

CERTIFICATION OF ENROLLMENT
ENGROSSED SECOND SUBSTITUTE HOUSE BILL 1303

60th Legislature
2007 Regular Session

Passed by the House April 20, 2007
Yeas 79 Nays 19

Speaker of the House of Representatives

Passed by the Senate April 13, 2007
Yeas 44 Nays 4

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SECOND SUBSTITUTE HOUSE BILL 1303** as passed by the House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

FILED

**Secretary of State
State of Washington**

ENGROSSED SECOND SUBSTITUTE HOUSE BILL 1303

AS AMENDED BY THE SENATE

Passed Legislature - 2007 Regular Session

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

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 consumers money
2 while promoting the development of a major, sustainable industry that
3 provides good jobs and a new source of rural prosperity. In addition,
4 clean fuels and vehicles protect public health by reducing toxic air
5 and climate change emissions.

6 (2) The legislature also finds that climate change is expected to
7 have significant impacts in the Pacific Northwest region in the near
8 and long-term future. These impacts include: Increased temperatures,
9 declining snowpack, more frequent heavy rainfall and flooding, receding
10 glaciers, rising sea levels, increased risks to public health due to
11 insect and rodent-borne diseases, declining salmon populations, and
12 increased drought and risk of forest fires. The legislature recognizes
13 the need at this time to continue to gather and analyze information
14 related to climate protection. This analysis will allow prudent steps
15 to be taken to avoid, mitigate, or respond to climate impacts and
16 protect our communities.

17 (3) Finally, the legislature finds that to reduce fossil fuel
18 dependence, build our clean energy economy, and reduce climate impacts,
19 the state should develop policies and incentives that help businesses,
20 consumers, and farmers gain greater access to affordable clean fuels
21 and vehicles and to produce clean fuels in the state. These policies
22 and incentives should include: Incentives for replacement of the most
23 polluting diesel engines, especially in school buses; transitional
24 incentives for development of the most promising in-state clean fuels
25 and fuel feedstocks, including biodiesel crops, ethanol from plant
26 waste, and liquid natural gas from landfill or wastewater treatment
27 gases; reduced fossil fuel consumption by state fleets; development of
28 promising new technologies for displacing petroleum with electricity,
29 such as "plug-in hybrids"; and impact analysis and emission accounting
30 procedures that prepare Washington to respond and prosper as climate
31 change impacts occur, and as policies and markets to reduce climate
32 pollution are developed.

33 **PART 1**
34 **INVESTING IN CLEAN AIR**

35 NEW SECTION. **Sec. 101.** A new section is added to chapter 28A.300
36 RCW to read as follows:

1 (1) The office of the superintendent of public instruction shall
2 implement a school bus replacement incentive program. As part of the
3 program, the office shall fund up to ten percent of the cost of a new
4 2007 or later model year school bus that meets the 2007 federal motor
5 vehicle emission control standards and is purchased by a school
6 district by no later than June 30, 2009, provided that the new bus is
7 replacing a 1994 or older school bus in the school district's fleet.
8 Replacement of the oldest buses must be given highest priority.

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

19 (3) The office of the superintendent of public instruction may
20 adopt any rules necessary for the implementation of this act.

21 **Sec. 102.** RCW 70.94.017 and 2005 c 295 s 5 are each amended to
22 read as follows:

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

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

33 (b) The remaining fifteen percent shall be distributed to the
34 department.

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

1 (a) Eighty-five percent of the money received by an air pollution
2 control authority or the department is available on a priority basis to
3 retrofit school buses with exhaust emission control devices or to
4 provide funding for fueling infrastructure necessary to allow school
5 bus fleets to use alternative, cleaner fuels. In addition, the
6 director of ecology or the air pollution control officer may direct
7 funding under this section for other publicly or privately owned diesel
8 equipment if the director of ecology or the air pollution control
9 officer finds that funding for other publicly or privately owned diesel
10 equipment will provide public health benefits and further the purposes
11 of this chapter.

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

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

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

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

21 (1) A district may improve its lands by dredging, filling,
22 bulkheading, providing waterways or otherwise developing such lands for
23 industrial and commercial purposes. A district may also acquire,
24 construct, install, improve, and operate sewer and water utilities to
25 serve its own property and other property owners under terms,
26 conditions, and rates to be fixed and approved by the port commission.
27 A district may also acquire, by purchase, construction, lease, or in
28 any other manner, and may maintain and operate other facilities for the
29 control or elimination of air, water, or other pollution, including,
30 but not limited to, facilities for the treatment and/or disposal of
31 industrial wastes, and may make such facilities available to others
32 under terms, conditions and rates to be fixed and approved by the port
33 commission. Such conditions and rates shall be sufficient to reimburse
34 the port for all costs, including reasonable amortization of capital
35 outlays caused by or incidental to providing such other pollution
36 control facilities(~~(:—PROVIDED, That)~~). However, no part of such
37 costs of providing any pollution control facility to others shall be

1 paid out of any tax revenues of the port(~~(+ AND PROVIDED FURTHER,~~
2 ~~That~~)) and no port shall enter into an agreement or contract to provide
3 sewer and/or water utilities or pollution control facilities if
4 substantially similar utilities or facilities are available from
5 another source (or sources) which is able and willing to provide such
6 utilities or facilities on a reasonable and nondiscriminatory basis
7 unless such other source (or sources) consents thereto.

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

25 (3) "Pollution control facility," as used in this section and RCW
26 53.08.041, does not include air quality improvement equipment that
27 provides emission reductions for engines, vehicles, and vessels.

28 **PART 2**
29 **PUBLIC SECTOR FUEL USE**

30 **Sec. 201.** RCW 43.19.642 and 2006 c 338 s 10 are each amended to
31 read as follows:

32 ~~(1) ((All state agencies are encouraged to use a fuel blend of~~
33 ~~twenty percent biodiesel and eighty percent petroleum diesel for use in~~
34 ~~diesel powered vehicles and equipment.~~

35 ~~(2))~~ Effective June 1, 2006, for agencies complying with the
36 ultra- low sulfur diesel mandate of the United States environmental

1 protection agency for on-highway diesel fuel, agencies shall use
2 biodiesel as an additive to ultra-low sulfur diesel for lubricity,
3 provided that the use of a lubricity additive is warranted and that the
4 use of biodiesel is comparable in performance and cost with other
5 available lubricity additives. The amount of biodiesel added to the
6 ultra-low sulfur diesel fuel shall be not less than two percent.

7 ~~((3))~~ (2) Effective June 1, 2009, state agencies are required to
8 use a minimum of twenty percent biodiesel as compared to total volume
9 of all diesel purchases made by the agencies for the operation of the
10 agencies' diesel-powered vessels, vehicles, and construction equipment.

11 ~~((4))~~ (3) All state agencies using biodiesel fuel shall,
12 beginning on July 1, 2006, file ~~((quarterly))~~ biannual reports with the
13 department of general administration documenting the use of the fuel
14 and a description of how any problems encountered were resolved.

15 NEW SECTION. Sec. 202. A new section is added to chapter 43.19
16 RCW to read as follows:

17 (1) Effective June 1, 2015, all state agencies and local government
18 subdivisions of the state, to the extent determined practicable by the
19 rules adopted by the department of community, trade, and economic
20 development pursuant to section 204 of this act, are required to
21 satisfy one hundred percent of their fuel usage for operating publicly
22 owned vessels, vehicles, and construction equipment from electricity or
23 biofuel.

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

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

30 (1) In order to allow the motor vehicle fuel needs of state and
31 local government to be satisfied by Washington-produced biofuels as
32 provided in this chapter, the department of general administration as
33 well as local governments may contract in advance and execute contracts
34 with public or private producers, suppliers, or other parties, for the
35 purchase of appropriate biofuels, as that term is defined in RCW

1 15.110.010 (as recodified by this act), and biofuel blends. Contract
2 provisions may address items including, but not limited to, fuel
3 standards, price, and delivery date.

4 (2) The department of general administration may combine the needs
5 of local government agencies, including ports, special districts,
6 school districts, and municipal corporations, for the purposes of
7 executing contracts for biofuels and to secure a sufficient and stable
8 supply of alternative fuels.

9 NEW SECTION. **Sec. 204.** By June 1, 2010, the department shall
10 adopt rules to define practicability and clarify how state agencies and
11 local government subdivisions will be evaluated in determining whether
12 they have met the goals set out in section 202(1) of this act. At a
13 minimum, the rules must address:

14 (1) Criteria for determining how the goal in section 202(1) of this
15 act will be met by June 1, 2015;

16 (2) Factors considered to determine compliance with the goal in
17 section 202(1) of this act, including but not limited to: The regional
18 availability of fuels; vehicle costs; differences between types of
19 vehicles, vessels, or equipment; the cost of program implementation;
20 and cost differentials in different parts of the state; and

21 (3) A schedule for phased-in progress towards meeting the goal in
22 section 202(1) of this act that may include different schedules for
23 different fuel applications or different quantities of biofuels.

24 NEW SECTION. **Sec. 205.** The director of the department shall
25 appoint a coordinator that is responsible for:

26 (1) Managing, directing, inventorying, and coordinating state
27 efforts to promote, develop, and encourage a biofuels market in
28 Washington;

29 (2) Developing, coordinating, and overseeing the implementation of
30 a plan, or series of plans, for the production, transport,
31 distribution, and delivery of biofuels produced predominantly from
32 recycled products or Washington feedstocks;

33 (3) Working with the departments of transportation and general
34 administration, and other applicable state and local governmental
35 entities and the private sector, to ensure the development of biofuel

1 fueling stations for use by state and local governmental motor vehicle
2 fleets, and to provide greater availability of public biofuel fueling
3 stations for use by state and local governmental motor vehicle fleets;

4 (4) Coordinating with the Western Washington University alternative
5 automobile program for opportunities to support new Washington state
6 technology for conversion of fossil fuel fleets to biofuel, hybrid, or
7 alternative fuel propulsion;

8 (5) Coordinating with the University of Washington's college of
9 forest management and the Olympic natural resources center for the
10 identification of barriers to using the state's forest resources for
11 fuel production, including the economic and transportation barriers of
12 physically bringing forest biomass to the market;

13 (6) Coordinating with the department of agriculture and Washington
14 State University for the identification of other barriers for future
15 biofuels development and development of strategies for furthering the
16 penetration of the Washington state fossil fuel market with Washington
17 produced biofuels, particularly among public entities.

18 NEW SECTION. **Sec. 206.** A new section is added to chapter 43.01
19 RCW to read as follows:

20 (1) It is in the state's interest and to the benefit of the people
21 of the state to encourage the use of electrical vehicles in order to
22 reduce emissions and provide the public with cleaner air. This section
23 expressly authorizes the purchase of power at state expense to recharge
24 privately and publicly owned plug-in electrical vehicles at state
25 office locations where the vehicles are used for state business, are
26 commute vehicles, or where the vehicles are at the state location for
27 the purpose of conducting business with the state.

28 (2) The director of the department of general administration may
29 report to the governor and the appropriate committees of the
30 legislature, as deemed necessary by the director, on the estimated
31 amount of state-purchased electricity consumed by plug-in electrical
32 vehicles if the director of general administration determines that the
33 use has a significant cost to the state, and on the number of plug-in
34 electric vehicles using state office locations. The report may be
35 combined with the report under section 401 of this act.

1 NEW SECTION. **Sec. 207.** A new section is added to chapter 89.08
2 RCW to read as follows:

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

8 NEW SECTION. **Sec. 208.** A new section is added to chapter 35.21
9 RCW to read as follows:

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

15 NEW SECTION. **Sec. 209.** A new section is added to chapter 35.92
16 RCW to read as follows:

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

25 NEW SECTION. **Sec. 210.** A new section is added to chapter 54.04
26 RCW to read as follows:

27 In addition to any other authority provided by law, public utility
28 districts are authorized to produce and distribute biodiesel, ethanol,
29 and ethanol blend fuels, including entering into crop purchase
30 contracts for a dedicated energy crop for the purpose of generating
31 electricity or producing biodiesel produced from Washington feedstocks,
32 cellulosic ethanol, and cellulosic ethanol blend fuels for use in
33 internal operations of the electric utility and for sale or
34 distribution.

PART 3

ENERGY FREEDOM PROGRAM

Sec. 301. RCW 15.110.010 and 2006 c 171 s 2 are each amended to read as follows:

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

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

(2) "Alternative fuel" means all products or energy sources used to propel motor vehicles, other than conventional gasoline, diesel, or reformulated gasoline. "Alternative fuel" includes, but is not limited to, cellulose, liquefied petroleum gas, liquefied natural gas, compressed natural gas, biofuels, biodiesel fuel, E85 motor fuel, fuels containing seventy percent or more by volume of alcohol fuel, fuels that are derived from biomass, hydrogen fuel, anhydrous ammonia fuel, nonhazardous motor fuel, or electricity, excluding onboard electric generation.

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

~~((+3))~~ (4) "Biofuel" includes, but is not limited to, biodiesel, ethanol, and ethanol blend fuels and renewable liquid natural gas or liquid compressed natural gas made from biogas.

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

(6) "Cellulose" means lignocellulosic, hemicellulosic, or other cellulosic matter that is available on a renewable or recurring basis, including dedicated energy crops and trees, wood and wood residues, plants, grasses, agricultural residues, fibers, animal wastes and other waste materials, and municipal solid waste.

(7) "Coordinator" means the person appointed by the director of the department of community, trade, and economic development.

(8) "Department" means the department of ~~((agriculture))~~ community, trade, and economic development.

1 ((+4)) (9) "Director" means the director of the department of
2 (~~agriculture~~) community, trade, and economic development.

3 ((+5)) (10) "Green highway zone" means an area in the state
4 designated by the department that is within reasonable proximity of
5 state route number 5, state route number 90, and state route number 82.

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

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

20 ((+7)) (13) "Refueling project" means the construction of new
21 alternative fuel refueling facilities, as well as upgrades and
22 expansion of existing refueling facilities, that will enable these
23 facilities to offer alternative fuels to the public.

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

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

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

30 **Sec. 302.** RCW 15.110.020 and 2006 c 171 s 3 are each amended to
31 read as follows:

32 (1) The energy freedom program is established within the
33 department. The director may establish policies and procedures
34 necessary for processing, reviewing, and approving applications made
35 under this chapter.

36 (2) When reviewing applications submitted under this program, the
37 director shall consult with those agencies and other public entities

1 having expertise and knowledge to assess the technical and business
2 feasibility of the project and probability of success. These agencies
3 may include, but are not limited to, Washington State University, the
4 University of Washington, the department of ecology, (~~the department~~
5 ~~of community, trade, and economic development,~~) the department of
6 natural resources, the department of agriculture, the department of
7 general administration, local clean air authorities, and the Washington
8 state conservation commission.

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

13 (a) The project will convert farm products (~~or~~), wastes,
14 cellulose, or biogas directly into electricity or (~~into gaseous or~~
15 ~~liquid fuels~~) biofuel or other coproducts associated with such
16 conversion;

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

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

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

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

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

28 (g) The project will increase energy independence or diversity for
29 the state;

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

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

37 (j) The application provides for adequate reporting or disclosure

1 of financial and employment data to the director, and permits the
2 director to require an annual or other periodic audit of the project
3 books; and

4 (k) For research and development projects, the application has been
5 independently reviewed by a peer review committee as defined in RCW
6 15.110.010 (as recodified by this act) and the findings delivered to
7 the director.

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

11 (a) The project will offer alternative fuels to the motoring
12 public;

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

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

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

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

22 (5)(a) The director may approve ((an)) a project application for
23 assistance under subsection (3) of this section up to five million
24 dollars. In no circumstances shall this assistance constitute more
25 than fifty percent of the total project cost.

26 ((+5)) (b) The director may approve a refueling project
27 application for a grant or a loan under subsection (4) of this section
28 up to fifty thousand dollars. In no circumstances shall a grant or a
29 loan award constitute more than fifty percent of the total project
30 cost.

31 (6) The director shall enter into agreements with approved
32 applicants to fix the terms and rates of the assistance to minimize the
33 costs to the applicants, and to encourage establishment of a viable
34 bioenergy or biofuel industry. The agreement shall include provisions
35 to protect the state's investment, including a requirement that a
36 successful applicant enter into contracts with any partners that may be
37 involved in the use of any assistance provided under this program,

1 including services, facilities, infrastructure, or equipment.
2 Contracts with any partners shall become part of the application
3 record.

4 ~~((+6))~~ (7) The director may defer any payments for up to twenty-
5 four months or until the project starts to receive revenue from
6 operations, whichever is sooner.

7 **Sec. 303.** RCW 15.110.040 and 2006 c 171 s 5 are each amended to
8 read as follows:

9 (1) If the total requested dollar amount of assistance awarded for
10 projects under RCW 15.110.020(3) (as recodified by this act) exceeds
11 the amount available in the energy freedom account created in RCW
12 15.110.050 (as recodified by this act), the applications must be
13 prioritized based upon the following criteria:

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

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

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

21 ~~((+4))~~ (d) The benefits to Washington's agricultural producers;
22 ~~((and~~

23 ~~+5))~~ (e) The benefits to the health of Washington's forests;

24 (f) The beneficial uses of biogas; and

25 (g) The number and quality of jobs and economic benefits created by
26 the project.

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

29 NEW SECTION. **Sec. 304.** If the total requested dollar amount of
30 funds for refueling projects under RCW 15.110.020(4) (as recodified by
31 this act) exceeds the amount available for refueling projects in the
32 energy freedom account created in RCW 15.110.050 (as recodified by this
33 act), the applications must be prioritized based upon the following
34 criteria:

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

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

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

5 (4) The extent to which the project will make biofuels more
6 accessible to the motoring public;

7 (5) The benefits to Washington's agricultural producers; and

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

10 **Sec. 305.** RCW 15.110.050 and 2006 c 371 s 223 are each amended to
11 read as follows:

12 (1) The energy freedom account is created in the state treasury.
13 All receipts from appropriations made to the account and any loan
14 payments of principal and interest derived from loans made under this
15 chapter must be deposited into the account. Moneys in the account may
16 be spent only after appropriation. Expenditures from the account may
17 be used only for assistance for projects consistent with this chapter
18 or otherwise authorized by the legislature. (~~Administrative costs of~~
19 ~~the department may not exceed three percent of the total funds~~
20 ~~available for this program.~~)

21 (2) The green energy incentive account is created in the state
22 treasury as a subaccount of the energy freedom account. All receipts
23 from appropriations made to the green energy incentive account shall be
24 deposited into the account, and may be spent only after appropriation.
25 Expenditures from the account may be used only for:

26 (a) Refueling projects awarded under this chapter;

27 (b) Pilot projects for plug-in hybrids, including grants provided
28 for the electrification program set forth in section 408 of this act;
29 and

30 (c) Demonstration projects developed with state universities as
31 defined in RCW 28B.10.016 and local governments that result in the
32 design and building of a hydrogen vehicle fueling station.

33 (3) Any state agency receiving funding from the energy freedom
34 account is prohibited from retaining greater than three percent of any
35 funding provided from the energy freedom account for administrative
36 overhead or other deductions not directly associated with conducting

1 the research, projects, or other end products that the funding is
2 designed to produce unless this provision is waived in writing by the
3 director.

4 (4) Any university, institute, or other entity that is not a state
5 agency receiving funding from the energy freedom account is prohibited
6 from retaining greater than fifteen percent of any funding provided
7 from the energy freedom account for administrative overhead or other
8 deductions not directly associated with conducting the research,
9 projects, or other end products that the funding is designed to
10 produce.

11 (5) Subsections (2) through (4) of this section do not apply to
12 assistance awarded for projects under RCW 15.110.020(3) (as recodified
13 by this act).

14 **Sec. 306.** RCW 15.110.060 and 2006 c 171 s 7 are each amended to
15 read as follows:

16 The director shall report to the legislature and governor on the
17 status of the energy freedom program created under this chapter, on or
18 before December 1, ((2006)) 2007, and annually thereafter. This report
19 must include information on the projects that have been funded, the
20 status of these projects, and their environmental, energy savings, and
21 job creation benefits as well as an assessment of the availability of
22 alternative fuels in the state and best estimates to indicate, by
23 percentage, the types of biofuel feedstocks and sources that contribute
24 to biofuels used in the state and the general geographic origination of
25 such feedstocks and sources. Based on analysis of this information,
26 the report must also recommend appropriate mechanisms, including but
27 not limited to changes in state contracting practices, tax incentives,
28 or renewable fuel standard provisions, that will help Washington
29 farmers and businesses compete in an economically viable manner and
30 will encourage environmentally sustainable development of an in-state
31 biofuels industry based on feedstocks grown and produced in Washington.

32 NEW SECTION. **Sec. 307.** (1) Energy freedom program projects funded
33 pursuant to RCW 15.110.050 (as recodified by this act) or by the
34 legislature pursuant to sections 191 and 192, chapter 371, Laws of 2006
35 for which the department of agriculture has signed loan agreements and

1 disbursed funds prior to June 30, 2007, shall continue to be serviced
2 by the department of agriculture.

3 (2) Energy freedom program projects funded pursuant to RCW
4 15.110.050 (as recodified by this act) or by the legislature pursuant
5 to sections 191 and 192, chapter 371, Laws of 2006 for which moneys
6 have been appropriated but loan agreements or disbursements have not
7 been completed must be transferred to the department for project
8 management on July 1, 2007, subject to the ongoing requirements of the
9 energy freedom program.

10 **PART 4**

11 **PLANNING FOR THE FUTURE**

12 NEW SECTION. **Sec. 401.** (1) The department of ecology and the
13 department of community, trade, and economic development, in
14 implementing executive order number 07-02 shall include an analysis of,
15 and potential for, vehicle electrification. That analysis may include:

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

1 should be required to purchase plug-in hybrid vehicles if it is
2 determined that plug-in hybrid vehicles are commercially available at
3 a reasonably comparable life-cycle cost;

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

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

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

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

15 (2) The departments of ecology and community, trade, and economic
16 development shall provide the appropriate committees of the legislature
17 an analysis or report by March 1, 2008. The report may be included
18 within the report produced for executive order number 07-02.

19 NEW SECTION. **Sec. 402.** A new section is added to chapter 28B.30
20 RCW to read as follows:

21 (1) Washington State University is directed to analyze the
22 availability of biofuels in the state and to make best estimates to
23 indicate, by percentage, the types and geographic origins of biofuel
24 feedstock sources that contribute to biofuel production and use in the
25 state, and to recommend models for possible implementation by the
26 legislature or the executive office for at least the following
27 potential biofuels incentive programs:

28 (a) Market incentives to encourage instate production of brassica-
29 based biodiesel, and cellulosic ethanol, including such market methods
30 as direct grants, production tax credits, contracting preferences, and
31 the issuance by the state of advance guaranteed purchase contracts;

32 (b) Possible preferred research programs, grants, or other forms of
33 assistance for accelerating the development of instate production of
34 cellulosic ethanol and in-state biodiesel crops and their coproducts;
35 and

36 (c) The following should be considered when evaluating potential
37 biofuel incentive programs:

1 (i) Assisting Washington farmers and businesses in the development
2 of economically viable, environmentally sustainable instate biofuel and
3 biofuel feedstock production;

4 (ii) Leveraging and encouraging private investment in biofuel
5 production and distribution and biofuel feedstock production; and

6 (iii) Assisting in the development of biofuel feedstocks and
7 production techniques that deliver the greatest net reductions in
8 petroleum dependence and carbon emissions.

9 (2) An interim report on the work required under this section must
10 be provided to the legislature and governor by December 1, 2007. A
11 final report must be provided to the legislature and governor by
12 December 1, 2008. Washington State University shall work closely with
13 the department of community, trade, and economic development on these
14 reports. The reports may be produced in conjunction with the reporting
15 requirements of RCW 15.110.060 (as recodified by this act).

16 NEW SECTION. **Sec. 403.** (1) The department of community, trade,
17 and economic development and the department of ecology shall develop a
18 framework for the state of Washington to participate in emerging
19 regional, national, and to the extent possible, global markets to
20 mitigate climate change, on a multisector basis. This framework must
21 include, but not be limited to, credible, verifiable, replicable
22 inventory and accounting methodologies for each sector involved, along
23 with the completion of the stakeholder process identified in executive
24 order number 07-02 creating the Washington state climate change
25 challenge.

26 (2) The department of community, trade, and economic development
27 and the department of ecology shall include the forestry sector and
28 work closely with the department of natural resources on those
29 recommendations.

30 (3) The department must provide a report to the legislature by
31 December 1, 2008. The report may be included within the report
32 produced for executive order number 07-02.

33 NEW SECTION. **Sec. 404.** (1) In preparing for the impacts of
34 climate change consistent with executive order number 07-02, the
35 departments of community, trade, and economic development and ecology

1 shall work with the climate impacts group at the University of
2 Washington to produce:

3 (a) A comprehensive state climate change assessment that includes
4 the impacts of global warming, including impacts to public health,
5 agriculture, the coast line, forestry, infrastructure, and water supply
6 and management;

7 (b) An analysis of the potential human health impacts of climate
8 change on the state of Washington.

9 (2) To ensure the appropriateness of these assessments for public
10 agency planning and management, the departments and the climate impacts
11 group shall consult with state and local public health resource
12 planning and management agencies.

13 (3) If adequate funding is not made available for the completion of
14 all elements required under this section, the departments and the
15 climate impacts group shall list and prioritize which research projects
16 have the greatest cost/benefit ratio in terms of providing information
17 important for planning decisions.

18 (4) The work under this section that is completed by December 1,
19 2007, must be included in the final report of the Washington climate
20 change challenge. Any further reports must be completed by December
21 15, 2008.

22 **Sec. 405.** RCW 47.17.020 and 1970 ex.s. c 51 s 5 are each amended
23 to read as follows:

24 A state highway to be known as state route number 5, and designated
25 as a Washington green highway, is established as follows:

26 Beginning at the Washington-Oregon boundary line on the interstate
27 bridge over the Columbia river at Vancouver, thence northerly by way of
28 Kelso, Chehalis, Centralia, Olympia, Tacoma, Seattle, Everett and Mt.
29 Vernon, thence northwesterly to the east of Lake Samish, thence
30 northeasterly and northerly by way of Bellingham to the international
31 boundary line in the vicinity of Blaine in Whatcom county.

32 **Sec. 406.** RCW 47.17.135 and 1979 ex.s. c 33 s 3 are each amended
33 to read as follows:

34 A state highway to be known as state route number 82, and
35 designated as a Washington green highway, is established as follows:

1 Beginning at a junction with state route number 90 in the vicinity
2 of Ellensburg, thence southerly and easterly by way of Yakima, Union
3 Gap, Sunnyside, Prosser, Kiona, and Goose Gap west of Richland, thence
4 southeasterly near Kennewick and southwesterly by way of the vicinity
5 of Plymouth to a crossing of the Columbia river at the Washington-
6 Oregon boundary line.

7 **Sec. 407.** RCW 47.17.140 and 1991 c 56 s 2 are each amended to read
8 as follows:

9 A state highway to be known as state route number 90, and
10 designated as the American Veterans Memorial Highway as well as a
11 Washington green highway, is established as follows:

12 Beginning at a junction with state route number 5, thence, via the
13 west approach to the Lake Washington bridge in Seattle, in an easterly
14 direction by way of Mercer Island, North Bend, Snoqualmie pass,
15 Ellensburg, Vantage, Moses Lake, Ritzville, Sprague and Spokane to the
16 Washington-Idaho boundary line.

17 NEW SECTION. **Sec. 408.** (1) The vehicle electrification
18 demonstration grant program is established within the department of
19 community, trade, and economic development. The director may establish
20 policies and procedures necessary for processing, reviewing, and
21 approving applications made under this chapter.

22 (2) The director may approve an application for a vehicle
23 electrification demonstration project only if the director finds:

24 (a) The applicant is a state agency, public school district, public
25 utility district, or a political subdivision of the state, including
26 port districts, counties, cities, towns, special purpose districts, and
27 other municipal corporations or quasi-municipal corporations or a state
28 institution of higher education;

29 (b) The project partially funds the purchase of or conversion of
30 existing vehicles to plug-in hybrid electric vehicles or battery
31 electric vehicles for use in the applicant's fleet or operations;

32 (c) The project partners with an electric utility and demonstrates
33 technologies to allow controlled vehicle charging, including the use of
34 power electronics or wireless technologies, to regulate time-of-day and
35 duration of charging;

36 (d) The project provides matching resources; and

1 (e) The project provides evaluation of fuel savings, greenhouse gas
2 reductions, battery capabilities, energy management system, charge
3 controlling technologies, and other relevant information determined on
4 the advice of the vehicle electrification work group.

5 (3) The director may approve an application for a vehicle
6 electrification demonstration project if the project, in addition to
7 meeting the requirements of subsection (2) of this section, also
8 demonstrates charging using on-site renewable resources or
9 vehicle-to-grid capabilities that enable the vehicle to discharge
10 electricity into the grid.

11 **PART 5**
12 **MISCELLANEOUS**

13 NEW SECTION. **Sec. 501.** Part headings used in this act are not any
14 part of the law.

15 NEW SECTION. **Sec. 502.** The following sections are codified and
16 recodified as a new chapter in Title 43 RCW entitled "Energy Freedom
17 Program":

18 RCW 15.110.005;

19 RCW 15.110.010;

20 RCW 15.110.020;

21 RCW 15.110.030;

22 RCW 15.110.040;

23 RCW 15.110.050;

24 RCW 15.110.060;

25 RCW 15.110.900;

26 RCW 15.110.901;

27 Section 204 of this act;

28 Section 205 of this act;

29 Section 304 of this act;

30 Section 307 of this act; and

31 Section 403 of this act.

32 NEW SECTION. **Sec. 503.** Sections 205 and 301 through 307 of this
33 act are necessary for the immediate preservation of the public peace,

1 health, or safety, or support of the state government and its existing
2 public institutions, and take effect July 1, 2007.

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