CERTIFICATION OF ENROLLMENT

ENGROSSED SUBSTITUTE SENATE BILL 5445

69th Legislature
2025 Regular Session

Passed by the Senate April 22, 2025
Yeas 48 Nays 0

President of the Senate

Passed by the House April 15, 2025
Yeas 96 Nays 1

Speaker of the House of Representatives

Approved

Governor of the State of Washington

CERTIFICATE

I, Sarah Bannister, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE SENATE BILL 5445** as passed by the Senate and the House of Representatives on the dates hereon set forth.

Secretary

FILED

Secretary of State
State of Washington

ENGROSSED SUBSTITUTE SENATE BILL 5445

AS AMENDED BY THE HOUSE

Passed Legislature - 2025 Regular Session

State of Washington 69th Legislature 2025 Regular Session

By Senate Environment, Energy & Technology (originally sponsored by Senators Boehnke, Hasegawa, and Slatter)

READ FIRST TIME 02/21/25.

AN ACT Relating to encouraging the development of distributed energy resources; amending RCW 84.34.020, 84.34.070, and 19.285.040; adding a new section to chapter 43.21F RCW; adding a new section to chapter 43.21C RCW; and creating new sections.

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

NEW SECTION. **Sec. 1.** The legislature finds that, as Washington works towards meeting its goals under the clean energy transformation act, we see many larger-scale renewable energy projects proposed. These projects can come with significant challenges. This act aims to incentivize the development of local distributed energy resources. This may include expediting installation of small-scale wind energy developments, solar energy developments on landfills, structures, and other developed lands, and the placement of solar panels on agricultural lands that ensure the continued viability of agriculture alongside energy production. The legislature also finds that local economies benefit from distributed energy projects, which can create high quality jobs, provide opportunities for training apprentice workers, and improve grid resilience. The legislature intends to support utilities in investing in local distributed energy resilience by providing greater incentives in the energy independence act for utilities who invest in distributed energy priority projects.

NEW SECTION. **Sec. 2.** A new section is added to chapter 43.21F RCW to read as follows:

(1) The following categories of clean energy facilities and nonproject activities that reduce environmental impacts are determined to constitute distributed energy priorities:

(a) Solar energy generation and accompanying energy storage and electricity transmission and distribution, including vehicle charging equipment, when such facilities are located:

(i) Within the easement, right-of-way, or existing footprint of electrical transmission facilities or electric utility infrastructure sites;

(ii) Within the easement, right-of-way, or existing footprint of a state highway or city or county road;

(iii) On structures over or enclosing irrigation canals, drainage ditches, and irrigation, agricultural, livestock supply, stormwater, or wastewater reservoirs or similar impoundments of state waters that do not host salmon or steelhead trout runs;

(iv) On elevated structures over parking lots;

(v) On lands within a transportation facility, including but not limited to airports and railroad facilities, or restricted from other developments by transportation facility operations;

(vi) On closed or capped portions of landfills;

(vii) On reclaimed or former surface mine lands or contaminated sites that have been remediated under chapter 70A.305 RCW or the federal comprehensive environmental response, compensation, and liability act (42 U.S.C. Sec. 9601 et seq.) in a manner that includes an asphalt or soil cap;

(viii) As an agrivoltaic facility; and

(ix) On existing structures;

(b) Wind energy generation that is not a utility-scale wind energy facility as defined in RCW 70A.550.010, and accompanying energy storage and transmission and distribution equipment, including vehicle charging equipment;

(c) Energy storage, when such facilities are located:

(i) Within the easement, right-of-way, or existing footprint of electrical transmission facilities or electric utility infrastructure sites;

(ii) Within the easement, right-of-way, or existing footprint of a state highway or city or county road;

(iii) On lands within a transportation facility, including but not limited to airports and railroad facilities, or restricted from other developments by transportation facility operations;

(iv) On closed or capped portions of landfills;

(v) On reclaimed or former surface mine lands;

(vi) On contaminated sites that have been remediated under chapter 70A.305 RCW or the federal comprehensive environmental response, compensation, and liability act (42 U.S.C. Sec. 9601 et seq.) in a manner that includes an asphalt or soil cap; and

(vii) On or in existing structures;

(d) Microgrids. For purposes of this section, "microgrids" are a group of interconnected loads, energy generation, and other distributed energy resources that act as a single controllable entity with respect to the electric grid. A microgrid can operate both autonomously from and synchronous with the central electric grid;

(e) Programs that reduce electric demand, manage the level or timing of electricity consumption, or provide electricity storage, renewable or nonemitting electric energy, capacity, or ancillary services to an electric utility and that are located on the distribution system, any subsystem of the distribution system, or behind the customer meter, including conservation and energy efficiency; and

(f) Programs that reduce energy demand, manage the level or timing of energy consumption, or provide thermal energy storage.

(2)(a) The department must review and, when appropriate, periodically recommend to the legislature additional types of distributed energy priorities for inclusion on the list under subsection (1) of this section.

(b) The identification of distributed energy priorities in subsection (1) of this section applies to the maximum extent practical under state and federal law, but does not include any development sites or activities prohibited under other state or federal laws.

(3)(a) For purposes of this section, "agrivoltaic facility" means a ground-mounted photovoltaic solar energy system that is designed to be operated coincident with continued productive agricultural use of the land.

(b) Eligible agricultural products and uses include any combination of:

(i) Crop production;

(ii) Grazing;

(iii) Animal husbandry; and

(iv) Apiaries with pollinator habitat that have been designed and installed to enable the agricultural producer the flexibility to change what products are produced, raised, or grown at any point throughout the life of the facility.

(c) An agrivoltaic facility must not permanently or significantly degrade the agricultural or ecological productivity of the land after the cessation of the operation of the facility or involve the sale of a water right associated with the land.

(d) An agrivoltaic facility must be constructed, installed, and operated to achieve integrated and simultaneous production of both solar energy and marketable agricultural products by an agricultural producer:

(i) On land beneath or between rows of solar panels, or both; and

(ii) As soon as agronomically feasible and optimal for the agricultural producer after the commercial solar operation date, and continuing until facility decommissioning.

(e) Solar panel arrays must be designed and installed in a manner that supports the continuation of a viable farm operation for the life of the array, and must consider, as appropriate, the availability of light, water infrastructure for crops or animals, and panel height and spacing relative to farm machinery needs.

NEW SECTION. **Sec. 3.** A new section is added to chapter 43.21C RCW to read as follows:

The following actions are categorically exempt from the requirements of this chapter, except when undertaken wholly or partly on lands covered by water:

(1)(a) Except as provided in (b) of this subsection, the placement of an array of solar energy generation panels or associated equipment with a footprint of less than 1,000 square feet, or the construction of structures with a footprint of less than 1,000 square feet that support solar energy generation panels or associated equipment, when such arrays or structures are located on previously disturbed or developed lands including, but not limited to, driveways, lawns, patios, and walkways, and are not located on the portions of lands that are eligible for current use valuation under chapter 84.34 RCW as open space land, farm and agricultural land, or timberland;

(b) Multiple arrays or structures with a footprint of less than 1,000 square feet undertaken by the same owner or operator on the same parcel, as defined in RCW 17.10.010, that exceed 1,000 square feet in aggregate are deemed connected actions and are not eligible for the categorical exemption established in this subsection;

(2) The construction of structures that support solar energy generation panels or associated equipment on elevated structures located wholly over parking lots; and

(3) Solar energy generation and accompanying energy storage and electricity transmission and distribution when such facilities do not involve penetration of an asphalt or soil cap, are served by and accessible to emergency fire response services, as determined by the entity that would be lead agency for purposes of the chapter, and are located wholly on:

(a) Closed or capped portions of landfills; or

(b) Reclaimed or former surface mine lands.

Sec. 4. RCW 84.34.020 and 2014 c 125 s 2 are each amended to read as follows:

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

(1) "Open space land" means (a) any land area so designated by an official comprehensive land use plan adopted by any city or county and zoned accordingly((~~,~~))_;_ or (b) any land area, the preservation of which in its present use would (i) conserve and enhance natural or scenic resources, or (ii) protect streams or water supply, or (iii) promote conservation of soils, wetlands, beaches or tidal marshes, or (iv) enhance the value to the public of abutting or neighboring parks, forests, wildlife preserves, nature reservations or sanctuaries or other open space, or (v) enhance recreation opportunities, or (vi) preserve historic sites, or (vii) preserve visual quality along highway, road, and street corridors or scenic vistas, or (viii) retain in its natural state tracts of land not less than one acre situated in an urban area and open to public use on such conditions as may be reasonably required by the legislative body granting the open space classification((~~,~~))_;_ or (c) any land meeting the definition of farm and agricultural conservation land under subsection (8) of this section. As a condition of granting open space classification, the legislative body may not require public access on

land classified under (b)(iii) of this subsection for the purpose of promoting conservation of wetlands.

(2) "Farm and agricultural land" means:

(a) Any parcel of land that is ((~~twenty~~)) 20 or more acres or multiple parcels of land that are contiguous and total ((~~twenty~~)) 20 or more acres:

(i) Devoted primarily to the production of livestock or agricultural commodities for commercial purposes;

(ii) Enrolled in the federal conservation reserve program or its successor administered by the United States department of agriculture; or

(iii) Other similar commercial activities as may be established by rule;

(b)(i) Any parcel of land that is five acres or more but less than ((~~twenty~~)) 20 acres devoted primarily to agricultural uses, which has produced a gross income from agricultural uses equivalent to, as of January 1, 1993:

(A) ((~~One hundred dollars~~)) $100 or more per acre per year for three of the five calendar years preceding the date of application for classification under this chapter for all parcels of land that are classified under this subsection or all parcels of land for which an application for classification under this subsection is made with the granting authority prior to January 1, 1993; and

(B) On or after January 1, 1993, ((~~two hundred dollars~~)) $200 or more per acre per year for three of the five calendar years preceding the date of application for classification under this chapter;

(ii) For the purposes of (b)(i) of this subsection, "gross income from agricultural uses" includes, but is not limited to, the wholesale value of agricultural products donated to nonprofit food banks or feeding programs;

(c) Any parcel of land of less than five acres devoted primarily to agricultural uses which has produced a gross income as of January 1, 1993, of:

(i) ((~~One thousand dollars~~)) $1,000 or more per year for three of the five calendar years preceding the date of application for classification under this chapter for all parcels of land that are classified under this subsection or all parcels of land for which an application for classification under this subsection is made with the granting authority prior to January 1, 1993; and

(ii) On or after January 1, 1993, ((~~fifteen hundred dollars~~)) $1,500 or more per year for three of the five calendar years preceding the date of application for classification under this chapter. Parcels of land described in (b)(i)(A) and (c)(i) of this subsection will, upon any transfer of the property excluding a transfer to a surviving spouse or surviving state registered domestic partner, be subject to the limits of (b)(i)(B) and (c)(ii) of this subsection;

(d) Any parcel of land that is five acres or more but less than ((~~twenty~~)) 20 acres devoted primarily to agricultural uses, which meet one of the following criteria:

(i) Has produced a gross income from agricultural uses equivalent to two hundred dollars or more per acre per year for three of the five calendar years preceding the date of application for classification under this chapter;

(ii) Has standing crops with an expectation of harvest within seven years, except as provided in (d)(iii) of this subsection, and a demonstrable investment in the production of those crops equivalent to one hundred dollars or more per acre in the current or previous calendar year. For the purposes of this subsection (2)(d)(ii), "standing crop" means Christmas trees, vineyards, fruit trees, or other perennial crops that: (A) Are planted using agricultural methods normally used in the commercial production of that particular crop; and (B) typically do not produce harvestable quantities in the initial years after planting; or

(iii) Has a standing crop of short rotation hardwoods with an expectation of harvest within ((~~fifteen~~)) 15 years and a demonstrable investment in the production of those crops equivalent to ((~~one hundred dollars~~)) $100 or more per acre in the current or previous calendar year;

(e) Any lands including incidental uses as are compatible with agricultural purposes, including wetlands preservation, provided such incidental use does not exceed ((~~twenty~~)) 20 percent of the classified land and the land on which appurtenances necessary to the production, preparation, or sale of the agricultural products exist in conjunction with the lands producing such products. Agricultural lands also include any parcel of land of one to five acres, which is not contiguous, but which otherwise constitutes an integral part of farming operations being conducted on land qualifying under this section as "farm and agricultural lands";

(f) The land on which housing for employees and the principal place of residence of the farm operator or owner of land classified pursuant to (a) of this subsection is sited if: The housing or residence is on or contiguous to the classified parcel; and the use of the housing or the residence is integral to the use of the classified land for agricultural purposes;

(g) Any land that is used primarily for equestrian related activities for which a charge is made, including, but not limited to, stabling, training, riding, clinics, schooling, shows, or grazing for feed and that otherwise meet the requirements of (a), (b), or (c) of this subsection; ((~~or~~))

(h) Any land primarily used for commercial horticultural purposes, including growing seedlings, trees, shrubs, vines, fruits, vegetables, flowers, herbs, and other plants in containers, whether under a structure or not, subject to the following:

(i) The land is not primarily used for the storage, care, or selling of plants purchased from other growers for retail sale;

(ii) If the land is less than five acres and used primarily to grow plants in containers, such land does not qualify as "farm and agricultural land" if more than ((~~twenty-five~~)) 25 percent of the land used primarily to grow plants in containers is open to the general public for on-site retail sales;

(iii) If more than ((~~twenty~~)) 20 percent of the land used for growing plants in containers qualifying under this subsection (2)(h) is covered by pavement, none of the paved area is eligible for classification as "farm and agricultural land" under this subsection (2)(h). The eligibility limitations described in this subsection (2)(h)(iii) do not affect the land's eligibility to qualify under (e) of this subsection; and

(iv) If the land classified under this subsection (2)(h), in addition to any contiguous land classified under this subsection, is less than ((~~twenty~~)) 20 acres, it must meet the applicable income or investment requirements in (b), (c), or (d) of this subsection; or

(i) Lands identified in (a) through (h) of this subsection on which an agrivoltaic facility is located.

(3) "Timberland" means any parcel of land that is five or more acres or multiple parcels of land that are contiguous and total five or more acres which is or are devoted primarily to the growth and harvest of timber for commercial purposes. Timberland means the land only and does not include a residential homesite. The term includes

land used for incidental uses that are compatible with the growing and harvesting of timber but no more than ((~~ten~~)) 10 percent of the land may be used for such incidental uses. It also includes the land on which appurtenances necessary for the production, preparation, or sale of the timber products exist in conjunction with land producing these products.

(4) "Current" or "currently" means as of the date on which property is to be listed and valued by the assessor.

(5) "Owner" means the party or parties having the fee interest in land, except that where land is subject to real estate contract "owner" means the contract vendee.

(6)(a) "Contiguous" means land adjoining and touching other property held by the same ownership. Land divided by a public road, but otherwise an integral part of a farming operation, is considered contiguous.

(b) For purposes of this subsection (6):

(i) "Same ownership" means owned by the same person or persons, except that parcels owned by different persons are deemed held by the same ownership if the parcels are:

(A) Managed as part of a single operation; and

(B) Owned by:

(I) Members of the same family;

(II) Legal entities that are wholly owned by members of the same family; or

(III) An individual who owns at least one of the parcels and a legal entity or entities that own the other parcel or parcels if the entity or entities are wholly owned by that individual, members of his or her family, or that individual and members of his or her family.

(ii) "Family" includes only:

(A) An individual and his or her spouse or domestic partner, child, stepchild, adopted child, grandchild, parent, stepparent, grandparent, cousin, or sibling;

(B) The spouse or domestic partner of an individual's child, stepchild, adopted child, grandchild, parent, stepparent, grandparent, cousin, or sibling;

(C) A child, stepchild, adopted child, grandchild, parent, stepparent, grandparent, cousin, or sibling of the individual's spouse or the individual's domestic partner; and

(D) The spouse or domestic partner of any individual described in (b)(ii)(C) of this subsection (6).

(7) "Granting authority" means the appropriate agency or official who acts on an application for classification of land pursuant to this chapter.

(8) "Farm and agricultural conservation land" means either:

(a) Land that was previously classified under subsection (2) of this section, that no longer meets the criteria of subsection (2) of this section, and that is reclassified under subsection (1) of this section; or

(b) Land that is traditional farmland that is not classified under chapter 84.33 or 84.34 RCW, that has not been irrevocably devoted to a use inconsistent with agricultural uses, and that has a high potential for returning to commercial agriculture.

(9) "Agrivoltaic facility" has the same meaning as described in section 2 of this act.

Sec. 5. RCW 84.34.070 and 2017 c 251 s 1 are each amended to read as follows:

(1)(a) When land has once been classified under this chapter, it must remain under such classification and must not be applied to other use except as provided by subsection (2) of this section for at least ten years from the date of classification. It must continue under such classification until and unless withdrawn from classification after notice of request for withdrawal is made by the owner. After the initial ((~~ten~~)) 10-year classification period has elapsed, notice of request for withdrawal of all or a portion of the land may be given by the owner to the assessor or assessors of the county or counties in which the land is situated. If a portion of a parcel is removed from classification, the remaining portion must meet the same requirements as did the entire parcel when the land was originally granted classification under this chapter unless the remaining parcel has different income criteria. Within seven days the assessor must transmit one copy of the notice to the legislative body that originally approved the application. The assessor or assessors, as the case may be, must withdraw the land from the classification and the land is subject to the additional tax and applicable interest due under RCW 84.34.108. Agreement to tax according to use is not considered to be a contract and can be abrogated at any time by the

legislature in which event no additional tax or penalty may be imposed.

(b) If the assessor gives written notice of removal as provided in RCW 84.34.108(1)(d)(i) of all or a portion of land classified under this chapter before the owner gives a notice of request for withdrawal in (a) of this subsection, the provisions of RCW 84.34.108 apply.

(2)(a) The following reclassifications are not considered withdrawals or removals and are not subject to additional tax under RCW 84.34.108:

(i) Reclassification between lands under RCW 84.34.020 (2) and (3);

(ii) Reclassification of land classified under RCW 84.34.020 (2) or (3) or designated under chapter 84.33 RCW to open space land under RCW 84.34.020(1);

(iii) Reclassification of land classified under RCW 84.34.020 (2) or (3) to forestland designated under chapter 84.33 RCW; and

(iv) Reclassification of land classified as open space land under RCW 84.34.020(1)(c) and reclassified to farm and agricultural land under RCW 84.34.020(2) if the land had been previously classified as farm and agricultural land under RCW 84.34.020(2).

(b) Designation as forestland under RCW 84.33.130(1) as a result of a merger adopted under RCW 84.34.400 is not considered a withdrawal or removal and is not subject to additional tax under RCW 84.34.108.

(3) Applications for reclassification are subject to applicable provisions of RCW 84.34.037, 84.34.035, 84.34.041, and chapter 84.33 RCW.

(4) The income criteria for land classified under RCW 84.34.020(2) (b) and (c) may be deferred for land being reclassified from land classified under RCW 84.34.020 (1)(c) or (3), or chapter 84.33 RCW into RCW 84.34.020(2) (b) or (c) for a period of up to five years from the date of reclassification.

(5) The addition of an agrivoltaic facility to farm and agricultural lands does not constitute a reclassification for purposes of this chapter and is not considered a withdrawal or removal subject to additional tax under RCW 84.34.108.

NEW SECTION. **Sec. 6.** RCW 82.32.805 and 82.32.808 do not apply to sections 4 and 5 of this act.

Sec. 7. RCW 19.285.040 and 2024 c 278 s 2 are each amended to read as follows:

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

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

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

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

(ii) Beginning January 1, 2014, a qualifying utility may use single large facility conservation savings in excess of its biennial target to meet up to an additional five percent of the immediately subsequent two biennial acquisition targets, such that no more than 25 percent of any biennial target may be met with excess conservation savings allowed under all of the provisions of this section combined. For the purposes of this subsection (1)(c)(ii), "single large facility conservation savings" means cost-effective conservation savings achieved in a single biennial period at the premises of a

single customer of a qualifying utility whose annual electricity consumption prior to the conservation savings exceeded five average megawatts.

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

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

(e) A qualifying utility is considered in compliance with its biennial acquisition target for cost-effective conservation in (b) of this subsection if events beyond the reasonable control of the utility that could not have been reasonably anticipated or ameliorated prevented it from meeting the conservation target. Events that a qualifying utility may demonstrate were beyond its reasonable control, that could not have reasonably been anticipated or ameliorated, and that prevented it from meeting the conservation target include: (i) Natural disasters resulting in the issuance of extended emergency declarations; (ii) the cancellation of significant conservation projects; and (iii) actions of a governmental authority that adversely affects the acquisition of cost-effective conservation by the qualifying utility.

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

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

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

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

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

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

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

(b) ((~~A~~)) (i) Except as provided in (b)(ii) of this subsection, a qualifying utility may count distributed generation at double the facility's electrical output if the utility: ((~~(i)~~)) (A) Owns or has contracted for the distributed generation and the associated renewable energy credits; or ((~~(ii)~~)) (B) has contracted to purchase the associated renewable energy credits.

(ii) For new distributed generation that is a distributed energy priority described in section 2 of this act that commences operation after the effective date of this section located within the geographical area in which the utility provides service, through December 31, 2029, the qualifying utility may count the distributed generation at four times the facility's electrical output if the utility: (A) Owns or has contracted for the distributed generation and the associated renewable energy credits; or (B) has contracted to purchase the associated renewable energy credits.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(l) A qualifying utility shall be considered in compliance if the utility uses any combination of eligible renewable resources as defined in RCW 19.285.030, accelerated conservation, and demand response as defined in subsection (4) of this section to meet its compliance obligations under this subsection (2).

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

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

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

(3) Utilities that become qualifying utilities after December 31, 2006, shall meet the requirements in this section on a time frame

comparable in length to that provided for qualifying utilities as of December 7, 2006.

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

(a)(i) "Accelerated conservation" means conservation included in the qualifying utility's most recent cost-effective conservation potential established in compliance with subsection (1)(a) of this section and in excess of the biennial acquisition target established in compliance with subsection (1)(b) of this section.

(ii) Accelerated conservation acquired in the target year must be in an amount no less than the annual target amount under subsection (2)(a) of this section, as measured in megawatt-hours.

(iii) The amount of accelerated conservation must be measured as the annual energy savings measured in megawatt-hours multiplied by the number of years the conservation measure acquired will be in operation between the effective date of this section until January 1, 2030.

(iv) Any conservation savings used under this alternative compliance method may not be included as excess conservation savings under subsection (1)(c) of this section.

(b) "Demand response" has the same meaning as in RCW 19.405.020, except that "demand response" also includes energy storage that is a distributed energy priority identified in section 2 of this act when the energy storage enables the utility to reduce system peak demand. For the purpose of quantifying the amount of demand response eligible to be claimed under subsection (2)(l) of this section, the following requirements apply:

(i) The amount of demand response must be converted to a megawatt-hour amount by determining the reduction in peak load in megawatts the demand response measure could deliver, dividing this value by the system peak demand in megawatts of the qualifying utility, and multiplying this value by the average annual system load of the utility in megawatt-hours.

(ii) A utility claiming demand response resources under this subsection must maintain and apply measurement and verification protocols to determine the amount of capacity resulting from demand response resources and to verify the acquisition or installation of the demand response resources being recorded or claimed. A utility may provide a measurement or verification protocol that is not a

direct measurement, but must document its methodologies, assumptions, and factual inputs.

NEW SECTION. **Sec. 8.** If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

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