

CERTIFICATION OF ENROLLMENT  
**ENGROSSED SUBSTITUTE HOUSE BILL 1643**

Chapter 26, Laws of 2014

63rd Legislature  
2014 Regular Session

ENERGY INDEPENDENCE ACT--ENERGY CONSERVATION

EFFECTIVE DATE: 06/12/14

Passed by the House February 17, 2014  
Yeas 97 Nays 0

FRANK CHOPP

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**Speaker of the House of Representatives**

Passed by the Senate March 5, 2014  
Yeas 49 Nays 0

BRAD OWEN

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**President of the Senate**

Approved March 17, 2014, 3:12 p.m.

JAY INSLEE

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**Governor of the State of Washington**

CERTIFICATE

I, Barbara Baker, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE HOUSE BILL 1643** as passed by the House of Representatives and the Senate on the dates hereon set forth.

BARBARA BAKER

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**Chief Clerk**

FILED

March 17, 2014

**Secretary of State  
State of Washington**

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ENGROSSED SUBSTITUTE HOUSE BILL 1643

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Passed Legislature - 2014 Regular Session

State of Washington

63rd Legislature

2014 Regular Session

By House Technology & Economic Development (originally sponsored by Representatives Fey, Short, Upthegrove, Nealey, Pollet, Liias, Ormsby, Ryu, and Moscoso)

READ FIRST TIME 02/05/14.

1 AN ACT Relating to energy conservation under the energy  
2 independence act; and amending RCW 19.285.040.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 19.285.040 and 2013 c 158 s 2 are each amended to read  
5 as follows:

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

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

1 (b) Beginning January 2010, each qualifying utility shall establish  
2 and make publicly available a biennial acquisition target for cost-  
3 effective conservation consistent with its identification of achievable  
4 opportunities in (a) of this subsection, and meet that target during  
5 the subsequent two-year period. At a minimum, each biennial target  
6 must be no lower than the qualifying utility's pro rata share for that  
7 two-year period of its cost-effective conservation potential for the  
8 subsequent ten-year period.

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

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

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

37 (d) In meeting its conservation targets, a qualifying utility may  
38 count high-efficiency cogeneration owned and used by a retail electric

1 customer to meet its own needs. High-efficiency cogeneration is the  
2 sequential production of electricity and useful thermal energy from a  
3 common fuel source, where, under normal operating conditions, the  
4 facility has a useful thermal energy output of no less than thirty-  
5 three percent of the total energy output. The reduction in load due to  
6 high-efficiency cogeneration shall be: (i) Calculated as the ratio of  
7 the fuel chargeable to power heat rate of the cogeneration facility  
8 compared to the heat rate on a new and clean basis of a  
9 best-commercially available technology combined-cycle natural gas-fired  
10 combustion turbine; and (ii) counted towards meeting the biennial  
11 conservation target in the same manner as other conservation savings.

12 ~~((d))~~ (e) The commission may determine if a conservation program  
13 implemented by an investor-owned utility is cost-effective based on the  
14 commission's policies and practice.

15 ~~((e))~~ (f) The commission may rely on its standard practice for  
16 review and approval of investor-owned utility conservation targets.

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

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

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

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

27 (b) A qualifying utility may count distributed generation at double  
28 the facility's electrical output if the utility: (i) Owns or has  
29 contracted for the distributed generation and the associated renewable  
30 energy credits; or (ii) has contracted to purchase the associated  
31 renewable energy credits.

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

35 (d) A qualifying utility shall be considered in compliance with an  
36 annual target in (a) of this subsection if: (i) The utility's weather-  
37 adjusted load for the previous three years on average did not increase  
38 over that time period; (ii) after December 7, 2006, the utility did not

1 commence or renew ownership or incremental purchases of electricity  
2 from resources other than coal transition power or renewable resources  
3 other than on a daily spot price basis and the electricity is not  
4 offset by equivalent renewable energy credits; and (iii) the utility  
5 invested at least one percent of its total annual retail revenue  
6 requirement that year on eligible renewable resources, renewable energy  
7 credits, or a combination of both.

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

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

14 (i) Eligible renewable resources or distributed generation where  
15 the associated renewable energy credits are owned by a separate entity;  
16 or

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

20 (g) Where fossil and combustible renewable resources are cofired in  
21 one generating unit located in the Pacific Northwest where the cofiring  
22 commenced after March 31, 1999, the unit shall be considered to produce  
23 eligible renewable resources in direct proportion to the percentage of  
24 the total heat value represented by the heat value of the renewable  
25 resources.

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

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

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

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

36 (i) A qualifying utility shall be considered in compliance with an  
37 annual target in (a) of this subsection if events beyond the reasonable  
38 control of the utility that could not have been reasonably anticipated

1 or ameliorated prevented it from meeting the renewable energy target.  
2 Such events include weather-related damage, mechanical failure,  
3 strikes, lockouts, and actions of a governmental authority that  
4 adversely affect the generation, transmission, or distribution of an  
5 eligible renewable resource under contract to a qualifying utility.

6 (j)(i) Beginning January 1, 2016, only a qualifying utility that  
7 owns or is directly interconnected to a qualified biomass energy  
8 facility may use qualified biomass energy to meet its compliance  
9 obligation under (~~RCW 19.285.040(2)~~) this subsection.

10 (ii) A qualifying utility may no longer use electricity and  
11 associated renewable energy credits from a qualified biomass energy  
12 facility if the associated industrial pulping or wood manufacturing  
13 facility ceases operation other than for purposes of maintenance or  
14 upgrade.

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

28 (3) Utilities that become qualifying utilities after December 31,  
29 2006, shall meet the requirements in this section on a time frame  
30 comparable in length to that provided for qualifying utilities as of  
31 December 7, 2006.

Passed by the House February 17, 2014.

Passed by the Senate March 5, 2014.

Approved by the Governor March 17, 2014.

Filed in Office of Secretary of State March 17, 2014.