

SHB 2995 - H AMD 1420

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 and  
12 alternative energy resources. The legislature also finds that  
13 Washington has long been a steward of its forest resources, and that  
14 industries which utilize and encourage the longevity and  
15 sustainability of these resources have historically served as the  
16 backbone of the state's economy. As the state gradually transitions  
17 away from a reliance on fossil fuels and toward clean energy economy,  
18 the legislature finds that it should provide support for wood  
19 products that assist in long-term sequestration of remaining carbon  
20 emissions. The legislature therefore finds that Washington should  
21 continue its leadership in conservation, renewable energy  
22 development, natural resource stewardship, and climate change  
23 mitigation by: Increasing energy efficiency across the state;  
24 encouraging investment in the state's clean, nonpolluting,  
25 sustainable, and clean energy future; and achieving reductions in the  
26 use of fossil fuels in the generation of electricity.

27 (2) By building on the state's foundation of renewable  
28 hydroelectric generation with additional conservation and renewable  
29 energy and other alternative resources, the legislature declares that  
30 Washington can: Promote energy independence; create high-quality jobs  
31 in the clean technology sector; maintain stable and affordable

1 electric rates for all customers; and protect clean air, forests, and  
2 water in the Pacific Northwest.

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

6 (1) "Attorney general" has the same meaning as provided in RCW  
7 19.285.030.

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

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

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

14 (5) "Conservation" has the same meaning as provided in RCW  
15 19.285.030.

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

18 (7) "Customer" has the same meaning as provided in RCW  
19 19.285.030.

20 (8) "Department" means the department of commerce or its  
21 successor.

22 (9) "Electric utility" has the same meaning as provided in RCW  
23 19.29A.010.

24 (10) "Emission" has the same meaning as provided in RCW  
25 70.94.030.

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

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

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

37 (14) "Low-income" means household income as defined by the  
38 department or commission, provided that the definition may not exceed  
39 eighty percent of area median household income, or two hundred

1 percent of the federal poverty level, whichever is greater, adjusted  
2 for household size.

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

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

10 (17) "Petroleum product" has the same meaning as provided in RCW  
11 82.23A.010.

12 (18) "Renewable resource" has the same meaning as provided in RCW  
13 19.285.030.

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

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

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

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

27 (3)(a) Electric utilities and market customers must demonstrate  
28 that they have reduced the total number of megawatt-hours from fossil  
29 fuel generating resources delivered to Washington customers and used  
30 to serve the utility's or market customer's load by one hundred  
31 percent by January 1, 2045, and each year thereafter. The commission,  
32 in the case of an investor-owned utility, or the department, in the  
33 case of a consumer-owned utility, may extend this deadline to a date  
34 no later than January 1, 2050, if doing so is found to be beneficial  
35 for ensuring reliability or reducing long-term costs to ratepayers.

36 (b) If the legislature does not adopt alternative interim fossil  
37 fuel reduction targets by December 31, 2020, as recommended by the  
38 joint select committee on Washington's clean energy transition  
39 established under section 7 of this act, then it is the intent of the

1 legislature for electric utilities and market customers to  
2 demonstrate that they have reduced the total number of megawatt-hours  
3 from fossil fuel generating resources delivered to Washington  
4 customers and used to serve the utility's or market customer's load  
5 by the following annual targets:

6 (i) At least twenty-five percent by January 1, 2030, and each  
7 year thereafter through December 31, 2034;

8 (ii) At least fifty percent by January 1, 2035, and each year  
9 thereafter through December 31, 2039; and

10 (iii) At least seventy-five percent by January 1, 2040, and each  
11 year thereafter through December 31, 2044.

12 (4) In order to achieve the targets established under this  
13 section, electric utilities and market customers must demonstrate  
14 that they have achieved all feasible energy efficiency and  
15 conservation measures or investments, reductions in demand, and  
16 demand management prior to making new investments to meet projected  
17 demand; and, to the maximum extent feasible, must:

18 (a) Achieve the targets established under this section at the  
19 lowest reasonable cost;

20 (b) Protect existing jobs; and

21 (c) In the construction of new resources:

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

24 (ii) Rely on renewable resources and storage.

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

30 (6) In meeting the targets established under this section,  
31 hydroelectric generation may not include new diversions, new  
32 impoundments, new bypass reaches, or expansion of existing reservoirs  
33 constructed after the effective date of this section unless the  
34 diversions, bypass reaches, or reservoir expansions are necessary for  
35 the operation of a pumped storage facility that: (a) Does not  
36 conflict with existing state or federal fish recovery plans; and (b)  
37 complies with all local, state, and federal laws and regulations.

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

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

8        (c) For a market customer, the auditor must determine, and the  
9 attorney general must enforce, compliance with the provisions of this  
10 act, except that the commission must determine compliance with  
11 section 3 of this act for a market customer of an investor-owned  
12 utility.

13        (2)(a) By June 1, 2025, and annually thereafter, each electric  
14 utility and market customer must report to the department and the  
15 joint select committee on Washington's clean energy transition  
16 established under section 7 of this act on progress towards the  
17 reduction in the total number of megawatt hours and emissions from  
18 fossil fuel generating resources under section 3 of this act. This  
19 report must identify whether each electric utility is exceeding its  
20 reduction targets, meeting its reduction targets, or falling short of  
21 its reduction targets.

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

24        (c) All electric utilities must also make reports required in  
25 this section available to its customers and each market customer must  
26 make all information required in this subsection available to the  
27 attorney general.

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

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

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

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

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

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

6 (i) Barriers for low-income customers, including those in  
7 disadvantaged communities, to energy efficiency and weatherization  
8 investments, as well as recommendations on how to increase access to  
9 energy efficiency and weatherization investments to low-income  
10 customers; and

11 (ii) Barriers for low-income customers, including those in  
12 disadvantaged communities, to zero emission and near-zero emission  
13 transportation options, as well as recommendations on how to increase  
14 access to zero emission and near-zero emission transportation options  
15 to low-income customers, including those in disadvantaged  
16 communities.

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

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

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

27 (3) Three years prior to each fossil fuel reduction target  
28 established under section 3 of this act, the commission and the  
29 department must:

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

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

35 (i) Identify whether technology obstacles exist that prevent  
36 compliance; and

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

38 (4) The definitions in RCW 19.285.030 apply throughout this  
39 section.

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

1        NEW SECTION.        **Sec. 6.**        (1) The commission, in the case of  
2 investor-owned utilities, and the department, in the case of  
3 consumer-owned utilities, must adopt rules by 2025 to implement  
4 sections 3 and 4 of this act. In adopting the rules, the commission  
5 and the department must include, but not be limited to, provisions  
6 sufficient to achieve successful implementation of this act,  
7 penalties that ensure compliance with this act, temporary flexibility  
8 mechanisms to ensure reliable electric service, and appropriate  
9 mechanisms for monitoring fossil fuel use.

10        (2) An electric utility or market customer is not subject to any  
11 penalties adopted under this section by rule for the use of any of  
12 the following resources prior to December 31, 2045:

13        (a) Any purchase at any time by an electric utility from the  
14 Bonneville power administration up to a designated amount equal to  
15 the utility's contract high water mark amount identified in a  
16 Bonneville regional dialogue power sales contract, in effect as of  
17 the effective date of this section;

18        (b) Generating resources owned as of the effective date of this  
19 section by an electric utility or market customer and used by that  
20 utility or market customer to meet the needs of its customers or its  
21 load, until the generating resources are at the end of the facility's  
22 useful life, are retired, or cease operations;

23        (c) Contracts from generating resources qualifying under (b) of  
24 this subsection consumed by an electric utility or market customer  
25 that does not otherwise own generating resources;

26        (d) Electricity generation from any natural gas-fired generating  
27 resource where the total amount of natural gas generation acquired  
28 from all additions does not exceed one percent of the electric  
29 utility's retail load or a market customer's load for each year; or

30        (e) Short-term spot market purchases.

31        NEW SECTION.        **Sec. 7.**        (1) The legislature finds that a  
32 transition to one hundred percent fossil fuel free electricity is  
33 necessary to protect Washingtonians from undue risks associated with  
34 climate change, desired by the public, and technically feasible, but  
35 that the implementation of this act would benefit from deeper  
36 engagement with stakeholders and additional analysis to minimize  
37 costs, ensure reliability, and maximize benefits to Washington state,  
38 its residents, and businesses.

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

4 (i) The president of the senate shall appoint two members and one  
5 alternate from each of the two largest caucuses of the senate.

6 (ii) The speaker of the house of representatives shall appoint  
7 two members and one alternate from each of the two largest caucuses  
8 of the house of representatives.

9 (b) The committee shall choose cochairs from among its  
10 membership, one from the senate and one from the house of  
11 representatives. The chair of the joint committee on energy supply  
12 and energy conservation shall convene the initial meeting of the  
13 committee.

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

18 (a) Electric generating resources known to be commercially  
19 available in the state and across the Pacific Northwest, the  
20 potential applications of energy storage technologies, and  
21 replacement resources for baseload fossil fuel generating resources;

22 (b) Potential impacts of the clean energy transition on grid  
23 reliability, the costs borne by Washington ratepayers, and regional  
24 electricity markets, including impacts on multistate utilities,  
25 energy imbalance markets, wholesale prices, and renewable energy  
26 credit markets;

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

29 (d) The effect of transportation electrification on electric  
30 utilities' loads;

31 (e) The potential policy interactions between the one hundred  
32 percent fossil fuel reduction target and other carbon reduction  
33 policies;

34 (f) Federal and state regulatory and legal considerations;

35 (g) Cost-benefit analyses of different scenarios for achieving  
36 the one hundred percent fossil fuel reduction target, including  
37 scenarios for a gradual reduction and scenarios for an abrupt  
38 reduction;

39 (h) The role of transportation electrification in achieving the  
40 one hundred percent fossil fuel reduction target; and



1 (i) The role of distributed energy resources planning in  
2 achieving the one hundred percent fossil fuel reduction target.

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

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

8 (6) The expenses of the committee shall be paid jointly by the  
9 senate and the house of representatives. Committee expenditures are  
10 subject to approval by the senate facilities and operations committee  
11 and the house of representatives executive rules committee, or their  
12 successor committees.

13 (7) The legislative cochairs of the committee must jointly  
14 appoint a nonvoting advisory committee consisting of public and  
15 private sector individuals to provide technical information and  
16 assistance in completing the objectives of the committee. Members of  
17 such an advisory committee are not entitled to expense reimbursement.  
18 The membership of such an advisory committee must include, but not be  
19 limited to:

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

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

23 (c) The director of the department of commerce, or the director's  
24 designee;

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

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

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

31 (g) One or more representatives each of the Pacific Northwest  
32 national laboratory, the Bonneville power administration, the  
33 Northwest power and planning council, and the Western electricity  
34 coordinating council;

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

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

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

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

39 (l) One or more representatives of organizations which advocate  
40 for renewable energy and energy efficiency;

- 1 (m) One or more representatives of energy-intensive industries;  
2 (n) One or more representatives of statewide labor organizations;  
3 (o) One or more representatives of communities disproportionately  
4 impacted by the effects of climate change and communities of color;  
5 (p) One or more representatives of federally recognized tribes;  
6 (q) One or more representatives of organizations which advocate  
7 for low-income residential electric customers;  
8 (r) One or more representatives of organizations which advocate  
9 for environmental protection; and  
10 (s) One or more representatives of statewide organizations  
11 representing workers in the electrical sector.

12 (8) Experts in the private sector related to clean energy  
13 technologies must be identified by members of the committee and  
14 invited to participate in meetings with members of the advisory  
15 committee, as appropriate.

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

19 (b) By December 1, 2019, the committee must submit a report of  
20 its findings and recommendations to the appropriate committees of the  
21 legislature. The report must include a recommendation for proposed  
22 legislation to be considered during the 2020 regular legislative  
23 session that includes but is not limited to the following:

24 (i) A schedule by which each electric utility must meet the  
25 fossil fuel reduction target established under section 3(3)(b) of  
26 this act, with certain fossil fuel reduction targets specified for  
27 the years 2030, 2035, and 2040;

28 (ii) Measures for implementing the schedule that ensure that each  
29 electric utility is making real, measurable, and verifiable progress  
30 toward meeting its fossil fuel reduction targets; and

31 (iii) Measures for implementing the schedule that ensure  
32 flexibility, grid reliability, and rate stability, such as allowing  
33 for a utility's de minimis use of natural gas up to one percent of  
34 the utility's retail load.

35 (c) In order for a recommendation to be included in the report,  
36 it must be supported by a majority of the committee's voting members.  
37 Minority reports or comments must be included in the report. Votes  
38 taken by the committee regarding any aspect of the committee's  
39 deliberations, findings, or recommendations must be conducted at a

1 public meeting that has been publicized in accordance with the rules  
2 of the senate and the house of representatives.

3 (10) The department of commerce, the Washington state utilities  
4 and transportation commission, the department of ecology, and the  
5 Washington State University extension energy program shall cooperate  
6 with the committee and provide information as the cochairs may  
7 reasonably request.

8 (11) This section expires January 1, 2051.

9 **Sec. 8.** RCW 19.285.030 and 2017 c 315 s 1 are each amended to  
10 read as follows:

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

13 (1) "Attorney general" means the Washington state office of the  
14 attorney general.

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

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

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

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

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

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

37 (7) "Consumer-owned utility" has the same meaning as defined in  
38 RCW 19.29A.010.

1       (8) "Cost-effective" has the same meaning as defined in RCW  
2 80.52.030.

3       ~~((+8))~~ (9) "Council" means the Washington state apprenticeship  
4 and training council within the department of labor and industries.

5       ~~((+9))~~ (10) "Customer" means a person or entity that purchases  
6 electricity for ultimate consumption and not for resale.

7       ~~((+10))~~ (11) "Department" means the department of commerce or  
8 its successor.

9       ~~((+11))~~ (12) "Distributed generation" means an eligible  
10 renewable resource where the generation facility or any integrated  
11 cluster of such facilities has a generating capacity of not more than  
12 five megawatts.

13       ~~((+12))~~ (13) "Eligible renewable resource" means:

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

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

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

31       (d) Qualified biomass energy;

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

1       (f) Beginning January 1, 2018, the portion of incremental  
2 electricity produced as a result of efficiency improvements completed  
3 after March 31, 1999, attributable to a qualifying utility's  
4 Washington share of electricity output from hydroelectric generation  
5 projects whose energy output is marketed by the Bonneville power  
6 administration, where the additional generation does not result in  
7 water diversions or impoundments; or

8       (g)(i) Incremental electricity produced as a result of a capital  
9 investment completed after January 1, 2010, that increases, relative  
10 to a baseline level of generation prior to the capital investment,  
11 the amount of electricity generated in a facility that generates  
12 qualified biomass energy as defined under subsection ~~((18))~~ (19)  
13 (c)(ii) of this section and that commenced operation before March 31,  
14 1999.

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

19       (iii) The facility must demonstrate that the incremental  
20 electricity resulted from the capital investment, which does not  
21 include expenditures on operation and maintenance in the normal  
22 course of business, through direct or calculated measurement.

23       ~~((13))~~ (14) "Investor-owned utility" has the same meaning as  
24 defined in RCW 19.29A.010.

25       ~~((14))~~ (15) "Load" means the amount of kilowatt-hours of  
26 electricity delivered in the most recently completed year by a  
27 qualifying utility to its Washington retail customers.

28       ~~((15))~~ (16)(a) "Nonpower attributes" means all environmentally  
29 related characteristics, exclusive of energy, capacity reliability,  
30 and other electrical power service attributes, that are associated  
31 with the generation of electricity from a renewable resource,  
32 including but not limited to the facility's fuel type, geographic  
33 location, vintage, qualification as an eligible renewable resource,  
34 and avoided emissions of pollutants to the air, soil, or water, and  
35 avoided 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))~~ (17) "Pacific Northwest" has the same meaning as defined  
6 for the Bonneville power administration in section 3 of the Pacific  
7 Northwest electric power planning and conservation act (94 Stat.  
8 2698; 16 U.S.C. Sec. 839a).

9 ~~((17))~~ (18) "Public facility" has the same meaning as defined  
10 in RCW 39.35C.010.

11 ~~((18))~~ (19) "Qualified biomass energy" means electricity  
12 produced from a biomass energy facility that: (a) Commenced operation  
13 before March 31, 1999; (b) contributes to the qualifying utility's  
14 load; and (c) is owned either by: (i) A qualifying utility; or (ii)  
15 an industrial facility that is directly interconnected with  
16 electricity facilities that are owned by a qualifying utility and  
17 capable of carrying electricity at transmission voltage.

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

25 ~~((20))~~ (21) "Renewable energy credit" means a tradable  
26 certificate of proof of at least one megawatt-hour of an eligible  
27 renewable resource where the generation facility is not powered by  
28 freshwater. The certificate includes all of the nonpower attributes  
29 associated with that one megawatt-hour of electricity, and the  
30 certificate is verified by a renewable energy credit tracking system  
31 selected by the department.

32 ~~((21))~~ (22) "Renewable resource" means: (a) Water; (b) wind;  
33 (c) solar energy; (d) geothermal energy; (e) landfill gas; (f) wave,  
34 ocean, or tidal power; (g) gas from sewage treatment facilities; (h)  
35 biodiesel fuel as defined in RCW 82.29A.135 that is not derived from  
36 crops raised on land cleared from old growth or first-growth forests  
37 where the clearing occurred after December 7, 2006; or (i) biomass  
38 energy.

1       (~~(22)~~) (23) "Rule" means rules adopted by an agency or other  
2 entity of Washington state government to carry out the intent and  
3 purposes of this chapter.

4       (~~(23)~~) (24) "Washington share" means the portion of the federal  
5 Columbia river power system generation attributable to the Washington  
6 load of hydroelectric efficiency upgrades that the Bonneville power  
7 administration provides to: (a) Each consumer-owned utility serving  
8 load located in Washington, pursuant to a contract; (b) each joint  
9 operating agency with retail electric utility members serving load  
10 located in Washington, pursuant to a contract; and (c) each investor-  
11 owned utility participating in the residential exchange program that  
12 serves load located in Washington.

13       (25) "Year" means the twelve-month period commencing January 1st  
14 and ending December 31st.

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

17       (1) Each qualifying utility shall pursue all available  
18 conservation that is cost-effective, reliable, and feasible.

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

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

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

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

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

31 (d) In meeting its conservation targets, a qualifying utility may  
32 count high-efficiency cogeneration owned and used by a retail  
33 electric customer to meet its own needs. High-efficiency cogeneration  
34 is the sequential production of electricity and useful thermal energy  
35 from a common fuel source, where, under normal operating conditions,  
36 the facility has a useful thermal energy output of no less than  
37 thirty-three percent of the total energy output. The reduction in  
38 load due to high-efficiency cogeneration shall be: (i) Calculated as  
39 the ratio of the fuel chargeable to power heat rate of the  
40 cogeneration facility compared to the heat rate on a new and clean



1 basis of a best-commercially available technology combined-cycle  
2 natural gas-fired combustion turbine; and (ii) counted towards  
3 meeting the biennial conservation target in the same manner as other  
4 conservation savings.

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

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

10 (2)(a) Except as provided in (j) of this subsection, each  
11 qualifying utility shall use eligible renewable resources or acquire  
12 equivalent renewable energy credits, or any combination of them, to  
13 meet the following annual targets:

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

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

18 (iii) At least fifteen percent of its load by January 1, 2020,  
19 and each year thereafter.

20 (b) A qualifying utility may count distributed generation at  
21 double the facility's electrical output if the utility: (i) Owns or  
22 has contracted for the distributed generation and the associated  
23 renewable energy credits; or (ii) has contracted to purchase the  
24 associated renewable energy credits.

25 (c) In meeting the annual targets in (a) of this subsection, a  
26 qualifying utility shall calculate its annual load based on the  
27 average of the utility's load for the previous two years.

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

39 (e) The requirements of this section may be met for any given  
40 year with renewable energy credits produced during that year, the

1 preceding year, or the subsequent year. Each renewable energy credit  
2 may be used only once to meet the requirements of this section.

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

5 (i) Eligible renewable resources or distributed generation where  
6 the associated renewable energy credits are owned by a separate  
7 entity; or

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

11 (g) Where fossil and combustible renewable resources are cofired  
12 in one generating unit located in the Pacific Northwest where the  
13 cofiring commenced after March 31, 1999, the unit shall be considered  
14 to produce eligible renewable resources in direct proportion to the  
15 percentage of the total heat value represented by the heat value of  
16 the renewable resources.

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

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

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

24 (ii) The council shall establish minimum levels of labor hours to  
25 be met through apprenticeship programs to qualify for this extra  
26 credit.

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

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

1 (ii) A qualifying utility may no longer use electricity and  
2 associated renewable energy credits from a qualified biomass energy  
3 facility if the associated industrial pulping or wood manufacturing  
4 facility ceases operation other than for purposes of maintenance or  
5 upgrade.

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

20 (l) Beginning January 1, 2018, a qualifying utility may use  
21 eligible renewable resources identified in RCW 19.285.030(13)(f) to  
22 meet its compliance obligations under this section. A qualifying  
23 utility may not transfer or sell these eligible renewable resources  
24 to another utility for compliance purposes under this chapter.

25 (3) Utilities that become qualifying utilities after December 31,  
26 2006, shall meet the requirements in this section on a time frame  
27 comparable in length to that provided for qualifying utilities as of  
28 December 7, 2006.

29 NEW SECTION. Sec. 10. (1) This section is the tax preference  
30 performance statement for the tax preferences contained in sections  
31 13, 15, 17, and 21, chapter . . . , Laws of 2018 (sections 13, 15, 17,  
32 and 21 of this act). The performance statement is only intended to be  
33 used for subsequent evaluation of the tax preferences. It is not  
34 intended to create a private right of action by any party or to be  
35 used to determine eligibility for preferential tax treatment.

36 (2) The legislature categorizes the tax preferences as ones  
37 intended to induce certain designated behavior by taxpayers, as  
38 indicated in RCW 82.32.808(2)(a).

1 (3) It is the legislature's specific public policy objective to  
2 increase the production of renewable natural gas in Washington state.  
3 It is the legislature's intent to reinstate and expand tax incentives  
4 for certain landfills and anaerobic digesters in order to stimulate  
5 investment in biogas capture and conditioning, compression, nutrient  
6 recovery, and use of renewable natural gas for heating, electricity  
7 generation, and transportation fuel.

8 (4) To measure the effectiveness of the tax preferences in  
9 sections 13, 15, 17, and 21, chapter . . . , Laws of 2018 (sections  
10 13, 15, 17, and 21 of this act) in achieving the public policy  
11 objectives described in subsection (3) of this section, the joint  
12 legislative audit and review committee must evaluate the number of  
13 public and private landfills and anaerobic digesters producing  
14 renewable natural gas in the state and the extent to which they are  
15 utilizing these incentives.

16 (5) In order to obtain the data necessary to perform the review  
17 in subsection (4) of this section, the department of revenue must  
18 provide data needed for the joint legislative audit and review  
19 committee analysis. In addition to the data source described under  
20 this subsection, the joint legislative audit and review committee may  
21 use any other data it deems necessary.

22 **Sec. 11.** RCW 82.04.260 and 2017 c 135 s 11 are each amended to  
23 read as follows:

24 (1) Upon every person engaging within this state in the business  
25 of manufacturing:

26 (a) Wheat into flour, barley into pearl barley, soybeans into  
27 soybean oil, canola into canola oil, canola meal, or canola by-  
28 products, or sunflower seeds into sunflower oil; as to such persons  
29 the amount of tax with respect to such business is equal to the value  
30 of the flour, pearl barley, oil, canola meal, or canola by-product  
31 manufactured, multiplied by the rate of 0.138 percent;

32 (b) Beginning July 1, 2025, seafood products that remain in a  
33 raw, raw frozen, or raw salted state at the completion of the  
34 manufacturing by that person; or selling manufactured seafood  
35 products that remain in a raw, raw frozen, or raw salted state at the  
36 completion of the manufacturing, to purchasers who transport in the  
37 ordinary course of business the goods out of this state; as to such  
38 persons the amount of tax with respect to such business is equal to  
39 the value of the products manufactured or the gross proceeds derived

1 from such sales, multiplied by the rate of 0.138 percent. Sellers  
2 must keep and preserve records for the period required by RCW  
3 82.32.070 establishing that the goods were transported by the  
4 purchaser in the ordinary course of business out of this state;

5 (c)(i) Except as provided otherwise in (c)(iii) of this  
6 subsection, from July 1, 2025, until January 1, 2036, dairy products;  
7 or selling dairy products that the person has manufactured to  
8 purchasers who either transport in the ordinary course of business  
9 the goods out of state or purchasers who use such dairy products as  
10 an ingredient or component in the manufacturing of a dairy product;  
11 as to such persons the tax imposed is equal to the value of the  
12 products manufactured or the gross proceeds derived from such sales  
13 multiplied by the rate of 0.138 percent. Sellers must keep and  
14 preserve records for the period required by RCW 82.32.070  
15 establishing that the goods were transported by the purchaser in the  
16 ordinary course of business out of this state or sold to a  
17 manufacturer for use as an ingredient or component in the  
18 manufacturing of a dairy product.

19 (ii) For the purposes of this subsection (1)(c), "dairy products"  
20 means:

21 (A) Products, not including any marijuana-infused product, that  
22 as of September 20, 2001, are identified in 21 C.F.R., chapter 1,  
23 parts 131, 133, and 135, including by-products from the manufacturing  
24 of the dairy products, such as whey and casein; and

25 (B) Products comprised of not less than seventy percent dairy  
26 products that qualify under (c)(ii)(A) of this subsection, measured  
27 by weight or volume.

28 (iii) The preferential tax rate provided to taxpayers under this  
29 subsection (1)(c) does not apply to sales of dairy products on or  
30 after July 1, 2023, where a dairy product is used by the purchaser as  
31 an ingredient or component in the manufacturing in Washington of a  
32 dairy product;

33 (d)(i) Beginning July 1, 2025, fruits or vegetables by canning,  
34 preserving, freezing, processing, or dehydrating fresh fruits or  
35 vegetables, or selling at wholesale fruits or vegetables manufactured  
36 by the seller by canning, preserving, freezing, processing, or  
37 dehydrating fresh fruits or vegetables and sold to purchasers who  
38 transport in the ordinary course of business the goods out of this  
39 state; as to such persons the amount of tax with respect to such  
40 business is equal to the value of the products manufactured or the

1 gross proceeds derived from such sales multiplied by the rate of  
2 0.138 percent. Sellers must keep and preserve records for the period  
3 required by RCW 82.32.070 establishing that the goods were  
4 transported by the purchaser in the ordinary course of business out  
5 of this state.

6 (ii) For purposes of this subsection (1)(d), "fruits" and  
7 "vegetables" do not include marijuana, useable marijuana, or  
8 marijuana-infused products; and

9 ~~(e) ((Until July 1, 2009, alcohol fuel, biodiesel fuel, or  
10 biodiesel feedstock, as those terms are defined in RCW 82.29A.135; as  
11 to such persons the amount of tax with respect to the business is  
12 equal to the value of alcohol fuel, biodiesel fuel, or biodiesel  
13 feedstock manufactured, multiplied by the rate of 0.138 percent; and~~

14 ~~(f)) Wood biomass fuel ((as defined in RCW 82.29A.135)); as to  
15 such persons the amount of tax with respect to the business is equal  
16 to the value of wood biomass fuel manufactured, multiplied by the  
17 rate of 0.138 percent. For the purposes of this section, "wood  
18 biomass fuel" means a liquid or gaseous fuel that is produced from  
19 lignocellulosic feedstocks, including wood, forest, field residue,  
20 and dedicated energy crops, and that does not include wood treated  
21 with chemical preservations such as creosote, pentachlorophenol, or  
22 copper-chrome-arsenic.~~

23 (2) Upon every person engaging within this state in the business  
24 of splitting or processing dried peas; as to such persons the amount  
25 of tax with respect to such business is equal to the value of the  
26 peas split or processed, multiplied by the rate of 0.138 percent.

27 (3) Upon every nonprofit corporation and nonprofit association  
28 engaging within this state in research and development, as to such  
29 corporations and associations, the amount of tax with respect to such  
30 activities is equal to the gross income derived from such activities  
31 multiplied by the rate of 0.484 percent.

32 (4) Upon every person engaging within this state in the business  
33 of slaughtering, breaking and/or processing perishable meat products  
34 and/or selling the same at wholesale only and not at retail; as to  
35 such persons the tax imposed is equal to the gross proceeds derived  
36 from such sales multiplied by the rate of 0.138 percent.

37 (5) Upon every person engaging within this state in the business  
38 of acting as a travel agent or tour operator; as to such persons the  
39 amount of the tax with respect to such activities is equal to the

1 gross income derived from such activities multiplied by the rate of  
2 0.275 percent.

3 (6) Upon every person engaging within this state in business as  
4 an international steamship agent, international customs house broker,  
5 international freight forwarder, vessel and/or cargo charter broker  
6 in foreign commerce, and/or international air cargo agent; as to such  
7 persons the amount of the tax with respect to only international  
8 activities is equal to the gross income derived from such activities  
9 multiplied by the rate of 0.275 percent.

10 (7) Upon every person engaging within this state in the business  
11 of stevedoring and associated activities pertinent to the movement of  
12 goods and commodities in waterborne interstate or foreign commerce;  
13 as to such persons the amount of tax with respect to such business is  
14 equal to the gross proceeds derived from such activities multiplied  
15 by the rate of 0.275 percent. Persons subject to taxation under this  
16 subsection are exempt from payment of taxes imposed by chapter 82.16  
17 RCW for that portion of their business subject to taxation under this  
18 subsection. Stevedoring and associated activities pertinent to the  
19 conduct of goods and commodities in waterborne interstate or foreign  
20 commerce are defined as all activities of a labor, service or  
21 transportation nature whereby cargo may be loaded or unloaded to or  
22 from vessels or barges, passing over, onto or under a wharf, pier, or  
23 similar structure; cargo may be moved to a warehouse or similar  
24 holding or storage yard or area to await further movement in import  
25 or export or may move to a consolidation freight station and be  
26 stuffed, unstuffed, containerized, separated or otherwise segregated  
27 or aggregated for delivery or loaded on any mode of transportation  
28 for delivery to its consignee. Specific activities included in this  
29 definition are: Wharfage, handling, loading, unloading, moving of  
30 cargo to a convenient place of delivery to the consignee or a  
31 convenient place for further movement to export mode; documentation  
32 services in connection with the receipt, delivery, checking, care,  
33 custody and control of cargo required in the transfer of cargo;  
34 imported automobile handling prior to delivery to consignee; terminal  
35 stevedoring and incidental vessel services, including but not limited  
36 to plugging and unplugging refrigerator service to containers,  
37 trailers, and other refrigerated cargo receptacles, and securing ship  
38 hatch covers.

39 (8)(a) Upon every person engaging within this state in the  
40 business of disposing of low-level waste, as defined in RCW

1 43.145.010; as to such persons the amount of the tax with respect to  
2 such business is equal to the gross income of the business, excluding  
3 any fees imposed under chapter 43.200 RCW, multiplied by the rate of  
4 3.3 percent.

5 (b) If the gross income of the taxpayer is attributable to  
6 activities both within and without this state, the gross income  
7 attributable to this state must be determined in accordance with the  
8 methods of apportionment required under RCW 82.04.460.

9 (9) Upon every person engaging within this state as an insurance  
10 producer or title insurance agent licensed under chapter 48.17 RCW or  
11 a surplus line broker licensed under chapter 48.15 RCW; as to such  
12 persons, the amount of the tax with respect to such licensed  
13 activities is equal to the gross income of such business multiplied  
14 by the rate of 0.484 percent.

15 (10) Upon every person engaging within this state in business as  
16 a hospital, as defined in chapter 70.41 RCW, that is operated as a  
17 nonprofit corporation or by the state or any of its political  
18 subdivisions, as to such persons, the amount of tax with respect to  
19 such activities is equal to the gross income of the business  
20 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5  
21 percent thereafter.

22 (11)(a) Beginning October 1, 2005, upon every person engaging  
23 within this state in the business of manufacturing commercial  
24 airplanes, or components of such airplanes, or making sales, at  
25 retail or wholesale, of commercial airplanes or components of such  
26 airplanes, manufactured by the seller, as to such persons the amount  
27 of tax with respect to such business is, in the case of  
28 manufacturers, equal to the value of the product manufactured and the  
29 gross proceeds of sales of the product manufactured, or in the case  
30 of processors for hire, equal to the gross income of the business,  
31 multiplied by the rate of:

32 (i) 0.4235 percent from October 1, 2005, through June 30, 2007;  
33 and

34 (ii) 0.2904 percent beginning July 1, 2007.

35 (b) Beginning July 1, 2008, upon every person who is not eligible  
36 to report under the provisions of (a) of this subsection (11) and is  
37 engaging within this state in the business of manufacturing tooling  
38 specifically designed for use in manufacturing commercial airplanes  
39 or components of such airplanes, or making sales, at retail or  
40 wholesale, of such tooling manufactured by the seller, as to such



1 persons the amount of tax with respect to such business is, in the  
2 case of manufacturers, equal to the value of the product manufactured  
3 and the gross proceeds of sales of the product manufactured, or in  
4 the case of processors for hire, be equal to the gross income of the  
5 business, multiplied by the rate of 0.2904 percent.

6 (c) For the purposes of this subsection (11), "commercial  
7 airplane" and "component" have the same meanings as provided in RCW  
8 82.32.550.

9 (d) In addition to all other requirements under this title, a  
10 person reporting under the tax rate provided in this subsection (11)  
11 must file a complete annual tax performance report with the  
12 department under RCW 82.32.534.

13 (e)(i) Except as provided in (e)(ii) of this subsection (11),  
14 this subsection (11) does not apply on and after July 1, 2040.

15 (ii) With respect to the manufacturing of commercial airplanes or  
16 making sales, at retail or wholesale, of commercial airplanes, this  
17 subsection (11) does not apply on and after July 1st of the year in  
18 which the department makes a determination that any final assembly or  
19 wing assembly of any version or variant of a commercial airplane that  
20 is the basis of a siting of a significant commercial airplane  
21 manufacturing program in the state under RCW 82.32.850 has been sited  
22 outside the state of Washington. This subsection (11)(e)(ii) only  
23 applies to the manufacturing or sale of commercial airplanes that are  
24 the basis of a siting of a significant commercial airplane  
25 manufacturing program in the state under RCW 82.32.850.

26 (12)(a) Until July 1, (~~2024~~) 2045, upon every person engaging  
27 within this state in the business of extracting timber or extracting  
28 for hire timber; as to such persons the amount of tax with respect to  
29 the business is, in the case of extractors, equal to the value of  
30 products, including by-products, extracted, or in the case of  
31 extractors for hire, equal to the gross income of the business,  
32 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
33 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
34 (~~2024~~) 2045.

35 (b) Until July 1, (~~2024~~) 2045, upon every person engaging  
36 within this state in the business of manufacturing or processing for  
37 hire: (i) Timber into timber products or wood products; or (ii)  
38 timber products into other timber products or wood products; as to  
39 such persons the amount of the tax with respect to the business is,  
40 in the case of manufacturers, equal to the value of products,

1 including by-products, manufactured, or in the case of processors for  
2 hire, equal to the gross income of the business, multiplied by the  
3 rate of 0.4235 percent from July 1, 2006, through June 30, 2007, and  
4 0.2904 percent from July 1, 2007, through June 30, ((2024)) 2045.

5 (c) Until July 1, ((2024)) 2045, upon every person engaging  
6 within this state in the business of selling at wholesale: (i) Timber  
7 extracted by that person; (ii) timber products manufactured by that  
8 person from timber or other timber products; or (iii) wood products  
9 manufactured by that person from timber or timber products; as to  
10 such persons the amount of the tax with respect to the business is  
11 equal to the gross proceeds of sales of the timber, timber products,  
12 or wood products multiplied by the rate of 0.4235 percent from July  
13 1, 2006, through June 30, 2007, and 0.2904 percent from July 1, 2007,  
14 through June 30, ((2024)) 2045.

15 (d) Until July 1, ((2024)) 2045, upon every person engaging  
16 within this state in the business of selling standing timber; as to  
17 such persons the amount of the tax with respect to the business is  
18 equal to the gross income of the business multiplied by the rate of  
19 0.2904 percent. For purposes of this subsection (12)(d), "selling  
20 standing timber" means the sale of timber apart from the land, where  
21 the buyer is required to sever the timber within thirty months from  
22 the date of the original contract, regardless of the method of  
23 payment for the timber and whether title to the timber transfers  
24 before, upon, or after severance.

25 (e) For purposes of this subsection, the following definitions  
26 apply:

27 (i) "Biocomposite surface products" means surface material  
28 products containing, by weight or volume, more than fifty percent  
29 recycled paper and that also use nonpetroleum-based phenolic resin as  
30 a bonding agent.

31 (ii) "Paper and paper products" means products made of interwoven  
32 cellulosic fibers held together largely by hydrogen bonding. "Paper  
33 and paper products" includes newsprint; office, printing, fine, and  
34 pressure-sensitive papers; paper napkins, towels, and toilet tissue;  
35 kraft bag, construction, and other kraft industrial papers;  
36 paperboard, liquid packaging containers, containerboard, corrugated,  
37 and solid-fiber containers including linerboard and corrugated  
38 medium; and related types of cellulosic products containing  
39 primarily, by weight or volume, cellulosic materials. "Paper and  
40 paper products" does not include books, newspapers, magazines,

1 periodicals, and other printed publications, advertising materials,  
2 calendars, and similar types of printed materials.

3 (iii) "Recycled paper" means paper and paper products having  
4 fifty percent or more of their fiber content that comes from  
5 postconsumer waste. For purposes of this subsection (12)(e)(iii),  
6 "postconsumer waste" means a finished material that would normally be  
7 disposed of as solid waste, having completed its life cycle as a  
8 consumer item.

9 (iv) "Timber" means forest trees, standing or down, on privately  
10 or publicly owned land. "Timber" does not include Christmas trees  
11 that are cultivated by agricultural methods or short-rotation  
12 hardwoods as defined in RCW 84.33.035.

13 (v) "Timber products" means:

14 (A) Logs, wood chips, sawdust, wood waste, and similar products  
15 obtained wholly from the processing of timber, short-rotation  
16 hardwoods as defined in RCW 84.33.035, or both;

17 (B) Pulp, including market pulp and pulp derived from recovered  
18 paper or paper products; and

19 (C) Recycled paper, but only when used in the manufacture of  
20 biocomposite surface products.

21 (vi) "Wood products" means paper and paper products; dimensional  
22 lumber; engineered wood products such as particleboard, oriented  
23 strand board, medium density fiberboard, and plywood; wood doors;  
24 wood windows; and biocomposite surface products.

25 (f) Except for small harvesters as defined in RCW 84.33.035, a  
26 person reporting under the tax rate provided in this subsection (12)  
27 must file a complete annual tax performance report with the  
28 department under RCW 82.32.534.

29 (13) Upon every person engaging within this state in inspecting,  
30 testing, labeling, and storing canned salmon owned by another person,  
31 as to such persons, the amount of tax with respect to such activities  
32 is equal to the gross income derived from such activities multiplied  
33 by the rate of 0.484 percent.

34 (14)(a) Upon every person engaging within this state in the  
35 business of printing a newspaper, publishing a newspaper, or both,  
36 the amount of tax on such business is equal to the gross income of  
37 the business multiplied by the rate of 0.35 percent until July 1,  
38 2024, and 0.484 percent thereafter.

1 (b) A person reporting under the tax rate provided in this  
2 subsection (14) must file a complete annual tax performance report  
3 with the department under RCW 82.32.534.

4 **Sec. 12.** RCW 82.04.261 and 2017 c 323 s 501 are each amended to  
5 read as follows:

6 (1) In addition to the taxes imposed under RCW 82.04.260(12), a  
7 surcharge is imposed on those persons who are subject to any of the  
8 taxes imposed under RCW 82.04.260(12). Except as otherwise provided  
9 in this section, the surcharge is equal to 0.052 percent. The  
10 surcharge is added to the rates provided in RCW 82.04.260(12) (a),  
11 (b), (c), and (d). (~~The surcharge and this section expire July 1,~~  
12 ~~2024.~~)

13 (2) All receipts from the surcharge imposed under this section  
14 must be deposited into the forest and fish support account created in  
15 RCW 76.09.405.

16 (3)(a) The surcharge imposed under this section is suspended if:

17 (i) Receipts from the surcharge total at least eight million  
18 dollars during any fiscal biennium; or

19 (ii) The office of financial management certifies to the  
20 department that the federal government has appropriated at least two  
21 million dollars for participation in forest and fish report-related  
22 activities by federally recognized Indian tribes located within the  
23 geographical boundaries of the state of Washington for any federal  
24 fiscal year.

25 (b)(i) The suspension of the surcharge under (a)(i) of this  
26 subsection (3) takes effect on the first day of the calendar month  
27 that is at least thirty days after the end of the month during which  
28 the department determines that receipts from the surcharge total at  
29 least eight million dollars during the fiscal biennium. The surcharge  
30 is imposed again at the beginning of the following fiscal biennium.

31 (ii) The suspension of the surcharge under (a)(ii) of this  
32 subsection (3) takes effect on the later of the first day of October  
33 of any federal fiscal year for which the federal government  
34 appropriates at least two million dollars for participation in forest  
35 and fish report-related activities by federally recognized Indian  
36 tribes located within the geographical boundaries of the state of  
37 Washington, or the first day of a calendar month that is at least  
38 thirty days following the date that the office of financial  
39 management makes a certification to the department under subsection

1 (5) of this section. The surcharge is imposed again on the first day  
2 of the following July.

3 (4)(a) If, by October 1st of any federal fiscal year, the office  
4 of financial management certifies to the department that the federal  
5 government has appropriated funds for participation in forest and  
6 fish report-related activities by federally recognized Indian tribes  
7 located within the geographical boundaries of the state of Washington  
8 but the amount of the appropriation is less than two million dollars,  
9 the department must adjust the surcharge in accordance with this  
10 subsection.

11 (b) The department must adjust the surcharge by an amount that  
12 the department estimates will cause the amount of funds deposited  
13 into the forest and fish support account for the state fiscal year  
14 that begins July 1st and that includes the beginning of the federal  
15 fiscal year for which the federal appropriation is made, to be  
16 reduced by twice the amount of the federal appropriation for  
17 participation in forest and fish report-related activities by  
18 federally recognized Indian tribes located within the geographical  
19 boundaries of the state of Washington.

20 (c) Any adjustment in the surcharge takes effect at the beginning  
21 of a calendar month that is at least thirty days after the date that  
22 the office of financial management makes the certification under  
23 subsection (5) of this section.

24 (d) The surcharge is imposed again at the rate provided in  
25 subsection (1) of this section on the first day of the following  
26 state fiscal year unless the surcharge is suspended under subsection  
27 (3) of this section or adjusted for that fiscal year under this  
28 subsection.

29 (e) Adjustments of the amount of the surcharge by the department  
30 are final and may not be used to challenge the validity of the  
31 surcharge imposed under this section.

32 (f) The department must provide timely notice to affected  
33 taxpayers of the suspension of the surcharge or an adjustment of the  
34 surcharge.

35 (5) The office of financial management must make the  
36 certification to the department as to the status of federal  
37 appropriations for tribal participation in forest and fish report-  
38 related activities.

39 (6) This section expires July 1, 2045.

1       **Sec. 13.** RCW 82.08.900 and 2015 c 86 s 202 are each amended to  
2 read as follows:

3       (1) The tax levied by RCW 82.08.020 does not apply to sales to an  
4 eligible person:

5       (a) In respect to equipment necessary to process biogas from a  
6 landfill into marketable coproducts, including but not limited to  
7 biogas conditioning, compression, and electrical generation  
8 equipment, or to services rendered in respect to installing,  
9 constructing, repairing, cleaning, altering, or improving equipment  
10 necessary to process biogas from a landfill into marketable  
11 coproducts; and

12       (b) Establishing or operating an anaerobic digester or to  
13 services rendered in respect to installing, constructing, repairing,  
14 cleaning, altering, or improving an anaerobic digester, or to sales  
15 of tangible personal property that becomes an ingredient or component  
16 of the anaerobic digester. ((The anaerobic digester must be used  
17 primarily to treat livestock manure.))

18       (2) A person claiming an exemption under this section must keep  
19 records necessary for the department to verify eligibility under this  
20 section. Sellers may make tax exempt sales under this section only if  
21 the buyer provides the seller with an exemption certificate in a form  
22 and manner prescribed by the department. The seller must retain a  
23 copy of the certificate for the seller's files.

24       (3) The definitions in this subsection apply to this section and  
25 RCW 82.12.900 unless the context clearly requires otherwise:

26       (a) "Anaerobic digester" means a facility that processes (~~manure~~  
27 ~~from livestock into biogas and dried manure~~) organic material into  
28 biogas and digestate using microorganisms in a decomposition process  
29 within a closed, oxygen-free container as well as the equipment  
30 necessary to process biogas or digestate produced by an anaerobic  
31 digester into marketable coproducts, including but not limited to  
32 biogas conditioning, compression, nutrient recovery, and electrical  
33 generation equipment.

34       (b) "Eligible person" means any person establishing or operating  
35 an anaerobic digester (~~to treat primarily livestock manure~~) or  
36 landfill.

37       (~~(c) "Primarily" means more than fifty percent measured by~~  
38 ~~volume or weight.~~)

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

3       (1)(a) Except as provided in RCW 82.08.963, purchasers who have  
4 paid the tax imposed by RCW 82.08.020 on machinery and equipment used  
5 directly in generating electricity using fuel cells, wind, sun,  
6 biomass energy, tidal or wave energy, geothermal resources,  
7 (~~anaerobic digestion,~~) or technology that converts otherwise lost  
8 energy from exhaust(~~(, or landfill gas as the principal source of~~  
9 ~~power)),~~ or to sales of or charges made for labor and services  
10 rendered in respect to installing such machinery and equipment, are  
11 eligible for an exemption as provided in this section, but only if  
12 the purchaser develops with such machinery, equipment, and labor a  
13 facility capable of generating not less than one thousand watts of  
14 electricity.

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

21       (c) Beginning on July 1, 2011, through (~~January 1, 2020~~)  
22 December 31, 2019, the amount of the exemption under this subsection  
23 (1) is equal to seventy-five percent of the state and local sales tax  
24 paid. The purchaser is eligible for an exemption under this  
25 subsection (1)(c) in the form of a remittance. Machinery and  
26 equipment used directly in generating electricity from labor and  
27 services rendered in respect to installing such machinery and  
28 equipment, is not eligible under this subsection (1)(c).

29       (d)(i) Beginning January 1, 2020, through December 31, 2044, a  
30 purchaser who has paid the tax imposed by RCW 82.08.020 is eligible  
31 for the exemption under this subsection (1) in the form of a  
32 remittance. The total amount of remittances that a purchaser may  
33 receive under this subsection (1)(d) and under RCW 82.12.962(1)(d) is  
34 limited to the lesser of the full amount of the state sales or use  
35 tax paid or one hundred twenty-five thousand dollars per fiscal year.  
36 The remittance under this subsection (1)(d) is for the state portion  
37 of the sales tax only and applies only to purchases of machinery and  
38 equipment eligible for an exemption under this section, and labor and  
39 services rendered in respect to installing such machinery and  
40 equipment, occurring on or after January 1, 2020.

1       (ii) A purchaser claiming an exemption from tax in the form of a  
2 remittance under this subsection (1)(d) must pay the tax imposed by  
3 RCW 82.08.020 on such purchases eligible for the remittance. The  
4 purchaser may then apply to the department for remittance of all or  
5 part of the tax paid under RCW 82.08.020 on such purchases, subject  
6 to the limits in (d)(i) and (iii) of this subsection. A purchaser may  
7 not apply for a remittance under this subsection (1)(d) more  
8 frequently than once per quarter. The purchaser must specify the  
9 amount of exempted tax claimed and the qualifying purchases for which  
10 the exemption is claimed. The purchaser must retain, in adequate  
11 detail, records to enable the department to determine whether the  
12 purchaser is entitled to an exemption under this section, including:  
13 Invoices; proof of tax paid; and documents describing the machinery  
14 and equipment. The department must determine eligibility under this  
15 subsection (1)(d) based on the information provided by the purchaser,  
16 which is subject to audit verification by the department. The  
17 department must on a quarterly basis remit exempted amounts to  
18 qualifying purchasers who submitted applications during the previous  
19 quarter.

20       (iii)(A) The remittance under this subsection (1)(d) is only  
21 available on a first-in-time basis. The department must keep a  
22 running total of all approved remittances under this section and RCW  
23 82.12.962(1)(d) during each fiscal year. The department may not allow  
24 any remittance that would cause the total amount of remittances  
25 allowed under this section and RCW 82.12.962(1)(d) to exceed five  
26 million dollars in any fiscal year.

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

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

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



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

4 (~~(c) ("Landfill gas" means biomass fuel, of the type qualified  
5 for federal tax credits under Title 26 U.S.C. Sec. 29 of the federal  
6 internal revenue code, collected from a "landfill" as defined under  
7 RCW 70.95.030.~~

8 ~~(d))~~(i) "Machinery and equipment" means fixtures, devices, and  
9 support facilities that are integral and necessary to the generation  
10 of electricity using fuel cells, wind, sun, biomass energy, tidal or  
11 wave energy, geothermal resources, (~~(anaerobic digestion,~~) or  
12 technology that converts otherwise lost energy from exhaust(~~(, or  
13 landfill gas as the principal source of power)~~)).

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

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

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

39 (4)(a) A purchaser claiming an exemption in the form of a  
40 remittance under subsection (1)(c) of this section must pay the tax

1 imposed by RCW 82.08.020 and all applicable local sales taxes imposed  
2 under the authority of chapters 82.14 and 81.104 RCW. The purchaser  
3 may then apply to the department for remittance in a form and manner  
4 prescribed by the department. A purchaser may not apply for a  
5 remittance under this section more frequently than once per quarter.  
6 The purchaser must specify the amount of exempted tax claimed and the  
7 qualifying purchases for which the exemption is claimed. The  
8 purchaser must retain, in adequate detail, records to enable the  
9 department to determine whether the purchaser is entitled to an  
10 exemption under this section, including: Invoices; proof of tax paid;  
11 and documents describing the machinery and equipment.

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

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

24 (6) This section expires January 1, (~~2020~~) 2045.

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

26 **Sec. 15.** RCW 82.12.900 and 2006 c 151 s 5 are each amended to  
27 read as follows:

28 (1) The provisions of this chapter do not apply with respect to:

29 (a) Equipment necessary to process biogas from a landfill into  
30 marketable coproducts, including but not limited to biogas  
31 conditioning, compression, and electrical generation equipment, or to  
32 services rendered in respect to installing, constructing, repairing,  
33 cleaning, altering, or improving equipment necessary to process  
34 biogas from a landfill into marketable coproducts; and

35 (b) The use of anaerobic digesters, tangible personal property  
36 that becomes an ingredient or component of anaerobic digesters, or  
37 the use of services rendered in respect to installing, repairing,  
38 cleaning, altering, or improving eligible tangible personal property  
39 by an eligible person establishing or operating an anaerobic

1 digester, as defined in RCW 82.08.900. (~~The anaerobic digester must~~  
2 ~~be used primarily to treat livestock manure.~~)

3 (2) This section expires July 1, 2045.

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

6 (1)(a) Except as provided in RCW 82.12.963, consumers who have  
7 paid the tax imposed by RCW 82.12.020 on machinery and equipment used  
8 directly in generating electricity using fuel cells, wind, sun,  
9 biomass energy, tidal or wave energy, geothermal resources,  
10 (~~anaerobic digestion,~~) or technology that converts otherwise lost  
11 energy from exhaust, (~~or landfill gas as the principal source of~~  
12 ~~power,~~) or to sales of or charges made for labor and services  
13 rendered in respect to installing such machinery and equipment, are  
14 eligible for an exemption as provided in this section, but only if  
15 the purchaser develops with such machinery, equipment, and labor a  
16 facility capable of generating not less than one thousand watts of  
17 electricity.

18 (b) Beginning on July 1, 2009, through June 30, 2011, the  
19 provisions of this chapter do not apply in respect to the use of  
20 machinery and equipment described in (a) of this subsection that are  
21 used directly in generating electricity or to sales of or charges  
22 made for labor and services rendered in respect to installing such  
23 machinery and equipment.

24 (c) Beginning on July 1, 2011, through (~~January 1, 2020~~)  
25 December 31, 2019, the amount of the exemption under this subsection  
26 (1) is equal to seventy-five percent of the state and local sales tax  
27 paid. The consumer is eligible for an exemption under this subsection  
28 (1)(c) in the form of a remittance. Machinery and equipment used  
29 directly in generating electricity from labor and services rendered  
30 in respect to installing such machinery and equipment, is not  
31 eligible under this subsection (1)(c).

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

37 (2)(a) A person claiming an exemption in the form of a remittance  
38 under subsection (1)(c) of this section must pay the tax imposed by  
39 RCW 82.12.020 and all applicable local use taxes imposed under the

1 authority of chapters 82.14 and 81.104 RCW. The consumer may then  
2 apply to the department for remittance in a form and manner  
3 prescribed by the department. A consumer may not apply for a  
4 remittance under this section more frequently than once per quarter.  
5 The consumer must specify the amount of exempted tax claimed and the  
6 qualifying purchases or acquisitions for which the exemption is  
7 claimed. The consumer must retain, in adequate detail, records to  
8 enable the department to determine whether the consumer is entitled  
9 to an exemption under this section, including: Invoices; proof of tax  
10 paid; and documents describing the machinery and equipment.

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

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

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

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

21 (a) To machinery and equipment used directly in the generation of  
22 electricity using solar energy and capable of generating no more than  
23 five hundred kilowatts of electricity, or to sales of or charges made  
24 for labor and services rendered in respect to installing such  
25 machinery and equipment, when first use within this state of such  
26 machinery and equipment, or labor and services, occurs after  
27 September 30, 2017; and

28 (b) To any other machinery and equipment described in subsection  
29 (1)(a) of this section, or to sales of or charges made for labor and  
30 services rendered in respect to installing such machinery or  
31 equipment, when first use within this state of such machinery and  
32 equipment, or labor and services, occurs after December 31, (~~2019~~)  
33 2029.

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

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

36 **Sec. 17.** RCW 84.36.635 and 2010 1st sp.s. c 11 s 4 are each  
37 amended to read as follows:

38 (1) For the purposes of this section(~~(~~

1       ~~(a) "Alcohol fuel" means any alcohol made from a product other~~  
2 ~~than petroleum or natural gas, which is used alone or in combination~~  
3 ~~with gasoline or other petroleum products for use as a fuel for motor~~  
4 ~~vehicles, farm implements, and machines or implements of husbandry.~~

5       ~~(b))~~, "anaerobic digester" has the same meaning as provided in  
6 RCW 82.08.900.

7       ~~((c) "Biodiesel feedstock" means oil that is produced from an~~  
8 ~~agricultural crop for the sole purpose of ultimately producing~~  
9 ~~biodiesel fuel.~~

10       ~~(d) "Biodiesel fuel" means a mono alkyl ester of long chain fatty~~  
11 ~~acids derived from vegetable oils or animal fats for use in~~  
12 ~~compression ignition engines and that meets the requirements of the~~  
13 ~~American society of testing and materials specification D 6751 in~~  
14 ~~effect as of January 1, 2003.)~~

15       (2)~~((a))~~ All buildings, machinery, equipment, and other  
16 personal property which are used primarily for ~~((the manufacturing of~~  
17 ~~alcohol fuel, biodiesel fuel, biodiesel feedstock, or))~~ the operation  
18 of an anaerobic digester, the land upon which this property is  
19 located, and land that is reasonably necessary in the ~~((manufacturing~~  
20 ~~of alcohol fuel, biodiesel fuel, biodiesel feedstock, or the))~~  
21 operation of an anaerobic digester, ~~((but not land necessary for~~  
22 ~~growing of crops, which together comprise a new manufacturing~~  
23 ~~facility or an addition to an existing manufacturing facility,))~~ are  
24 exempt from property taxation for the six assessment years following  
25 the date on which the facility or the addition to the existing  
26 facility becomes operational.

27       ~~((b) For manufacturing facilities which produce products in~~  
28 ~~addition to alcohol fuel, biodiesel fuel, or biodiesel feedstock, the~~  
29 ~~amount of the property tax exemption is based upon the annual~~  
30 ~~percentage of the total value of all products manufactured that is~~  
31 ~~the value of the alcohol fuel, biodiesel fuel, and biodiesel~~  
32 ~~feedstock manufactured.))~~

33       (3) Claims for exemptions authorized by this section must be  
34 filed with the county assessor on forms prescribed by the department  
35 of revenue and furnished by the assessor. Once filed, the exemption  
36 is valid for six ~~((years))~~ assessment years following the date on  
37 which the facility or the addition to the existing facility becomes  
38 operational and may not be renewed. The assessor must verify and  
39 approve claims as the assessor determines to be justified and in  
40 accordance with this section. No claims may be filed after December

1 31, (~~2015, except for claims for anaerobic digesters, which may be~~  
2 ~~filed no later than December 31, 2012~~) 2024.

3 (4) The department of revenue may promulgate such rules, pursuant  
4 to chapter 34.05 RCW, as necessary to properly administer this  
5 section.

6 NEW SECTION. **Sec. 18.** A new section is added to chapter 82.16  
7 RCW to read as follows:

8 The definitions in this section apply throughout this section and  
9 section 19 of this act, unless the context clearly requires  
10 otherwise.

11 (1) "Clean energy investment" means an investment in support of  
12 the following eligible projects that reduce, prevent, or remove from  
13 the atmosphere the emissions of greenhouse gases in the state: (a)  
14 Installation of electric vehicle supply equipment and related  
15 infrastructure and other transportation electrification measures; (b)  
16 demand-side management of electricity consumption; (c) energy storage  
17 technologies; (d) development of projects which generate electricity  
18 using eligible renewable resources as defined in RCW 19.285.030; (e)  
19 investment in carbon sequestration programs, including investments in  
20 forest health; (f) development of projects which facilitate the  
21 transition toward renewable natural gas; and (g) development of  
22 projects which generate electricity using biomass energy as defined  
23 in RCW 19.285.030.

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

26 (3) "Consumer-owned gas distribution business" means any gas  
27 distribution business not subject to regulation by the commission of  
28 the rates, tolls, rentals, contracts or charges, or service rendered,  
29 or the adequacy or sufficiency of the facilities, equipment,  
30 instrumentalities, or buildings, or the reasonableness of rules or  
31 regulations made, furnished, used, supplied, or in force affecting  
32 any gas plant owned and operated by such gas distribution business.

33 (4) "Consumer-owned light and power business" means any light and  
34 power business not subject to regulation by the commission of the  
35 rates, tolls, rentals, contracts or charges, or service rendered, or  
36 the adequacy or sufficiency of the facilities, equipment,  
37 instrumentalities, or buildings, or the reasonableness of rules or  
38 regulations made, furnished, used, supplied, or in force affecting

1 any electric plant owned and operated by such light and power  
2 business.

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

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

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

8 (8) "Investor-owned gas distribution business" means any gas  
9 distribution business subject to regulation by the commission of the  
10 rates, tolls, rentals, contracts or charges, or service rendered, or  
11 the adequacy or sufficiency of the facilities, equipment,  
12 instrumentalities, or buildings, or the reasonableness of rules or  
13 regulations made, furnished, used, supplied, or in force affecting  
14 any gas plant owned and operated by such gas distribution business.

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

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

25 NEW SECTION. **Sec. 19.** A new section is added to chapter 82.16  
26 RCW to read as follows:

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

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

36 (3) The department of commerce, in consultation with the  
37 Washington state utilities and transportation commission, must  
38 determine the amount of expenditures eligible for a credit under this

1 section and provide the information to the department in order to  
2 administer the credit provided in subsection (1) of this section.

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

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

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

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

31 (7) Credits may not be earned under this section after December  
32 31, 2044. Credits are earned when clean energy investment  
33 expenditures are made by an investor-owned energy utility or a  
34 consumer-owned energy utility. Credits must be claimed under this  
35 section by December 31, 2045.

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

37 (9) This section expires January 1, 2046.

38 **Sec. 20.** RCW 82.14.455 and 2009 c 469 s 105 are each amended to  
39 read as follows:



1 The exemptions in RCW 82.08.962(1)(c), 82.12.962(1)(c),  
2 82.08.963, and 82.12.963 are for the state and local sales and use  
3 taxes and include the sales and use taxes imposed under the authority  
4 of this chapter.

5 **Sec. 21.** RCW 82.29A.135 and 2010 1st sp.s. c 11 s 6 are each  
6 amended to read as follows:

7 (1) For the purposes of this section(~~(+~~

8 ~~(a) "Alcohol fuel" means any alcohol made from a product other~~  
9 ~~than petroleum or natural gas, which is used alone or in combination~~  
10 ~~with gasoline or other petroleum products for use as a fuel for motor~~  
11 ~~vehicles, farm implements, and machines or implements of husbandry.~~

12 ~~(b))~~, "anaerobic digester" has the same meaning as provided in  
13 RCW 82.08.900.

14 ~~((c) "Biodiesel feedstock" means oil that is produced from an~~  
15 ~~agricultural crop for the sole purpose of ultimately producing~~  
16 ~~biodiesel fuel.~~

17 ~~(d) "Biodiesel fuel" means a mono alkyl ester of long chain fatty~~  
18 ~~acids derived from vegetable oils or animal fats for use in~~  
19 ~~compression ignition engines and that meets the requirements of the~~  
20 ~~American society of testing and materials specification D 6751 in~~  
21 ~~effect as of January 1, 2003.~~

22 ~~(e) "Wood biomass fuel" means a pyrolytic liquid fuel or~~  
23 ~~synthesis gas derived liquid fuel, used in internal combustion~~  
24 ~~engines, and produced from wood, forest, or field residue, or~~  
25 ~~dedicated energy crops that do not include wood pieces that have been~~  
26 ~~treated with chemical preservatives such as creosote,~~  
27 ~~pentachlorophenol, or copper-chrome-arsenic.))~~

28 (2)((~~(a)~~)) All leasehold interests in buildings, machinery,  
29 equipment, and other personal property which are used primarily for  
30 ~~((the manufacturing of alcohol fuel, wood biomass fuel, biodiesel~~  
31 ~~fuel, biodiesel feedstock, or))~~ the operation of an anaerobic  
32 digester, the land upon which this property is located, and land that  
33 is reasonably necessary in the ~~((manufacturing of alcohol fuel, wood~~  
34 ~~biomass fuel, biodiesel fuel, biodiesel feedstock, or the))~~ operation  
35 of an anaerobic digester(~~(, but not land necessary for growing of~~  
36 ~~crops, which together comprise a new manufacturing facility or an~~  
37 ~~addition to an existing manufacturing facility,))~~ are exempt from  
38 leasehold taxes for a period of six years from the date on which the

1 facility or the addition to the existing facility becomes  
2 operational.

3 ~~((b) For manufacturing facilities which produce products in  
4 addition to alcohol fuel, wood biomass fuel, biodiesel fuel, or  
5 biodiesel feedstock, the amount of the leasehold tax exemption is  
6 based upon the annual percentage of the total value of all products  
7 manufactured that is the value of the alcohol fuel, wood biomass  
8 fuel, biodiesel fuel, and biodiesel feedstock manufactured.))~~

9 (3) Claims for exemptions authorized by this section must be  
10 filed with the department of revenue on forms prescribed by the  
11 department of revenue and furnished by the department of revenue.  
12 Once filed, the exemption is valid for six ~~((years))~~ assessment years  
13 following the date on which the facility or the addition to the  
14 existing facility becomes operational and may not be renewed. The  
15 department of revenue must verify and approve claims as the  
16 department of revenue determines to be justified and in accordance  
17 with this section. No claims may be filed after December 31, ~~((2015,~~  
18 ~~except for claims for anaerobic digesters, which may be filed no~~  
19 ~~later than December 31, 2012))~~ 2024.

20 (4) The department of revenue may promulgate such rules, pursuant  
21 to chapter 34.05 RCW, as are necessary to properly administer this  
22 section.

23 NEW SECTION. Sec. 22. Sections 2 through 6 of this act  
24 constitute a new chapter in Title 19 RCW.

25 NEW SECTION. Sec. 23. Section 7 of this act constitutes a new  
26 chapter in Title 44 RCW.

27 NEW SECTION. Sec. 24. Section 4 of this act takes effect  
28 January 1, 2024.

29 NEW SECTION. Sec. 25. Section 6 of this act this act takes  
30 effect January 1, 2021.

31 NEW SECTION. Sec. 26. If any provision of this act or its  
32 application to any person or circumstance is held invalid, the  
33 remainder of the act or the application of the provision to other  
34 persons or circumstances is not affected."

1 Correct the title.

EFFECT: The amendment:

- (1) Removes the requirement to meet specified fossil fuel reduction targets for years 2030, 2035, and 2040;
- (2) Provides that if the legislature does not adopt alternative interim fossil fuel reduction targets by December 31, 2020, as recommended by the Joint Select Committee on Washington's Clean Energy Transition, then it is the intent of the legislature for electric utilities and market customers to meet certain specified fossil fuel reduction targets;
- (3) Delays the effective date of rule making and enforcement authority until January 1, 2021;
- (4) Provides that an electric utility or market customer is not subject to any administrative penalties for the use of certain resources prior to December 31, 2045;
- (5) Establishes a Joint Select Committee on Washington's Clean Energy Transition;
- (6) Authorizes the use of federal incremental hydroelectricity as an eligible renewable resource under the Energy Independence Act;
- (7) Adds certain tax preferences for renewable natural gas;
- (8) Adds certain tax preferences for certain forest products;
- (9) Amends the sales and use tax preferences for machinery and equipment for certain renewable and alternative energy systems; and
- (10) Amends the public utility tax credit for certain clean energy investments.

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