

1 controlling suppliers are considered specified sources of
2 electricity.

3 (3) "Carbon calculation" means a calculation made by the
4 department of ecology, in consultation with the department of
5 commerce, for purposes of determining the carbon dioxide emissions
6 from the complete combustion or oxidation of fossil fuels and the
7 carbon dioxide emissions in electricity for use in calculating the
8 tax pursuant to section 102 of this act.

9 (4) "Carbon dioxide emissions content inherent in electricity"
10 means the carbon dioxide generated by the production of electricity
11 from fossil fuels.

12 (5) "Carbon dioxide equivalent" means a metric measure used to
13 compare the emissions from various greenhouse gases based on their
14 global warming potential.

15 (6) "Carbon pollution tax" means the tax created in section 102
16 of this act.

17 (7) "Coal" means a readily combustible rock of carbonaceous
18 material, including anthracite coal, bituminous coal, subbituminous
19 coal, lignite, waste coal, syncoal, and coke of any kind.

20 (8) "Consumer price index" means the consumer price index for all
21 urban consumers, all items, that covers areas exclusively within the
22 boundaries of this state and the greatest number of people, compiled
23 by the bureau of labor statistics of the United States department of
24 labor.

25 (9) "Department" means the department of revenue.

26 (10) "Direct access electricity customer" means a person who
27 purchases electricity from any seller other than a seller registered
28 with the department for purposes of paying taxes due under
29 chapter 82.04 or 82.16 RCW.

30 (11) "Direct service industrial customer" has the same meaning as
31 provided in RCW 82.16.0495.

32 (12) "Fossil fuel" means motor vehicle fuel, special fuel, dyed
33 special fuel, aircraft fuel, natural gas, coal, and any form of
34 solid, liquid, or gaseous fuel derived from natural gas, coal,
35 petroleum, or crude oil, including without limitation still gas,
36 propane, and petroleum residuals including bunker fuel.

37 (13) "Greenhouse gas" means carbon dioxide (CO₂), methane (CH₄),
38 nitrogen trifluoride (NF₃), nitrous oxide (N₂O), sulfur hexafluoride

1 (SF₆), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and other
2 fluorinated greenhouse gases.

3 (14) "Motor vehicle fuel" has the same meaning as provided in RCW
4 82.38.020.

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

8 (16) "Person" has the same meaning as provided in RCW 82.04.030.

9 (17) "Sale" has the same meaning as provided in RCW 82.04.040.

10 (18) "Special fuel" has the same meaning as provided in RCW
11 82.38.020.

12 (19) "Taxpayer" means a person subject to the tax imposed in this
13 chapter.

14 (20)(a) "Use," "used," "using," or "put to use" means, with
15 respect to any fossil fuel, the consumption in this state of the
16 fossil fuel by the taxpayer or the possession or storage in this
17 state of the fossil fuel by the taxpayer preparatory to subsequent
18 consumption of the fossil fuel within this state by the taxpayer.

19 (b) For purposes of this subsection (20), "possession" means the
20 control of fossil fuel located within this state and includes either
21 actual and/or constructive possession. "Actual possession" occurs
22 when the person with control has physical possession. "Constructive
23 possession" occurs when the person with control does not have
24 physical possession. "Control" means the power to sell or use a
25 fossil fuel or to authorize the sale or use by another.

26 (21) "Year" means the twelve-month period commencing January 1st
27 and ending December 31st unless otherwise specified.

28 NEW SECTION. **Sec. 102.** CARBON POLLUTION TAX. (1)(a) Beginning
29 July 1, 2019, a carbon pollution tax is imposed on:

30 (i) The sale or use within this state of all fossil fuels,
31 including fossil fuels used in generating electricity; or

32 (ii) The sale or consumption within this state of electricity
33 generated through the combustion of fossil fuels.

34 (b) The measure of the carbon pollution tax is the carbon dioxide
35 emissions:

36 (i) Resulting from the complete combustion or oxidation of fossil
37 fuels sold or used by the taxpayer within this state; or

38 (ii) Inherent in electricity sold or consumed within this state.

1 (c)(i) The tax rate is equal to twenty dollars per metric ton of
2 carbon dioxide through December 31, 2019; and

3 (ii) For subsequent years, beginning January 1, 2020, the
4 department must adjust the previous year's tax rate by the rate of
5 inflation, as measured using the consumer price index for the most
6 recent twelve-month period for which data are available, if the rate
7 of inflation is greater than zero, plus three and one-half percent.
8 The department must round the tax rate to the nearest cent in the
9 manner provided in RCW 82.08.054. The department must calculate tax
10 rate adjustments under this subsection (1)(c)(ii) in December of each
11 year and publish on its web site the tax rate for any year by January
12 1st of that year.

13 (2) For the purposes of this chapter:

14 (a) The carbon pollution tax is imposed:

15 (i) Only once with respect to the same unit of fossil fuel or
16 electric energy;

17 (ii) At the time and place of the first taxable event within this
18 state, including the first sale or use within this state of fossil
19 fuels or the first sale or consumption within this state of
20 electricity generated through the combustion of fossil fuels,
21 occurring on or after the effective date of this section, regardless
22 of whether the fossil fuel or electricity was previously sold, used,
23 or consumed within this state before the effective date of this
24 section; and

25 (iii) Upon the first taxable person within this state.

26 (b) For motor vehicle fuel and special fuel, the carbon pollution
27 tax is imposed on the seller or user of the fuel at the points of
28 taxation specified in RCW 82.38.030(9).

29 (c) The carbon pollution tax does not apply to the sale or
30 consumption within this state of electricity generated using fossil
31 fuels upon which the tax under this chapter has been imposed.

32 (d) The carbon pollution tax applies only to:

33 (i) Persons who are required to be registered with the department
34 under RCW 82.32.030(1);

35 (ii) The state, its political subdivisions, and municipal
36 corporations; and

37 (iii) Persons who maintain a place of business in this state but
38 who are not required to be registered with the department under RCW
39 82.32.030(1);

1 (e) A sale of fossil fuel takes place in this state when the
2 fossil fuel is delivered in this state to the purchaser or a person
3 designated by the purchaser, notwithstanding any contract terms
4 designating a location outside of this state as the place of sale;
5 and

6 (f) Each sale within this state of a fossil fuel or electricity
7 must indicate on the invoice or other document of sale the amount of
8 carbon pollution tax paid or to be paid with respect to the fossil
9 fuel or electricity and the rate of such tax paid or to be paid, who
10 paid or is liable to pay the tax, and any other information as may be
11 prescribed by the department by rule. If a purchaser of fossil fuels
12 or electricity sold within this state fails to obtain an invoice or
13 document of sale that complies with this subsection (2)(f), the
14 department may collect the carbon pollution tax from the purchaser.

15 (3) For purposes of determining the tax due under this chapter:

16 (a) The department must use the carbon calculation for all fossil
17 fuels sold or used within the state or inherent in electricity sold
18 or consumed within this state;

19 (b) For the sale or consumption of electricity sourced from an
20 asset controlling supplier, including but not limited to the
21 Bonneville power administration, the department must calculate and
22 publish on its web site the system emissions factors for the data
23 year for all asset controlling suppliers recognized by the
24 department. Asset controlling suppliers are considered specified
25 sources of electricity;

26 (c) For the sale or consumption of electricity where the source
27 used to generate the electricity is unknown or unspecified, the
28 carbon dioxide inherent in that electricity is one metric ton of
29 carbon dioxide per megawatt-hour;

30 (d) For fossil fuels used to refine fossil fuels, the department
31 of ecology, in consultation with the department of commerce, must
32 adopt by rule criteria for making the carbon calculation; and

33 (e) For the sale or consumption of electricity where the source
34 of fossil fuels used to generate the electricity is incompletely or
35 insufficiently provided through chapter 19.29A RCW, as determined by
36 the department of ecology in consultation with the department of
37 commerce, the department of ecology may require such other
38 information as the department of ecology deems necessary for purposes
39 of determining the carbon calculation under this chapter.

1 (4) For taxpayers who are also subject to any of the taxes
2 imposed under chapter 82.04, 82.08, 82.12, or 82.16 RCW, the
3 frequency of reporting and payment of the carbon pollution tax must,
4 to the extent practicable, coincide with a taxpayer's reporting
5 periods for the taxes imposed under chapter 82.04, 82.08, 82.12, or
6 82.16 RCW.

7 (5) The carbon pollution tax on the sale or use of fossil fuels
8 is imposed on the seller or user of the fossil fuel.

9 (6) The carbon pollution tax on the sale or consumption of
10 electricity is imposed on the:

11 (a) Seller of the electricity if the seller is required to be
12 registered with the department for purposes of paying taxes due under
13 chapter 82.04 or 82.16 RCW;

14 (b) Direct service industrial customer if the direct service
15 industrial customer purchased the electricity from a seller who is
16 not required to be registered with the department for purposes of
17 paying taxes due under chapter 82.04 or 82.16 RCW; and

18 (c) Direct access electricity customer for any electricity
19 consumed within the state purchased from a seller who is not required
20 to be registered with the department for purposes of paying taxes due
21 under chapter 82.04 or 82.16 RCW.

22 (7) The department must develop and make available worksheets,
23 tax tables, and guidance documents it deems necessary to calculate
24 the carbon dioxide emissions of fossil fuels or the carbon dioxide
25 emissions inherent in electricity.

26 NEW SECTION. **Sec. 103.** EXEMPTIONS AND CREDITS. (1) The carbon
27 pollution tax does not apply to:

28 (a) Fossil fuels brought into this state by means of the primary
29 fuel supply tank of a motor vehicle, vessel, locomotive, or aircraft,
30 actively supplying fuel for combustion upon entry into the state, and
31 any electricity generated by such fossil fuels;

32 (b) Fossil fuels or electricity that the state is prohibited from
33 taxing under the state Constitution or the Constitution or laws of
34 the United States;

35 (c)(i) Fossil fuels or electricity exported from this state.
36 Export to Indian country located within the boundaries of this state
37 is not considered export outside this state. For purposes of this
38 subsection, "Indian country" has the same meaning as provided in RCW
39 37.12.160.

1 (ii) An exporter of fossil fuels or electricity upon which
2 another person previously paid the carbon pollution tax is entitled
3 to a credit or refund of the tax paid, if the exporter can establish
4 to the department's satisfaction that the tax under this chapter was
5 previously paid on the exported fossil fuels or electricity. The
6 person who paid the carbon pollution tax is not entitled to an
7 exemption under this subsection (1)(c) when any other person is
8 entitled to a refund or credit under this subsection (1)(c)(ii). For
9 purposes of this subsection, "exporter" means a person who exports
10 fossil fuels or electricity from this state;

11 (d) The sale or use of coal transition power as defined in RCW
12 80.80.010;

13 (e) Diesel fuel, biodiesel fuel, or aircraft fuel when these
14 fuels are used solely for agricultural purposes by a farm fuel user,
15 as those terms are defined in RCW 82.08.865;

16 (f) Biogas, which includes renewable liquid natural gas or liquid
17 compressed natural gas made from biogas; biodiesel, cellulosic
18 ethanol, renewable diesel, and cellulosic ethanol; and

19 (g) Aircraft fuel as defined in RCW 82.42.010.

20 (2)(a) For any electricity and fossil fuels subject to the tax
21 imposed by section 102 of this act that are also subject to a
22 comparable carbon pollution tax or charge on carbon content imposed
23 by another jurisdiction, including allowances required to be
24 purchased by another jurisdiction, the entity may take a credit
25 against the tax imposed by this act up to the amount of the similar
26 tax or charge paid to the other jurisdiction, provided that the
27 taxpayer claiming the credit provides evidence acceptable to the
28 department that the equivalent tax has been paid.

29 (b) For the purposes of this section, a comparable carbon
30 pollution tax or charge means a tax or charge that is not generally
31 imposed on other activities or privileges that is:

32 (i) Imposed on:

33 (A) The sale, use, possession, transfer, or consumption of fossil
34 fuels; or

35 (B) The sale, consumption, or generation of electricity produced
36 through the combustion of fossil fuels; and

37 (ii) Measured in terms of greenhouse gas emissions by the
38 greenhouse gas emissions resulting from the complete combustion or
39 oxidation of such fossil fuels or by the greenhouse gases inherent in
40 such electricity.

1 (3) The tax imposed in section 102 of this act does not apply to
2 fossil fuels used on-site for manufacturing processes by an energy-
3 intensive trade-exposed facility.

4 (a) By July 1, 2019, the department of commerce must adopt a rule
5 to establish criteria for identifying and certifying potential
6 energy-intensive and trade-exposed facilities. Designated energy-
7 intensive trade-exposed facilities must show that they compete with
8 like facilities to manufacture commodities for sale into a global
9 market, and are placed at a competitive disadvantage by the carbon
10 pollution tax in this market or incur unusually high energy costs
11 which, when subjected to the tax in this chapter, would put their in-
12 state operations at risk of closure.

13 (b) The department of commerce must update the criteria
14 periodically and entities who apply for and receive classification as
15 an energy-intensive and trade-exposed facility is required to
16 recertify on a schedule set by the department of commerce.

17 (c) The department of commerce must, annually on a schedule set
18 by the department of commerce, notify the department of eligibility
19 determinations for taxpayers who have been certified by the
20 department of commerce to claim this exemption on tax returns.

21 (4) One hundred percent of the taxes owed under section 102 of
22 this act by a light and power business or a gas distribution business
23 that chooses to claim a credit pursuant to section 302 of this act.

24 NEW SECTION. **Sec. 104.** RULE MAKING AND OTHER ADMINISTRATIVE
25 AUTHORITY. (1) The provisions of chapter 82.32 RCW apply to this
26 chapter.

27 (2) The department, department of ecology, and the department of
28 commerce may adopt rules as they deem necessary to administer this
29 chapter.

30 NEW SECTION. **Sec. 105.** REPORT BY THE DEPARTMENT OF COMMERCE. On
31 or before October 31st of each year from 2020 through 2030 and
32 biennially thereafter, and in compliance with RCW 43.01.036, the
33 department of commerce, with support from the department of revenue,
34 must submit a report to the governor and the appropriate committees
35 of the legislature containing the following with respect to the
36 annual or biennial period ending the December 31st immediately
37 preceding the reporting date, annualized if in a biennial report:

1 (1) The total carbon pollution tax collected during the reporting
2 period;

3 (2) Estimated costs incurred by the department, the department of
4 commerce, the department of ecology, and the Washington State
5 University extension energy program directly associated with
6 administration of the carbon pollution tax, shown both in dollar
7 amounts and as a percentage of the total amount of carbon pollution
8 tax revenues collected. The department of ecology, the department of
9 commerce, and Washington State University extension energy program
10 must report their estimated administrative costs under this
11 subsection to the department of commerce each year at least one month
12 before the deadline for the report required under this section;

13 (3) The estimated overall net revenue gain or loss calculated by
14 comparison of subsections (1) and (2) of this section in dollar
15 amounts and the estimated costs determined under subsection (2) of
16 this section as a percentage of carbon pollution tax revenues
17 collected;

18 (4) A summary produced by the department of commerce of the
19 investments made through its administration of the energy
20 transformation account created in section 201 of this act. The
21 summary must include amounts invested in each program area, project
22 descriptions, names of grant recipients, an estimate of the
23 greenhouse gas emissions reductions achieved or anticipated via the
24 investments, and other pertinent information or information as
25 periodically requested by the legislature; and

26 (5) A summary produced by the department of commerce of the
27 progress made by utilities implementing their plans under the clean
28 energy investment program created in part III of this act. The
29 summary must include aggregate totals of anticipated greenhouse gas
30 reductions called for by plans and progress made toward achieving
31 these reductions; an accounting of funds spent and average cost per
32 ton of verified greenhouse gas reductions achieved through program
33 investments.

34 NEW SECTION. **Sec. 106.** TECHNICAL ASSISTANCE. Upon request of
35 the department, the department of commerce, the department of
36 ecology, and the Washington State University extension energy program
37 must provide technical assistance to the department as may be
38 necessary for the department to effectively administer this chapter.

1 (2) The department must solicit proposals and award grants for
2 projects and programs that reduce greenhouse gas emissions in
3 Washington state or reduce emissions directly connected to energy use
4 and other activity in Washington state.

5 (3) The department must consult with the department of ecology
6 and the Washington State University extension energy program in the
7 design and operation of the fund and must follow the guidelines and
8 obligations set forth in the implementation plan created in section
9 401 of this act.

10 (4) Priority must be given to projects and activities that
11 provide benefits to low-income communities, communities of color, and
12 communities of indigenous peoples.

13 (5) Projects eligible for funding include but are not limited to:

14 (a) Industrial energy efficiency, including projects that
15 increase the energy efficiency or reduce the greenhouse gas emissions
16 at manufacturing facilities. Examples include projects to implement
17 combined heat and power, district energy, or on-site renewables or to
18 upgrade existing equipment such as boilers to more efficient models
19 and to switch to less carbon intensive fuel sources. Projects that
20 reduce process emissions may also be considered;

21 (b) Clean transportation, including projects and programs that
22 exceed workplace targets for commute trip reduction under the
23 authority of chapter 70.94 RCW; accelerate uptake of renewable fuels
24 and electrification in transit and other vehicle fleets; promote
25 advanced-technology transportation networks that achieve greater
26 safety and energy efficiency; create electric vehicle charging or
27 hydrogen refueling infrastructure; and projects that implement
28 biomethane or other gaseous or liquid biofuels for transportation
29 that result in reduced greenhouse gas emissions; equitable transit
30 oriented development.

31 (c) Energy efficiency and electrification for existing buildings,
32 including projects that improve energy efficiency and utilize demand
33 side management of electricity. A priority shall be accorded to
34 projects otherwise eligible and not receiving funding from
35 investments pursuant to part III of this act;

36 (d) Agricultural and working lands emissions, including projects
37 and programs that achieve energy efficiency and emission reductions
38 in the agricultural sector including fertilizer management, soil
39 management, bioenergy, and biogas; and

1 (e) Other technologies not explicitly covered by the program in
2 (a) through (d) of this subsection, such as proposals that diversify
3 opportunities for addressing peak loads such as storage and demand
4 response or advance market transformation, educate consumers, develop
5 new low carbon fuels such as renewable natural gas, increase
6 participation in programs or that incentivize consumers to choose low
7 carbon alternatives.

8 (6) Recipients of funding for projects must submit to the
9 department of commerce a progress report at a date or dates to be
10 determined by the department. The progress report must include the
11 following in addition to any other information the department may
12 require:

13 (a) A summary of the investments made and technology or other
14 changes installed and deployed; and

15 (b) Verification of the avoided greenhouse gas emissions since
16 the date of the signed contract or the last report from a qualified
17 third party, as identified by the department of commerce, who must
18 report on:

19 (i) Whether the project was built or implemented according to the
20 proposed design and any protocols or methodologies that were
21 referenced in the proposal, as approved in the funding contract;

22 (ii) A verification plan that details the methods used to
23 evaluate the project;

24 (iii) Their review of the proponent's accounting of current and
25 projected emissions reductions;

26 (iv) The site visits conducted by verifiers; and

27 (v) Any additional data as the department identifies by rule to
28 sufficiently evaluate the project and to provide the highest level of
29 integrity and verification for the emissions reductions.

30 (7) The department must design project funding contracts, monitor
31 project implementation, and track contract performance, to actively
32 assist the project proponent in securing the expected project
33 outcomes. The department may suspend or terminate funding when
34 projects do not achieve projected reductions as provided in the
35 funding agreement, and in cases of gross misuse of funds, may require
36 a return of grant funding.

37 (8) Amounts must be appropriated to the department from the
38 account for the department's and other agencies' costs to administer
39 the projects and programs in this section.

1 (9) The department may adopt rules necessary to implement this
2 section.

3 (10) Public entities, including but not limited to state
4 agencies, municipal corporations, and federally recognized tribes,
5 and private entities, both not-for-profit and for-profit, are
6 eligible to receive investment funds authorized by this section.

7 NEW SECTION. **Sec. 202.** A new section is added to chapter 43.31
8 RCW to read as follows:

9 **TRANSITION ASSISTANCE ACCOUNT.** (1) The transition assistance
10 account is created in the state treasury. The account must receive
11 moneys distributed to the account from the carbon pollution reduction
12 account created in section 107 of this act as well as other moneys
13 directed to the account by the legislature. Moneys in the account may
14 only be used for the purposes described in this section, and may only
15 be spent after appropriation.

16 (2) Using funds appropriated from the account, the department
17 must provide assistance to vulnerable communities and households to
18 provide for an equitable transformation to a clean energy economy.
19 The assistance may include but is not limited to low-income energy
20 assistance, low-income weatherization assistance, funding existing
21 cash assistance programs, providing for public health programs, rural
22 economic development, support for low-carbon innovation and
23 entrepreneurship, providing for increased affordable transportation
24 options and services, affordable housing and improving community
25 services and infrastructure to increase resilience to climate impacts
26 and environmental pollution.

27 (3) In addition to the community and household assistance
28 authorized under subsection (2) of this section, the department must
29 use funds appropriated from the account to assist workers in fossil
30 fuel industries affected by the transition to a cleaner energy
31 economy. The assistance may include but is not limited to wage
32 replacement benefits, training and education subsidies, job placement
33 support, relocation assistance. The department must administer the
34 funds through existing assistance programs when they exist, and must
35 work in conjunction with the employment security department to
36 identify the best use of funding.

37 (4) In addition, the state board for community and technical
38 colleges must use funds deposited into this account to establish

1 three separate clean energy centers for excellence in the state
2 community college system, with one center each devoted to:

3 (a) The development of renewable energy integration and
4 generation;

5 (b) The development of smart grid technology and the next
6 generation of hydropower resources; and

7 (c) A center to promote renewable forest products and research to
8 improve forest health and reduce fire risk. The centers, in
9 cooperation with the state's energy research institutions, must
10 facilitate research and development, help attract investment in clean
11 energy, and promote clean energy jobs across a range of sectors.

12 (5) Amounts must be appropriated from the account to the
13 department for the department's and other agencies' costs to
14 administer the projects and programs in this section.

15 (6) The department may adopt rules necessary to implement this
16 section.

17 (7) The department must establish a citizen advisory group
18 comprising stakeholders representing labor organizations, social
19 equity focused organizations, small businesses, local government and
20 other interests to provide input on the use of these funds.

21 NEW SECTION. **Sec. 203.** A new section is added to chapter 43.21A
22 RCW to read as follows:

23 WATER AND NATURAL RESOURCES RESILIENCE. (1) The water and natural
24 resources resilience account is created in the state treasury. The
25 account must receive moneys distributed to the account from the
26 carbon pollution reduction account created in section 107 of this act
27 as well as other moneys directed to the account by the legislature.
28 Moneys in the account may only be used for the purposes described in
29 this section, and may only be spent after appropriation.

30 (2) The department of ecology may provide grants and loans for
31 the project activities described in this subsection, in consultation
32 with the departments of fish and wildlife, and transportation, and
33 the recreation and conservation office, and in accordance with the
34 obligations and guidelines established by the implementation plan
35 created by section 401 of this act. Eligible projects and activities
36 must consider future climate impacts in their planning, siting,
37 design, and implementation. The expenditures under this subsection
38 must be for projects and activities that include but are not limited
39 to:

1 (a) Reducing stormwater pollution from existing infrastructure
2 and development;

3 (b) Reducing the risk of flooding, protecting against damage
4 caused by floods, and protecting or restoring naturally functioning
5 areas where floods occur;

6 (c) Improving the availability and reliability of water supplies
7 for instream and out-of-stream uses; and

8 (d) Constructing fish barrier correction projects, with state
9 department of transportation projects required by court orders having
10 priority, and other projects on state and local roadways eligible for
11 funding when available funding exceeds that necessary to meet the
12 timeline of applicable court orders. In making awards for projects
13 not subject to the public court orders, the department of ecology
14 must obtain the recommendations of the fish passage barrier removal
15 board created in RCW 77.95.160.

16 (3) The account may be used by the department of natural
17 resources to improve forest and natural lands health and resilience,
18 reduce wildfire risk, and prepare for and suppress wildland fires.

19 (a) The department of natural resources may undertake projects
20 and activities or provide grants for projects and activities that
21 improve forest health that includes but is not limited to thinning or
22 prescribed fire, with priority given to projects:

23 (i) Proposed pursuant to a forest collaborative planning process
24 establishing ecological and public safety goals across any
25 combination of local, state, federal, and private ownerships; and

26 (ii) That are consistent with the forest health treatment and
27 assessment framework developed pursuant to chapter 95, Laws of 2017;

28 (b) The department of natural resources may support agency
29 activities related to and provide grants for:

30 (i) Wildland fire prevention;

31 (ii) Wildland fire suppression; and

32 (iii) Projects and activities that reduce the risk of wildland
33 fires to communities and improve their ability to adapt to wildfires.

34 (4) Amounts must be appropriated to the department from the
35 account for the department's and other agencies costs to administer
36 the projects and programs in this section.

37 (5) By January 1, 2019, the department of ecology must establish
38 an advisory committee comprising representatives of state and local
39 agencies, the climate impacts group at the University of Washington
40 and other private sector organizations to provide input on how the

1 department shall identify, evaluate, and prioritize infrastructure
2 needs and projects based on their ability to increase the resilience
3 of Washington's natural resources to the impacts of climate change
4 expected in the state.

5 **Part III**

6 **Clean Energy Investment Program**

7 NEW SECTION. **Sec. 301.** DEFINITIONS. The definitions in this
8 section apply throughout this part unless the context clearly
9 requires otherwise.

10 (1) "Commission" means the utilities and transportation
11 commission.

12 (2) "Department" means the department of commerce.

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

15 (4) "Light and power business" has the same meaning as provided
16 in RCW 82.16.010.

17 (5) "Consumer-owned utility" has the same meaning as provided in
18 RCW 19.280.020.

19 (6) "Investor-owned utility" has the same meaning as provided in
20 RCW 19.280.020.

21 NEW SECTION. **Sec. 302.** CARBON POLLUTION TAX CREDIT. (1)
22 Beginning July 1, 2019, each light and power business or gas
23 distribution business may claim a credit against the tax imposed in
24 section 102 of this act for clean energy investments approved
25 pursuant to this chapter, not to exceed one hundred percent of the
26 taxes owed under section 102 of this act in the same calendar year.

27 (2) To be eligible for the credit under this section for clean
28 energy investment, a light and power business or gas distribution
29 business must, as of the date the credit is claimed, have executed an
30 agreement with the department or commission pursuant to section 306
31 of this act, authorizing it to reinvest an equivalent amount of
32 revenues collected from customers for the purposes of this chapter
33 during that year, the preceding year, or any of the three subsequent
34 years. Remaining revenues collected pursuant to the tax imposed in
35 section 102 of this act shall be remitted to the department of
36 revenue and deposited in the carbon pollution reduction account.

1 (3) Each light and power business and gas distribution business
2 claiming a credit pursuant to this section must establish and
3 maintain a separate clean energy investment account into which it
4 must deposit amounts equal to the credit taken under this section.
5 Moneys in this account must be kept separate from other accounts, and
6 may only be expended for the purposes identified in this chapter.
7 Interest accrued on this account must be expended only for purposes
8 identified in this chapter.

9 (4) A light and power business or gas distribution business
10 subject to the jurisdiction of the commission may not earn a rate of
11 return from the portion of investments paid for with moneys from the
12 clean energy investment account.

13 (5) Moneys retained in the separate clean energy investment
14 account are considered gross operating revenue for the purpose of RCW
15 80.24.010, and are not considered gross income for the purpose of
16 chapter 82.16 RCW.

17 NEW SECTION. **Sec. 303.** TECHNICAL ADVISORY COMMITTEE CREATED.

18 (1) The commission and the department must create a broadly
19 representative technical advisory committee for the purpose of
20 advising the commission, the department, other state agencies, the
21 legislature, utilities, and local governments on utility reinvestment
22 of moneys credited pursuant to section 302 of this act. The advisory
23 committee will advise on or review standards and guidelines to be
24 developed or adopted by the commission and the department to
25 evaluate, quantify and verify greenhouse gas emissions reductions
26 proposed by utility plans pursuant to section 305 of this act. The
27 duties of the technical advisory committee include, but are not
28 limited to:

29 (a) Advising on standard protocols for verification and
30 evaluation of greenhouse gas emissions reductions from utility
31 investments;

32 (b) Recommending common planning assumptions for use in utility
33 clean energy investment plans;

34 (c) Advising on a standard reporting format to be adopted by the
35 commission and the department for all investments and activities
36 supported by the clean energy investment accounts; and

37 (d) Other duties consistent with the purpose of this section, as
38 required by the commission or department.

1 (2) The technical advisory committee established in this section
2 constitutes a class one group under RCW 43.03.220. Expenses for the
3 technical advisory committee are an appropriate administrative
4 expense for the purpose of section 305(7)(j) of this act. Staff
5 support must be provided by the department and the commission.

6 NEW SECTION. **Sec. 304.** WASHINGTON CLEAN ENERGY INVESTMENT
7 PROGRAMS ESTABLISHED—RULE MAKING. By July 1, 2019, the department of
8 commerce must adopt rules that apply to the consumer-owned utilities
9 and the utilities and transportation commission must adopt rules that
10 apply to the investor-owned utilities concerning the process,
11 timelines, reporting, and documentation required to ensure the proper
12 implementation of this chapter. Such rules must also establish
13 requirements for review, approval, and independent monitoring and
14 evaluation of clean energy investment plan implementation. The
15 department and the commission must, to the extent practicable, adopt
16 rules that are similar enough to ensure coordinated and consistent
17 implementation of this chapter for consumer-owned and investor-owned
18 utilities.

19 NEW SECTION. **Sec. 305.** CLEAN ENERGY INVESTMENT PLANS. (1) To be
20 eligible for the tax credit under section 302 of this act, a light
21 and power business or gas distribution business must develop and
22 maintain an approved clean energy investment plan, and execute an
23 agreement with the department or the commission as described in this
24 section.

25 (2) When developing and updating its clean energy investment
26 plan, a light and power business or gas distribution business must
27 solicit public input through public processes under the oversight of
28 the commission or the governing body of a consumer-owned utility.

29 (3) Beginning July 1, 2020, a light and power business or gas
30 distribution business seeking a credit under section 302 of this act
31 must submit:

32 (a) A clean energy investment plan for approval by the
33 department, in the case of a consumer-owned utility, or by the
34 commission, in the case of an investor-owned utility;

35 (b) A summary of the public input received during development of
36 the plan; and

37 (c) A schedule for independent evaluation of activities financed
38 through the clean energy investment plan, including verification of

1 carbon emissions reductions. The reasonable costs of such independent
2 evaluations may be included in a utility's clean energy investment
3 plan and paid for from a utility's clean energy investment account.

4 (4) A utility's clean energy investment plan may use methods and
5 calculations that deviate from the common protocols and planning
6 assumptions recommended by the technical advisory committee when
7 approved by the commission or the department of commerce.

8 (5) A clean energy investment plan must include:

9 (a) Programs for investments or expenditures that:

10 (i) Are incremental to investments or expenditures that the
11 utility would have pursued in the absence of such clean energy
12 investment plan; and

13 (ii)(A) Reduce or offset carbon dioxide emissions of the utility;
14 or

15 (B) Advance market transformation, educate consumers, develop new
16 low carbon fuels such as renewable natural gas, and increase
17 participation in programs that enable consumers to choose low carbon
18 alternatives;

19 (b) A demonstration that the portfolio of funded activities can
20 reasonably be expected to achieve reductions in greenhouse gas
21 emissions;

22 (c) An estimate, based on protocols developed by the technical
23 advisory committee or other protocol as authorized under subsection
24 (4) of this section, of the metric tons of emissions reductions and
25 the cost per metric ton of emission reductions for the portfolio of
26 projects in the clean energy investment plan;

27 (d) A demonstration that expenditures in the clean energy
28 investment plan will be additional to expenditures necessary to meet
29 other emissions reduction, energy conservation, or renewable energy
30 requirements not to exceed an average cost per metric ton of
31 greenhouse gases abated at three hundred percent of the carbon tax
32 rate or to be determined by the department or commission as
33 appropriate; and

34 (e) A customer education and outreach program to promote
35 widespread participation by consumers and businesses.

36 (6) At least twenty percent of the moneys collected by a utility
37 pursuant to this section must be dedicated for low-income energy
38 assistance, which may include discounted rates for qualifying
39 customers, grants to qualifying customers with high utility bills and
40 weatherization, residential distributed energy resources and electric

1 vehicle charging equipment that benefit low-income customers. Such
2 moneys must be additional to other funding for low-income energy
3 assistance.

4 (7) A clean energy investment plan may only include the following
5 types of investments or expenditures:

6 (a) Additional conservation in excess of the target established
7 under RCW 19.285.040(1), other state obligations, or other obligation
8 established by the commission;

9 (b) Market transformation for energy efficiency products;

10 (c) Eligible renewable energy resources as defined by RCW
11 19.285.030, in excess of the target established under RCW
12 19.285.040(2);

13 (d) Low-income weatherization;

14 (e) Infrastructure to support electrification of the
15 transportation sector, including, but not limited to:

16 (i) Equipment on an electrical company's transmission and
17 distribution system to accommodate electric vehicle connections, and
18 smart grid systems, that enable electronic interaction between the
19 company and charging systems, and facilitate company utilization of
20 vehicle batteries for system needs;

21 (ii) Incentives for car dealers to sell electric vehicles;

22 (iii) Incentives for property owners to install charging
23 equipment for electric vehicles; and

24 (iv) Incentives for the electrification of vehicle fleets;

25 (f) Investment in clean distributed energy resources and grid
26 modernization to facilitate distributed resources and improved grid
27 resiliency;

28 (g) Research and development that will promote energy
29 conservation, or the deployment of zero-emission energy resources;

30 (h) Investments in renewable natural gas production, including
31 gas conditioning equipment for biogas;

32 (i) Contributions to self-directed investments in the following
33 measures to serve the sites of large industrial gas and electrical
34 customers: Conservation; new renewable energy resources; behind-the-
35 meter technology that facilitates demand response cooperation to
36 reduce peak loads; infrastructure to support electrification of
37 transportation needs and heating loads; or renewable natural gas
38 production, including gas conditioning equipment for biogas; and

1 (j) The reasonable costs of administration of clean energy
2 investment program, as determined by the department or the
3 commission.

4 (8) Funds from a clean energy investment account may be expended
5 by an investor-owned utility to replace all or some of the debt
6 financing portion of capital projects identified in the utility's
7 approved clean energy investment plan, if the commission determines
8 that such treatment would reduce the overall cost of the project to
9 customers, and is otherwise consistent with the purposes of this
10 section.

11 (9) In order to maintain eligibility for the tax credit under
12 section 302 of this act and to continue to retain authority to expend
13 money from the utility's clean energy investment account, a light and
14 power business or gas distribution business must submit and receive
15 approval of an updated clean energy investment plan every three
16 years.

17 NEW SECTION. **Sec. 306.** CLEAN ENERGY INVESTMENT PROGRAM
18 EXPENDITURE MONITORING AND OVERSIGHT. (1) Upon approval of a clean
19 energy investment plan, a light and power business or gas
20 distribution business must execute an agreement with the department
21 or the commission, authorizing the light and power business or gas
22 distribution business to expend moneys from its clean energy
23 investment account in accordance with an approved clean energy
24 investment plan, with the oversight of the department or commission.

25 (2) In order to maintain eligibility for the tax credit under
26 section 302 of this act and to retain authority to expend money from
27 the utility's clean energy investment account, a utility must submit
28 annual reports to the commission or the department, including, but
29 not limited to:

30 (a) The status of projects approved in the previous clean energy
31 investment plan; and

32 (b) Using the protocols established by the commission and the
33 department:

34 (i) An accounting of greenhouse gas emissions reductions achieved
35 and the cost per metric ton of emissions reductions compared to
36 estimates of the cost per metric ton in emissions reductions
37 contained in the clean energy investment plan; and

38 (ii) An updated estimate of future greenhouse gas emissions
39 reductions and the estimated cost per metric ton.

1 (3) The commission may enter into an agreement with the
2 department to serve as the contracting entity on behalf of the state
3 for the purposes of this section.

4 (4) The department of commerce must, annually on a schedule it
5 sets, provide the department of revenue a report summarizing who is
6 entitled to the credit, over what timeline, any further information
7 required to assist the department of revenue in administering the
8 credit.

9 **Part IV**
10 **Planning**

11 NEW SECTION. **Sec. 401.** PLANNING AND PREPARATION FOR
12 IMPLEMENTING THE CARBON POLLUTION REDUCTION ACCOUNT. The department
13 of commerce must, by June 30, 2019, develop an implementation plan
14 for the investment of the energy transformation account and the
15 transition assistance account. This planning and preparation must
16 include:

17 (1) Analysis, to be implemented in partnership with the
18 Washington State University extension energy program, to further
19 determine overall carbon pollution abatement opportunities in
20 Washington. The analysis may include the development of a marginal
21 abatement cost curve for Washington that may be used by the
22 department to recommend appropriate award amounts per metric ton of
23 carbon dioxide equivalent of greenhouse gas emission reductions for a
24 variety of clean energy, efficiency, transportation, electrification,
25 and other project portfolio types. By March 1, 2021, and by March 1st
26 of each odd-numbered year thereafter, the Washington State University
27 extension energy program and the department of commerce must update
28 the recommended amounts per metric ton of emission reductions for the
29 following two-year period;

30 (2) The preparation of robust monitoring and evaluation systems
31 to ensure that the effects and cost-effectiveness of grants are
32 rigorously assessed and that such assessments are used over time to
33 inform and strengthen the grant making process;

34 (3) The assessment and development of efficient and transparent
35 grant making strategies designed to ensure program objectives are met
36 and taxpayer interests are protected, including, but not limited to,
37 leveraging investments through partnerships, reverse auctions, and

1 pay-for-performance mechanisms in which funding is released upon
2 emission reduction verifications; and

3 (4) Outreach and education to engage eligible recipients for
4 grant funding and to prepare them to develop and submit grant
5 applications for priority projects.

6 NEW SECTION. **Sec. 402.** PLANNING AND PREPARATION FOR RESILIENCE.

7 (1) The department of ecology must, in the first twelve months after
8 the implementation of the carbon tax in section 102 of this act, and
9 in cooperation with the Washington recreation and conservation office
10 and the climate impacts group at the University of Washington,
11 develop an implementation plan for the investment of the water and
12 natural resources resilience account. This plan must include:

13 (a) Identification of priority issues for adaptation and
14 resilience investments;

15 (b) Clear objectives for the program and metrics to be used by
16 the department and the legislature to evaluate the impact and
17 effectiveness of investments made through the program;

18 (c) Guidance to evaluate the rigor, potential impact, and
19 readiness of applications submitted under the program;

20 (d) Assessment and development of grant making strategies to
21 maximize the cost-effectiveness of the program; and

22 (e) Outreach and education to engage potential recipients for
23 grant funding and to prepare them to develop and submit grant
24 applications for priority projects.

25 (2) Not later than October 1, 2022, and every four years
26 thereafter, the department of ecology must work with the climate
27 impacts group at the University of Washington to provide an
28 assessment of the state's resilience to climate change impacts and
29 the remaining major vulnerabilities, and must provide recommendations
30 for additional types of projects and activities which should be
31 funded from the water and natural resources resilience account. All
32 state agencies shall cooperate in providing monitoring data and other
33 information important in preparing the assessment and the
34 recommendations required by this subsection.

35 NEW SECTION. **Sec. 403.** TRANSITION ASSISTANCE. The department of
36 commerce must, in the first twelve months after the implementation of
37 the carbon tax, work with the employment security department, the
38 department of health, and other agencies to establish an

1 implementation plan for the transition assistance account. The
2 implementation plan must include:

3 (1) Identification of disproportionately impacted communities
4 characterized by high concentrations of people that are of low income
5 or higher levels of unemployment or that feature low levels of home
6 ownership or where average costs of energy or rent is a higher
7 proportion of average income;

8 (2) Guidance to evaluate wage and benefit value for affected
9 workers; and

10 (3) Outreach and education to engage organizations and other
11 eligible recipients for funding support.

12 NEW SECTION. **Sec. 404.** DECARBONIZATION PLANNING. The department
13 of commerce must within two years after enactment of this statute
14 develop a statewide plan for how the state of Washington would
15 achieve mid-century net greenhouse gas emissions reductions of eighty
16 percent or greater. The office of financial management, the
17 department of ecology, the utilities and transportation commission,
18 and Washington State University extension energy program must provide
19 technical assistance to the department of commerce. The department of
20 commerce must convene and provide staff support to deep
21 decarbonization advisory committee made up of a broad representation
22 of local and state governments, businesses, public interest
23 organizations, energy industry, and citizens to provide
24 recommendations on the scope and content of the statewide plan. As
25 needed, commerce may establish technical committees to provide
26 additional input and may contract for technical analysis of elements
27 related to the plan.

28 **Part V**

29 **Miscellaneous Provisions**

30 NEW SECTION. **Sec. 501.** The provisions of RCW 82.32.805 and
31 82.32.808 do not apply to this act.

32 NEW SECTION. **Sec. 502.** Part I of this act constitutes a new
33 chapter in Title 82 RCW.

34 NEW SECTION. **Sec. 503.** Parts III and IV of this act constitute
35 a new chapter in Title 43 RCW.

1 NEW SECTION. **Sec. 504.** If any provision of this act or its
2 application to any person or circumstance is held invalid, the
3 remainder of the act or the application of the provision to other
4 persons or circumstances is not affected.

5 NEW SECTION. **Sec. 505.** Section 102 of this act takes effect
6 July 1, 2019.

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