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ENGROSSED SECOND SUBSTITUTE HOUSE BILL 1303

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State of Washington

60th Legislature

2007 Regular Session

By House Committee on Appropriations (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 3/5/07.

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 70.94.017, 53.08.040, 43.19.642, 15.110.010,  
4 15.110.020, 15.110.030, 15.110.040, 15.110.050, 15.110.060, 47.17.020,  
5 47.17.135, and 47.17.140; adding a new section to chapter 28A.300 RCW;  
6 adding new sections to chapter 43.19 RCW; adding a new section to  
7 chapter 43.01 RCW; adding a new section to chapter 89.08 RCW; adding a  
8 new section to chapter 35.21 RCW; adding a new section to chapter 35.92  
9 RCW; adding a new section to chapter 54.04 RCW; adding a new section to  
10 chapter 28B.30 RCW; adding a new section to chapter 43.135 RCW; adding  
11 a new chapter to Title 43 RCW; creating new sections; recodifying RCW  
12 15.110.005, 15.110.010, 15.110.020, 15.110.030, 15.110.040, 15.110.050,  
13 15.110.060, 15.110.900, and 15.110.901; and providing expiration dates.

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

15 NEW SECTION. **Sec. 1.** (1) The legislature finds that excessive  
16 dependence on fossil fuels jeopardizes Washington's economic security,  
17 environmental integrity, and public health. Accelerated development  
18 and use of clean fuels and clean vehicle technologies will reduce the  
19 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,  
17 ethanol from plant waste, and liquid natural gas from landfill or  
18 wastewater treatment gases; reduced fossil fuel consumption by state  
19 fleets; development of promising new technologies for displacing  
20 petroleum with electricity, such as "plug-in hybrids"; and impact  
21 analysis and emission accounting procedures that prepare Washington to  
22 respond and prosper as global warming impacts occur and as policies and  
23 markets to reduce global warming pollution are developed.

24 **PART 1**  
25 **INVESTING IN CLEAN AIR**

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

1 reduce wood smoke, will also aid areas of the state facing potential  
2 nonattainment of new fine particle standards established by the United  
3 States environmental protection agency and help avoid the adverse  
4 health and economic impacts of nonattainment.

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

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

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

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

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

34 (1) The office of the superintendent of public instruction shall  
35 implement a school bus replacement incentive program. As part of the  
36 program, the office shall fund up to ten percent of the cost of a new  
37 2007 or later model year school bus that meets the 2007 federal motor

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

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

15 **Sec. 103.** 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 **Sec. 104.** RCW 53.08.040 and 1989 c 298 s 1 are each amended to  
14 read as follows:

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

1 utilities or facilities on a reasonable and nondiscriminatory basis  
2 unless such other source (or sources) consents thereto.

3 (2) In the event that a port elects to make such other pollution  
4 control facilities available to others, it shall do so by lease, lease  
5 purchase agreement, or other agreement binding such user to pay for the  
6 use of said facilities for the full term of the revenue bonds issued by  
7 the port for the acquisition of said facilities, and said payments  
8 shall at least fully reimburse the port for all principal and interest  
9 paid by it on said bonds and for all operating or other costs, if any,  
10 incurred by the port in connection with said facilities(~~(+  
11 PROVIDED,)~~). However, (~~That~~) where there is more than one user of  
12 any such facilities, each user shall be responsible for its pro rata  
13 share of such costs and payment of principal and interest. Any port  
14 intending to provide pollution control facilities to others shall first  
15 survey the port district to ascertain the potential users of such  
16 facilities and the extent of their needs. The port shall conduct a  
17 public hearing upon the proposal and shall give each potential user an  
18 opportunity to participate in the use of such facilities upon equal  
19 terms and conditions.

20 (3) "Pollution control facility," as used in this section and RCW  
21 53.08.041, does not include air quality improvement equipment that  
22 provides emission reductions for engines, vehicles, and vessels.

23 **PART 2**

24 **PUBLIC SECTOR FUEL USE**

25 NEW SECTION. Sec. 201. (1) The legislature finds that it is in  
26 the state's interest and to the benefit of the people of the state to  
27 encourage the use of electrical vehicle technology that will reduce  
28 fossil fuel dependence and toxic air pollution. Displacing petroleum  
29 with electricity will keep more energy expenditures and jobs in  
30 Washington's economy instead of being lost to fossil fuel imports.

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

1 (3) The legislature finds that cleaner fuels and vehicles,  
2 including vehicles that use electricity, can help the state achieve  
3 better public health, increased energy security, and substantial  
4 economic benefits.

5 (4) The legislature finds that there is a compelling public  
6 interest in reducing fossil fuel dependence and emissions of global  
7 warming pollution. It is important for the state of Washington to  
8 demonstrate leadership in this regard and achieve reductions in the use  
9 of fossil fuels by state fleets.

10 **Sec. 202.** RCW 43.19.642 and 2006 c 338 s 10 are each amended to  
11 read as follows:

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

15 (2) Effective June 1, 2006, for agencies complying with the ultra-  
16 low sulfur diesel mandate of the United States environmental protection  
17 agency for on-highway diesel fuel, agencies shall use biodiesel as an  
18 additive to ultra-low sulfur diesel for lubricity, provided that the  
19 use of a lubricity additive is warranted and that the use of biodiesel  
20 is comparable in performance and cost with other available lubricity  
21 additives. The amount of biodiesel added to the ultra-low sulfur  
22 diesel fuel shall be not less than two percent.

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

27 (4)(a) Effective June 1, 2015, all state agencies and local  
28 government subdivisions of the state, to the extent determined  
29 practicable by the energy freedom coordinator created in section 303 of  
30 this act, are required to satisfy one hundred percent of their fuel  
31 needs for operating publicly owned vessels, vehicles, and construction  
32 equipment from electricity or biofuel certified by the energy freedom  
33 coordinator.

34 (b) If, on or after June 1, 2015, the energy freedom coordinator  
35 finds that it is not practicable for all units of state and local  
36 government to satisfy their complete fuel needs from electricity or  
37 biofuel, the energy freedom coordinator may determine the minimum

1 percentage of biofuel that must be included in a state or local  
2 agency's purchasing, the date of compliance with the one hundred  
3 percent biofuel mandate, and any other conditions on an agency's fuel  
4 purchasing schedule deemed necessary by the energy freedom coordinator  
5 for the successful satisfaction of the one hundred percent biofuel  
6 mandate.

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

11 NEW SECTION. Sec. 203. A new section is added to chapter 43.19  
12 RCW to read as follows:

13 (1) By no later than January 1, 2020, the annual fossil fuel usage  
14 by the state must be at least twenty-five percent below the annual  
15 usage for the year 2006.

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

20 (3) All state agencies shall report to the energy freedom  
21 coordinator created in section 303 of this act at the beginning of each  
22 biennium until January 1, 2020, on progress towards meeting the goals  
23 in this section and any barriers to achieving the goals.

24 NEW SECTION. Sec. 204. A new section is added to chapter 43.19  
25 RCW to read as follows:

26 (1) In order to allow the motor vehicle fuel needs of state and  
27 local government to be satisfied by Washington-produced biofuels as  
28 provided in RCW 43.19.642, the department of general administration may  
29 contract in advance and execute contracts with public or private  
30 producers, suppliers, or other parties, for the purchase of biofuels,  
31 as that term is defined in RCW 15.110.010 (as recodified by this act).  
32 Contract provisions may address items including, but not limited to,  
33 fuel standards, price, and delivery date.

34 (2) The department of general administration may combine the needs  
35 of local government agencies, including ports, special districts,



1 school districts, and municipal corporations, for the purposes of  
2 executing contracts for biofuels and to secure a sufficient and stable  
3 supply of alternative fuels.

4 NEW SECTION. **Sec. 205.** A new section is added to chapter 43.01  
5 RCW to read as follows:

6 (1) It is in the state's interest and to the benefit of the people  
7 of the state to encourage the use of electrical vehicles in order to  
8 reduce emissions and provide the public with cleaner air. This section  
9 expressly authorizes the purchase of power at state expense to recharge  
10 privately and publicly owned plug-in electrical vehicles at state  
11 office locations where the vehicles are used for state business, are  
12 commute vehicles, or where the vehicles are at the state location for  
13 the purpose of conducting business with the state.

14 (2) The director of the department of general administration shall  
15 provide reports to the governor and the appropriate committees of the  
16 legislature, as deemed necessary by the director, on the estimated  
17 amount of state-purchased electricity consumed by plug-in electrical  
18 vehicles if the director of general administration determines that the  
19 use has a significant cost to the state, and on the number of plug-in  
20 electric vehicles using state office locations.

21 NEW SECTION. **Sec. 206.** A new section is added to chapter 89.08  
22 RCW to read as follows:

23 In addition to any other authority provided by law, conservation  
24 districts are authorized to enter into crop purchase contracts for a  
25 dedicated energy crop for the purposes of producing, selling, and  
26 distributing biodiesel produced from Washington state feedstocks,  
27 cellulosic ethanol, and cellulosic ethanol blend fuels.

28 NEW SECTION. **Sec. 207.** A new section is added to chapter 35.21  
29 RCW to read as follows:

30 In addition to any other authority provided by law, public  
31 development authorities are authorized to enter into crop purchase  
32 contracts for a dedicated energy crop for the purposes of producing,  
33 selling, and distributing biodiesel produced from Washington state  
34 feedstocks, cellulosic ethanol, and cellulosic ethanol blend fuels.

1 NEW SECTION. **Sec. 208.** A new section is added to chapter 35.92  
2 RCW to read as follows:

3 In addition to any other authority provided by law, municipal  
4 utilities are authorized to produce and distribute biodiesel, ethanol,  
5 and ethanol blend fuels, including entering into crop purchase  
6 contracts for a dedicated energy crop for the purpose of generating  
7 electricity or producing biodiesel produced from Washington feedstocks,  
8 cellulosic ethanol, and cellulosic ethanol blend fuels for use in  
9 internal operations of the electric utility and for sale or  
10 distribution.

11 NEW SECTION. **Sec. 209.** A new section is added to chapter 54.04  
12 RCW to read as follows:

13 In addition to any other authority provided by law, public utility  
14 districts 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 **PART 3**

22 **ENERGY FREEDOM AUTHORITY**

23 NEW SECTION. **Sec. 301.** (1) The legislature finds that the  
24 development of a Washington-based feedstock agricultural and forest  
25 products market is highly desirable for producing biodiesel and  
26 ethanol. Research and incentive programs are needed to develop a  
27 market in Washington to produce cellulosic ethanol from wood waste and  
28 other organic materials. Cellulosic ethanol is a preferred biofuel  
29 because it provides much greater reductions in petroleum dependence and  
30 carbon emissions as compared to starch-based ethanol.

31 (2) The legislature further finds that the development of a market  
32 for renewable liquid natural gas fuel products made from Washington-  
33 based feedstock waste biogases is highly desirable to meet Washington's  
34 clean fuel needs.

1 (3) It is important for the state of Washington to develop a  
2 complete supply chain infrastructure that allows the state government,  
3 including its local government subdivisions, to supply its complete  
4 fuel needs with biofuels produced from feedstocks completely produced  
5 in Washington. The goal of suppling one hundred percent of state and  
6 local government's fuel needs with biofuels should be a reality by  
7 2015.

8 **Sec. 302.** RCW 15.110.010 and 2006 c 171 s 2 are each amended to  
9 read as follows:

10 The definitions in this section apply throughout this chapter  
11 unless the context clearly requires otherwise.

12 (1) "Applicant" means any political subdivision of the state,  
13 including port districts, counties, cities, towns, special purpose  
14 districts, and other municipal corporations or quasi-municipal  
15 corporations. "Applicant" may also include federally recognized tribes  
16 and state institutions of higher education with appropriate research  
17 capabilities.

18 (2) "Assistance" includes loans, leases, product purchases, or  
19 other forms of financial or technical assistance.

20 (3) "Biofuel" includes, but is not limited to, biodiesel, ethanol,  
21 and ethanol blend fuels that are made from recycled products,  
22 Washington feedstocks, and renewable liquid natural gas or liquid  
23 compressed natural gas made from biogas.

24 (4) "Biogas" includes waste gases derived from landfills and  
25 wastewater treatment plants and dairy and farm wastes.

26 (5) "Cellulosic ethanol" means ethanol derived from any  
27 lignocellulosic or hemicellulosic matter that is available on a  
28 renewable or recurring basis, including dedicated energy crops and  
29 trees, wood and wood residues, plants, grasses, agricultural residues,  
30 fibers, animal wastes and other waste materials, and municipal solid  
31 waste.

32 (6) "Coordinator" means the energy freedom coordinator created in  
33 section 303 of this act.

34 (7) "Department" means the department of ((agriculture)) community,  
35 trade, and economic development.

36 ((4)) "Director" means the director of the department of  
37 agriculture.

1       ~~(5)~~) (8) "Green highway zone" means an area in the state  
2 designated by the department that is within reasonable proximity of  
3 state route number 5, state route number 90, and state route number 82.

4       (9) "Peer review committee" means a board, appointed by the  
5 (~~director~~) coordinator, that includes bioenergy specialists, energy  
6 conservation specialists, scientists, and individuals with specific  
7 recognized expertise.

8       ~~((6))~~ (10) "Project" means the construction of facilities,  
9 including the purchase of equipment, to convert farm products or wastes  
10 into electricity or gaseous or liquid fuels or other coproducts  
11 associated with such conversion. These specifically include fixed or  
12 mobile facilities to generate electricity or methane from the anaerobic  
13 digestion of organic matter, and fixed or mobile facilities for  
14 extracting oils from canola, rape, mustard, and other oilseeds.  
15 "Project" may also include the construction of facilities associated  
16 with such conversion for the distribution and storage of such  
17 feedstocks and fuels.

18       ~~((7))~~ (11) "Refueling project" means the construction of new  
19 alternative fuel refueling facilities, as well as upgrades and  
20 expansion of existing refueling facilities, that will enable these  
21 facilities to offer alternative fuels to the public.

22       (12) "Research and development project" means research and  
23 development, by an institution of higher education as defined in  
24 subsection (1) of this section, relating to:

25       (a) Bioenergy sources including but not limited to biomass and  
26 associated gases; or

27       (b) The development of markets for bioenergy coproducts.

28       NEW SECTION. Sec. 303. (1) The energy freedom authority, together  
29 with the position of the energy freedom coordinator, is created within  
30 the department.

31       (2) The coordinator is responsible for:

32       (a) Managing and directing the energy freedom authority;

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

35       (c) Developing, coordinating, and overseeing the implementation of  
36 a plan, or series of plans, for the development of a complete supply

1 chain that allows for the production, transport, distribution, and  
2 delivery to public sector end users of biofuels produced exclusively  
3 from recycled products or Washington feedstocks;

4 (d) Certifying that biofuels produced for use by state and local  
5 government in Washington is produced exclusively from recycled products  
6 or Washington feedstocks;

7 (e) Judging the practicability of the one hundred percent biofuels  
8 mandate in RCW 43.19.642;

9 (f) Working with the departments of transportation and general  
10 administration, or other applicable state and local governmental  
11 entities, to develop biofuel fueling stations for use by state and  
12 local motor vehicle fleets;

13 (g) Using any appropriations specifically provided for the purposes  
14 of this subsection to provide greater access to public sector fueling  
15 capacity for biofuels; and

16 (h) Working with the department of general administration, in  
17 conjunction with private sector suppliers, to develop a pilot program  
18 for providing E85 fueling capacity at appropriate intervals and  
19 locations along at least interstate routes 5, 82, and 90 throughout the  
20 state for the use of public and private vehicles.

21 **Sec. 304.** RCW 15.110.020 and 2006 c 171 s 3 are each amended to  
22 read as follows:

23 (1) The energy freedom program is established within the  
24 department, to be administered by the energy freedom authority created  
25 in section 303 of this act. The ~~((director))~~ coordinator may establish  
26 policies and procedures necessary for processing, reviewing, and  
27 approving applications made under this chapter.

28 (2) When reviewing applications submitted under this program, the  
29 ~~((director))~~ coordinator shall consult with those agencies and other  
30 public entities having expertise and knowledge to assess the technical  
31 and business feasibility of the project and probability of success.  
32 These agencies may include, but are not limited to, the department,  
33 Washington State University, the University of Washington, the  
34 department of ecology, ~~((the department of community, trade, and~~  
35 ~~economic development,))~~ the department of natural resources, the  
36 department of agriculture, the department of general administration,

1 local clean air authorities, and the Washington state conservation  
2 commission.

3 (3) Except as provided in subsection (5) of this section, the  
4 (~~director~~) coordinator, in cooperation with the department (~~of~~  
5 ~~community, trade, and economic development~~), may approve an  
6 application only if the (~~director~~) coordinator finds:

7 (a) The project will convert farm products or wastes, including  
8 biogas, directly into electricity or (~~into gaseous or liquid fuels~~)  
9 biofuel or other coproducts associated with such conversion;

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

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

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

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

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

21 (g) The project will increase energy independence or diversity for  
22 the state;

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

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

30 (j) The application provides for adequate reporting or disclosure  
31 of financial and employment data to the (~~director~~) coordinator, and  
32 permits the (~~director~~) coordinator to require an annual or other  
33 periodic audit of the project books; and

34 (k) For research and development projects, the application has been  
35 independently reviewed by a peer review committee as defined in RCW  
36 15.110.010 (as recodified by this act) and the findings delivered to  
37 the (~~director~~) coordinator.

1       (4) Cellulosic ethanol production facilities and biogas-to-biofuel  
2 production facilities are eligible for assistance under the energy  
3 freedom program.

4       (5) When reviewing an application for a refueling project, the  
5 coordinator may award a grant or a loan to an applicant if the director  
6 finds:

7       (a) The project will offer alternative fuels to the motoring  
8 public;

9       (b) The project does not require continued state support;

10       (c) The project is located within a green highway zone as defined  
11 in RCW 15.110.010 (as recodified by this act);

12       (d) The project will contribute towards an efficient and adequately  
13 spaced alternative fuel refueling network along the green highways  
14 designated in RCW 47.17.020, 47.17.135, and 47.17.140; and

15       (e) The project will result in increased access to alternative  
16 fueling infrastructure for the motoring public along the green highways  
17 designated in RCW 47.17.020, 47.17.135, and 47.17.140.

18       (6)(a) The ~~((director))~~ coordinator may approve ~~((an))~~ a project  
19 application for assistance under subsection (3) of this section up to  
20 five million dollars. In no circumstances shall this assistance  
21 constitute more than fifty percent of the total project cost.

22       ~~((+5))~~ (b) The director may approve a refueling project  
23 application for a grant or a loan under subsection (5) of this section  
24 up to fifty thousand dollars. In no circumstances shall a grant or a  
25 loan award constitute more than fifty percent of the total project  
26 cost.

27       (7) The ~~((director))~~ coordinator shall enter into agreements with  
28 approved applicants to fix the terms and rates of the assistance to  
29 minimize the costs to the applicants, and to encourage establishment of  
30 a viable bioenergy or biofuel industry. The agreement shall include  
31 provisions to protect the state's investment, including a requirement  
32 that a successful applicant enter into contracts with any partners that  
33 may be involved in the use of any assistance provided under this  
34 program, including services, facilities, infrastructure, or equipment.  
35 Contracts with any partners shall become part of the application  
36 record.

37       ~~((+6))~~ (8) The ~~((director))~~ coordinator may defer any payments for

1 up to twenty-four months or until the project starts to receive revenue  
2 from operations, whichever is sooner.

3 **Sec. 305.** RCW 15.110.030 and 2006 c 171 s 4 are each amended to  
4 read as follows:

5 (1) Upon written notice to the recipient of any assistance under  
6 this program, the ~~((director))~~ coordinator may suspend or cancel the  
7 assistance if any of the following occur:

8 (a) The recipient fails to make satisfactory and reasonable  
9 progress to complete the project, or the ~~((director))~~ coordinator  
10 concludes the recipient will be unable to complete the project or any  
11 portion of it; or

12 (b) The recipient has made misrepresentations in any information  
13 furnished to the ~~((director))~~ coordinator in connection with the  
14 project.

15 (2) In the event that any assistance has been awarded to the  
16 recipient under this program at the time of breach, or failure of the  
17 recipient to satisfactorily perform, the ~~((director))~~ coordinator may  
18 require that the full amount or value of the assistance, or a portion  
19 thereof, be repaid within a period specified by the ~~((director))~~  
20 coordinator.

21 **Sec. 306.** RCW 15.110.040 and 2006 c 171 s 5 are each amended to  
22 read as follows:

23 (1) If the total requested dollar amount of assistance awarded for  
24 projects under RCW 15.110.020(3) (as recodified by this act) exceeds  
25 the amount available in the energy freedom account created in RCW  
26 15.110.050 (as recodified by this act), the applications must be  
27 prioritized based upon the following criteria:

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

31 ~~((+2))~~ (b) The extent to which the project will reduce air and  
32 water pollution either directly or indirectly;

33 ~~((+3))~~ (c) The extent to which the project will establish a viable  
34 bioenergy or biofuel production capacity in Washington;

35 ~~((+4))~~ (d) The benefits to Washington's agricultural producers;

36 ~~((and~~



1       ~~(5)~~) (e) The benefits to the health of Washington's forests;  
2       (f) The beneficial uses of biogas; and  
3       (g) The number and quality of jobs and economic benefits created by  
4 the project.

5       (2) This section does not apply to grants or loans awarded for  
6 refueling projects under RCW 15.110.020(4) (as recodified by this act).

7       **NEW SECTION. Sec. 307.** (1) If the total requested dollar amount  
8 of funds for refueling projects under RCW 15.110.020(5) (as recodified  
9 by this act) exceeds the amount available for refueling projects in the  
10 energy freedom account created in RCW 15.110.050 (as recodified by this  
11 act), the applications must be prioritized based upon the following  
12 criteria:

13       (a) The extent to which the project will help reduce dependence on  
14 petroleum fuels and imported energy either directly or indirectly;

15       (b) The extent to which the project will reduce air and water  
16 pollution either directly or indirectly;

17       (c) The extent to which the project will establish a viable  
18 bioenergy production capacity in Washington;

19       (d) The extent to which the project will make biofuels more  
20 accessible to the motoring public;

21       (e) The benefits to Washington's agricultural producers; and

22       (f) The number and quality of jobs and economic benefits created by  
23 the project.

24       (2) This section does not apply to assistance awarded for projects  
25 under RCW 15.110.020(3) (as recodified by this act).

26       **Sec. 308.** RCW 15.110.050 and 2006 c 371 s 223 are each amended to  
27 read as follows:

28       (1) The energy freedom account is created in the state treasury.  
29 All receipts from appropriations made to the account and any loan  
30 payments of principal and interest derived from loans made under this  
31 chapter must be deposited into the account. Moneys in the account may  
32 be spent only after appropriation. Expenditures from the account may  
33 be used only for assistance for projects consistent with this chapter  
34 or otherwise authorized by the legislature. (~~Administrative costs of~~  
35 ~~the department may not exceed three percent of the total funds~~  
36 ~~available for this program.))~~

1           (2) The following goals and criteria should be considered in  
2 evaluating potential biofuel incentives to be offered by the energy  
3 freedom account: To assist Washington farmers and businesses in the  
4 development of economically viable, sustained instate biofuel and  
5 biofuel feedstock production; to leverage and encourage private  
6 investment in biofuel and biofuel feedstock production; and to assist  
7 in the development of biofuel feedstocks and production techniques that  
8 deliver the greatest net reductions in petroleum dependence and carbon  
9 emissions.

10           (3) Any state agency receiving funding from the energy freedom  
11 account is prohibited from retaining greater than three percent of any  
12 funding provided from the energy freedom account for administrative  
13 overhead or other deductions not directly associated with conducting  
14 the research, projects, or other end products that the funding is  
15 designed to produce.

16           (4) Any university, institute, or other entity that is not a state  
17 agency receiving funding from the energy freedom account is prohibited  
18 from retaining greater than fifteen percent of any funding provided  
19 from the energy freedom account for administrative overhead or other  
20 deductions not directly associated with conducting the research,  
21 projects, or other end products that the funding is designed to  
22 produce.

23           **Sec. 309.** RCW 15.110.060 and 2006 c 171 s 7 are each amended to  
24 read as follows:

25           The (~~director~~) coordinator shall report to the legislature and  
26 governor on the status of the energy freedom program created under this  
27 chapter, on or before December 1, 2006, and annually thereafter. This  
28 report must include information on the projects that have been funded,  
29 the status of these projects, and their environmental, energy savings,  
30 and job creation benefits as well as an assessment of the availability  
31 of alternative fuels in the state.

32   **PART 4**  
33   **PLANNING FOR THE FUTURE**

34           NEW SECTION. Sec. 401. (1) The legislature finds that climate  
35 change is expected to have significant impacts in the Pacific Northwest

1 region in the near and long-term future. These impacts include, among  
2 other things, increased temperatures, declining snowpack, more frequent  
3 heavy rainfall and flooding, receding glaciers, rising sea levels,  
4 increased risks to public health due to insect and rodent-borne  
5 diseases, declining salmon populations, and increased drought and risk  
6 of forest fires.

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

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

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

25 NEW SECTION. **Sec. 402.** (1) The vehicle electrification work group  
26 is established. Members of the group must be appointed by the governor  
27 or the governor's designee and must include representatives of state  
28 and local government agencies, ports, private and public electrical  
29 power utilities, automobile manufacturers, trucking industry interests,  
30 environmental interests, regional air quality agencies, and other  
31 stakeholder groups. Staff for the work group must be provided by the  
32 department of community, trade, and economic development, with  
33 additional staff to be provided by other state agencies, as may be  
34 required or requested.

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

- 1 (a) Use by the state of plug-in hybrid vehicles and developing  
2 plug-in availability at state locations;
- 3 (b) Incentives to encourage the use of plug-in truck auxiliary  
4 power units and truck stop electrification;
- 5 (c) Use of plug-in shore power for cargo and cruise ship terminals,  
6 shipside technology, and use of electric power alternatives for port-  
7 related operations and equipment such as switching locomotives, vessels  
8 and harborcraft, and cargo-handling equipment;
- 9 (d) Potential uses for and availability of plug-in hybrid school  
10 buses;
- 11 (e) Potential environmental and electrical grid impacts on  
12 electrical power consumption of the conversion of a meaningful portion  
13 of the state's private and public fleet to plug-in electrical power;
- 14 (f) Tax and fee incentives to encourage individual and fleet  
15 purchases of plug-in hybrid vehicles;
- 16 (g) State laws, rules, tariffs, and policies that impact  
17 transportation electrification and plug-in adoption, including pricing  
18 with incentives for off-peak charging;
- 19 (h) Measures to encourage the use of plug-in vehicles by public  
20 fleets, and resulting cost savings, and whether state and local fleets  
21 should be required to purchase plug-in hybrid vehicles if it is  
22 determined that plug-in hybrid vehicles are commercially available at  
23 a reasonably comparable life-cycle cost;
- 24 (i) Explore the potential for the use of electrification of fixed  
25 transit routes for magnetic levitation propulsion systems;
- 26 (j) Actions by the state to help industries located in the state  
27 participate in developing and manufacturing plug-in vehicles and  
28 vehicle-to-grid technologies;
- 29 (k) Additional ways the state can promote transportation  
30 electrification in the private and public sectors, including cars and  
31 light-duty vehicles, and truck stop and port electrification; and
- 32 (l) Potential partners for vehicle-to-grid pilot projects that test  
33 the use of parked plug-in vehicles for power grid energy storage and  
34 support.
- 35 (3) The vehicle electrification work group must complete its work  
36 by December 1, 2008. The work group must submit an interim report to  
37 the governor stating its findings, conclusions, and interim

1 recommendations by December 1, 2007. The group must submit a final  
2 report to the governor stating its findings, conclusions, and final  
3 recommendations by December 1, 2008.

4 (4) The department of community, trade, and economic development  
5 shall supply staff support and research to the vehicle electrification  
6 work group.

7 (5) This section expires July 31, 2009.

8 NEW SECTION. **Sec. 403.** A new section is added to chapter 28B.30  
9 RCW to read as follows:

10 Washington State University is directed to analyze and recommend  
11 models for possible implementation by the legislature or the executive  
12 office for at least the following potential biofuels incentive  
13 programs:

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

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

21 (3) Coordinate with the Western Washington University alternative  
22 automobile program for opportunities to support new Washington state  
23 technology for conversion of fossil fuel fleets to biofuel, hybrid, or  
24 alternative fuel propulsion;

25 (4) Coordinate with the University of Washington's college of  
26 forest management and the Olympic natural resources center for the  
27 identification of barriers to using the state's forest resources for  
28 fuel production, including the economic and transportation barriers of  
29 physically bringing forest biomass to the market;

30 (5) Coordinate with the department of agriculture for the  
31 identification of other barriers for future biofuels development; and

32 (6) Strategies for furthering the penetration of the Washington  
33 state fossil fuel market with Washington produced biofuels,  
34 particularly among public entities.

35 NEW SECTION. **Sec. 404.** (1) The department of community, trade,  
36 and economic development shall develop and recommend, in consultation

1 with the department of ecology, a framework for the state of Washington  
2 to participate in emerging regional, national, and global markets to  
3 mitigate climate change, on a multisector basis, including the forest  
4 sector. This framework must include, but not be limited to, credible,  
5 verifiable, replicable inventory and accounting methodologies for each  
6 sector involved, along with the completion of the stakeholder process  
7 identified in executive order number 07-02.

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

12 NEW SECTION. **Sec. 405.** (1) The climate impacts group at the  
13 University of Washington shall:

14 (a) Produce an analysis of the potential human health impacts of  
15 climate change on the state of Washington; and

16 (b) Produce a fifty-year comprehensive state climate change  
17 assessment.

18 (2)(a) The object of the analysis of potential human health impacts  
19 of climate change under this section is to assist state and local  
20 public health authorities in preparing for climate change.

21 (b) The analysis must:

22 (i) Evaluate the implications of climate change for human morbidity  
23 and mortality; and

24 (ii) Establish qualitative and, to the extent possible,  
25 quantitative links between climate and risks to human health in such  
26 areas as air quality, disease vectors, and heat stress.

27 (c) To ensure the appropriateness of this assessment for public  
28 health planning, the climate impacts groups shall consult with state  
29 and local public health agencies.

30 (d) If adequate funding is not made available for the completion of  
31 all elements required under this section, the climate impacts group  
32 shall prioritize which of the enumerated research projects have the  
33 greatest cost/benefit ratio in terms of providing information important  
34 for planning decisions. The prioritization process may include the  
35 addition of any new studies that may be appropriate in addition to, or  
36 in place of, studies listed in this section.

1 (3)(a) The fifty-year comprehensive state climate change assessment  
2 under this section will serve as the baseline for future analyses of  
3 climate change impacts and response strategies for critical economic  
4 and ecological sectors, including agriculture, forests, shorelines,  
5 fisheries, and urban centers.

6 (b) The assessment must:

7 (i) Develop scenarios and the range of associated uncertainty for  
8 the state's climate over the next century;

9 (ii) Determine how water resources in specific watersheds will  
10 respond to these climate change scenarios, including assessment of the  
11 risk of current and future extreme events, such as floods and droughts;

12 (iii) Develop climate change streamflow scenarios for use in water  
13 resources and salmon recovery planning;

14 (iv) Create scenarios of salmon and cold water ecosystem  
15 vulnerability to water temperature and low-flows associated with future  
16 climate scenarios;

17 (v) Assess sea level rise scenarios for infrastructure planning  
18 purposes. Identify locations and patterns of coastal vulnerability to  
19 sea level rise and hydrologic changes;

20 (vi) Evaluate current legal, regulatory, and institutional barriers  
21 to climate change adaptation or preparation; and

22 (vii) Identify information or data gaps that might preclude  
23 adequate state planning for climate change.

24 (c) If adequate funding is not made available for the completion of  
25 all research required under this section, the climate impacts group  
26 shall prioritize which of the enumerated research projects have the  
27 greatest cost/benefit ratio in terms of providing information important  
28 for planning decisions. The prioritization process may include the  
29 addition of any new studies that may be appropriate in addition to, or  
30 in place of, studies listed in this section.

31 (d) To ensure the appropriateness of this assessment for local and  
32 state decision making, the climate impacts group shall consult with  
33 state and local resource planning and management agencies.

34 (4) The climate impacts group shall report the assessments to the  
35 governor and the appropriate committees of the legislature by December  
36 15, 2008.





1        NEW SECTION.    **Sec. 502.**    The office of the superintendent of public  
2 instruction may adopt any rules necessary for the implementation of  
3 this act.

4        NEW SECTION.    **Sec. 503.**    The following sections are codified and  
5 recodified as a new chapter in Title 43 RCW entitled "Energy Freedom  
6 Authority":

- 7        RCW 15.110.005;
- 8        RCW 15.110.010;
- 9        RCW 15.110.020;
- 10       RCW 15.110.030;
- 11       RCW 15.110.040;
- 12       RCW 15.110.050;
- 13       RCW 15.110.060;
- 14       RCW 15.110.900;
- 15       RCW 15.110.901;
- 16       Section 303 of this act;
- 17       Section 307 of this act; and
- 18       Section 404 of this act.

19       NEW SECTION.    **Sec. 504.**    Sections 302 through 309 and 404 of this  
20 act expire June 30, 2016.

21       NEW SECTION.    **Sec. 505.**    A new section is added to chapter 43.135  
22 RCW to read as follows:

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

--- END ---