
SUBSTITUTE HOUSE BILL 1095

State of Washington

64th Legislature

2015 Regular Session

By House Technology & Economic Development (originally sponsored by Representatives Morris and Hudgins)

READ FIRST TIME 02/12/15.

1 AN ACT Relating to promoting thermal energy efficiency; amending
2 RCW 39.35.010, 39.35.020, 39.35.040, 19.280.030, 19.280.060, and
3 80.04.550; reenacting and amending RCW 39.35.030 and 19.280.020;
4 adding new sections to chapter 19.280 RCW; adding a new section to
5 chapter 80.28 RCW; adding new sections to chapter 70.94 RCW; and
6 creating a new section.

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

8 NEW SECTION. **Sec. 1.** The legislature finds that it is in the
9 public interest to encourage and foster the development of a thermal
10 standard and to encourage combined heat and power (cogeneration)
11 systems throughout the state. Combined heat and power systems can
12 help the state achieve energy independence and comply with new
13 federal electric energy emission efficiency standards by generating
14 both electric power and useful thermal energy from a single fuel
15 source, thereby increasing energy efficiency and decreasing grid-
16 based emissions. It is the intent of the legislature to promote the
17 deployment of combined heat and power by requiring consideration of
18 combined heat and power systems in the construction of new critical
19 governmental facilities, incorporating reports on combined heat and
20 power facilities in integrated resource plans, and streamlining the
21 process by which combined heat and power facilities obtain permits.

1 **Sec. 2.** RCW 39.35.010 and 2001 c 214 s 15 are each amended to
2 read as follows:

3 The legislature hereby finds:

4 (1) That major publicly owned or leased facilities have a
5 significant impact on our state's consumption of energy;

6 (2) That energy conservation practices including energy
7 management systems, combined heat and power systems, and renewable
8 energy systems adopted for the design, construction, and utilization
9 of such facilities will have a beneficial effect on our overall
10 supply of energy;

11 (3) That the beneficial effect of the electric output from
12 combined heat and power systems includes both energy and capacity
13 value;

14 (4) That the cost of the energy consumed by such facilities over
15 the life of the facilities shall be considered in addition to the
16 initial cost of constructing such facilities;

17 ((+4)) (5) That the cost of energy is significant and major
18 facility designs shall be based on the total life-cycle cost,
19 including the initial construction cost, and the cost, over the
20 economic life of a major facility, of the energy consumed, and of the
21 operation and maintenance of a major facility as they affect energy
22 consumption; and

23 ((+5)) (6) That the use of energy systems in these facilities
24 which utilize combined heat and power or renewable resources such as
25 solar energy, wood or wood waste, or other nonconventional fuels, and
26 which incorporate energy management systems, shall be considered in
27 the design of all publicly owned or leased facilities.

28 **Sec. 3.** RCW 39.35.020 and 1982 c 159 s 2 are each amended to
29 read as follows:

30 The legislature declares that it is the public policy of this
31 state to ((insure)) ensure that energy conservation practices and
32 renewable energy systems are employed in the design of major publicly
33 owned or leased facilities and that the use of at least one renewable
34 energy or combined heat and power system is considered. To this end
35 the legislature authorizes and directs that public agencies analyze
36 the cost of energy consumption of each major facility and each
37 critical governmental facility to be planned and constructed or
38 renovated after September 8, 1975.

1 **Sec. 4.** RCW 39.35.030 and 2011 1st sp.s. c 43 s 247 are each
2 reenacted and amended to read as follows:

3 For the purposes of this chapter the following words and phrases
4 shall have the following meanings unless the context clearly requires
5 otherwise:

6 (1) (~~("Cogeneration")~~) "Combined heat and power" means the
7 sequential generation of (~~two or more forms of energy from a common~~
8 ~~fuel or energy source. Where these forms are electricity and thermal~~
9 ~~energy, then the operating and efficiency standards established by 18~~
10 ~~C.F.R. Sec. 292.205 and the definitions established by 18 C.F.R.~~
11 ~~292.202 (c) through (m) as of July 28, 1991, shall apply~~)
12 electricity and useful thermal energy from a common fuel source
13 where, under normal operating conditions, the facility has a useful
14 thermal energy output of no less than thirty-three percent of the
15 total energy output.

16 (2) "Critical governmental facility" means a building or district
17 energy system owned by the state or a political subdivision of the
18 state that is expected to:

19 (a) Be continuously occupied;

20 (b) Maintain operations for at least six thousand hours each
21 year;

22 (c) Have a peak electricity demand exceeding five hundred
23 kilowatts; and

24 (d) Serve a critical public health or public safety function
25 during a natural disaster or other emergency situation that may
26 result in a widespread power outage, including a:

27 (i) Command and control center;

28 (ii) Shelter;

29 (iii) Prison or jail;

30 (iv) Police or fire station;

31 (v) Communications or data center;

32 (vi) Water or wastewater treatment facility;

33 (vii) Hazardous waste storage facility;

34 (viii) Biological research facility;

35 (ix) Hospital; or

36 (x) Food preparation or food storage facility.

37 (3) "Department" means the state department of enterprise
38 services.

39 (~~(3)~~) (4) "Design standards" means the heating, air-
40 conditioning, ventilating, and renewable resource systems identified,

1 analyzed, and recommended by the department as providing an efficient
2 energy system or systems based on the economic life of the selected
3 buildings.

4 ~~((4))~~ (5) "Economic life" means the projected or anticipated
5 useful life of a major facility as expressed by a term of years.

6 ~~((5))~~ (6) "Energy management system" means a program, energy
7 efficiency equipment, technology, device, or other measure including,
8 but not limited to, a management, educational, or promotional
9 program, smart appliance, meter reading system that provides energy
10 information capability, computer software or hardware, communications
11 equipment or hardware, thermostat or other control equipment,
12 together with related administrative or operational programs, that
13 allows identification and management of opportunities for improvement
14 in the efficiency of energy use, including but not limited to a
15 measure that allows:

16 (a) Energy consumers to obtain information about their energy
17 usage and the cost of energy in connection with their usage;

18 (b) Interactive communication between energy consumers and their
19 energy suppliers;

20 (c) Energy consumers to respond to energy price signals and to
21 manage their purchase and use of energy; or

22 (d) For other kinds of dynamic, demand-side energy management.

23 ~~((6))~~ (7) "Energy systems" means all utilities, including, but
24 not limited to, heating, air-conditioning, ventilating, lighting, and
25 the supplying of domestic hot water.

26 ~~((7))~~ (8) "Energy-consumption analysis" means the evaluation of
27 all energy systems and components by demand and type of energy
28 including the internal energy load imposed on a major facility or a
29 critical governmental facility by its occupants, equipment, and
30 components, and the external energy load imposed on a major facility
31 or a critical governmental facility by the climatic conditions of its
32 location. An energy-consumption analysis of the operation of energy
33 systems of a major facility or a critical governmental facility shall
34 include, but not be limited to, the following elements:

35 (a) The comparison of three or more system alternatives, at least
36 one of which shall include renewable energy systems, and one of which
37 shall comply at a minimum with the sustainable design guidelines of
38 the United States green building council leadership in energy and
39 environmental design silver standard or similar design standard as
40 may be adopted by rule by the department;

1 (b) The simulation of each system over the entire range of
2 operation of such facility for a year's operating period; ~~((and))~~

3 (c) The evaluation of the energy consumption of component
4 equipment in each system considering the operation of such components
5 at other than full or rated outputs;

6 (d) The identification and analysis of critical loads for each
7 energy system; and

8 (e) A combined heat and power system feasibility assessment,
9 including but not limited to an evaluation of whether equipping the
10 facility with a combined heat and power system would result in
11 expected energy savings in excess of the expected costs of
12 purchasing, operating, and maintaining the system over a fifteen-year
13 period.

14 The energy-consumption analysis shall be prepared by a
15 professional engineer or licensed architect who may use computers or
16 such other methods as are capable of producing predictable results.

17 ~~((+8))~~ (9) "Initial cost" means the moneys required for the
18 capital construction or renovation of a major facility.

19 ~~((+9))~~ (10) "Life-cycle cost" means the initial cost and cost of
20 operation of a major facility or a critical governmental facility
21 over its economic life. This shall be calculated as the initial cost
22 plus the operation, maintenance, and energy costs over its economic
23 life, reflecting anticipated increases in these costs discounted to
24 present value at the current rate for borrowing public funds, as
25 determined by the office of financial management. The energy cost
26 projections used shall be those provided by the department. The
27 department shall update these projections at least every two years.

28 ~~((+10))~~ (11) "Life-cycle cost analysis" includes, but is not
29 limited to, the following elements:

30 (a) The coordination and positioning of a major facility or a
31 critical governmental facility on its physical site;

32 (b) The amount and type of fenestration employed in a major
33 facility or a critical governmental facility;

34 (c) The amount of insulation incorporated into the design of a
35 major facility or a critical governmental facility;

36 (d) The variable occupancy and operating conditions of a major
37 facility or a critical governmental facility; and

38 (e) An energy-consumption analysis of a major facility or a
39 critical governmental facility.

1 (~~(11)~~) (12) "Major facility" means any publicly owned or leased
2 building having twenty-five thousand square feet or more of usable
3 floor space.

4 (~~(12)~~) (13) "Public agency" means every state office, officer,
5 board, commission, committee, bureau, department, and all political
6 subdivisions of the state.

7 (~~(13)~~) (14) "Renewable energy systems" means methods of
8 facility design and construction and types of equipment for the
9 utilization of renewable energy sources including, but not limited
10 to, hydroelectric power, active or passive solar space heating or
11 cooling, domestic solar water heating, windmills, waste heat, biomass
12 and/or refuse-derived fuels, photovoltaic devices, and geothermal
13 energy.

14 (~~(14)~~) (15) "Renovation" means additions, alterations, or
15 repairs within any twelve-month period which exceed fifty percent of
16 the value of a major facility or a critical governmental facility and
17 which will affect any energy system.

18 (~~(15)~~) (16) "Selected buildings" means educational, office,
19 residential care, and correctional facilities that are designed to
20 comply with the design standards analyzed and recommended by the
21 department.

22 **Sec. 5.** RCW 39.35.040 and 1994 c 242 s 2 are each amended to
23 read as follows:

24 Whenever a public agency determines that any major facility or a
25 critical governmental facility is to be constructed or renovated,
26 such agency shall cause to be included in the design phase of such
27 construction or renovation a provision that requires a life-cycle
28 cost analysis conforming with the guidelines developed in RCW
29 39.35.050 to be prepared for such facility. Such analysis shall be
30 approved by the agency prior to the commencement of actual
31 construction or renovation. A public agency may accept the facility
32 design if the agency is satisfied that the life-cycle cost analysis
33 provides for an efficient energy system or systems based on the
34 economic life of the (~~major~~) facility.

35 Nothing in this section prohibits the construction or renovation
36 of major facilities (~~which~~) or critical governmental facilities
37 that utilize renewable energy or combined heat and power systems.

1 NEW SECTION. **Sec. 6.** A new section is added to chapter 19.280
2 RCW to read as follows:

3 (1) The legislature finds that combined heat and power systems
4 provide both energy and capacity resources. Failure to value the
5 electric output of combined heat and power systems as both an energy
6 and a capacity resource results in a failure to account for the total
7 benefits of that output in its posted price.

8 (2) Electric utilities with over twenty-five thousand customers
9 in the state of Washington must value combined heat and power as
10 having both energy and capacity value by December 31, 2016, for the
11 purposes of setting the value of power under the federal public
12 utility regulatory policies act, establishing rates for power
13 purchase agreements, and integrated resource planning.

14 NEW SECTION. **Sec. 7.** A new section is added to chapter 19.280
15 RCW to read as follows:

16 (1) Beginning December 31, 2016, electric utilities with over
17 twenty-five thousand customers in the state of Washington must offer
18 a minimum term of fifteen years for new power purchase agreements for
19 the electric output of combined heat and power systems, unless a
20 lesser number of years is mutually agreed to by both parties. Power
21 purchase agreements for the electric output of combined heat and
22 power systems must reflect both the energy and capacity value of that
23 output. Parties in a power purchase agreement that is established
24 before December 31, 2016, are not required to renegotiate the terms
25 of that agreement.

26 (2) The commission may authorize recovery of the actual cost of
27 fuel incurred by an electrical company under a power purchase
28 agreement for the electric output of a combined heat and power
29 system.

30 (3) The governing body of a consumer-owned utility that offers a
31 fifteen-year minimum term for a power purchase agreement for the
32 electric output of a combined heat and power system may, every five
33 years after signing the agreement, initiate a fuel cost adjustment
34 process in order to recover the actual cost of fuel incurred by the
35 consumer-owned utility under a power purchase agreement under this
36 section.

37 **Sec. 8.** RCW 19.280.020 and 2013 c 149 s 2 are each reenacted and
38 amended to read as follows:

1 The definitions in this section apply throughout this chapter
2 unless the context clearly requires otherwise.

3 (1) "Commission" means the utilities and transportation
4 commission.

5 (2) "Conservation and efficiency resources" means any reduction
6 in electric power consumption that results from increases in the
7 efficiency of energy use, production, transmission, or distribution.

8 (3) "Consumer-owned utility" includes a municipal electric
9 utility formed under Title 35 RCW, a public utility district formed
10 under Title 54 RCW, an irrigation district formed under chapter 87.03
11 RCW, a cooperative formed under chapter 23.86 RCW, a mutual
12 corporation or association formed under chapter 24.06 RCW, a port
13 district formed under Title 53 RCW, or a water-sewer district formed
14 under Title 57 RCW, that is engaged in the business of distributing
15 electricity to one or more retail electric customers in the state.

16 (4) "Department" means the department of commerce.

17 (5) "Electric utility" means a consumer-owned or investor-owned
18 utility.

19 (6) "Full requirements customer" means an electric utility that
20 relies on the Bonneville power administration for all power needed to
21 supply its total load requirement other than that served by
22 nondispatchable generating resources totaling no more than six
23 megawatts or renewable resources.

24 (7) "Governing body" means the elected board of directors, city
25 council, commissioners, or board of any consumer-owned utility.

26 (8) (~~"High efficiency cogeneration"~~) "Combined heat and power"
27 means the sequential production of electricity and useful thermal
28 energy from a common fuel source((~~τ~~)) where, under normal operating
29 conditions, the facility has a useful thermal energy output of no
30 less than thirty-three percent of the total energy output.

31 (9) "Integrated resource plan" means an analysis describing the
32 mix of generating resources, conservation, methods, technologies, and
33 resources to integrate renewable resources and, where applicable,
34 address overgeneration events, and efficiency resources that will
35 meet current and projected needs at the lowest reasonable cost to the
36 utility and its ratepayers and that complies with the requirements
37 specified in RCW 19.280.030(1).

38 (10) "Investor-owned utility" means a corporation owned by
39 investors that meets the definition in RCW 80.04.010 and is engaged

1 in distributing electricity to more than one retail electric customer
2 in the state.

3 (11) "Lowest reasonable cost" means the lowest cost mix of
4 generating resources and conservation and efficiency resources
5 determined through a detailed and consistent analysis of a wide range
6 of commercially available resources. At a minimum, this analysis must
7 consider resource cost, market-volatility risks, demand-side resource
8 uncertainties, resource dispatchability, resource effect on system
9 operation, the risks imposed on the utility and its ratepayers,
10 public policies regarding resource preference adopted by Washington
11 state or the federal government, and the cost of risks associated
12 with environmental effects including emissions of carbon dioxide.

13 (12) "Overgeneration event" means an event within an operating
14 period of a balancing authority when the electricity supply,
15 including generation from intermittent renewable resources, exceeds
16 the demand for electricity for that utility's energy delivery
17 obligations and when there is a negatively priced regional market.

18 (13) "Plan" means either an "integrated resource plan" or a
19 "resource plan."

20 (14) "Renewable resources" means electricity generation
21 facilities fueled by: (a) Water; (b) wind; (c) solar energy; (d)
22 geothermal energy; (e) landfill gas; (f) biomass energy utilizing
23 animal waste, solid or liquid organic fuels from wood, forest, or
24 field residues or dedicated energy crops that do not include wood
25 pieces that have been treated with chemical preservatives such as
26 creosote, pentachlorophenol, or copper-chrome-arsenic; (g) by-
27 products of pulping or wood manufacturing processes, including but
28 not limited to bark, wood chips, sawdust, and lignin in spent pulping
29 liquors; (h) ocean thermal, wave, or tidal power; or (i) gas from
30 sewage treatment facilities.

31 (15) "Resource plan" means an assessment that estimates
32 electricity loads and resources over a defined period of time and
33 complies with the requirements in RCW 19.280.030(2).

34 **Sec. 9.** RCW 19.280.030 and 2013 c 149 s 3 are each amended to
35 read as follows:

36 Each electric utility must develop a plan consistent with this
37 section.

38 (1) Utilities with more than twenty-five thousand customers that
39 are not full requirements customers shall develop or update an

1 integrated resource plan by September 1, 2008. At a minimum, progress
2 reports reflecting changing conditions and the progress of the
3 integrated resource plan must be produced every two years thereafter.
4 An updated integrated resource plan must be developed at least every
5 four years subsequent to the 2008 integrated resource plan. The
6 integrated resource plan, at a minimum, must include:

7 (a) A range of forecasts, for at least the next ten years or
8 longer, of projected customer demand which takes into account
9 econometric data and customer usage;

10 (b) An assessment of commercially available conservation and
11 efficiency resources. Such assessment may include, as appropriate,
12 (~~(high efficiency cogeneration)~~) opportunities for development of
13 combined heat and power as an energy and capacity resource, demand
14 response and load management programs, and currently employed and new
15 policies and programs needed to obtain the conservation and
16 efficiency resources;

17 (c) An assessment of commercially available, utility scale
18 renewable and nonrenewable generating technologies including a
19 comparison of the benefits and risks of purchasing power or building
20 new resources;

21 (d) A comparative evaluation of renewable and nonrenewable
22 generating resources, including transmission and distribution
23 delivery costs, and conservation and efficiency resources using
24 "lowest reasonable cost" as a criterion;

25 (e) An assessment of methods, commercially available
26 technologies, or facilities for integrating renewable resources, and
27 addressing overgeneration events, if applicable to the utility's
28 resource portfolio;

29 (f) The integration of the demand forecasts and resource
30 evaluations into a long-range assessment describing the mix of supply
31 side generating resources and conservation and efficiency resources
32 that will meet current and projected needs, including mitigating
33 overgeneration events, at the lowest reasonable cost and risk to the
34 utility and its ratepayers; and

35 (g) A short-term plan identifying the specific actions to be
36 taken by the utility consistent with the long-range integrated
37 resource plan.

38 (2) All other utilities may elect to develop a full integrated
39 resource plan as set forth in subsection (1) of this section or, at a
40 minimum, shall develop a resource plan that:

- 1 (a) Estimates loads for the next five and ten years;
- 2 (b) Enumerates the resources that will be maintained and/or
3 acquired to serve those loads; and
- 4 (c) Explains why the resources in (b) of this subsection were
5 chosen and, if the resources chosen are not: (i) Renewable resources;
6 (ii) methods, commercially available technologies, or facilities for
7 integrating renewable resources, including addressing any
8 overgeneration event; or (iii) conservation and efficiency resources,
9 why such a decision was made.
- 10 (3) Assessments for demand side resources included in an
11 integrated resource plan may include combined heat and power systems
12 as one of the measures in a conservation supply curve. The value of
13 recoverable waste heat resulting from combined heat and power must be
14 reflected in analyses of cost-effectiveness under this subsection.
- 15 (4) An electric utility that is required to develop a resource
16 plan under this section must complete its initial plan by September
17 1, 2008.
- 18 ~~((+4))~~ (5) Resource plans developed under this section must be
19 updated on a regular basis, at a minimum on intervals of two years.
- 20 ~~((+5))~~ (6) Plans shall not be a basis to bring legal action
21 against electric utilities.
- 22 ~~((+6))~~ (7) Each electric utility shall publish its final plan
23 either as part of an annual report or as a separate document
24 available to the public. The report may be in an electronic form.

25 **Sec. 10.** RCW 19.280.060 and 2013 c 149 s 4 are each amended to
26 read as follows:

27 The department shall review the plans of consumer-owned utilities
28 and investor-owned utilities, and data available from other state,
29 regional, and national sources, and prepare an electronic report to
30 the legislature aggregating the data and assessing the overall
31 adequacy of Washington's electricity supply. The report shall include
32 a statewide summary of utility load forecasts, load/resource balance,
33 and utility plans for the development of thermal generation,
34 renewable resources, conservation and efficiency resources, and an
35 examination of assessment methods used by utilities to address
36 overgeneration events. The commission shall provide the department
37 with data summarizing the plans of investor-owned utilities for use
38 in the department's statewide summary. The department shall submit
39 any reports it receives of existing and potential combined heat and

1 power facilities as reported by utilities to the Washington State
2 University extension energy program for analysis. The department may
3 submit its report within the biennial report required under RCW
4 43.21F.045.

5 NEW SECTION. **Sec. 11.** A new section is added to chapter 19.280
6 RCW to read as follows:

7 The Washington State University extension energy program shall
8 electronically submit an annual report to the appropriate legislative
9 committees on the planned and completed combined heat and power
10 facilities in the state, including but not limited to the following
11 information: Number, size, and customer base of combined heat and
12 power installations in the state; projects that have been publicly
13 considered but have not been developed; and recommendations to
14 further attain the goal of improving thermal energy efficiency.

15 **Sec. 12.** RCW 80.04.550 and 1996 c 33 s 2 are each amended to
16 read as follows:

17 (1) It is the intent of the legislature to exempt from commission
18 regulation thermal energy services provided by thermal energy
19 companies and combined heat and power facilities that are not
20 otherwise regulated under this title. Nothing in this section shall
21 prevent the commission from issuing or enforcing any order affecting
22 combined heat and power facilities owned or operated by an electrical
23 company that are subsidized by a regulated service.

24 (2) Nothing in this title shall authorize the commission to make
25 or enforce any order affecting rates, tolls, rentals, contracts or
26 charges for service rendered, or the adequacy or sufficiency of the
27 facilities, equipment, instrumentalities, or buildings, or the
28 reasonableness of rules or regulations made, furnished, used,
29 supplied, or in force affecting any (~~district~~) thermal energy
30 system owned and operated by any thermal energy company or by a
31 combined heat and power facility engaged in thermal energy services.

32 (~~(2)~~) (3) For the purposes of this section:

33 (a) "Thermal energy company" means any private person, company,
34 association, partnership, joint venture, or corporation engaged in or
35 proposing to engage in developing, producing, transmitting,
36 distributing, delivering, furnishing, or selling to or for the public
37 thermal energy services for any beneficial use other than electricity
38 generation;

1 (b) "~~(District)~~ Thermal energy system" means any system that
2 provides thermal energy for space heating, space cooling, or process
3 uses from a central plant or combined heat and power facility, and
4 that distributes the thermal energy to two or more buildings through
5 a network of pipes;

6 (c) "Thermal energy" means heat or cold in the form of steam,
7 heated or chilled water, or any other heated or chilled fluid or
8 gaseous medium; and

9 (d) "Thermal energy services" means the provision of thermal
10 energy from a ~~(district)~~ thermal energy system and includes such
11 ancillary services as energy audits, metering, billing, maintenance,
12 and repairs related to thermal energy.

13 NEW SECTION. **Sec. 13.** A new section is added to chapter 80.28
14 RCW to read as follows:

15 (1) As used in this section, "emission" means any greenhouse gas,
16 such as carbon dioxide, methane, nitrous oxide, hydrofluorocarbons,
17 perfluorocarbons, and sulfur hexafluoride.

18 (2) The commission shall establish a voluntary emission reduction
19 program for the purpose of encouraging natural gas companies to
20 invest in projects that reduce emissions, improve thermal energy
21 efficiency, and provide benefits to customers of natural gas
22 companies.

23 (3) The commission shall adopt rules establishing the process by
24 which a natural gas company may apply for and receive incentives and
25 recover the costs associated with an emission reduction plan. The
26 emission reduction plan must include only those investments that the
27 natural gas company would not otherwise make in its ordinary course
28 of business, consistent with the "lowest reasonable cost" standard,
29 as defined in RCW 19.280.020. Each project or investment identified
30 in an emission reduction plan must:

31 (a) Involve the provision of natural gas by a natural gas
32 company;

33 (b) Directly or indirectly reduce emissions;

34 (c) Benefit customers of the natural gas company as identified by
35 the commission by rule or order; and

36 (d) Improve end-use energy efficiency.

37 (4) The commission must, by rule or order, limit the total cost
38 of a natural gas company's investments authorized under this section.
39 The commission may limit the cost of the natural gas company's

1 emission reduction plan to an amount that does not exceed a
2 percentage of the natural gas company's revenue requirements as
3 identified by the commission by rule or order. In the absence of
4 federal or statewide programs that establish enforceable emission
5 reduction requirements, the cost limit for an emission reduction plan
6 may include a threshold for the overall cost per metric ton of
7 emission reduction.

8 (5) To participate in a voluntary emission reduction program, a
9 natural gas company must file an emission reduction plan, subject to
10 commission approval, that includes:

11 (a) A description of the projects or measures that the company
12 plans to implement;

13 (b) The projected amount of capital and operating costs necessary
14 to implement the plan;

15 (c) The projected amount of emission reduction achieved by each
16 project or measure;

17 (d) A projected timeline for each project or measure;

18 (e) A requested method for recovery of costs incurred and
19 investments made to implement the projects or measures in the plan;

20 (f) An explanation of why the natural gas company, without the
21 emission reduction program, would not make the investments identified
22 in the plan in its ordinary course of business;

23 (g) The projected rate impact of implementing the plan;

24 (h) Methods by which the natural gas company will evaluate,
25 measure, and verify emission reductions projected to be achieved by
26 the plan; and

27 (i) Any other information required by the commission by rule or
28 order.

29 (6) The commission shall adopt rules to implement this section by
30 December 31, 2016.

31 NEW SECTION. **Sec. 14.** A new section is added to chapter 70.94
32 RCW to read as follows:

33 (1) It is the intent of the legislature for a general permit or
34 permit by rule adopted by the department under this section to
35 streamline the permitting process for a stationary natural gas engine
36 used in a combined heat and power system. It is the further intent of
37 the legislature that a general permit or permit by rule be adopted
38 and implemented as the permitting mechanism for the new construction
39 of a combined heat and power system.

1 (2) The definitions in this subsection apply throughout this
2 section unless the context clearly requires otherwise.

3 (a) "Natural gas" includes: Naturally occurring mixtures of
4 hydrocarbon gases and vapors consisting principally of methane,
5 whether in gaseous or liquid form; and biogas derived from landfills,
6 wastewater treatment facilities, anaerobic digesters, and other
7 sources of organic decomposition that have been purified to meet
8 standards for natural gas derived from fossil fuel sources.

9 (b) "Stationary natural gas engine" includes any stationary,
10 natural gas internal combustion engine, whether it is an internal
11 combustion reciprocating engine or a gas turbine. The term does not
12 include a natural gas engine that powers a motor vehicle or other
13 mobile source.

14 (3) This section applies only to a stationary natural gas engine
15 used in a combined heat and power system.

16 (4) The department shall issue a general permit or permit by rule
17 for new stationary natural gas engines used in a combined heat and
18 power system that establishes emission limits for air contaminants
19 released by the engines.

20 (5) In adopting a general permit or permit by rule under this
21 section, the department may consider:

22 (a) The geographic location in which a stationary natural gas
23 engine may be used, including the proximity to an area designated as
24 a nonattainment area;

25 (b) The total annual operating hours of a stationary natural gas
26 engine;

27 (c) The technology used by a stationary natural gas engine;

28 (d) Whether the stationary natural gas engine will be a major
29 stationary source or part of a new or modified major stationary
30 source as those terms are utilized in Title I of the federal clean
31 air act; and

32 (e) Other relevant emission control or clean air policies of the
33 state.

34 (6) In addition to emission limits required by federal and state
35 laws, the department must provide for the emission limits for
36 stationary natural gas engines subject to this section to be measured
37 in terms of air contaminant emissions per United States environmental
38 protection agency unit of energy output. The department shall
39 consider both the primary and secondary functions when determining
40 the engine's emissions per unit of energy output.

1 NEW SECTION. **Sec. 15.** A new section is added to chapter 70.94
2 RCW to read as follows:

3 (1) An owner or operator of an industrial, commercial, or
4 institutional boiler or process heater required to complete an energy
5 assessment under 40 C.F.R. Part 63 subpart DDDDD shall:

6 (a) By January 31, 2016, submit nonproprietary information
7 reported in the energy assessment electronically to the department or
8 air pollution control authority that issues the air operating permit
9 for the source, following completion of the assessment; and

10 (b) By January 1, 2017, submit a report electronically to the
11 Washington State University extension energy program that identifies,
12 if applicable, the economic, technical, and other barriers to
13 implementing thermal efficiency opportunities identified in the
14 energy assessment.

15 (2) An owner or operator of an industrial, commercial, or
16 institutional boiler or process heater who has not completed an
17 energy assessment under 40 C.F.R. Part 63 subpart DDDDD must request
18 a free combined heat and power site qualification screening from the
19 United States department of energy.

20 (3) The requirements established in this section shall not apply
21 to an owner or operator of an industrial, commercial, or
22 institutional boiler or process heater if the owner or operator is
23 not required to complete an energy assessment under 40 C.F.R. Part 63
24 subpart DDDDD as it existed on the effective date of this section.

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