
SENATE BILL 5445

State of Washington

69th Legislature

2025 Regular Session

By Senators Boehnke, Hasegawa, and Slatter

Read first time 01/23/25. Referred to Committee on Environment,
Energy & Technology.

1 AN ACT Relating to encouraging utility investment in local energy
2 resilience by providing an alternative compliance pathway to meet the
3 eligible renewable resource mandate in the energy independence act;
4 amending RCW 19.285.040; and creating a new section.

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

6 NEW SECTION. **Sec. 1.** The legislature finds and declares that
7 the Pacific Northwest utilities conference committee has estimated
8 demand for electricity in the region will increase 30 percent over
9 the next decade. High-tech manufacturing, increasing electrification
10 of buildings and transportation, and surging data center needs
11 contribute to the expected increase in demand. Local economies
12 benefit from projects that will help meet this demand and improve
13 distribution system resilience with local resources and investments.

14 The legislature finds and declares that utilities are essential
15 partners in achieving the state's decarbonization goals while meeting
16 increasing demand and ensuring grid reliability. Such projects can
17 create high quality jobs, provide opportunities for training
18 apprentice workers, and help utilities leverage their own expertise,
19 community relationships, and resources to address our energy
20 challenges.

1 The legislature intends to support utilities who make significant
2 investments in energy resilience by establishing an alternate
3 compliance pathway in the energy independence act for utilities who
4 invest in local energy resilience projects.

5 **Sec. 2.** RCW 19.285.040 and 2024 c 278 s 2 are each amended to
6 read as follows:

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

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

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

29 (c)(i) Except as provided in (c)(ii) and (iii) of this
30 subsection, beginning on January 1, 2014, cost-effective conservation
31 achieved by a qualifying utility in excess of its biennial
32 acquisition target may be used to help meet the immediately
33 subsequent two biennial acquisition targets, such that no more than
34 20 percent of any biennial target may be met with excess conservation
35 savings.

36 (ii) Beginning January 1, 2014, a qualifying utility may use
37 single large facility conservation savings in excess of its biennial
38 target to meet up to an additional five percent of the immediately
39 subsequent two biennial acquisition targets, such that no more than

1 25 percent of any biennial target may be met with excess conservation
2 savings allowed under all of the provisions of this section combined.
3 For the purposes of this subsection (1)(c)(ii), "single large
4 facility conservation savings" means cost-effective conservation
5 savings achieved in a single biennial period at the premises of a
6 single customer of a qualifying utility whose annual electricity
7 consumption prior to the conservation savings exceeded five average
8 megawatts.

9 (iii) Beginning January 1, 2012, and until December 31, 2017, a
10 qualifying utility with an industrial facility located in a county
11 with a population between 95,000 and 115,000 that is directly
12 interconnected with electricity facilities that are capable of
13 carrying electricity at transmission voltage may use cost-effective
14 conservation from that industrial facility in excess of its biennial
15 acquisition target to help meet the immediately subsequent two
16 biennial acquisition targets, such that no more than 25 percent of
17 any biennial target may be met with excess conservation savings
18 allowed under all of the provisions of this section combined.

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

33 (e) A qualifying utility is considered in compliance with its
34 biennial acquisition target for cost-effective conservation in (b) of
35 this subsection if events beyond the reasonable control of the
36 utility that could not have been reasonably anticipated or
37 ameliorated prevented it from meeting the conservation target. Events
38 that a qualifying utility may demonstrate were beyond its reasonable
39 control, that could not have reasonably been anticipated or
40 ameliorated, and that prevented it from meeting the conservation

1 target include: (i) Natural disasters resulting in the issuance of
2 extended emergency declarations; (ii) the cancellation of significant
3 conservation projects; and (iii) actions of a governmental authority
4 that adversely affects the acquisition of cost-effective conservation
5 by the qualifying utility.

6 (f) The commission may determine if a conservation program
7 implemented by an investor-owned utility is cost-effective based on
8 the commission's policies and practice.

9 (g) In addition to the requirements of RCW 19.280.030(3), in
10 assessing the cost-effective conservation required under this
11 section, a qualifying utility is encouraged to promote the adoption
12 of air conditioning, as defined in RCW 70A.60.010, with refrigerants
13 not exceeding a global warming potential of 750 and the replacement
14 of stationary refrigeration systems that contain ozone-depleting
15 substances or hydrofluorocarbon refrigerants with a high global
16 warming potential.

17 (h) The commission may rely on its standard practice for review
18 and approval of investor-owned utility conservation targets.

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

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

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

27 (iii) At least 15 percent of its load by January 1, 2020, and
28 each year thereafter.

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

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

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

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

8 (e) A qualifying utility may use renewable energy credits to meet
9 the requirements of this section, subject to the limitations of this
10 subsection.

11 (i) A renewable energy credit from electricity generated by a
12 resource other than freshwater may be used to meet a requirement
13 applicable to the year in which the credit was created, the year
14 before the year in which the credit was created, or the year after
15 the year in which the credit was created.

16 (ii) A renewable energy credit from electricity generated by
17 freshwater:

18 (A) May only be used to meet a requirement applicable to the year
19 in which the credit was created; and

20 (B) Must be acquired by the qualifying utility through ownership
21 of the generation facility or through a transaction that conveyed
22 both the electricity and the nonpower attributes of the electricity.

23 (iii) A renewable energy credit transferred to an investor-owned
24 utility pursuant to the Bonneville power administration's residential
25 exchange program may not be used by any utility other than the
26 utility receiving the credit from the Bonneville power
27 administration.

28 (iv) Each renewable energy credit may only be used once to meet
29 the requirements of this section and must be retired using procedures
30 of the renewable energy credit tracking system.

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

33 (i) Eligible renewable resources or distributed generation where
34 the associated renewable energy credits are owned by a separate
35 entity; or

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

39 (g) Where fossil and combustible renewable resources are cofired
40 in one generating unit located in the Pacific Northwest where the

1 cofiring commenced after March 31, 1999, the unit shall be considered
2 to produce eligible renewable resources in direct proportion to the
3 percentage of the total heat value represented by the heat value of
4 the renewable resources.

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

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

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

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

15 (i) A qualifying utility shall be considered in compliance with
16 an annual target in (a) of this subsection if events beyond the
17 reasonable control of the utility that could not have been reasonably
18 anticipated or ameliorated prevented it from meeting the renewable
19 energy target. Such events include weather-related damage, mechanical
20 failure, strikes, lockouts, and actions of a governmental authority
21 that adversely affect the generation, transmission, or distribution
22 of an eligible renewable resource under contract to a qualifying
23 utility.

24 (j)(i) Beginning January 1, 2016, only a qualifying utility that
25 owns or is directly interconnected to a qualified biomass energy
26 facility may use qualified biomass energy to meet its compliance
27 obligation under this subsection.

28 (ii) A qualifying utility may no longer use electricity and
29 associated renewable energy credits from a qualified biomass energy
30 facility if the associated industrial pulping or wood manufacturing
31 facility ceases operation other than for purposes of maintenance or
32 upgrade.

33 (k) An industrial facility that hosts a qualified biomass energy
34 facility may only transfer or sell renewable energy credits
35 associated with qualified biomass energy generated at its facility to
36 the qualifying utility with which it is directly interconnected with
37 facilities owned by such a qualifying utility and that are capable of
38 carrying electricity at transmission voltage. The qualifying utility
39 may only use an amount of renewable energy credits associated with
40 qualified biomass energy that are equivalent to the proportionate

1 amount of its annual targets under (a)(ii) and (iii) of this
2 subsection that was created by the load of the industrial facility. A
3 qualifying utility that owns a qualified biomass energy facility may
4 not transfer or sell renewable energy credits associated with
5 qualified biomass energy to another person, entity, or qualifying
6 utility.

7 (1) A qualifying utility shall be considered in compliance with
8 the annual target in subsection (2)(a) of this section if the
9 qualifying utility cumulatively invests at least two percent of its
10 total annual retail revenue requirement in local energy resilience
11 projects.

12 (m) Beginning January 1, 2020, a qualifying utility may use
13 eligible renewable resources as identified under RCW 19.285.030(12)
14 (g) and (h) to meet its compliance obligation under this subsection
15 (2). A qualifying utility may not transfer or sell these eligible
16 renewable resources to another utility for compliance purposes under
17 this chapter.

18 ~~((m))~~ (n) Beginning January 1, 2030, a qualifying utility is
19 considered to be in compliance with an annual target in (a) of this
20 subsection if the utility uses electricity from: (i) Renewable
21 resources and renewable energy credits as defined in RCW 19.285.030;
22 and (ii) nonemitting electric generation as defined in RCW
23 19.405.020, in an amount equal to 100 percent of the utility's
24 average annual retail electric load. Nothing in this subsection
25 relieves the requirements of a qualifying utility to comply with
26 subsection (1) of this section.

27 ~~((n))~~ (o) A qualifying utility shall exclude from its annual
28 targets under this subsection (2) its voluntary renewable energy
29 purchases.

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

34 (4) For the purposes of this section, the following definitions
35 apply:

36 (a) "Additional conservation" means conservation not included in
37 the utility's biennial acquisition target.

38 (b) "Local energy resilience project" means any combination of
39 the following investments in the geographical area in which the
40 utility provides electric service: (i) Additional conservation; (ii)

1 community or individual solar generation; (iii) demand response; (iv)
2 battery storage; (v) in-pipe generation; (vi) wind generation; (vii)
3 grid hardening to reduce the risk to infrastructure from wildfires,
4 earthquakes, floods or other potential natural disasters; and (viii)
5 microgrids.

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