

**SHB 2995 - H AMD 1321**

By Representative Condotta

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

3 **"Sec. 1.** RCW 19.285.030 and 2017 c 315 s 1 are each amended to  
4 read as follows:

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

7 (1) "Attorney general" means the Washington state office of the  
8 attorney general.

9 (2) "Auditor" means: (a) The Washington state auditor's office or  
10 its designee for qualifying utilities under its jurisdiction that are  
11 not investor-owned utilities; or (b) an independent auditor selected  
12 by a qualifying utility that is not under the jurisdiction of the  
13 state auditor and is not an investor-owned utility.

14 (3)(a) "Biomass energy" includes: (i) Organic by-products of  
15 pulping and the wood manufacturing process; (ii) animal manure; (iii)  
16 solid organic fuels from wood; (iv) forest or field residues; (v)  
17 untreated wooden demolition or construction debris; (vi) food waste  
18 and food processing residuals; (vii) liquors derived from algae;  
19 (viii) dedicated energy crops; and (ix) yard waste.

20 (b) "Biomass energy" does not include: (i) Wood pieces that have  
21 been treated with chemical preservatives such as creosote,  
22 pentachlorophenol, or copper-chrome-arsenic; (ii) wood from old  
23 growth forests; or (iii) municipal solid waste.

24 (4) "Coal transition power" has the same meaning as defined in  
25 RCW 80.80.010.

26 (5) "Commission" means the Washington state utilities and  
27 transportation commission.

28 (6) "Conservation" means any reduction in electric power  
29 consumption resulting from increases in the efficiency of energy use,  
30 production, or distribution.

31 (7) "Cost-effective" has the same meaning as defined in RCW  
32 80.52.030.

1 (8) "Council" means the Washington state apprenticeship and  
2 training council within the department of labor and industries.

3 (9) "Customer" means a person or entity that purchases  
4 electricity for ultimate consumption and not for resale.

5 (10) "Department" means the department of commerce or its  
6 successor.

7 (11) "Distributed generation" means an eligible renewable  
8 resource where the generation facility or any integrated cluster of  
9 such facilities has a generating capacity of not more than five  
10 megawatts.

11 (12) "Eligible renewable resource" means:

12 (a) Electricity from a generation facility powered by a renewable  
13 resource other than freshwater that commences operation after March  
14 31, 1999, where: (i) The facility is located in the (~~Pacific~~  
15 ~~Northwest~~) western interconnection; or (ii) the electricity from the  
16 facility is delivered into Washington state on a real-time basis  
17 without shaping, storage, or integration services;

18 (b) Incremental electricity produced as a result of efficiency  
19 improvements completed after March 31, 1999, to hydroelectric  
20 generation projects owned by a qualifying utility and located in the  
21 (~~Pacific Northwest~~) western interconnection where the additional  
22 generation does not result in new water diversions or impoundments;

23 (c) Hydroelectric generation from a project completed after March  
24 31, 1999, where the generation facility is located in irrigation  
25 pipes, irrigation canals, water pipes whose primary purpose is for  
26 conveyance of water for municipal use, and wastewater pipes located  
27 in Washington where the generation does not result in new water  
28 diversions or impoundments;

29 (d) Qualified biomass energy;

30 (e) For a qualifying utility that serves customers in other  
31 states, electricity from a generation facility powered by a renewable  
32 resource other than freshwater that commences operation after March  
33 31, 1999, where: (i) The facility is located within a state in which  
34 the qualifying utility serves retail electrical customers; and (ii)  
35 the qualifying utility owns the facility in whole or in part or has a  
36 long-term contract with the facility of at least twelve months or  
37 more; (~~or~~)

38 (f) (i) Incremental electricity produced as a result of a capital  
39 investment completed after January 1, 2010, that increases, relative  
40 to a baseline level of generation prior to the capital investment,

1 the amount of electricity generated in a facility that generates  
2 qualified biomass energy as defined under subsection (18)(c)(ii) of  
3 this section and that commenced operation before March 31, 1999.

4 (ii) Beginning January 1, 2007, the facility must demonstrate its  
5 baseline level of generation over a three-year period prior to the  
6 capital investment in order to calculate the amount of incremental  
7 electricity produced.

8 (iii) The facility must demonstrate that the incremental  
9 electricity resulted from the capital investment, which does not  
10 include expenditures on operation and maintenance in the normal  
11 course of business, through direct or calculated measurement;

12 (g) Beginning January 1, 2018, the portion of incremental  
13 electricity produced as a result of efficiency improvements completed  
14 after March 31, 1999, attributable to a qualifying utility's share of  
15 electricity output from hydroelectric generation projects whose  
16 energy output is marketed by the Bonneville power administration,  
17 where the additional generation does not result in new water  
18 diversions or impoundments; or

19 (h) The environmental attributes, including renewable energy  
20 credits, from (g) of this subsection transferred to investor-owned  
21 utilities pursuant to the Bonneville power administration's  
22 residential exchange program.

23 (13) "Investor-owned utility" has the same meaning as defined in  
24 RCW 19.29A.010.

25 (14) "Load" means the amount of kilowatt-hours of electricity  
26 delivered in the most recently completed year by a qualifying utility  
27 to its Washington retail customers.

28 (15)(a) "Nonpower attributes" means all environmentally related  
29 characteristics, exclusive of energy, capacity reliability, and other  
30 electrical power service attributes, that are associated with the  
31 generation of electricity from a renewable resource, including but  
32 not limited to the facility's fuel type, geographic location,  
33 vintage, qualification as an eligible renewable resource, and avoided  
34 emissions of pollutants to the air, soil, or water, and avoided  
35 emissions of carbon dioxide and other greenhouse gases.

36 (b) "Nonpower attributes" does not include any aspects, claims,  
37 characteristics, and benefits associated with the on-site capture and  
38 destruction of methane or other greenhouse gases at a facility  
39 through a digester system, landfill gas collection system, or other  
40 mechanism, which may be separately marketable as greenhouse gas

1 emission reduction credits, offsets, or similar tradable commodities.  
2 However, these separate avoided emissions may not result in or  
3 otherwise have the effect of attributing greenhouse gas emissions to  
4 the electricity.

5 (16) "Pacific Northwest" has the same meaning as defined for the  
6 Bonneville power administration in section 3 of the Pacific Northwest  
7 electric power planning and conservation act (94 Stat. 2698; 16  
8 U.S.C. Sec. 839a).

9 (17) "Public facility" has the same meaning as defined in RCW  
10 39.35C.010.

11 (18) "Qualified biomass energy" means electricity produced from a  
12 biomass energy facility that: (a) Commenced operation before March  
13 31, 1999; (b) contributes to the qualifying utility's load; and (c)  
14 is owned either by: (i) A qualifying utility; or (ii) an industrial  
15 facility that is directly interconnected with electricity facilities  
16 that are owned by a qualifying utility and capable of carrying  
17 electricity at transmission voltage.

18 (19) "Qualifying utility" means an electric utility, as the term  
19 "electric utility" is defined in RCW 19.29A.010, that serves more  
20 than twenty-five thousand customers in the state of Washington. The  
21 number of customers served may be based on data reported by a utility  
22 in form 861, "annual electric utility report," filed with the energy  
23 information administration, United States department of energy.

24 (20) "Renewable energy credit" means a tradable certificate of  
25 proof of at least one megawatt-hour of an eligible renewable resource  
26 where, except as provided in subsection (12)(h) of this section, the  
27 generation facility is not powered by freshwater. The certificate  
28 includes all of the nonpower attributes associated with that one  
29 megawatt-hour of electricity, and the certificate is verified by a  
30 renewable energy credit tracking system selected by the department.

31 (21) "Renewable resource" means: (a) Water; (b) wind; (c) solar  
32 energy; (d) geothermal energy; (e) landfill gas; (f) wave, ocean, or  
33 tidal power; (g) gas from sewage treatment facilities; (h) biodiesel  
34 fuel as defined in RCW 82.29A.135 that is not derived from crops  
35 raised on land cleared from old growth or first-growth forests where  
36 the clearing occurred after December 7, 2006; or (i) biomass energy.

37 (22) "Rule" means rules adopted by an agency or other entity of  
38 Washington state government to carry out the intent and purposes of  
39 this chapter.

1 (23) "Year" means the twelve-month period commencing January 1st  
2 and ending December 31st.

3 (24) "Carbon reduction investment" means an investment in support  
4 of eligible projects or actions that reduce, prevent, or remove from  
5 the atmosphere the emissions of greenhouse gases in the state. An  
6 eligible project or action includes, but is not limited to,  
7 investment in the following: (a) Installation of electric vehicle  
8 chargers and related infrastructure and other transportation  
9 electrification measures; (b) demand side management of electricity  
10 consumption; (c) energy storage technologies; and (d) carbon  
11 sequestration programs, including forest health investments.

12 (25) "Clean energy resource" means: (a) Water; (b) wind; (c)  
13 solar energy; (d) geothermal energy; (e) landfill gas; (f) wave,  
14 ocean, or tidal power; (g) gas from sewage treatment facilities; (h)  
15 biodiesel fuel as defined in RCW 82.29A.135 that is not derived from  
16 crops raised on land cleared from old growth or first-growth forests  
17 where the clearing occurred after December 7, 2006; (i) biomass  
18 energy; (j) energy conservation measures, including but not limited  
19 to combined heat and power; (k) nuclear energy; and (l) any other  
20 energy resource that has the potential to be deployed to serve  
21 electric load at the utility scale and is effectively carbon neutral.

22 (26) "Consumer-owned utility" has the same meaning as defined in  
23 RCW 19.29A.010.

24 (27) "Greenhouse gas" means carbon dioxide, methane, nitrogen  
25 trifluoride, nitrous oxide, sulfur hexafluoride, hydrofluorocarbons,  
26 perfluorocarbons, and other fluorinated greenhouse gases.

27 (28) "New energy or capacity need" means any electricity  
28 generation needed by an electric utility, as the term "electric  
29 utility" is defined in RCW 19.29A.010, to meet any of the following:

30 (a) Electricity load growth;

31 (b) Changes in capacity needs;

32 (c) Changes in ancillary services needs;

33 (d) Changes in reliability needs;

34 (e) Changes in flexibility needs;

35 (f) Needs arising due to replacing electricity generation; or

36 (g) Needs arising due to replacing expiring electricity resource  
37 contracts.

38 (29) "North American electric reliability corporation" means the  
39 electricity reliability organization designated by the federal energy  
40 regulatory commission to ensure legal compliance with mandatory

1 electricity reliability standards in accordance with the energy  
2 policy act of 2005 (119 Stat. 941; 16 U.S.C. Sec. 824o).

3 (30) "Tier 1 contract" means a power sales contract between an  
4 electric utility and the Bonneville power administration under which  
5 the utility purchases power from the Bonneville power administration  
6 at rates established in accordance with the Bonneville power  
7 administration's tiered rate methodology.

8 **Sec. 2.** RCW 19.285.040 and 2017 c 315 s 2 are each amended to  
9 read as follows:

10 (1) Each qualifying utility (~~shall~~) must pursue all available  
11 conservation that is cost-effective, reliable, and feasible.

12 (a) By January 1, 2010, using methodologies consistent with those  
13 used by the Pacific Northwest electric power and conservation  
14 planning council in the most recently published regional power plan  
15 as it existed on June 12, 2014, or a subsequent date as may be  
16 provided by the department or the commission by rule, each qualifying  
17 utility (~~shall~~) must identify its achievable cost-effective  
18 conservation potential through 2019. Nothing in the rule adopted  
19 under this subsection precludes a qualifying utility from using its  
20 utility specific conservation measures, values, and assumptions in  
21 identifying its achievable cost-effective conservation potential. At  
22 least every two years thereafter, the qualifying utility (~~shall~~)  
23 must review and update this assessment for the subsequent ten-year  
24 period.

25 (b) Beginning January 2010, each qualifying utility (~~shall~~)  
26 must establish and make publicly available a biennial acquisition  
27 target for cost-effective conservation consistent with its  
28 identification of achievable opportunities in (a) of this subsection,  
29 and meet that target during the subsequent two-year period. At a  
30 minimum, each biennial target must be no lower than the qualifying  
31 utility's pro rata share for that two-year period of its cost-  
32 effective conservation potential for the subsequent ten-year period.

33 (c)(i) Except as provided in (c)(ii) and (iii) of this  
34 subsection, beginning on January 1, 2014, cost-effective conservation  
35 achieved by a qualifying utility in excess of its biennial  
36 acquisition target may be used to help meet the immediately  
37 subsequent two biennial acquisition targets, such that no more than  
38 twenty percent of any biennial target may be met with excess  
39 conservation savings.

1 (ii) Beginning January 1, 2014, a qualifying utility may use  
2 single large facility conservation savings in excess of its biennial  
3 target to meet up to an additional five percent of the immediately  
4 subsequent two biennial acquisition targets, such that no more than  
5 twenty-five percent of any biennial target may be met with excess  
6 conservation savings allowed under all of the provisions of this  
7 section combined. For the purposes of this subsection (1)(c)(ii),  
8 "single large facility conservation savings" means cost-effective  
9 conservation savings achieved in a single biennial period at the  
10 premises of a single customer of a qualifying utility whose annual  
11 electricity consumption prior to the conservation savings exceeded  
12 five average megawatts.

13 (iii) Beginning January 1, 2012, and until December 31, 2017, a  
14 qualifying utility with an industrial facility located in a county  
15 with a population between ninety-five thousand and one hundred  
16 fifteen thousand that is directly interconnected with electricity  
17 facilities that are capable of carrying electricity at transmission  
18 voltage may use cost-effective conservation from that industrial  
19 facility in excess of its biennial acquisition target to help meet  
20 the immediately subsequent two biennial acquisition targets, such  
21 that no more than twenty-five percent of any biennial target may be  
22 met with excess conservation savings allowed under all of the  
23 provisions of this section combined.

24 (d) In meeting its conservation targets, a qualifying utility may  
25 count high-efficiency cogeneration owned and used by a retail  
26 electric customer to meet its own needs. High-efficiency cogeneration  
27 is the sequential production of electricity and useful thermal energy  
28 from a common fuel source, where, under normal operating conditions,  
29 the facility has a useful thermal energy output of no less than  
30 thirty-three percent of the total energy output. The reduction in  
31 load due to high-efficiency cogeneration (~~shall~~) must be: (i)  
32 Calculated as the ratio of the fuel chargeable to power heat rate of  
33 the cogeneration facility compared to the heat rate on a new and  
34 clean basis of a best-commercially available technology  
35 combined-cycle natural gas-fired combustion turbine; and (ii) counted  
36 towards meeting the biennial conservation target in the same manner  
37 as other conservation savings.

38 (e) The commission may determine if a conservation program  
39 implemented by an investor-owned utility is cost-effective based on  
40 the commission's policies and practice.

1 (f) The commission may rely on its standard practice for review  
2 and approval of investor-owned utility conservation targets.

3 (2)(a) Except as provided in (j) of this subsection, each  
4 qualifying utility (~~shall~~) must use eligible renewable resources or  
5 acquire equivalent renewable energy credits, or any combination of  
6 them, to meet the following annual targets:

7 (i) At least three percent of its load by January 1, 2012, and  
8 each year thereafter through December 31, 2015;

9 (ii) At least nine percent of its load by January 1, 2016, and  
10 each year thereafter through December 31, 2019; and

11 (iii) At least fifteen percent of its load by January 1, 2020,  
12 and each year thereafter until January 1, 2028.

13 (b) A qualifying utility may count distributed generation at  
14 double the facility's electrical output if the utility: (i) Owns or  
15 has contracted for the distributed generation and the associated  
16 renewable energy credits; or (ii) has contracted to purchase the  
17 associated renewable energy credits.

18 (c) In meeting the annual targets in (a) of this subsection, a  
19 qualifying utility (~~shall~~) must calculate its annual load based on  
20 the average of the utility's load for the previous two years.

21 (d) A qualifying utility (~~shall be~~) is considered in compliance  
22 with an annual target in (a) of this subsection if: (i) The utility's  
23 weather-adjusted load for the previous three years on average did not  
24 increase over that time period; (ii) after December 7, 2006, the  
25 utility did not commence or renew ownership or incremental purchases  
26 of electricity from resources other than coal transition power or  
27 renewable resources other than on a daily spot price basis and the  
28 electricity is not offset by equivalent renewable energy credits; and  
29 (iii) the utility invested at least one percent of its total annual  
30 retail revenue requirement that year on eligible renewable resources,  
31 renewable energy credits, or a combination of both.

32 (e) The requirements of this section may be met for any given  
33 year with renewable energy credits produced during that year, the  
34 preceding year, or the subsequent year. Each renewable energy credit  
35 may be used only once to meet the requirements of this section.

36 (f) In complying with the targets established in (a) of this  
37 subsection, a qualifying utility may not count:

38 (i) Eligible renewable resources or distributed generation where  
39 the associated renewable energy credits are owned by a separate  
40 entity; or



1 (ii) Eligible renewable resources or renewable energy credits  
2 obtained for and used in an optional pricing program such as the  
3 program established in RCW 19.29A.090.

4 (g) Where fossil and combustible renewable resources are cofired  
5 in one generating unit located in the (~~Pacific Northwest~~) western  
6 interconnection where the cofiring commenced after March 31, 1999,  
7 the unit (~~shall be~~) is considered to produce eligible renewable  
8 resources in direct proportion to the percentage of the total heat  
9 value represented by the heat value of the renewable resources.

10 (h)(i) A qualifying utility that acquires an eligible renewable  
11 resource or renewable energy credit may count that acquisition at one  
12 and two-tenths times its base value:

13 (A) Where the eligible renewable resource comes from a facility  
14 that commenced operation after December 31, 2005; and

15 (B) Where the developer of the facility used apprenticeship  
16 programs approved by the council during facility construction.

17 (ii) The council (~~shall~~) must establish minimum levels of labor  
18 hours to be met through apprenticeship programs to qualify for this  
19 extra credit.

20 (i) A qualifying utility (~~shall be~~) is considered in compliance  
21 with an annual target in (a) of this subsection if events beyond the  
22 reasonable control of the utility that could not have been reasonably  
23 anticipated or ameliorated prevented it from meeting the renewable  
24 energy target. Such events include weather-related damage, mechanical  
25 failure, strikes, lockouts, and actions of a governmental authority  
26 that adversely affect the generation, transmission, or distribution  
27 of an eligible renewable resource under contract to a qualifying  
28 utility.

29 (j)(i) Beginning January 1, 2016, only a qualifying utility that  
30 owns or is directly interconnected to a qualified biomass energy  
31 facility may use qualified biomass energy to meet its compliance  
32 obligation under this subsection.

33 (ii) A qualifying utility may no longer use electricity and  
34 associated renewable energy credits from a qualified biomass energy  
35 facility if the associated industrial pulping or wood manufacturing  
36 facility ceases operation other than for purposes of maintenance or  
37 upgrade.

38 (k) An industrial facility that hosts a qualified biomass energy  
39 facility may only transfer or sell renewable energy credits  
40 associated with qualified biomass energy generated at its facility to

1 the qualifying utility with which it is directly interconnected with  
2 facilities owned by such a qualifying utility and that are capable of  
3 carrying electricity at transmission voltage. The qualifying utility  
4 may only use an amount of renewable energy credits associated with  
5 qualified biomass energy that are equivalent to the proportionate  
6 amount of its annual targets under (a)(ii) and (iii) of this  
7 subsection that was created by the load of the industrial facility. A  
8 qualifying utility that owns a qualified biomass energy facility may  
9 not transfer or sell renewable energy credits associated with  
10 qualified biomass energy to another person, entity, or qualifying  
11 utility.

12 (l) Beginning January 1, 2018, a qualifying utility may use  
13 eligible renewable resources as identified under RCW 19.285.030(12)  
14 (g) and (h) to meet its compliance obligations under this subsection  
15 (2). A qualifying utility may not transfer or sell these eligible  
16 renewable resources to another utility for compliance purposes under  
17 this chapter.

18 (m) Renewable energy credits allocated under RCW  
19 19.285.030(12)(h) may not be transferred or sold to another  
20 qualifying utility for compliance under this chapter.

21 (n)(i) Beginning January 1, 2020, a qualifying utility is in  
22 compliance with an annual target in (a) of this subsection if: (A)  
23 The utility uses any combination of eligible renewable resources and  
24 clean energy resources that are not eligible renewable resources to  
25 serve one hundred percent of its load; and (B) the utility makes  
26 carbon reduction investments in a dollar amount that is at least  
27 equal to the incremental cost of complying with the annual target in  
28 (a) of this subsection, as calculated pursuant to RCW 19.285.050.

29 (ii) In using the compliance pathway established in (n)(i) of  
30 this subsection, a qualifying utility may not count the same resource  
31 as both a clean energy resource and a carbon reduction investment.

32 (iii) Except as provided in RCW 19.285.030(15)(b), any tradable  
33 certificate of proof of a clean energy resource, including but not  
34 limited to a renewable energy credit, associated with the portion of  
35 any resource or resources used to satisfy the requirements of the  
36 compliance pathway established in (n)(i) of this subsection must be  
37 retired for the purposes of this section and cannot be sold,  
38 transferred, or used for other purposes. A qualifying utility may not  
39 use a tradable certificate or proof of a clean energy resource,  
40 including but not limited to a renewable energy credit, to meet the

1 requirements of this section if the associated energy or capacity has  
2 been sold, transferred, or otherwise used separately.

3 (3) Utilities that become qualifying utilities after December 31,  
4 2006, (~~shall~~) must meet the requirements in this section on a time  
5 frame comparable in length to that provided for qualifying utilities  
6 as of December 7, 2006.

7 NEW SECTION. **Sec. 3.** (1) This section is the tax preference  
8 performance statement for the tax preferences established in sections  
9 4 through 6, chapter . . ., Laws of 2018 (sections 4 through 6 of  
10 this act). This performance statement is only intended to be used for  
11 subsequent evaluation of the tax preferences. It is not intended to  
12 create a private right of action by any party or be used to determine  
13 eligibility for preferential tax treatment.

14 (2) The legislature categorizes the tax preferences created under  
15 sections 4 through 6, chapter . . ., Laws of 2018 (sections 4 through  
16 6 of this act) as intended to induce certain designated behavior by  
17 taxpayers, as indicated in RCW 82.32.808(2)(a).

18 (3) It is the legislature's specific public policy objective to  
19 reduce the cost of transitioning to electric generation sources that  
20 have very low or zero carbon dioxide emissions. It is the intent of  
21 the legislature to provide a suite of tax preferences in order to  
22 reduce the cost to ratepayers of constructing and operating new  
23 renewable energy generation capacity equal to or greater than  
24 necessary to serve projected Washington electricity load growth, as  
25 measured by projections in the most recently adopted Northwest power  
26 and conservation council power plan.

27 (4) The legislature does not intend to extend the expiration date  
28 of the tax preferences contained in this act.

29 (5) Because the tax preferences contained in this act are not for  
30 the primary purpose of creating or retaining jobs or attracting or  
31 attaining businesses, and because the legislature does not intend to  
32 extend the expiration of the tax preferences, the legislature does  
33 not intend for a review by the joint legislative audit and review  
34 committee.

35 **Sec. 4.** RCW 82.16.055 and 1980 c 149 s 3 are each amended to  
36 read as follows:

37 (1) In computing tax under this chapter there (~~shall be~~) is  
38 deducted from the gross income:

1 (a) An amount equal to the cost of production at the plant for  
2 consumption within the state of Washington of:

3 (i) Electrical energy produced or generated from (~~eogeneration~~)  
4 combined heat and power as defined in RCW (~~82.35.020~~) 19.280.020;  
5 and

6 (ii) Electrical energy or gas produced or generated from  
7 renewable (~~energy~~) resources (~~(such as solar energy, wind energy,~~  
8 ~~hydroelectric energy, geothermal energy, wood, wood wastes, municipal~~  
9 ~~wastes, agricultural products and wastes, and end-use waste heat)~~) as  
10 defined in RCW 19.285.030; and

11 (b) Those amounts expended to improve consumers' efficiency of  
12 energy end use or to otherwise reduce the use of electrical energy or  
13 gas by the consumer.

14 (2) This section applies only to the following facilities:

15 (a) New facilities for the production or generation of energy  
16 from (~~eogeneration or renewable energy resources~~) combined heat and  
17 power or renewable resources or measures to improve the efficiency of  
18 energy end use on which construction or installation is begun after  
19 June 12, 1980, and before January 1, 1990; and

20 (b) New facilities for the production or generation of  
21 electricity from renewable resources on which construction or  
22 installation is begun after January 1, 2020, and before January 1,  
23 2028.

24 (3) Deductions under subsection (1)(a) of this section (~~shall~~  
25 ~~be~~) are allowed for a period not to exceed thirty years after the  
26 project is placed in operation.

27 (4) Measures or projects encouraged under this section (~~shall~~)  
28 at the time they are placed in service must be reasonably expected to  
29 save, produce, or generate energy at a total incremental system cost  
30 per unit of energy delivered to end use which is less than or equal  
31 to the incremental system cost per unit of energy delivered to end  
32 use from similarly available conventional energy resources which  
33 utilize nuclear energy or fossil fuels and which the gas or electric  
34 utility could acquire to meet energy demand in the same time period.

35 (5) The department of revenue, after consultation with the  
36 utilities and transportation commission in the case of investor-owned  
37 utilities and the governing bodies of locally regulated utilities,  
38 (~~shall~~) must determine the eligibility of individual projects and  
39 measures for deductions under this section.

40 (6) This section expires January 1, 2029.

1        NEW SECTION.    **Sec. 5.**    A new section is added to chapter 82.16  
2    RCW to read as follows:

3        (1) The definitions in this subsection apply throughout this  
4    section unless the context clearly requires otherwise.

5        (a) "Carbon reduction investment" means an investment in support  
6    of eligible projects or actions that reduce, prevent, or remove from  
7    the atmosphere the emissions of greenhouse gases in the state. An  
8    eligible project or action includes, but is not limited to,  
9    investment in the following: (i) Installation of electric vehicle  
10   chargers and related infrastructure and other transportation  
11   electrification measures; (ii) demand side management of electricity  
12   consumption; (iii) energy storage technologies; and (iv) carbon  
13   sequestration programs, including forest health investments.

14        (b) "Greenhouse gas" means carbon dioxide, methane, nitrogen  
15   trifluoride, nitrous oxide, sulfur hexafluoride, hydrofluorocarbons,  
16   perfluorocarbons, and other fluorinated greenhouse gases.

17        (2) In computing the tax imposed under this chapter, a credit is  
18   authorized for persons who reduce their own greenhouse gas emissions  
19   through carbon reduction investment projects.

20        (3) (a) The credit is equal to the total amount of carbon  
21   reduction investment project expenditures of a person.

22        (b) Credit may be earned by a person for multiple carbon  
23   reduction investment projects.

24        (c) Credit earned under this section may equal or exceed the tax  
25   otherwise due under this chapter for the tax reporting period. Any  
26   unused credit may be accrued and carried over until it is used.

27        (4) No application is necessary for the tax credit. The person  
28   must keep records necessary for the department to verify eligibility  
29   under this section. The person is subject to all of the requirements  
30   of chapter 82.32 RCW. No refunds may be granted for credits under  
31   this section.

32        (5) If at any time the department finds that a person is not  
33   eligible for the tax credit under this section, the amount of taxes  
34   for which a credit has been claimed is immediately due. The  
35   department must assess interest, but not penalties, on the taxes for  
36   which the person is not eligible. The interest must be assessed at  
37   the rate provided for delinquent excise taxes under chapter 82.32  
38   RCW, is retroactive to the date the tax credit was taken, and accrues  
39   until the taxes for which a credit has been used are repaid.

1 (6) A person claiming the credit under this section must file a  
2 complete annual report with the department under RCW 82.32.534.

3 (7) This section expires January 1, 2029.

4 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.63  
5 RCW to read as follows:

6 (1)(a) Except as otherwise provided in this section, the  
7 department must issue a sales and use tax deferral certificate for  
8 state and local sales and use taxes due under chapters 82.08, 82.12,  
9 82.14, and 81.104 RCW on each eligible renewable energy investment  
10 project.

11 (b) The amount of tax imposed under chapters 82.08 and 82.12 RCW  
12 eligible for a deferral under a certificate issued pursuant to this  
13 section is limited to one million dollars per eligible renewable  
14 energy investment project per person. Once a person reaches the one  
15 million dollar limit in this subsection (1)(b), the person may no  
16 longer defer under this chapter any state or local sales or use taxes  
17 due on the eligible renewable energy investment project.

18 (2) The department may not issue deferral certificates under this  
19 section until January 1, 2020.

20 (3) The definitions in this subsection apply throughout this  
21 section unless the context clearly requires otherwise.

22 (a) "Eligible renewable energy investment project" means an  
23 investment project that either initiates a new renewable energy  
24 generation facility or expands, upgrades, or improves a current  
25 renewable energy generation facility by increasing its energy  
26 efficiency or energy capacity, and includes new or upgraded  
27 transmission and distribution infrastructure necessary to connect the  
28 project to the electrical grid.

29 (b) "Renewable energy generation facility" means an electric  
30 generation facility powered by a renewable resource, as that term is  
31 defined in RCW 19.285.030.

32 (4) This section expires January 1, 2028.

33 NEW SECTION. **Sec. 7.** (1)(a) A legislative task force on carbon  
34 free, renewable, and economical energy is established, with members  
35 as provided in this subsection (1).

36 (i) The president of the senate must appoint two voting members  
37 from each of the two largest caucuses of the senate.

1 (ii) The speaker of the house of representatives must appoint two  
2 voting members from each of the two largest caucuses of the house of  
3 representatives.

4 (iii) The president of the senate and the speaker of the house of  
5 representatives jointly must appoint the following nonvoting members  
6 representing relevant stakeholders:

7 (A) The governor, or the governor's designee;

8 (B) Three representatives of investor-owned utilities;

9 (C) Four representatives of consumer-owned utilities, with one  
10 representative of each of the following: A utility that owns and  
11 operates thermal electric generation resources, a utility that owns  
12 and operates hydroelectric generation resources, a utility that does  
13 not own and operate thermal electric generation resources or  
14 hydroelectric generation resources, and a rural electric cooperative;

15 (D) One representative of industrial ratepayers;

16 (E) One representative of the Bonneville power administration;

17 (F) Three representatives of organizations which advocate for  
18 clean energy technologies and greenhouse gas emissions reductions;

19 (G) One representative of a statewide labor organization; and

20 (H) Public counsel or an advocate for electric utility ratepayers  
21 designated by public counsel.

22 (iv) The governor must appoint nonvoting members in an advisory  
23 role including, but not limited to, the following:

24 (A) One representative of the Washington state utilities and  
25 transportation commission;

26 (B) One representative of the department of commerce;

27 (C) Two representatives of the two largest state institutions of  
28 higher education;

29 (D) One representative of the Pacific Northwest national  
30 laboratory;

31 (E) An expert in, or developer of, clean energy technologies;

32 (F) One representative of the Northwest power and planning  
33 council; and

34 (G) One representative of the Western electricity coordinating  
35 council.

36 (b) The task force must choose its cochairs from among its  
37 legislative membership. The chair of the joint committee on energy  
38 supply and energy conservation shall convene the initial meeting of  
39 the task force.

1 (2) The task force must determine the appropriate carbon  
2 reduction targets for electric utilities, to be achieved according to  
3 the following schedule:

4 (a) January 1, 2030, and each year thereafter through December  
5 31, 2034;

6 (b) January 1, 2035, and each year thereafter through December  
7 31, 2039;

8 (c) January 1, 2040, and each year thereafter through December  
9 31, 2044; and

10 (d) January 1, 2045, and each year thereafter.

11 (3) In determining the targets under subsection (2) of this  
12 section, the task force must review the technological feasibility,  
13 timeline, cost, and other impacts of transitioning Washington's  
14 electricity sector to carbon free generation resources, including but  
15 not limited to the following issues:

16 (a) Technological feasibility, including an examination of  
17 resources known to be commercially available, the potential for  
18 storage, and replacement of baseload fossil fuel generation;

19 (b) Reliability, ratepayer costs, and regional market impacts,  
20 including impacts on multistate utilities, energy imbalance markets,  
21 the potential for negative pricing, and impacts on renewable energy  
22 credit markets;

23 (c) The unique aspects of Washington's utilities;

24 (d) The effect of transportation electrification and the  
25 electrification of other sectors on a utility's load;

26 (e) The potential policy interactions between an emission  
27 reduction requirement for the electricity sector and other carbon  
28 reduction policies;

29 (f) An assessment of appropriate incentives, if any, to  
30 facilitate the transition to carbon free generation resources;

31 (g) Federal and state regulatory and legal considerations; and

32 (h) Equitable treatment among utilities.

33 (4) Staff support for the task force must be provided by the  
34 senate committee services and the house of representatives office of  
35 program research.

36 (5) Legislative members of the task force are reimbursed for  
37 travel expenses in accordance with RCW 44.04.120. Nonlegislative  
38 members are not entitled to be reimbursed for travel expenses if they  
39 are elected officials or are participating on behalf of an employer,



1 governmental entity, or other organization. Any reimbursement for  
2 other nonlegislative members is subject to chapter 43.03 RCW.

3 (6) The expenses of the task force must be paid jointly by the  
4 senate and the house of representatives. Task force expenditures are  
5 subject to approval by the senate facilities and operations committee  
6 and the house of representatives executive rules committee, or their  
7 successor committees.

8 (7) The task force must convene at least four meetings in 2018.

9 (8) In order for a recommendation to be included in the report,  
10 it must be supported by a majority of the task force's voting  
11 members. Minority reports or comments must be included in the report.

12 (9) The task force must report its findings and recommendations  
13 to the governor and the appropriate committees of the legislature, in  
14 compliance with RCW 43.01.036, by January 1, 2019.

15 (10) This section expires January 1, 2019.

16 NEW SECTION. **Sec. 8.** (1) The following acts or parts of acts,  
17 as now existing or hereafter amended, are each repealed, effective  
18 upon the effective date of any act by the legislature that imposes a  
19 tax, fee, or other monetary price on the carbon content of fossil  
20 fuels and electricity sold or used within the state, such as a carbon  
21 tax or cap-and-trade program:

22 (a) RCW 19.285.010 (Intent) and 2007 c 1 s 1;

23 (b) RCW 19.285.020 (Declaration of policy) and 2007 c 1 s 2;

24 (c) RCW 19.285.030 (Definitions) and 2017 c 315 s 1 & 2014 c 45 s  
25 1;

26 (d) RCW 19.285.040 (Energy conservation and renewable energy  
27 targets) and 2017 c 315 s 2, 2014 c 26 s 1, 2013 c 158 s 2, 2012 c 22  
28 s 3, & 2007 c 1 s 4;

29 (e) RCW 19.285.045 (Energy conservation and renewable energy  
30 targets—Analysis and advisory opinion) and 2012 c 254 s 1;

31 (f) RCW 19.285.050 (Resource costs) and 2007 c 1 s 5;

32 (g) RCW 19.285.060 (Accountability and enforcement—Energy  
33 independence act special account) and 2015 c 225 s 22 & 2007 c 1 s 6;

34 (h) RCW 19.285.070 (Reporting and public disclosure) and 2007 c 1  
35 s 7;

36 (i) RCW 19.285.080 (Rule making) and 2017 c 315 s 3 & 2007 c 1 s  
37 8;

38 (j) RCW 19.285.900 (Construction—2007 c 1) and 2007 c 1 s 9; and

1 (k) RCW 19.285.902 (Short title—2007 c 1) and 2007 c 1 s 11.

2 (2) The department of commerce must provide written notice of the  
3 effective date of the act that repeals the sections identified in  
4 this section to all affected parties, the chief clerk of the house of  
5 representatives, the secretary of the senate, the office of the code  
6 reviser, and others as deemed appropriate by the department of  
7 commerce.

8 NEW SECTION. **Sec. 9.** This act may be known and cited as the  
9 carbon free Washington act."

10 Correct the title.

EFFECT: Strikes the underlying material. Suspends the 15 percent annual renewable resource target under the Energy Independence Act beginning January 1, 2028. Establishes tax preferences for certain renewable energy and carbon reduction investments. Establishes a legislative task force on carbon free, renewable, and economical energy. Repeals the Energy Independence Act effective upon the effective date of any act by the legislature that imposes a tax, fee, or other monetary price on the carbon content of fossil fuels and electricity sold or used within the state, such as a carbon tax or cap-and-trade program.

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