

SHB 2995 - H AMD 1349

By Representative Tarleton

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

3 NEW SECTION. **Sec. 1.** (1) The legislature finds that Washington
4 is the nation's leading producer of electricity from hydroelectric
5 sources. The legislature finds that the residents, businesses, and
6 industries of the state have benefited from the relatively low
7 operating costs and reliability of this abundant, renewable energy
8 resource. This legacy of clean hydroelectricity is the foundation
9 upon which the state has built a diverse, vibrant clean technology
10 sector that includes research and development in breakthrough
11 technologies, as well as investment in other renewable energy
12 resources. The legislature finds that Washington should continue its
13 leadership in conservation, renewable energy, and climate change
14 mitigation by: Increasing energy efficiency across the state;
15 encouraging investment in the state's clean, nonpolluting,
16 sustainable, and renewable energy future; and achieving reductions in
17 the use of fossil fuels in the generation of electricity.

18 (2) By building on the state's foundation of renewable
19 hydroelectric generation with additional conservation and renewable
20 energy resources, the legislature declares that Washington can:
21 Promote energy independence; create high-quality jobs in the clean
22 technology sector; maintain stable and affordable electric rates for
23 all customers; and protect clean air and water in the Pacific
24 Northwest.

25 NEW SECTION. **Sec. 2.** The definitions in this section apply
26 throughout sections 3 through 6 of this act unless the context
27 clearly requires otherwise.

28 (1) "Attorney general" has the same meaning as provided in RCW
29 19.285.030.

30 (2) "Auditor" has the same meaning as provided in RCW 19.285.030.

1 (3) "Coal-fired resource" means a facility that uses coal-fired
2 generating units, or that uses units fired in whole or in part by
3 coal as feedstock, to generate electricity.

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

6 (5) "Conservation" has the same meaning as provided in RCW
7 19.285.030.

8 (6) "Consumer-owned utility" has the same meaning as provided in
9 RCW 19.29A.010.

10 (7) "Customer" has the same meaning as provided in RCW
11 19.285.030.

12 (8) "Department" means the department of commerce or its
13 successor.

14 (9) "Electric utility" has the same meaning as provided in RCW
15 19.29A.010.

16 (10) "Emission" has the same meaning as provided in RCW
17 70.94.030.

18 (11) "Fossil fuel" means petroleum products that are intended for
19 combustion, including natural gas, crude oil, petroleum, coal, or
20 coke of any kind, or any form of solid, liquid, or gaseous fuel
21 derived from these products including but not limited to motor
22 vehicle fuel, special fuel, aircraft fuel, marine fuel, still gas,
23 propane, and petroleum residuals such as bunker fuel.

24 (12) "Fossil fuel generating resource" is an electric generating
25 unit that generates electricity from the combustion or oxidation of
26 fossil fuels.

27 (13) "Investor-owned utility" has the same meaning as provided in
28 RCW 19.29A.010.

29 (14) "Low-income" means household income as defined by the
30 department or commission, provided that the definition may not exceed
31 eighty percent of area median household income, or two hundred
32 percent of the federal poverty level, whichever is greater, adjusted
33 for household size.

34 (15) "Market customer" means a nonresidential customer of an
35 electric utility that: (a) Purchases electricity from an entity or
36 entities other than the electric utility with which it is directly
37 interconnected; or (b) generates electricity to meet its own needs.

38 (16) "Natural gas" means naturally occurring mixtures of
39 hydrocarbon gases and vapors consisting principally of methane,
40 whether in gaseous or liquid form, including methane clathrate.

1 (17) "Petroleum product" has the same meaning as provided in RCW
2 82.23A.010.

3 (18) "Renewable resource" has the same meaning as provided in RCW
4 19.285.030.

5 (19) "Rule" means rules adopted by an agency or other entity of
6 Washington state government to carry out the intent and purposes of
7 this chapter.

8 NEW SECTION. **Sec. 3.** (1)(a) On or before January 1, 2030, all
9 electric utilities must eliminate from electric rates all costs
10 associated with delivering electricity to Washington customers that
11 is generated from a coal-fired resource. This does not include costs
12 associated with decommissioning and remediation of these facilities.

13 (b) The commission may accelerate depreciation schedules for any
14 coal-fired resource owned by investor-owned utilities to a date no
15 later than January 1, 2030.

16 (2) The commission may not extend the depreciation schedule for
17 any fossil fuel generating resource.

18 (3) Electric utilities and market customers must demonstrate that
19 they have reduced the total number of megawatt hours from fossil fuel
20 generating resources delivered to Washington customers compared to a
21 2017 baseline approved by the commission, for investor-owned
22 utilities and market customers of investor-owned utilities, and the
23 department, for consumer-owned utilities and market customers of
24 consumer-owned utilities, used to serve the utility's load by the
25 following annual targets:

26 (a) At least a twenty-five percent reduction from 2017 levels by
27 January 1, 2030, and each year thereafter through December 31, 2034;

28 (b) At least a fifty percent reduction from 2017 levels by
29 January 1, 2035, and each year thereafter through December 31, 2039;

30 (c) At least a seventy-five percent reduction from 2017 levels by
31 January 1, 2040, and each year thereafter through December 31, 2044;
32 and

33 (d) One hundred percent reduction by January 1, 2045, and each
34 year thereafter. The commission, in the case of an investor-owned
35 utility, or the department, in the case of a consumer-owned utility,
36 may extend this deadline to a date no later than January 1, 2050, if
37 doing so is found to be beneficial for ensuring reliability or
38 reducing long-term costs to ratepayers.

1 (4) In order to achieve the targets under subsection (3) of this
2 section, electric utilities and market customers must demonstrate
3 that they have achieved all feasible energy efficiency and
4 conservation measures or investments, reductions in demand, and
5 demand management prior to making new investments to meet projected
6 demand; and, to the maximum extent feasible, must:

7 (a) Achieve the targets under subsection (3) of this section at
8 the lowest reasonable cost; and

9 (b) In the construction of new resources:

10 (i) Maximize the creation of family wage jobs, insofar as doing
11 so is consistent with (a) of this subsection; and

12 (ii) Rely on renewable resources and storage.

13 (5) Any resource for which the environmental attribute or
14 attributes have been sold, transferred, or used for other purposes,
15 except for an electric utility's own compliance with the annual
16 renewable energy targets under RCW 19.285.040, is considered a fossil
17 fuel generating resource for the purposes of this act.

18 (6) Hydroelectric generation may not include new diversions, new
19 impoundments, new bypass reaches, or expansion of existing reservoirs
20 constructed after the effective date of this section unless the
21 diversions, bypass reaches, or reservoir expansions are necessary for
22 the operation of a pumped storage facility that: (a) Does not
23 conflict with existing state or federal fish recovery plans; and (b)
24 complies with all local, state, and federal laws and regulations.

25 NEW SECTION. **Sec. 4.** (1)(a) For an investor-owned utility, the
26 commission must determine compliance with the provisions of this act
27 and enforce rules established under section 6 of this act.

28 (b) For a consumer-owned utility, the department must determine,
29 and the attorney general must enforce, compliance with the provisions
30 of this act consistent with the rules established under section 6 of
31 this act.

32 (c) For a market customer, the auditor must determine, and the
33 attorney general must enforce, compliance with the provisions of this
34 act, except that the commission must determine compliance with
35 section 3 of this act for a market customer of an investor-owned
36 utility.

37 (2)(a) By June 1, 2025, and annually thereafter, each electric
38 utility and market customer must report to the department on progress
39 towards the reduction in the total number of megawatt hours and

1 emissions from fossil fuel generating resources under section 3 of
2 this act. This report must identify whether each electric utility is
3 exceeding its reduction targets, meeting its reduction targets, or
4 falling short of its reduction targets.

5 (b) Each investor-owned utility must also report all information
6 required in (a) of this subsection to the commission.

7 (c) All electric utilities must also make reports required in
8 this section available to its customers and each market customer must
9 make all information required in this subsection available to the
10 attorney general.

11 NEW SECTION. **Sec. 5.** (1)(a) The legislature finds and declares
12 all of the following:

13 (i) There is insufficient information available to fully realize
14 the potential of solar photovoltaic energy generation to serve low-
15 income customers, including those in disadvantaged communities.

16 (ii) There is insufficient understanding of the barriers to
17 access for low-income customers to all forms of renewable energy
18 being generated in the state.

19 (iii) There is insufficient understanding of the barriers to
20 access for low-income customers to energy efficiency investments.

21 (iv) There is insufficient understanding of the barriers to
22 access for low-income customers to zero emission and near-zero
23 emission transportation options.

24 (b) By January 1, 2019, the department, with input from relevant
25 state agencies and the public, must develop and publish a study on:

26 (i) Barriers for low-income customers, including those in
27 disadvantaged communities, to energy efficiency and weatherization
28 investments, as well as recommendations on how to increase access to
29 energy efficiency and weatherization investments to low-income
30 customers; and

31 (ii) Barriers for low-income customers, including those in
32 disadvantaged communities, to zero emission and near-zero emission
33 transportation options, as well as recommendations on how to increase
34 access to zero emission and near-zero emission transportation options
35 to low-income customers, including those in disadvantaged
36 communities.

37 (2) By January 1, 2025, the department, with input from relevant
38 state agencies and the public, must develop and publish a study on:

1 (a) The impact of this act on utility rates as it affects
2 individuals of varying income levels, ethnic backgrounds, and racial
3 backgrounds; and

4 (b) Projected and current worker hours in construction,
5 manufacturing, operations, and maintenance created as a result of
6 compliance with the requirements of this act. The study must also
7 include estimates of direct, indirect, and induced job creation. The
8 study must be repeated every five years.

9 (3) Three years prior to each fossil fuel reduction target
10 specified in section 3 of this act, the commission and the department
11 must:

12 (a) Jointly evaluate whether the requirements established in
13 section 3 of this act are expected to be met by each electric
14 utility; and

15 (b) If the requirements are not expected to be met by each
16 electric utility:

17 (i) Identify whether technology obstacles exist that prevent
18 compliance; and

19 (ii) Provide policy recommendations to aid in compliance.

20 (4) The definitions in RCW 19.285.030 apply throughout this
21 section.

22 (5) This section expires July 1, 2051.

23 NEW SECTION. **Sec. 6.** The commission, in the case of investor-
24 owned utilities, and the department, in the case of consumer-owned
25 utilities, must adopt rules by 2025 to implement sections 3 and 4 of
26 this act. In adopting the rules, the commission and the department
27 must include, but not be limited to, provisions sufficient to achieve
28 successful implementation of this act, penalties that ensure
29 compliance with this act, temporary flexibility mechanisms to ensure
30 reliable electric service, and appropriate mechanisms for monitoring
31 fossil fuel use.

32 **Sec. 7.** RCW 82.08.962 and 2017 3rd sp.s. c 36 s 14 are each
33 amended to read as follows:

34 (1)(a) Except as provided in RCW 82.08.963, purchasers who have
35 paid the tax imposed by RCW 82.08.020 on machinery and equipment used
36 directly in generating electricity using fuel cells, wind, sun,
37 biomass energy, tidal or wave energy, geothermal resources, anaerobic
38 digestion, technology that converts otherwise lost energy from

1 exhaust, freshwater as specified under RCW 19.285.030(12)(c), or
2 landfill gas as the principal source of power, or to sales of or
3 charges made for labor and services rendered in respect to installing
4 such machinery and equipment, are eligible for an exemption as
5 provided in this section, but only if the purchaser develops with
6 such machinery, equipment, and labor a facility capable of generating
7 not less than one thousand watts of electricity.

8 (b) Beginning on July 1, 2009, through June 30, 2011, the tax
9 levied by RCW 82.08.020 does not apply to the sale of machinery and
10 equipment described in (a) of this subsection that are used directly
11 in generating electricity or to sales of or charges made for labor
12 and services rendered in respect to installing such machinery and
13 equipment.

14 (c) Beginning on July 1, 2011, through ~~(January 1, 2020)~~
15 December 31, 2019, the amount of the exemption under this subsection
16 (1) is equal to seventy-five percent of the state and local sales tax
17 paid. The purchaser is eligible for an exemption under this
18 subsection (1)(c) in the form of a remittance. Machinery and
19 equipment used directly in generating electricity from freshwater as
20 specified under RCW 19.285.030(12)(c), and labor and services
21 rendered in respect to installing such machinery and equipment, is
22 not eligible under this subsection (1)(c).

23 (d)(i) Beginning January 1, 2020, through December 31, 2029, a
24 purchaser who has paid the tax imposed by RCW 82.08.020 is eligible
25 for the exemption under this subsection (1) in the form of a
26 remittance. The total amount of remittances that a purchaser may
27 receive under this subsection (1)(d) and under RCW 82.12.962(1)(d) is
28 limited to the lesser of the full amount of the state sales or use
29 tax paid or one hundred twenty-five thousand dollars per fiscal year.
30 The remittance under this subsection (1)(d) is for the state portion
31 of the sales tax only and applies only to purchases of machinery and
32 equipment eligible for an exemption under this section, and labor and
33 services rendered in respect to installing such machinery and
34 equipment, occurring on or after January 1, 2020.

35 (ii) A purchaser claiming an exemption from tax in the form of a
36 remittance under this subsection (1)(d) must pay the tax imposed by
37 RCW 82.08.020 on such purchases eligible for the remittance. The
38 purchaser may then apply to the department for remittance of all or
39 part of the tax paid under RCW 82.08.020 on such purchases, subject
40 to the limits in (d)(i) and (iii) of this subsection. A purchaser may

1 not apply for a remittance under this subsection (1)(d) more
2 frequently than once per quarter. The purchaser must specify the
3 amount of exempted tax claimed and the qualifying purchases for which
4 the exemption is claimed. The purchaser must retain, in adequate
5 detail, records to enable the department to determine whether the
6 purchaser is entitled to an exemption under this section, including:
7 Invoices; proof of tax paid; and documents describing the machinery
8 and equipment. The department must determine eligibility under this
9 subsection (1)(d) based on the information provided by the purchaser,
10 which is subject to audit verification by the department. The
11 department must on a quarterly basis remit exempted amounts to
12 qualifying purchasers who submitted applications during the previous
13 quarter.

14 (iii)(A) The remittance under this subsection (1)(d) is only
15 available on a first-in-time basis. The department must keep a
16 running total of all approved remittances under this section and RCW
17 82.12.962(1)(d) during each fiscal year. The department may not allow
18 any remittance that would cause the total amount of remittances
19 allowed under this section and RCW 82.12.962(1)(d) to exceed five
20 million dollars in any fiscal year.

21 (B) The department must provide notification on its web site
22 monthly of the amount remaining before the statewide annual limit in
23 this subsection (1)(d) is reached.

24 (2) For purposes of this section and RCW 82.12.962, the following
25 definitions apply:

26 (a) "Biomass energy" includes: (i) By-products of pulping and
27 wood manufacturing process; (ii) animal waste; (iii) solid organic
28 fuels from wood; (iv) forest or field residues; (v) wooden demolition
29 or construction debris; (vi) food waste; (vii) liquors derived from
30 algae and other sources; (viii) dedicated energy crops; (ix)
31 biosolids; and (x) yard waste. "Biomass energy" does not include wood
32 pieces that have been treated with chemical preservatives such as
33 creosote, pentachlorophenol, or copper-chrome-arsenic; wood from old
34 growth forests; or municipal solid waste.

35 (b) "Fuel cell" means an electrochemical reaction that generates
36 electricity by combining atoms of hydrogen and oxygen in the presence
37 of a catalyst.

38 (c) "Landfill gas" means biomass fuel, of the type qualified for
39 federal tax credits under Title 26 U.S.C. Sec. 29 of the federal

1 internal revenue code, collected from a "landfill" as defined under
2 RCW 70.95.030.

3 (d)(i) "Machinery and equipment" means fixtures, devices, and
4 support facilities that are integral and necessary to the generation
5 of electricity using fuel cells, wind, sun, biomass energy, tidal or
6 wave energy, geothermal resources, anaerobic digestion, technology
7 that converts otherwise lost energy from exhaust, freshwater as
8 specified under RCW 19.285.030(12)(c), or landfill gas as the
9 principal source of power.

10 (ii) "Machinery and equipment" does not include: (A) Hand-powered
11 tools; (B) property with a useful life of less than one year; (C)
12 repair parts required to restore machinery and equipment to normal
13 working order; (D) replacement parts that do not increase
14 productivity, improve efficiency, or extend the useful life of
15 machinery and equipment; (E) buildings; or (F) building fixtures that
16 are not integral and necessary to the generation of electricity that
17 are permanently affixed to and become a physical part of a building.

18 (3)(a) Machinery and equipment is "used directly" in generating
19 electricity by wind energy, solar energy, biomass energy, tidal or
20 wave energy, geothermal resources, anaerobic digestion, technology
21 that converts otherwise lost energy from exhaust, freshwater as
22 specified under RCW 19.285.030(12)(c), or landfill gas power if it
23 provides any part of the process that captures the energy of the
24 wind, sun, biomass energy, tidal or wave energy, geothermal
25 resources, anaerobic digestion, technology that converts otherwise
26 lost energy from exhaust, freshwater as specified under RCW
27 19.285.030(12)(c), or landfill gas, converts that energy to
28 electricity, and stores, transforms, or transmits that electricity
29 for entry into or operation in parallel with electric transmission
30 and distribution systems.

31 (b) Machinery and equipment is "used directly" in generating
32 electricity by fuel cells if it provides any part of the process that
33 captures the energy of the fuel, converts that energy to electricity,
34 and stores, transforms, or transmits that electricity for entry into
35 or operation in parallel with electric transmission and distribution
36 systems.

37 (4)(a) A purchaser claiming an exemption in the form of a
38 remittance under subsection (1)(c) of this section must pay the tax
39 imposed by RCW 82.08.020 and all applicable local sales taxes imposed
40 under the authority of chapters 82.14 and 81.104 RCW. The purchaser

1 may then apply to the department for remittance in a form and manner
2 prescribed by the department. A purchaser may not apply for a
3 remittance under this section more frequently than once per quarter.
4 The purchaser must specify the amount of exempted tax claimed and the
5 qualifying purchases for which the exemption is claimed. The
6 purchaser must retain, in adequate detail, records to enable the
7 department to determine whether the purchaser is entitled to an
8 exemption under this section, including: Invoices; proof of tax paid;
9 and documents describing the machinery and equipment.

10 (b) The department must determine eligibility under this section
11 based on the information provided by the purchaser, which is subject
12 to audit verification by the department. The department must on a
13 quarterly basis remit exempted amounts to qualifying purchasers who
14 submitted applications during the previous quarter.

15 (5) The exemption provided by subsection (1)(c) of this section
16 expires September 30, 2017, as it applies to: (a) Machinery and
17 equipment that is used directly in the generation of electricity
18 using solar energy and capable of generating no more than five
19 hundred kilowatts of electricity; or (b) sales of or charges made for
20 labor and services rendered in respect to installing such machinery
21 and equipment.

22 (6) This section expires January 1, (~~2020~~) 2030.

23 (7) This section is exempt from the provisions of RCW 82.32.808.

24 **Sec. 8.** RCW 82.12.962 and 2017 3rd sp.s. c 36 s 16 are each
25 amended to read as follows:

26 (1)(a) Except as provided in RCW 82.12.963, consumers who have
27 paid the tax imposed by RCW 82.12.020 on machinery and equipment used
28 directly in generating electricity using fuel cells, wind, sun,
29 biomass energy, tidal or wave energy, geothermal resources, anaerobic
30 digestion, technology that converts otherwise lost energy from
31 exhaust, freshwater as specified under RCW 19.285.030(12)(c), or
32 landfill gas as the principal source of power, or to sales of or
33 charges made for labor and services rendered in respect to installing
34 such machinery and equipment, are eligible for an exemption as
35 provided in this section, but only if the purchaser develops with
36 such machinery, equipment, and labor a facility capable of generating
37 not less than one thousand watts of electricity.

38 (b) Beginning on July 1, 2009, through June 30, 2011, the
39 provisions of this chapter do not apply in respect to the use of

1 machinery and equipment described in (a) of this subsection that are
2 used directly in generating electricity or to sales of or charges
3 made for labor and services rendered in respect to installing such
4 machinery and equipment.

5 (c) Beginning on July 1, 2011, through (~~January 1, 2020~~)
6 December 31, 2019, the amount of the exemption under this subsection
7 (1) is equal to seventy-five percent of the state and local sales tax
8 paid. The consumer is eligible for an exemption under this subsection
9 (1)(c) in the form of a remittance. Machinery and equipment used
10 directly in generating electricity from freshwater as specified under
11 RCW 19.285.030(12)(c), and labor and services rendered in respect to
12 installing such machinery and equipment, is not eligible under this
13 subsection (1)(c).

14 (d) Beginning January 1, 2020, through December 31, 2029, a
15 consumer who has paid the tax imposed by RCW 82.12.020 is eligible
16 for the exemption under this subsection (1) in the form of a
17 remittance. All of the eligibility requirements, conditions, and
18 limitation in RCW 82.08.962(1)(d) apply to this subsection (1)(d).

19 (2)(a) A person claiming an exemption in the form of a remittance
20 under subsection (1)(c) of this section must pay the tax imposed by
21 RCW 82.12.020 and all applicable local use taxes imposed under the
22 authority of chapters 82.14 and 81.104 RCW. The consumer may then
23 apply to the department for remittance in a form and manner
24 prescribed by the department. A consumer may not apply for a
25 remittance under this section more frequently than once per quarter.
26 The consumer must specify the amount of exempted tax claimed and the
27 qualifying purchases or acquisitions for which the exemption is
28 claimed. The consumer must retain, in adequate detail, records to
29 enable the department to determine whether the consumer is entitled
30 to an exemption under this section, including: Invoices; proof of tax
31 paid; and documents describing the machinery and equipment.

32 (b) The department must determine eligibility under this section
33 based on the information provided by the consumer, which is subject
34 to audit verification by the department. The department must on a
35 quarterly basis remit exempted amounts to qualifying consumers who
36 submitted applications during the previous quarter.

37 (3) Purchases exempt under RCW 82.08.962 are also exempt from the
38 tax imposed under RCW 82.12.020.

39 (4) The definitions in RCW 82.08.962 apply to this section.

1 (5) The exemption provided in subsection (1) of this section does
2 not apply:

3 (a) To machinery and equipment used directly in the generation of
4 electricity using solar energy and capable of generating no more than
5 five hundred kilowatts of electricity, or to sales of or charges made
6 for labor and services rendered in respect to installing such
7 machinery and equipment, when first use within this state of such
8 machinery and equipment, or labor and services, occurs after
9 September 30, 2017; and

10 (b) To any other machinery and equipment described in subsection
11 (1)(a) of this section, or to sales of or charges made for labor and
12 services rendered in respect to installing such machinery or
13 equipment, when first use within this state of such machinery and
14 equipment, or labor and services, occurs after December 31, ((2019))
15 2029.

16 (6) This section expires January 1, ((2020)) 2030.

17 (7) This section is exempt from the provisions of RCW 82.32.808.

18 NEW SECTION. Sec. 9. A new section is added to chapter 82.16
19 RCW to read as follows:

20 The definitions in this section apply throughout this section and
21 section 10 of this act, unless the context clearly requires
22 otherwise.

23 (1) "Clean energy investment" means an investment in support of
24 eligible projects that reduce, prevent, or remove from the atmosphere
25 the emissions of greenhouse gases in the state. An eligible project
26 includes, but is not limited to, investment in the following: (a)
27 Installation of electric vehicle chargers and related infrastructure
28 and other transportation electrification measures; (b) demand side
29 management of electricity consumption, including energy efficiency,
30 demand response, and changes to codes and standards; (c) energy
31 storage technologies; and (d) carbon sequestration programs,
32 including forest health investments.

33 (2) "Consumer-owned energy utility" means any consumer-owned gas
34 distribution business or consumer-owned light and power business.

35 (3) "Consumer-owned gas distribution business" means any gas
36 distribution business not subject to regulation by the commission of
37 the rates, tolls, rentals, contracts or charges, or service rendered,
38 or the adequacy or sufficiency of the facilities, equipment,
39 instrumentalities, or buildings, or the reasonableness of rules or

1 regulations made, furnished, used, supplied, or in force affecting
2 any gas plant owned and operated by such gas distribution business.

3 (4) "Consumer-owned light and power business" means any light and
4 power business not subject to regulation by the commission of the
5 rates, tolls, rentals, contracts or charges, or service rendered, or
6 the adequacy or sufficiency of the facilities, equipment,
7 instrumentalities, or buildings, or the reasonableness of rules or
8 regulations made, furnished, used, supplied, or in force affecting
9 any electric plant owned and operated by such light and power
10 business.

11 (5) "Department" means department of revenue.

12 (6) "Gas distribution business" has the same meaning as provided
13 in RCW 82.16.010.

14 (7) "Investor-owned energy utility" means any investor-owned gas
15 distribution business or investor-owned light and power business.

16 (8) "Investor-owned gas distribution business" means any gas
17 distribution business subject to regulation by the commission of the
18 rates, tolls, rentals, contracts or charges, or service rendered, or
19 the adequacy or sufficiency of the facilities, equipment,
20 instrumentalities, or buildings, or the reasonableness of rules or
21 regulations made, furnished, used, supplied, or in force affecting
22 any gas plant owned and operated by such gas distribution business.

23 (9) "Investor-owned light and power business" means any light and
24 power business subject to regulation by the commission of the rates,
25 tolls, rentals, contracts or charges, or service rendered, or the
26 adequacy or sufficiency of the facilities, equipment,
27 instrumentalities, or buildings, or the reasonableness of rules or
28 regulations made, furnished, used, supplied, or in force affecting
29 any electric plant owned and operated by such light and power
30 business.

31 (10) "Light and power business" has the same meaning as provided
32 in RCW 82.16.010.

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

35 (1) Beginning January 1, 2020, an investor-owned energy utility
36 or a consumer-owned energy utility is allowed a credit against taxes
37 due under this chapter in an amount equal to the lesser of the total
38 amount of clean energy investment expenditures made in a fiscal year
39 or five hundred thousand dollars per fiscal year.

1 (2) Persons wishing to claim a credit under this section must
2 first apply to the department of commerce for approval of their clean
3 energy investment expenditures in a form and manner as prescribed by
4 the department of commerce.

5 (3) The department of commerce, in consultation with the
6 Washington state utilities and transportation commission, must
7 determine the amount of expenditures eligible for a credit under this
8 section and provide the information to the department in order to
9 administer the credit provided in subsection (1) of this section.

10 (4)(a) The credit must be taken in a form and manner as required
11 by the department. The total credits that may be claimed under this
12 section may not exceed five million dollars per calendar year.
13 Credits are available on a first-in-time basis. Credits may not be
14 claimed in excess of the tax otherwise due under this chapter for the
15 reporting period. Unused credits may be carried forward until used,
16 subject to the limitation in (b) of this subsection.

17 (b) The department must disallow any credits, or portion thereof,
18 that would cause the total amount of credits claimed under this
19 section during any calendar year to exceed five million dollars. The
20 department must provide notification on its web site monthly on the
21 amount of credits that have been applied for, the amount issued, and
22 the amount remaining before the statewide annual limit is reached. In
23 addition, the department must provide written notice to any person
24 who has applied to claim tax credits in excess of the limitation in
25 this subsection.

26 (5) For the purposes of the limits provided in this section, a
27 credit must be counted against such limits for the calendar year in
28 which the credit is claimed. No refunds may be granted for credits
29 under this section.

30 (6) To claim a credit under this section a person must
31 electronically file with the department all returns, forms, and any
32 other information required by the department, in an electronic format
33 as provided or approved by the department. Any return, form, or
34 information required to be filed in an electronic format under this
35 section is not filed until received by the department in an
36 electronic format. As used in this subsection, "return" has the same
37 meaning as defined in RCW 82.32.050.

38 (7) Credits may not be earned under this section after December
39 31, 2029. Credits are earned when clean energy investment
40 expenditures are made by an investor-owned energy utility or a

1 consumer-owned energy utility. Credits must be claimed under this
2 section by December 31, 2030.

3 (8) This section is exempt from the provisions of RCW 82.32.808.

4 (9) This section expires January 1, 2031.

5 **Sec. 11.** RCW 82.14.455 and 2009 c 469 s 105 are each amended to
6 read as follows:

7 The exemptions in RCW 82.08.962(1)(c), 82.12.962(1)(c),
8 82.08.963, and 82.12.963 are for the state and local sales and use
9 taxes and include the sales and use taxes imposed under the authority
10 of this chapter.

11 NEW SECTION. **Sec. 12.** (1) The legislature finds that a
12 transition to one hundred percent fossil fuel free electricity is
13 necessary to protect Washingtonians from undue risks associated with
14 climate change, desired by the public, and technically feasible, but
15 that the implementation of this act would benefit from deeper
16 engagement with stakeholders and additional analysis to minimize
17 costs, ensure reliability, and maximize benefits to Washington state,
18 its residents, and businesses.

19 (2)(a) A joint select committee on Washington's clean energy
20 transition is established, with voting members as provided in this
21 subsection (2)(a).

22 (i) The president of the senate shall appoint one member and one
23 alternate from each of the two largest caucuses of the senate.

24 (ii) The speaker of the house of representatives shall appoint
25 one member and one alternate from each of the two largest caucuses of
26 the house of representatives.

27 (b) The committee shall choose its chair from among its
28 membership. The chair of the joint committee on energy supply and
29 energy conservation shall convene the initial meeting of the
30 committee.

31 (3) The committee must review the timeline, necessary
32 technological and policy changes, and costs and benefits associated
33 with a statewide transition to one hundred percent fossil fuel free
34 electricity, including but not limited to a review of the following:

35 (a) Electric generation resources known to be commercially
36 available in the state and across the Pacific Northwest, the
37 potential applications of energy storage technologies, and
38 replacement resources for baseload fossil fuel generation resources;

1 (b) Potential impacts of the clean energy transition on grid
2 reliability, the costs borne by Washington ratepayers, and regional
3 electricity markets, including impacts on multistate utilities,
4 energy imbalance markets, wholesale prices, and renewable energy
5 credit markets;

6 (c) The unique operational and other characteristics of
7 Washington's electric utilities;

8 (d) The effect of transportation electrification on electric
9 utilities' load;

10 (e) The potential policy interactions between the fossil fuel
11 reduction targets established under section 3 of this act and other
12 carbon reduction policies; and

13 (f) Federal and state regulatory and legal considerations.

14 (4) Staff support for the committee must be provided by the
15 senate committee services and the house of representatives office of
16 program research.

17 (5) Legislative members of the committee are reimbursed for
18 travel expenses in accordance with RCW 44.04.120.

19 (6) The expenses of the committee shall be paid jointly by the
20 senate and the house of representatives. Committee expenditures are
21 subject to approval by the senate facilities and operations committee
22 and the house executive rules committee, or their successor
23 committees.

24 (7) The legislative chair and vice chair of the committee must
25 jointly appoint a nonvoting advisory committee consisting of public
26 and private sector individuals to provide technical information and
27 assistance in completing the objectives of the committee. Members of
28 such an advisory committee are not entitled to expense reimbursement.
29 The membership of such an advisory committee must include, but not be
30 limited to:

31 (a) The governor, or the governor's designee;

32 (b) The chair of the Washington state utilities and
33 transportation commission, or the chair's designee;

34 (c) The director of the department of commerce, or the director's
35 designee;

36 (d) The chair of the energy facility site evaluation council, or
37 the chair's designee;

38 (e) Public counsel or an advocate for electric utility ratepayers
39 designated by public counsel;

1 (f) One or more representatives of the state's research
2 universities and other institutions of higher education;

3 (g) One or more representatives each of the Pacific Northwest
4 national laboratory, the Bonneville power administration, the
5 Northwest power and planning council, and the western electricity
6 coordinating council;

7 (h) One or more representatives of investor-owned utilities;

8 (i) One or more representatives of municipal electric utilities;

9 (j) One or more representatives of public utility districts;

10 (k) One or more representatives of rural electric cooperatives;

11 (l) One or more representatives of statewide environmental
12 advocacy organizations focused on climate change and greenhouse gas
13 emissions reductions;

14 (m) One or more representatives of energy-intensive industries;

15 (n) One or more representatives of statewide labor organizations;

16 (o) One or more representatives of communities disproportionately
17 impacted by the effects of climate change and communities of color;
18 and

19 (p) One or more representatives of federally recognized tribes.

20 (8) Experts in the private sector related to clean energy
21 technologies must be identified by members of the committee and
22 invited to participate in meetings with members of the advisory
23 committee, as appropriate.

24 (9) Between July 1, 2018, and September 30, 2019, the committee
25 must convene at least three meetings with members of the advisory
26 committee established under subsection (7) of this section.

27 (10) The department of commerce, the Washington state utilities
28 and transportation commission, and the Washington State University
29 extension energy program shall cooperate with the committee and
30 provide information as the chair may reasonably request.

31 (11)(a) Votes taken by the committee regarding any aspect of the
32 committee's deliberations, findings, or recommendations must be
33 conducted at a public meeting that has been publicized in accordance
34 with the rules of the senate and the house of representatives.

35 (b) The committee must report its findings and recommendations to
36 the appropriate committees of the legislature by November 15, 2019.
37 In order for a recommendation to be included in the report, it must
38 be supported by a majority of the committee's voting members.
39 Minority reports or comments must be included in the report.

40 (12) This section expires January 1, 2020.

1 NEW SECTION. **Sec. 13.** Sections 2 through 6 of this act
2 constitute a new chapter in Title 19 RCW.

3 NEW SECTION. **Sec. 14.** Sections 2 through 4 and section 6 of
4 this act take effect January 1, 2020.

5 NEW SECTION. **Sec. 15.** If any provision of this act or its
6 application to any person or circumstance is held invalid, the
7 remainder of the act or the application of the provision to other
8 persons or circumstances is not affected."

9 Correct the title.

EFFECT: Provides a sales and use tax exemption, in the form of a remittance, for machinery and equipment used directly in generating electricity using certain alternative or renewable energy resources beginning January 1, 2020, through December 31, 2029. Provides a public utility tax credit for certain clean energy investment expenditures beginning January 1, 2020. Establishes a Joint Select Committee on Washington's Clean Energy Transition (Committee). Requires the Committee to report its findings and recommendations to the appropriate committees of the Legislature by November 15, 2019.

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