.08.040 and 1989 c 298 s 1 are each amended to
7 read as follows:

8 (1) A district may improve its lands by dredging, filling,
9 bulkheading, providing waterways or otherwise developing such lands for
10 industrial and commercial purposes. A district may also acquire,
11 construct, install, improve, and operate sewer and water utilities to
12 serve its own property and other property owners under terms,
13 conditions, and rates to be fixed and approved by the port commission.
14 A district may also acquire, by purchase, construction, lease, or in
15 any other manner, and may maintain and operate other facilities for the
16 control or elimination of air, water, or other pollution, including,
17 but not limited to, facilities for the treatment and/or disposal of
18 industrial wastes, and may make such facilities available to others
19 under terms, conditions and rates to be fixed and approved by the port
20 commission. Such conditions and rates shall be sufficient to reimburse
21 the port for all costs, including reasonable amortization of capital
22 outlays caused by or incidental to providing such other pollution
23 control facilities(~~(:—PROVIDED, That)~~). However, no part of such
24 costs of providing any pollution control facility to others shall be
25 paid out of any tax revenues of the port(~~(:—AND PROVIDED FURTHER,~~
26 ~~That)~~) and no port shall enter into an agreement or contract to provide
27 sewer and/or water utilities or pollution control facilities if
28 substantially similar utilities or facilities are available from
29 another source (or sources) which is able and willing to provide such
30 utilities or facilities on a reasonable and nondiscriminatory basis
31 unless such other source (or sources) consents thereto.

32 (2) In the event that a port elects to make such other pollution
33 control facilities available to others, it shall do so by lease, lease
34 purchase agreement, or other agreement binding such user to pay for the
35 use of said facilities for the full term of the revenue bonds issued by
36 the port for the acquisition of said facilities, and said payments
37 shall at least fully reimburse the port for all principal and interest

1 paid by it on said bonds and for all operating or other costs, if any,
2 incurred by the port in connection with said facilities(~~(+~~
3 ~~PROVIDED,~~)). However, (~~That~~) where there is more than one user of
4 any such facilities, each user shall be responsible for its pro rata
5 share of such costs and payment of principal and interest. Any port
6 intending to provide pollution control facilities to others shall first
7 survey the port district to ascertain the potential users of such
8 facilities and the extent of their needs. The port shall conduct a
9 public hearing upon the proposal and shall give each potential user an
10 opportunity to participate in the use of such facilities upon equal
11 terms and conditions.

12 (3) "Pollution control facility," as used in this section and RCW
13 53.08.041, does not include air quality improvement equipment that
14 provides emission reductions for engines, vehicles, and vessels.

15 **Sec. 107.** RCW 70.94.017 and 2005 c 295 s 5 are each amended to
16 read as follows:

17 (1) Money deposited in the segregated subaccount of the air
18 pollution control account under RCW 46.68.020(2) shall be distributed
19 as follows:

20 (a) Eighty-five percent shall be distributed to air pollution
21 control authorities created under this chapter. The money must be
22 distributed in direct proportion with the amount of fees imposed under
23 RCW 46.12.080, 46.12.170, and 46.12.181 that are collected within the
24 boundaries of each authority. However, an amount in direct proportion
25 with those fees collected in counties for which no air pollution
26 control authority exists must be distributed to the department.

27 (b) The remaining fifteen percent shall be distributed to the
28 department.

29 (2) Money distributed to air pollution control authorities and the
30 department under subsection (1) of this section must be used as
31 follows:

32 (a) Eighty-five percent of the money received by an air pollution
33 control authority or the department is available on a priority basis to
34 retrofit school buses with exhaust emission control devices or to
35 provide funding for fueling infrastructure necessary to allow school
36 bus fleets to use alternative, cleaner fuels. In addition, the
37 director of ecology or the air pollution control officer may direct

1 funding under this section for other publicly or privately owned diesel
2 equipment if the director of ecology or the air pollution control
3 officer finds that funding for other publicly or privately owned diesel
4 equipment will provide public health benefits and further the purposes
5 of this chapter.

6 (b) The remaining fifteen percent may be used by the air pollution
7 control authority or department to reduce transportation-related air
8 contaminant emissions and clean up air pollution, or reduce and monitor
9 toxic air contaminants.

10 (3) Money in the air pollution control account may be spent by the
11 department only after appropriation.

12 (4) This section expires July 1, 2020.

13 **PART 2**

14 **CLEAN FUELS INITIATIVE**

15 NEW SECTION. **Sec. 201.** (1) The legislature finds that the
16 development of a Washington-based feedstock agricultural and forest
17 products market is highly desirable for producing biodiesel and
18 ethanol. Research and incentive programs are needed to develop a
19 market in Washington to produce cellulosic ethanol from wood waste and
20 other organic materials. Cellulosic ethanol is a preferred biofuel
21 because it provides much greater reductions in petroleum dependence and
22 carbon emissions as compared to starch-based ethanol.

23 (2) It is important for the state of Washington to develop a
24 complete supply chain infrastructure that allows the state government,
25 including its local government subdivisions, to supply its complete
26 fuel needs with biofuels produced from feedstocks completely produced
27 in Washington. The goal of suppling one hundred percent of state and
28 local government's fuel needs with biofuels should be a reality by
29 2015.

30 NEW SECTION. **Sec. 202.** A new section is added to chapter 15.110
31 RCW to read as follows:

32 (1) Cellulosic ethanol production facilities are eligible for
33 assistance under the energy freedom program.

34 (2) For the purposes of this section, "cellulosic ethanol" means
35 ethanol derived from any lignocellulosic or hemicellulosic matter that

1 is available on a renewable or recurring basis, including dedicated
2 energy crops and trees, wood and wood residues, plants, grasses,
3 agricultural residues, fibers, animal wastes and other waste materials,
4 and municipal solid waste.

5 NEW SECTION. **Sec. 203.** A new section is added to chapter 19.112
6 RCW to read as follows:

7 (1) In addition to any other authority provided by law,
8 conservation districts and public development authorities are
9 authorized to enter into crop purchase contracts for a dedicated energy
10 crop for the purposes of producing, selling, and distributing biodiesel
11 produced from Washington state feedstocks, cellulosic ethanol, and
12 cellulosic ethanol blend fuels.

13 (2) In addition to any other authority provided by law, electric
14 utilities are authorized to produce and distribute biodiesel, ethanol,
15 and ethanol blend fuels, including entering into crop purchase
16 contracts for a dedicated energy crop for the purpose of generating
17 electricity or producing biodiesel produced from Washington feedstocks,
18 cellulosic ethanol, and cellulosic ethanol blend fuels for use in
19 internal operations of the electric utility and for sale or
20 distribution.

21 **Sec. 204.** RCW 15.110.040 and 2006 c 171 s 5 are each amended to
22 read as follows:

23 If the total requested dollar amount of assistance exceeds the
24 amount available in the energy freedom account created in RCW
25 15.110.050, the applications must be prioritized based upon the
26 following criteria:

27 (1) The extent to which the project will help reduce dependence on
28 petroleum fuels and imported energy either directly or indirectly;

29 (2) The extent to which the project will reduce air and water
30 pollution either directly or indirectly;

31 (3) The extent to which the project will establish a viable
32 bioenergy production capacity in Washington;

33 (4) The benefits to Washington's agricultural producers; (~~and~~)

34 (5) The benefits to the health of Washington's forests; and

35 (6) The number and quality of jobs and economic benefits created by
36 the project.

1 **Sec. 205.** RCW 15.110.020 and 2006 c 171 s 3 are each amended to
2 read as follows:

3 (1) The energy freedom program is established within the
4 department. The director may establish policies and procedures
5 necessary for processing, reviewing, and approving applications made
6 under this chapter.

7 (2) When reviewing applications submitted under this program, the
8 director shall consult with those agencies having expertise and
9 knowledge to assess the technical and business feasibility of the
10 project and probability of success. These agencies may include, but
11 are not limited to, Washington State University, the University of
12 Washington, the department of ecology, the department of community,
13 trade, and economic development, the department of natural resources,
14 and the Washington state conservation commission.

15 (3) The director, in cooperation with the department of community,
16 trade, and economic development, may approve an application only if the
17 director finds:

18 (a) The project will convert farm products or wastes directly into
19 electricity or into gaseous or liquid fuels or other coproducts
20 associated with such conversion;

21 (b) The project demonstrates technical feasibility and directly
22 assists in moving a commercially viable project into the marketplace
23 for use by Washington state citizens;

24 (c) The facility will produce long-term economic benefits to the
25 state, a region of the state, or a particular community in the state;

26 (d) The project does not require continuing state support;

27 (e) The assistance will result in new jobs, job retention, or
28 higher incomes for citizens of the state;

29 (f) The state is provided an option under the assistance agreement
30 to purchase a portion of the fuel or feedstock to be produced by the
31 project, exercisable by the department of general administration;

32 (g) The project will increase energy independence or diversity for
33 the state;

34 (h) The project will use feedstocks produced in the state, if
35 feasible, except this criterion does not apply to the construction of
36 facilities used to distribute and store fuels that are produced from
37 farm products or wastes;

1 (i) Any product produced by the project will be suitable for its
2 intended use, will meet accepted national or state standards, and will
3 be stored and distributed in a safe and environmentally sound manner;

4 (j) The application provides for adequate reporting or disclosure
5 of financial and employment data to the director, and permits the
6 director to require an annual or other periodic audit of the project
7 books; and

8 (k) For research and development projects, the application has been
9 independently reviewed by a peer review committee as defined in RCW
10 15.110.010 and the findings delivered to the director.

11 (4) The director may approve an application for assistance up to
12 five million dollars. In no circumstances shall this assistance
13 constitute more than fifty percent of the total project cost.

14 (5) The director shall enter into agreements with approved
15 applicants to fix the terms and rates of the assistance to minimize the
16 costs to the applicants, and to encourage establishment of a viable
17 bioenergy industry. The agreement shall include provisions to protect
18 the state's investment, including a requirement that a successful
19 applicant enter into contracts with any partners that may be involved
20 in the use of any assistance provided under this program, including
21 services, facilities, infrastructure, or equipment. Contracts with any
22 partners shall become part of the application record.

23 (6) The director may defer any payments for up to twenty-four
24 months or until the project starts to receive revenue from operations,
25 whichever is sooner.

26 PART 3

27 ESTABLISH GOALS FOR EMISSION REDUCTION 28 OF THE STATE'S MOTOR VEHICLE FLEETS

29 NEW SECTION. **Sec. 301.** The legislature finds that there is a
30 compelling public interest in reducing fossil fuel dependence and
31 emissions of global warming pollution. It is important for the state
32 of Washington to demonstrate leadership in this regard and achieve
33 reductions in the use of fossil fuels by state fleets.

34 NEW SECTION. **Sec. 302.** A new section is added to chapter 43.19
35 RCW to read as follows:

1 (1) By no later than January 1, 2020, the annual fossil fuel usage
2 by the state's motor vehicle fleets must be at least twenty-five
3 percent below the annual usage for the year 2006.

4 (2) Except for cars owned or operated by the Washington state
5 patrol, when tires on vehicles in the state's motor vehicle fleet are
6 replaced, they must be replaced with tires that have the same or better
7 rolling resistance as the original tires.

8 (3) The governor shall report to the legislature at the beginning
9 of each biennium until January 1, 2020, on progress towards meeting the
10 goals in this section and any barriers to achieving the goals.

11 NEW SECTION. **Sec. 303.** A new section is added to chapter 43.01
12 RCW to read as follows:

13 It is in the state's interest and to the benefit of the people of
14 the state to encourage the use of electrical vehicles in order to
15 reduce emissions and provide the public with cleaner air. This section
16 expressly authorizes the purchase of power at state expense to recharge
17 privately and publicly owned plug-in electrical vehicles at state
18 office locations where the vehicles are used for state business, are
19 commute vehicles, or where the vehicles are at the state location for
20 the purpose of conducting business with the state.

21 NEW SECTION. **Sec. 304.** A new section is added to chapter 43.19
22 RCW to read as follows:

23 (1) In order to allow the motor vehicle fuel needs of state and
24 local government to be satisfied by Washington-produced biofuels, the
25 department of general administration shall contract in advance and
26 execute contracts with public or private producers, suppliers, or other
27 parties, for the purchase of biofuels, including but not limited to
28 biodiesel, ethanol, and ethanol blend fuels that are made from recycled
29 products or Washington feedstocks. Contract provisions may address
30 items including, but not limited to, fuel standards, price, and
31 delivery date.

32 (2) The department of general administration may combine the needs
33 of local government agencies, including ports, special districts,
34 school districts, and municipal corporations, for the purposes of
35 executing biodiesel, ethanol, and ethanol blend fuels contracts and to
36 secure a sufficient and stable supply of alternative fuels.

1 **Sec. 305.** RCW 43.19.642 and 2006 c 338 s 10 are each amended to
2 read as follows:

3 (1) All state agencies are encouraged to use a fuel blend of twenty
4 percent biodiesel and eighty percent petroleum diesel for use in
5 diesel-powered vehicles and equipment.

6 (2) Effective June 1, 2006, for agencies complying with the ultra-
7 low sulfur diesel mandate of the United States environmental protection
8 agency for on-highway diesel fuel, agencies shall use biodiesel as an
9 additive to ultra-low sulfur diesel for lubricity, provided that the
10 use of a lubricity additive is warranted and that the use of biodiesel
11 is comparable in performance and cost with other available lubricity
12 additives. The amount of biodiesel added to the ultra-low sulfur
13 diesel fuel shall be not less than two percent.

14 (3) Effective June 1, 2009, state agencies are required to use a
15 minimum of twenty percent biodiesel as compared to total volume of all
16 diesel purchases made by the agencies for the operation of the
17 agencies' diesel-powered vessels, vehicles, and construction equipment.

18 (4)(a) Effective June 1, 2015, all state agencies and local
19 government subdivisions of the state, to the extent determined
20 practicable by the clean energy coordinator created in section 306 of
21 this act, are required to satisfy one hundred percent of their fuel
22 needs for operating publicly owned vessels, vehicles, and construction
23 equipment from biofuel certified by the clean energy coordinator.

24 (b) If, on or after June 1, 2015, the clean energy coordinator
25 finds that it is not practicable for all units of state and local
26 government to satisfy their complete fuel needs from biofuel, the clean
27 energy coordinator may determine the minimum percentage of biofuel that
28 must be included in a state or local agency's purchasing, the date of
29 compliance with the one hundred percent biofuel mandate, and any other
30 conditions on an agency's fuel purchasing schedule deemed necessary by
31 the clean energy coordinator for the successful satisfaction of the one
32 hundred percent biofuel mandate.

33 (5) All state agencies using biodiesel fuel shall, beginning on
34 July 1, 2006, file quarterly reports with the department of general
35 administration documenting the use of the fuel and a description of how
36 any problems encountered were resolved.

1 NEW SECTION. **Sec. 306.** A new section is added to chapter 43.41
2 RCW to read as follows:

3 (1) The position of the clean energy coordinator is created within
4 the office of financial management.

5 (2) The clean energy coordinator is responsible for:

6 (a) Inventorying and coordinating all state efforts to develop,
7 encourage, or mandate a biofuels market in Washington;

8 (b) Developing, coordinating, and overseeing the implementation of
9 a plan, or series of plans, for the development of a complete supply
10 chain that allows for the production, transport, distribution, and
11 delivery to public sector end users of biofuels produced exclusively
12 from recycled products or Washington feedstocks;

13 (c) Certifying that biofuels produced for use by state and local
14 government in Washington is produced exclusively from recycled products
15 or Washington feedstocks;

16 (d) Judging the practicability of the one hundred percent biofuels
17 mandate in RCW 43.19.642; and

18 (e) Working with the departments of transportation and general
19 administration, or other applicable state and local governmental
20 entities, to develop biofuel fueling stations for use by state and
21 local motor vehicle fleets.

22 **PART 4**

23 **VEHICLE ELECTRIFICATION WORK GROUP**

24 NEW SECTION. **Sec. 401.** (1) The legislature finds that it is in
25 the state's interest and to the benefit of the people of the state to
26 encourage the use of electrical vehicle technology that will reduce
27 fossil fuel dependence and toxic air pollution. Displacing petroleum
28 with electricity will keep more energy expenditures and jobs in
29 Washington's economy instead of being lost to fossil fuel imports.

30 (2) Motor vehicles produce more than half of the global warming
31 pollution in the state of Washington. Reducing the use of fossil fuels
32 through alternatives such as electrification is one of the most
33 practical, beneficial climate solutions available to the state and its
34 citizens.

35 (3) The legislature finds that cleaner fuels and vehicles,

1 including vehicles that use electricity, can help the state achieve
2 better public health, increased energy security, and substantial
3 economic benefits.

4 NEW SECTION. **Sec. 402.** (1) The vehicle electrification work group
5 is established. Members of the group must be appointed by the governor
6 or the governor's designee and must include representatives of state
7 and local government agencies, ports, private and public electrical
8 power utilities, automobile manufacturers, trucking industry interests,
9 environmental interests, regional air quality agencies, and other
10 stakeholder groups. Staff for the work group must be provided by the
11 department of community, trade, and economic development, with
12 additional staff to be provided by other state agencies, as may be
13 required or requested.

14 (2) The vehicle electrification work group shall review, study,
15 evaluate, and make recommendations on at least the following items:

16 (a) Use by the state of plug-in hybrid vehicles and developing
17 plug-in availability at state locations;

18 (b) Incentives to encourage the use of plug-in truck auxiliary
19 power units and truck stop electrification;

20 (c) Use of plug-in shore power for cargo and cruise ship terminals,
21 shipside technology, and use of electric power alternatives for port-
22 related operations and equipment such as switching locomotives, vessels
23 and harborcraft, and cargo-handling equipment;

24 (d) Potential uses for and availability of plug-in hybrid school
25 buses;

26 (e) Potential environmental and electrical grid impacts on
27 electrical power consumption of the conversion of a meaningful portion
28 of the state's private and public fleet to plug-in electrical power;

29 (f) Tax and fee incentives to encourage individual and fleet
30 purchases of plug-in hybrid vehicles;

31 (g) State laws, rules, tariffs, and policies that impact
32 transportation electrification and plug-in adoption, including pricing
33 with incentives for off-peak charging;

34 (h) Measures to encourage the use of plug-in vehicles by public
35 fleets, and resulting cost savings, and whether state and local fleets
36 should be required to purchase plug-in hybrid vehicles if it is

1 determined that plug-in hybrid vehicles are commercially available at
2 a reasonably comparable life-cycle cost;

3 (i) Explore the potential for the use of electrification of fixed
4 transit routes for magnetic levitation propulsion systems;

5 (j) Actions by the state to help industries located in the state
6 participate in developing and manufacturing plug-in vehicles and
7 vehicle-to-grid technologies;

8 (k) Additional ways the state can promote transportation
9 electrification in the private and public sectors, including cars and
10 light-duty vehicles, and truck stop and port electrification; and

11 (l) Potential partners for vehicle-to-grid pilot projects that test
12 the use of parked plug-in vehicles for power grid energy storage and
13 support.

14 (3) The vehicle electrification work group must complete its work
15 by December 1, 2008. The work group must submit an interim report to
16 the governor stating its findings, conclusions, and interim
17 recommendations by December 1, 2007. The group must submit a final
18 report to the governor stating its findings, conclusions, and final
19 recommendations by December 1, 2008.

20 (4) This section expires July 31, 2009.

21 NEW SECTION. **Sec. 403.** The sum of five hundred thousand dollars,
22 or as much thereof as may be necessary, is appropriated for the
23 biennium ending June 30, 2009, from the clean energy incentive account
24 created in section 601 of this act to the department of community,
25 trade, and economic development for the purposes of staffing the
26 vehicle electrification work group and providing research to carry out
27 the work of the group.

28 **PART 5**

29 **PLANNING FOR THE FUTURE**

30 NEW SECTION. **Sec. 501.** (1) The legislature finds that climate
31 change is expected to have significant impacts in the Pacific Northwest
32 region in the near and long-term future. These impacts include, among
33 other things, increased temperatures, declining snowpack, more frequent
34 heavy rainfall and flooding, receding glaciers, rising sea levels,

1 increased risks to public health due to insect and rodent-borne
2 diseases, declining salmon populations, and increased drought and risk
3 of forest fires.

4 (2) The legislature recognizes the need at this time to continue to
5 gather and analyze information related to climate protection. This
6 will allow prudent steps to be taken to avoid, mitigate, or respond to
7 climate impacts and protect our communities.

8 (3) The analysis of the health impacts of climate protection is
9 needed to help prepare the state for and avoid health impacts such as
10 West Nile virus and respiratory disease. At the same time, this
11 analysis will contribute to our strategic thinking and planning for the
12 impacts of climate change.

13 (4) The legislature finds that it is important for the state of
14 Washington to participate in emerging regional, national, and
15 international markets to mitigate climate change. The state has a
16 strong interest in ensuring that climate policies and emission markets
17 are designed to appropriately recognize our unique energy assets.
18 Further, the legislature recognizes that any market system related to
19 climate protection must be based on credible and durable accounting
20 principles and have equally applicable rules across sectors in order to
21 promote economically and environmentally effective trading.

22 NEW SECTION. **Sec. 502.** The sum of two hundred fifty thousand
23 dollars, or as much thereof as may be necessary, is appropriated for
24 the biennium ending June 30, 2009, from the clean energy incentive
25 account created in section 601 of this act to the climate impacts group
26 at the University of Washington for the purposes of contracting for an
27 analysis of the potential human health impacts of global warming on the
28 state of Washington.

29 NEW SECTION. **Sec. 503.** (1) The sum of five hundred thousand
30 dollars, or as much thereof as may be necessary, is appropriated for
31 the biennium ending June 30, 2009, from the clean energy incentive
32 account created in section 601 of this act to the department of
33 community, trade, and economic development for the purposes of
34 developing and recommending a framework for the state of Washington to
35 participate in emerging regional, national, and global markets to
36 mitigate climate change, on a multisector basis, including the forest

1 sector. This framework must include, but not be limited to, credible,
2 verifiable, replicable inventory and accounting methodologies for each
3 sector involved.

4 (2) The department of community, trade, and economic development
5 shall work closely with the department of natural resources on any
6 elements of this section's administration that studies or makes
7 recommendations on the role and opportunities of the forest sector.

8 **PART 6**

9 **CLEAN ENERGY INCENTIVE ACCOUNT**

10 NEW SECTION. **Sec. 601.** A new section is added to chapter 43.31
11 RCW to read as follows:

12 (1) The clean energy incentive account is created in the state
13 treasury. All receipts from appropriations made to the account must be
14 deposited into the account. Moneys in the account may be spent only
15 after appropriation. Expenditures from the account may be used only
16 for the purposes of this act.

17 (2) Any state agency receiving funding from the clean energy
18 incentive account is prohibited from retaining greater than three
19 percent of any funding provided from the clean energy incentive account
20 for administrative overhead or other deductions not directly associated
21 with conducting the research, projects, or other end products that the
22 funding is designed to produce.

23 (3) Any university, institute, or other entity that is not a state
24 agency receiving funding from the clean energy incentive account is
25 prohibited from retaining greater than three percent of any funding
26 provided from the clean energy incentive account for administrative
27 overhead or other deductions not directly associated with conducting
28 the research, projects, or other end products that the funding is
29 designed to produce.

30 NEW SECTION. **Sec. 602.** A new section is added to chapter 43.135
31 RCW to read as follows:

32 RCW 43.135.035(4) does not apply to the transfers established in
33 this act.

1 NEW SECTION. **Sec. 603.** A new section is added to chapter 43.19
2 RCW to read as follows:

3 The department of general administration, in conjunction with
4 private sector suppliers, shall develop a pilot program for providing
5 E85 fueling capacity at appropriate intervals and locations along at
6 least interstate routes 5, 82, and 90 throughout the state for the use
7 of public and private vehicles.

8 NEW SECTION. **Sec. 604.** The sum of five hundred thousand dollars,
9 or as much thereof as may be necessary, is appropriated for the
10 biennium ending June 30, 2009, from the clean energy incentive account
11 created in section 601 of this act to the office of financial
12 management to be provided to the clean energy coordinator created in
13 section 306 of this act and for the purpose of providing greater access
14 to public sector fueling capacity for biofuels.

15 NEW SECTION. **Sec. 605.** A new section is added to chapter 28B.30
16 RCW to read as follows:

17 The Washington State University energy program is directed to
18 analyze and recommend models for possible implementation by the
19 legislature or the executive office for at least the following
20 potential biofuels incentive programs:

21 (1) Market incentives to encourage instate production of brassica-
22 based biodiesel, and cellulosic ethanol, including such market methods
23 as direct grants, production tax credits, and the issuance by the state
24 of advance guaranteed purchase contracts;

25 (2) Possible preferred research programs, grants, or other forms of
26 assistance for accelerating the development of instate production of
27 cellulosic ethanol and in-state biodiesel crops and their coproducts;

28 (3) Coordinate with the Western Washington University alternative
29 automobile program for opportunities to support new Washington state
30 technology for conversion of fossil fuel fleets to biofuel, hybrid, or
31 alternative fuel propulsion;

32 (4) Coordinate with the University of Washington's college of
33 forest management and the Olympic natural resources center for the
34 identification of barriers to using the state's forest resources for
35 fuel production, including the economic and transportation barriers of
36 physically bringing forest biomass to the market;

1 (5) Coordinate with the department of agriculture for the
2 identification of other barriers for future biofuels development; and
3 (6) Strategies for furthering the penetration of the Washington
4 state fossil fuel market with Washington produced biofuels,
5 particularly among public entities.

6 NEW SECTION. **Sec. 606.** The sum of six million seven hundred fifty
7 thousand dollars, or as much thereof as may be necessary, is
8 appropriated for the biennium ending June 30, 2009, from the clean
9 energy incentive account created in section 601 of this act to
10 Washington State University for the purposes of section 605 of this act
11 and for qualifying for potential federal matching funds for research on
12 biofuels.

13 NEW SECTION. **Sec. 607.** The sum of two million one hundred
14 thousand dollars, or as much thereof as may be necessary, is
15 appropriated for the biennium ending June 30, 2009, from the clean
16 energy incentive account created in section 601 of this act to the
17 climate impacts group at the University of Washington for the purposes
18 of producing a fifty-year comprehensive state climate change
19 assessment.

20 NEW SECTION. **Sec. 608.** A new section is added to chapter 43.31
21 RCW to read as follows:

22 The following goals and criteria should be considered in evaluating
23 potential biofuel incentives to be offered by the clean energy
24 incentive account created in section 601 of this act: To assist
25 Washington farmers and businesses in the development of economically
26 viable, sustained instate biofuel and biofuel feedstock production; to
27 leverage and encourage private investment in biofuel and biofuel
28 feedstock production; and to assist in the development of biofuel
29 feedstocks and production techniques that deliver the greatest net
30 reductions in petroleum dependence and carbon emissions.

31 **PART 7**
32 **MISCELLANEOUS**

1 NEW SECTION. **Sec. 701.** Part headings used in this act are not any
2 part of the law.

3 NEW SECTION. **Sec. 702.** The office of the superintendent of public
4 instruction may adopt any rules necessary for the implementation of
5 this act.

6 NEW SECTION. **Sec. 703.** Sections 104 and 105 of this act take
7 effect August 1, 2007.

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