
SUBSTITUTE SENATE BILL 5430

State of Washington 64th Legislature 2015 Regular Session

By Senate Energy, Environment & Telecommunications (originally sponsored by Senators Ericksen, Brown, and Hewitt)

READ FIRST TIME 02/05/15.

1 AN ACT Relating to amending the energy independence act; and
2 amending RCW 19.285.030 and 19.285.040.

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

4 **Sec. 1.** RCW 19.285.030 and 2014 c 45 s 1 are each amended to
5 read as follows:

6 The definitions in this section apply throughout this chapter
7 unless the context clearly requires otherwise.

8 (1) "Attorney general" means the Washington state office of the
9 attorney general.

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

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

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

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

7 (5) "Commission" means the Washington state utilities and
8 transportation commission.

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

12 (7) "Cost-effective" has the same meaning as defined in RCW
13 80.52.030.

14 (8) "Council" means the Washington state apprenticeship and
15 training council within the department of labor and industries.

16 (9) "Customer" means a person or entity that purchases
17 electricity for ultimate consumption and not for resale.

18 (10) "Department" means the department of commerce or its
19 successor.

20 (11) "Distributed generation" means an eligible renewable
21 resource where the generation facility or any integrated cluster of
22 such facilities has a generating capacity of not more than five
23 megawatts.

24 (12) "Eligible renewable resource" means:

25 (a) Electricity from a generation facility powered by a renewable
26 resource other than freshwater that commences operation after March
27 31, 1999, where: (i) The facility is located in the Pacific
28 Northwest; or (ii) the electricity from the facility is delivered
29 into Washington state on a real-time basis without shaping, storage,
30 or integration services;

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

36 (c) Hydroelectric generation from a project completed after March
37 31, 1999, where the generation facility is located in irrigation
38 pipes, irrigation canals, water pipes whose primary purpose is for
39 conveyance of water for municipal use, and wastewater pipes located

1 in Washington where the generation does not result in new water
2 diversions or impoundments;

3 (d) Qualified biomass energy; ((e))

4 (e) For a qualifying utility that serves customers in other
5 states, electricity from a generation facility powered by a renewable
6 resource other than freshwater that commences operation after March
7 31, 1999, where: (i) The facility is located within a state in which
8 the qualifying utility serves retail electrical customers; and (ii)
9 the qualifying utility owns the facility in whole or in part or has a
10 long-term contract with the facility of at least twelve months or
11 more;

12 (f) Any conservation that is not cost-effective as defined by
13 subsection (7) of this section;

14 (g) That portion of incremental electricity produced as a result
15 of efficiency improvements completed after March 31, 1999,
16 attributable to a qualifying utility's share of the electricity
17 output from hydroelectric generation projects whose energy output is
18 marketed by the Bonneville power administration where the additional
19 generation does not result in new water diversions or impoundments;
20 or

21 (h) The environmental attributes, including renewable energy
22 credits, from (g) of this subsection transferred to investor-owned
23 utilities pursuant to the Bonneville power administration's
24 residential exchange program.

25 (13) "Investor-owned utility" has the same meaning as defined in
26 RCW 19.29A.010.

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

30 (15)(a) "Nonpower attributes" means all environmentally related
31 characteristics, exclusive of energy, capacity reliability, and other
32 electrical power service attributes, that are associated with the
33 generation of electricity from a renewable resource, including but
34 not limited to the facility's fuel type, geographic location,
35 vintage, qualification as an eligible renewable resource, and avoided
36 emissions of pollutants to the air, soil, or water, and avoided
37 emissions of carbon dioxide and other greenhouse gases.

38 (b) "Nonpower attributes" does not include any aspects, claims,
39 characteristics, and benefits associated with the on-site capture and
40 destruction of methane or other greenhouse gases at a facility

1 through a digester system, landfill gas collection system, or other
2 mechanism, which may be separately marketable as greenhouse gas
3 emission reduction credits, offsets, or similar tradable commodities.
4 However, these separate avoided emissions may not result in or
5 otherwise have the effect of attributing greenhouse gas emissions to
6 the electricity.

7 (16) "Pacific Northwest" has the same meaning as defined for the
8 Bonneville power administration in section 3 of the Pacific Northwest
9 electric power planning and conservation act (94 Stat. 2698; 16
10 U.S.C. Sec. 839a).

11 (17) "Public facility" has the same meaning as defined in RCW
12 39.35C.010.

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

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

26 (20) "Renewable energy credit" means a tradable certificate of
27 proof, except as provided in RCW 19.285.040(2)(n), of at least one
28 megawatt-hour of an eligible renewable resource where, except as
29 provided in subsection (12)(h) of this section, the generation
30 facility is not powered by freshwater. The certificate includes all
31 of the nonpower attributes associated with that one megawatt-hour of
32 electricity, and the certificate is verified by a renewable energy
33 credit tracking system selected by the department.

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

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

4 (23) "Year" means the twelve-month period commencing January 1st
5 and ending December 31st.

6 **Sec. 2.** RCW 19.285.040 and 2014 c 26 s 1 are each amended to
7 read as follows:

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

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

22 (b) Beginning January 2010, each qualifying utility shall
23 establish and make publicly available a biennial acquisition target
24 for cost-effective conservation consistent with its identification of
25 achievable opportunities in (a) of this subsection, and meet that
26 target during the subsequent two-year period. At a minimum, each
27 biennial target must be no lower than the qualifying utility's pro
28 rata share for that two-year period of its cost-effective
29 conservation potential for the subsequent ten-year period.

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

37 (ii) Beginning January 1, 2014, a qualifying utility may use
38 single large facility conservation savings in excess of its biennial
39 target to meet up to an additional five percent of the immediately

1 subsequent two biennial acquisition targets, such that no more than
2 twenty-five percent of any biennial target may be met with excess
3 conservation savings allowed under all of the provisions of this
4 section combined. For the purposes of this subsection (1)(c)(ii),
5 "single large facility conservation savings" means cost-effective
6 conservation savings achieved in a single biennial period at the
7 premises of a single customer of a qualifying utility whose annual
8 electricity consumption prior to the conservation savings exceeded
9 five average megawatts.

10 (iii) Beginning January 1, 2012, and until December 31, 2017, a
11 qualifying utility with an industrial facility located in a county
12 with a population between ninety-five thousand and one hundred
13 fifteen thousand that is directly interconnected with electricity
14 facilities that are capable of carrying electricity at transmission
15 voltage((τ)) may use cost-effective conservation from that industrial
16 facility in excess of its biennial acquisition target to help meet
17 the immediately subsequent two biennial acquisition targets, such
18 that no more than twenty-five percent of any biennial target may be
19 met with excess conservation savings allowed under all of the
20 provisions of this section combined.

21 (d) In meeting its conservation targets, a qualifying utility may
22 count high-efficiency cogeneration owned and used by a retail
23 electric customer to meet its own needs. High-efficiency cogeneration
24 is the sequential production of electricity and useful thermal energy
25 from a common fuel source, where, under normal operating conditions,
26 the facility has a useful thermal energy output of no less than
27 thirty-three percent of the total energy output. The reduction in
28 load due to high-efficiency cogeneration shall be: (i) Calculated as
29 the ratio of the fuel chargeable to power heat rate of the
30 cogeneration facility compared to the heat rate on a new and clean
31 basis of a best-commercially available technology combined-cycle
32 natural gas-fired combustion turbine; and (ii) counted towards
33 meeting the biennial conservation target in the same manner as other
34 conservation savings.

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

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

1 (2)(a) Except as provided in ~~((+j))~~(k) and (m) of this
2 subsection, each qualifying utility shall use eligible renewable
3 resources or acquire equivalent renewable energy credits, or any
4 combination of them, to meet the following annual targets:

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

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

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

11 (b) A qualifying utility may count distributed generation at
12 double the facility's electrical output if the utility: (i) Owns or
13 has contracted for the distributed generation and the associated
14 renewable energy credits; or (ii) has contracted to purchase the
15 associated renewable energy credits.

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

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

30 (e) A qualifying utility is considered in compliance with an
31 annual target in (a) of this subsection if the utility's electricity:

32 (i) From: (A) Resources owned or under contract by January 1,
33 2010; (B) eligible renewable resources acquired after that date; and
34 (C) noneligible resources and equivalent renewable energy credits
35 acquired after that date;

36 (ii) Is both available to serve and meets or exceeds the
37 utility's load pursuant to (c) of this subsection (2).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 (m) Beginning January 1, 2016, a qualifying utility may use
20 eligible renewable resources as identified under RCW 19.285.030(12)
21 (g) and (h) to meet its compliance obligation under this subsection
22 (2). A qualifying utility may not transfer or sell these eligible
23 renewable resources to another utility for compliance purposes under
24 this chapter.

25 (n) Renewable energy credits allocated under RCW
26 19.285.030(12)(f) may not be transferred or sold to another
27 qualifying utility for compliance under this chapter.

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.

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