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11 **UNITED STATES DISTRICT COURT**  
12 **EASTERN DISTRICT OF WASHINGTON**

13 AVISTA CORPORATION,  
14 CASCADE NATURAL GAS  
15 CORPORATION, NORTHWEST  
16 NATURAL GAS COMPANY, and  
17 PUGET SOUND ENERGY, INC.,

18 Plaintiffs,

19 v.

20 MAIA D. BELLON, in her official  
21 capacity as Director of Washington  
22 State Department of Ecology; and  
23 WASHINGTON STATE  
24 DEPARTMENT OF ECOLOGY,

Defendants.

**No.**

**PLAINTIFFS' ORIGINAL  
COMPLAINT FOR  
DECLARATORY AND  
INJUNCTIVE RELIEF**

Plaintiffs Avista Corporation, Cascade Natural Gas Corporation, Northwest  
Natural Gas Company, and Puget Sound Energy, Inc. (collectively, "Plaintiffs")  
file this civil action to redress violations of the Commerce Clause of the United

1 States Constitution, Article I, Section 8, cl. 3, by greenhouse gas (“GHG”)  
2 emission regulations adopted by the Washington State Department of Ecology  
3 (“Ecology”) on September 15, 2016, Chapter 173-442 of the Washington  
4 Administrative Code (“WAC”). The adopted “Clean Air Rule” (“CAR”) violates  
5 the Commerce Clause because it discriminates against interstate commerce,  
6 regulates extraterritorially, and unduly burdens interstate commerce, all of which  
7 deprive Plaintiffs of rights, privileges, or immunities secured by the U.S.  
8 Constitution and laws. Plaintiffs have commenced this action seeking declaratory  
9 relief to have the unconstitutional provisions of the CAR struck down and  
10 invalidated as null and void, and injunctive relief to prevent the unconstitutional  
11 enforcement of these laws.  
12

## 14 I. INTRODUCTION

15 1. Plaintiffs play key roles in the Washington state energy sector and will all be  
16 injured by the restrictions on interstate commerce imposed by CAR. Plaintiffs  
17 include electric utilities and natural gas local distribution companies (“LDCs”) that  
18 work hard with their customers to promote and implement energy efficiency  
19 programs while fulfilling their obligation to serve all customers with affordable  
20 energy. The economic resources of Plaintiffs’ customers differ across their service  
21 areas, and, especially for lower-income customers, electricity and natural gas price  
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1 increases have disproportionate impacts. Plaintiffs must keep these effects in mind  
2 when engaging in long-term planning.

3 2. Plaintiffs agree with Ecology that reducing greenhouse gas emissions is a  
4 matter that needs to be addressed. But the importance of a problem does not  
5 warrant the imposition of unconstitutional obligations, nor an unjustified burden on  
6 interstate commerce.

7  
8 3. CAR applies to three classes of entities: stationary sources located in  
9 Washington (e.g., electric power generators, landfill and waste operators, chemical  
10 and material manufacturers, etc.), natural gas distributors located in Washington,  
11 and petroleum product producers located in or importing to Washington. *See*  
12 WAC 173-442-010. Notably, CAR covers natural gas distributors and subjects  
13 them to an emissions reduction pathway based on *indirect* emissions: those of their  
14 non-covered customers.

15  
16 4. Covered parties with emissions over certain thresholds must either reduce  
17 their emissions along a specified pathway or must purchase GHG emissions  
18 “offsets” to account for excess emissions. These “offsets” consist of either in-state  
19 “emission reduction units” (“ERUs”) or, to a limited and declining extent, out-of-  
20 state allowances from states or provinces that have established multi-sector GHG  
21 programs. Over time, covered parties using emissions offsets to meet CAR’s  
22 requirements may use out-of-state allowances to meet no more than 5% of their  
23  
24

1 compliance goals; they are forced to use in-state ERUs instead. WAC 173-442-  
2 170(2)(a).

3 5. CAR creates a demand for ERUs and ERU generation. It then allows only  
4 in-state sources to generate ERUs, which could just as easily be generated by out-  
5 of-state offset sources, with no impact to the reduction of GHGs. CAR allows  
6 covered parties to use external offset markets for compliance only on a  
7 significantly declining scale over time, while simultaneously establishing a one-  
8 way linkage to out-of-state GHG offset markets that lets out-of-state allowances  
9 into Washington without letting ERUs generated within Washington cross state  
10 lines.  
11

12 6. As such, CAR creates barriers to interstate commerce and unjustifiably  
13 discriminates against out-of-state GHG offsets.  
14

## 15 **II. PARTIES**

16 7. Plaintiff Avista Corporation (“Avista”) generates and transmits electricity to  
17 over 360,000 customers and distributes natural gas to over 330,000 customers in  
18 eastern Washington, northern Idaho, and parts of southern and eastern Oregon. It  
19 is located at 1411 East Mission Avenue Spokane, WA 99202, in Spokane County.  
20

21 8. Plaintiff Cascade Natural Gas Corp. (“Cascade”) is a natural gas LDC that  
22 serves over 277,000 customers in 96 communities, 68 of which are in Washington  
23  
24

1 and 28 in Oregon. It is located at 8113 W Grandridge Blvd. Kennewick, WA  
2 99336, in Benton County.

3 9. Plaintiff Northwest Natural Gas Company (“NWNG”) is a 157-year-old  
4 natural gas local distribution and storage company providing natural gas service to  
5 more than 718,000 residential, commercial, and industrial customers in  
6 Washington and Oregon, 76,000 of which are in Clark County, Washington. It is  
7 located at 220 NW Second Ave., Portland, OR 97209.

8  
9 10. Plaintiff Puget Sound Energy, Inc. (“PSE”) is Washington’s oldest and  
10 largest local energy company, serving approximately 1.1 million electric and  
11 790,000 natural gas customers, some of which are located in Kittitas County,  
12 Washington. It is located at 10885 N.E. 4th Street Suite 1200 Bellevue, WA  
13 98004.

14  
15 11. Defendant Maia D. Bellon is the Director of Ecology and, as such, signed  
16 and adopted the Clean Air Rule, Chapter 173-442 WAC. Her office is located at  
17 Ecology headquarters, 300 Desmond Drive SE, Lacey, WA 98503. This action is  
18 brought against Director Bellon in her official capacity.

19  
20 12. Defendant Ecology is an administrative agency of the State of Washington  
21 that is charged, among other things, with rulemaking in accordance with the  
22 federal and state Clean Air Act. Ecology was the agency responsible for drafting  
23 and issuing the Clean Air Rule, Chapter 173-442 WAC. Ecology’s mailing  
24

1 address is: P.O. Box 47600, Olympia, Washington 98504-7600, and its  
2 headquarters are located at 300 Desmond Drive SE, Lacey, WA 98503.

### 3 III. JURISDICTION AND VENUE

4 13. This action arises under 42 U.S.C. §§ 1983 and 1988; 28 U.S.C. §§ 2201 *et*  
5 *seq.* (“the Declaratory Judgment Act”); and Article I, § 8, cl. 3 of the United States  
6 Constitution, commonly known as “the Commerce Clause”.

7  
8 14. This court has jurisdiction over the claims set forth in this complaint under  
9 28 U.S.C. § 1331 and 28 U.S.C. § 1343.

10 15. Venue is proper in this district under 28 U.S.C. § 1391(b) because the  
11 injuries giving rise to Plaintiffs’ claims are taking place in this district, because a  
12 substantial part of the property that is the subject of the action is situated in this  
13 district, and because Defendants are subject to the Court’s personal jurisdiction in  
14 this district.  
15

16 16. This Court is empowered to provide declaratory relief in this action pursuant  
17 to the Declaratory Judgment Act, 28 U.S.C. §§ 2201 *et seq.*, and Rule 57 of the  
18 Federal Rules of Civil Procedure.

19 17. This Court is empowered to provide injunctive relief in this action pursuant  
20 to, *inter alia*, 28 U.S.C. § 2202.  
21

### 22 IV. FACTUAL ALLEGATIONS

#### 23 Plaintiffs’ Electric and Natural Gas Operations

1 18. Plaintiff Avista generates and transmits electricity across portions of  
2 Washington, Idaho, and Oregon. In addition, Plaintiff Avista owns and operates a  
3 natural gas LDC in Washington, Idaho, and Oregon states.

4 19. Plaintiff Cascade owns and operates LDCs in Washington and Oregon  
5 states.

6 20. Plaintiff NWNG owns a LDC in Oregon that operates in Washington and  
7 Oregon states.

8 21. Plaintiff PSE owns and draws upon electric generating sources in multiple  
9 states across the western United States. Of PSE-owned generation resources, there  
10 are nine natural gas electric generating facilities across Washington. PSE also  
11 holds partial ownership of the Colstrip coal electric generating facility in Montana;  
12 two hydroelectric generating facilities; and three wind farms. In addition to  
13 running electric generation operations, Plaintiff PSE owns and operates a LDC in  
14 Washington state.

15 22. Plaintiffs' LDC operations consist of pipelines and related infrastructure,  
16 extending throughout and, for some, beyond Washington state, and providing  
17 natural gas to customers for a variety of end-uses across a range of sectors. Most  
18 notably, LDCs supply natural gas to power plants for electricity generation and to  
19 homes and businesses for area heating, hot water, cooking, and other purposes.  
20  
21  
22  
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1 23. As natural gas distributors in Washington, Plaintiffs are all “covered parties”  
2 under CAR. WAC 173-442-020(1)(k)(iii).

3 24. Additionally, Plaintiff PSE is a “covered party” under CAR as an owner or  
4 operator of stationary sources located in Washington. WAC 173-442-020(1)(k)(i).

5  
6 **Ecology’s Clean Air Rule**

7 25. On September 15, 2016, pursuant to a directive from Washington Governor  
8 Jay Inslee, Ecology finalized “CAR,” Chapter 173-442 WAC, a set of regulations  
9 designed to reduce GHGs in the State of Washington. The rule sets thresholds for  
10 GHG emissions and requires “covered parties” to reduce their emissions,  
11 beginning in 2017, by 1.7% annually from an established baseline.

12  
13 26. Under the regulations, covered parties must either directly reduce their GHG  
14 emissions to meet an established emission reduction pathway or must acquire GHG  
15 emissions offsets to make up the difference between the actual emissions and the  
16 target emissions.

17 27. Because LDCs consist mostly of pipelines, Plaintiffs have very limited direct  
18 emissions and few options for directly reducing emissions. CAR, however,  
19 obligates the LDCs to reduce emissions associated with their customers’ use of the  
20 natural gas they sell. As a result, the LDC Plaintiffs have only two options to  
21 comply: sell less natural gas, or acquire GHG emissions offsets.

22  
23 28. CAR allows covered parties to acquire these GHG emissions offsets by:  
24

- 1 a. purchasing ERUs from other Washington sources that reduce  
2 emissions below their emission reduction pathway levels;  
3  
4 b. obtaining in-state ERUs by engaging in or investing in a limited list of  
5 activities that reduce or abate GHG emissions within Washington  
6 state; or  
7  
8 c. to a limited and declining extent, acquiring allowances from other  
9 states or provinces that have established, multi-sector GHG programs  
10 (such as the California Air Resources Board (“CARB”) cap-and-trade  
11 program).

12 **CAR’s Regulation of GHG Emissions Offset Market**

13 29. Through CAR, Ecology creates a restricted, in-state-only market for GHG  
14 emissions offsets—ERUs—that favors in-state businesses and investments and  
15 excludes out-of-state actors and investments.

16 30. Under CAR, covered parties may earn in-state ERUs by reducing GHG  
17 emissions in Washington state below their emission reduction pathway, or by  
18 engaging in or investing in a limited list of activities, for instance, eligible  
19 renewable resources defined by RCW 19.285.030(12), within Washington state.  
20

21 31. In addition to covered parties, CAR permits businesses that are not covered  
22 by CAR to voluntarily participate in reducing their own GHGs, thereby generating  
23  
24

1 in-state ERUs, with the purpose of selling or trading the ERUs to others. WAC  
2 173-442-030(6); WAC 173-442-110(1).

3 32. Under CAR, in-state ERUs may be banked, WAC 173-442-130, bought,  
4 sold, or traded. WAC 173-442-140. Ecology envisions that third parties may  
5 facilitate, broker, and assist in the transfer of ERUs. WAC 173-442-140(3).  
6

7 33. However, CAR explicitly limits who may hold these ERUs: “Only covered  
8 parties, Ecology, and voluntary participants may hold ERUs.” WAC 173-442-  
9 140(3)(b). Because “covered parties” and “voluntary parties” are restricted to  
10 Washington entities, this means that only in-state entities may hold ERUs.  
11

12 34. CAR also explicitly restricts ERU *generation* to in-state entities and  
13 projects, whether the ERU generation occurs directly through actual GHG  
14 emissions reduction below required levels, or through the retirement of renewable  
15 energy credits (“RECs”). WAC 173-442-100 (ERUs “must originate from GHG  
16 emission reductions occurring within Washington”); WAC 173-442-160(5)(b)(i)  
17 (“Renewable resources eligible for generating ERUs include eligible renewable  
18 resources as defined by RCW 19.285.030(12) except that only those eligible  
19 renewable resources physically located *in Washington* may generate ERUs.”)  
20 (emphasis added).  
21

22 35. In contrast to CAR, Washington’s renewable portfolio standard (“RPS”)  
23 does not prohibit out-of-state renewable energy sources from being eligible to  
24

1 generate RECs. *See* RCW 19.285.030(12). However, CAR prevents out-of-state  
2 REC sources from creating ERUs.

### 3 CAR's Regulation of Out-Of-State Allowances

4 36. Aside from acquiring in-state ERUs, during initial compliance periods,  
5 covered parties may achieve CAR compliance by relying 100% on allowances  
6 purchased from out-of-state markets. But, over time, CAR sets a diminishing cap  
7 on the percentage of a covered party's compliance burden that the party can meet  
8 using out-of-state allowances, imposing increasingly stringent limits on the use of  
9 these allowances until, by 2035, a covered party may use out-of-state allowances  
10 for only up to 5% of its CAR obligation. WAC 173-442-170.

11 37. As a result, by 2035, the ERU market, which is limited to in-state generation  
12 and in-state holders, will be the predominant method by which Plaintiffs can  
13 comply with CAR's requirements.

14 38. CAR does not limit the use of external, out-of-state allowances because of  
15 concerns about compatibility or equivalency between in-state and out-of-state  
16 compliance instruments. *See* WAC 173-442-170(2)(a). Ecology expressly  
17 acknowledges that the purpose of the declining limits on out-of-state allowances is  
18 to "encourag[e] covered parties to obtain ERUs *from Washington State.*" SEPA  
19 Environmental Checklist - Clean Air Rule, Appendix A - SEPA Non-Project  
20 Review Form Proposed Clean Air Rule (May 2016) at 16.  
21  
22  
23  
24

**CAR Discriminates Against Interstate Commerce**

1  
2 39. CAR restricts ERUs to an in-state market, but Plaintiffs’ operations are  
3 inherently interstate.

4  
5 40. Geographic preference provisions, like CAR’s in-state ERU and REC  
6 restrictions and diminishing cap on out-of-state allowances, benefit local industries  
7 at the expense of out-of-state industries by creating in-state demand for a service  
8 and permitting only in-state entities to meet that demand, even though out-of-state  
9 entities could meet the demand just as well.

10  
11 41. The only motivation by Ecology for setting the geographic preference  
12 provisions is economic protectionism.

13  
14 42. Ecology asserts that CAR will likely benefit Washington’s state economy,  
15 including “profits from emissions reduction unit sales and reduction services” and  
16 “co-benefits of GHG emissions reduction projects and programs,” including  
17 “relax[ed] income and spending constraints for low-income families,” “reduced  
18 traffic,” and “[l]ower parking and automotive maintenance costs.” Dept. of  
19 Ecology, Final Cost-Benefit and Least-Burdensome Alternative Analysis, Ch. 173-  
20 442 WAC Clean Air Rule, Ch. 173-441 WAC Reporting of Emissions of  
21 Greenhouse Gases, 39 (Sept. 2016); *id.* at 58. Ecology states that on-site GHG  
22 emission reductions might use additional employed labor, contracted services, or  
23 purchased goods, causing compliance costs to “be mitigated by positive economic  
24

1 activity and employment in these other sectors of the state economy” and that  
2 project-based reductions might employ consultants in contracted design,  
3 engineering, partnership and development services, causing compliance costs to  
4 “be mitigated by positive economic activity in these other sectors of the state  
5 economy.” Final Cost-Benefit Analysis at 33.  
6

7 43. Additionally, Ecology has no explanation, much less one unrelated to  
8 economic protectionism, for the gradual restriction on using out-of-state  
9 allowances instead of in-state ERUs.

10 44. Ecology admits that a reduction in GHG emissions, anywhere, would have  
11 the same effect on climate as a reduction within Washington state. Dept. of  
12 Ecology, Concise Explanatory Statement, Ch. 173-442 WAC Clean Air Rule, Ch.  
13 173-441 WAC Reporting of Emissions of Greenhouse Gases, Summary of  
14 Rulemaking and Response to Comments, Response 268, 122 (Sept. 2016)  
15 (“climate change is unique in that a reduction in GHGs in one part of the globe has  
16 the same effect on climate as a reduction in another location”).  
17

18 45. In limiting the use of out-of-state allowances, Ecology’s only aim is to block  
19 out-of-state wealth transfers: to keep money from flowing outside of Washington  
20 as covered parties comply with CAR. *See* Final Cost-Benefit Analysis at 33.  
21  
22  
23  
24

1 46. As Plaintiffs turn to the marketplace to acquire GHG emissions offsets in  
2 satisfaction of CAR, CAR will restrict that marketplace in order to prevent wealth-  
3 transfers out of state.

4 47. And, longer-term, the practical effect of CAR's limitation on the use of out-  
5 of-state allowances will be to force LDCs to invest in *in-state* offset projects.  
6 Ecology will have restricted to in-state--at least up to 95%--the market for LDCs to  
7 spend their money to acquire the GHG emissions offsets needed to comply with  
8 CAR. LDCs will have no other options.

9 48. Ecology expressly acknowledges that the purpose of the declining limits on  
10 out-of-state allowances is to “encourag[e] covered parties to obtain ERUs *from*  
11 *Washington State*”—a motive clearly related to economic protectionism.  
12 Appendix A - SEPA Non-Project Review Form Proposed Clean Air Rule, at 16.  
13 Ecology even notes that “[m]arket-based purchases of emissions allowances from  
14 external carbon markets would be *transfers out of the state*. These compliance  
15 *costs would not likely be mitigated* by positive economic activity in other sectors of  
16 the state economy.” Final Cost-Benefit Analysis at 33 (emphases added).  
17  
18  
19

20 **Ecology's CAR Provisions Regulate Extraterritorially**

21 49. CAR regulates extraterritorially by allowing for only “one-way linkage” to  
22 out-of-state carbon markets that will increase allowance prices in those external  
23 markets, which will harm Plaintiffs seeking to acquire these out-of-state  
24

1 allowances. Final Cost-Benefit Analysis at 69. This one-way linkage only allows  
2 out-of-state allowances into Washington (at a diminished rate over time) without  
3 letting ERUs generated within Washington cross state lines.

4 50. CAR will add participants to the out-of-state allowance markets (e.g., the  
5 CARB market) and, as a result, increase demand for the limited pool of  
6 allowances, without increasing the supply of allowances in that market. The net  
7 effect of increasing demand without increasing supply will be to raise the price of  
8 out-of-state allowances. This would control conduct occurring entirely outside of  
9 Washington's borders (e.g., allowance sales between two CARB-covered parties in  
10 California).

11 51. Additionally, CAR limits how covered parties that may generate in-state  
12 ERUs, like PSE's and Avista's electric generating branches, may sell, trade, or  
13 dispose of those ERUs—limiting the use to in-state. CAR deprives Washington  
14 entities the freedom to generate and sell ERUs to any willing buyer across state  
15 lines; despite their being a clear market for such GHG emissions offsets.

16  
17  
18 **CAR Unduly Burdens Interstate Commerce and is Clearly Excessive When**  
19  
20 **Compared with Any Putative Local Benefit**

21 52. Plaintiffs do not dispute that reducing greenhouse gas emissions is a  
22 legitimate local purpose. But Defendants cannot show that there is no non-  
23 discriminatory alternative to CAR for achieving this legitimate local purpose.

1 53. Ecology considered various mechanisms for GHG regulation before  
2 finalizing CAR. Many of these would have been less burdensome than CAR while  
3 achieving the same, if not greater, local benefits, including (i) linking the  
4 Washington program directly to existing market programs; and (ii) excluding  
5 natural gas as a covered emissions category. Final Cost-Benefit Analysis at 69  
6 (after considering “[l]inking the Washington State program directly to existing  
7 market programs,” the final CAR only “provides the possibility for *one-way*  
8 *linkage* to existing systems” like CARB).

10 54. CAR’s burdens on interstate commerce are clearly excessive in relation to  
11 the regulation’s putative local benefits.

13 55. CAR could impose significant costs on Washington businesses and  
14 consumers, without achieving any real climate benefits to Washington state.  
15 Indeed, Ecology acknowledges that “it is not possible to specify the local benefits  
16 to climate change resulting from control of local emissions.” Final Cost-Benefit  
17 Analysis at 42. Additionally, Ecology admits that “climate change is unique in that  
18 a reduction in GHGs in one part of the globe has the same effect on climate as a  
19 reduction in another location.” Ecology Response to Comments, Response 268, at  
20 122.  
21

22 56. Further, CAR could *increase*, not decrease, net GHG emissions on a  
23 regional basis—undercutting any potential local benefits from lowered in-state  
24

1 GHG emissions. Under CAR, Plaintiff PSE, which relies on fossil generation  
2 sources in both Washington and other Western Interconnection states, will be  
3 incentivized to shut down or reduce operation of its efficient, lower-emitting  
4 natural gas combined cycle plants in Washington and increase reliance upon coal-  
5 fired generation or other higher-emitting sources located in other Western  
6 Interconnection states.  
7

8 57. This means CAR's only tangible local benefits would come from reduced in-  
9 state emissions of conventional pollutants (such as nitrogen oxides or fine  
10 particulates), as a side-effect or "co-benefit" of lowered GHG emissions. Yet,  
11 Ecology acknowledges that "some projects to reduce GHGs may result in the  
12 *increase* of conventional pollutants." Appendix A - SEPA Non-Project Review  
13 Form Proposed Clean Air Rule, at 9. These projects could cause other local harms  
14 as well, such as increases in wastewater discharges and new noises and odors. *Id.*  
15 at 10.  
16

17 58. Given CAR's significant burdens and uncertain (at best) and illusory (at  
18 worst) local benefits, CAR is clearly a burden to interstate commerce.  
19

### 20 Injury

21 59. CAR creates barriers to interstate commerce through the creation of a market  
22 for GHG emissions offsets within Washington state with artificial market  
23 constraints, namely, that one such offset, in-state ERUs, can only be generated by  
24

1 in-state projects or programs, and can only be bought, sold, or traded by in-state  
2 entities, despite their being a market in other states (e.g., CARB) for such offsets.

3 60. CAR also creates further barriers to interstate commerce through its  
4 unjustified limitation, over time, of the transfer of other GHG emissions offsets—  
5 out-of-state allowances—into Washington for the purpose of complying with the  
6 regulation.  
7

8 61. Plaintiffs are harmed by CAR's protectionist provisions because the rule  
9 requires Plaintiffs to purchase GHG emissions offsets but imposes artificial market  
10 constraints--namely, restricting the market to in-state projects and programs--that  
11 drive up compliance costs. Out-of-state service providers exist (e.g., out-of-state  
12 REC generators and offset providers) that could otherwise satisfy the demand for  
13 ERUs and, by creating greater supply, would drive down the price LDCs must pay  
14 for ERUs.  
15

16 62. Plaintiffs are further harmed by CAR's protectionist provisions because  
17 CAR deprives Washington entities, including PSE's and Avista's electric  
18 generating branches, of the freedom to generate and sell in-state ERUs to any  
19 willing buyer across state lines. If Ecology had adopted a version of CAR with a  
20 direct--not a one-way linkage--to external markets, Plaintiffs could have  
21 participated with other covered entities in CARB or other markets, trading  
22 quantities of GHG reductions like other products, in satisfaction of both programs.  
23  
24

1 63. CAR also deprives Plaintiffs of the freedom to purchase out-of-state  
 2 allowances over time for no other reason than economic protection. LDCs like  
 3 Plaintiffs will be forced to purchase in-state ERUs in a market that Ecology has  
 4 constrained for no other reason than to prevent wealth transfers out of state.  
 5

## 6 V. CAUSES OF ACTION

### 7 **Count I - Violation of the Commerce Clause of the U.S. Constitution**

8 64. Plaintiffs re-allege paragraphs 1 through 63 of this Complaint as if fully set  
 9 forth herein.

10 65. The United States Constitution provides that Congress shall have the power  
 11 “[t]o regulate Commerce . . . among the several States.” U.S. Const. art. I, Section  
 12 8, cl. 3.

13 66. A state law that discriminates against interstate commerce is invalid as  
 14 unconstitutional. “Discrimination” simply means differential treatment of in-state  
 15 and out-of-state economic interests that benefits the former and burdens the latter.  
 16 *Oregon Waste Sys., Inc. v. Dep't of Env'tl. Quality of State of Or.*, 511 U.S. 93, 99,  
 17 114 S. Ct. 1345, 1350, 128 L. Ed. 2d 13 (1994). Discriminatory laws motivated by  
 18 economic protectionism are virtually *per se* invalid. *City of Philadelphia v. New*  
 19 *Jersey*, 437 U.S. 617, 624 (1978).  
 20  
 21

22 67. CAR discriminates against interstate commerce, and the Plaintiffs, because it  
 23 restricts the market for GHG emissions offsets and favors in-state offsets over out-  
 24

1 of-state offsets: it restricts Plaintiffs from offsetting GHG emissions with out-of-  
2 state projects and programs and restricts who may hold ERUs to in-state entities,  
3 depriving Plaintiffs the freedom to sell their ERUs to any willing buyer across state  
4 lines.

5  
6 68. CAR also discriminates against interstate commerce, and the Plaintiffs,  
7 because it limits imports of out-of-state allowances over time for no justifiable  
8 reason other than to stop wealth transfers out-of-state.

9 69. These restrictions imposed by CAR discriminate against interstate  
10 commerce for the sole purpose of economic protectionism.

11 70. Even nondiscriminatory regulations that regulate evenhandedly to effectuate  
12 a legitimate local public interest, and that have only incidental effects on interstate  
13 commerce, are nonetheless invalid if the burden imposed on such commerce is  
14 clearly excessive in relation to the putative local benefits. *Pike v. Bruce Church,*  
15 *Inc.*, 397 U.S. 137, 142, (1970).

16  
17 71. CAR's restrictions unduly burden interstate commerce by artificially  
18 limiting the market for GHG emissions offsets, by limiting out-of-state allowances  
19 over time, by allowing only one-way linkage to external markets, and by inflating  
20 prices for in-state ERUs over time.

21  
22 72. These burdens are excessive in relation to the regulation's putative local  
23 benefits, which are insignificant and illusory, where Ecology admits "that a  
24

1 reduction in GHGs in one part of the globe has the same effect on climate as a  
2 reduction in another location.” Ecology Response to Comments, Response 268, at  
3 122.

4 73. Thus, CAR is not justified by any valid public welfare, safety, or  
5 environmental purpose unrelated to economic protectionism.  
6

7 74. Further, Washington is not a market participant in any field related to CAR.

8 75. For these reasons, CAR violates Article I, Section 8, cl. 3 of the United  
9 States Constitution, commonly known as “the Commerce Clause.”

10 76. The CAR provisions governing in-state ERUs and out-of-state allowances  
11 are not severable from the balance of the CAR regulations because they are  
12 Plaintiffs’ sole means of compliance.  
13

14 77. As a result of Defendants’ violation of the Commerce Clause, Plaintiffs have  
15 suffered and will continue to suffer injury, which will be redressed by a favorable  
16 decision from this court. CAR should be stricken as unconstitutional and/or its  
17 enforcement should be enjoined, as it threatens Plaintiffs with irreparable injury for  
18 which there is no adequate remedy at law.  
19

20 **Claim II- 42 USC 1983**

21 78. Plaintiffs re-allege paragraphs 1 through 77 of this Complaint as if fully set  
22 forth herein.  
23  
24

1 79. The challenged regulations deprive Plaintiffs of rights, privileges, and  
2 immunities secured by the Constitution and the laws of the United States. The  
3 challenged regulations thus constitute a deprivation of rights actionable under 42  
4 U.S.C. § 1983.  
5

## 6 **VI. REQUEST FOR RELIEF**

7 WHEREFORE, Plaintiffs respectfully request the following:

8 1) An order declaring and adjudicating that WAC 173-442 is unconstitutional,  
9 and therefore invalid and unenforceable, to the extent it discriminates against  
10 interstate commerce by restricting offsets based on GHG emissions reductions to  
11 in-state projects and programs (to the exclusion of projects that could generate the  
12 same emissions offsets but are located outside Washington) and, over time, limits  
13 the importation into Washington of out-of-state allowances based on GHG  
14 reductions outside of Washington for no other reason than to protect against wealth  
15 transfers out of state.  
16

17 2) An order enjoining Defendants from enforcing WAC 173-442;

18 3) An order awarding Plaintiffs the costs and expenses incurred in the instant  
19 litigation, including their reasonable attorneys' fees pursuant to 42 U.S.C. §  
20 1988(b); and  
21

22 4) Such other relief as the Court deems just and proper.  
23  
24

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2 Respectfully submitted,

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16 forthcoming