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**SUBSTITUTE HOUSE BILL 1643**

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**State of Washington**

**63rd Legislature**

**2014 Regular Session**

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

READ FIRST TIME 02/05/14.

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

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

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

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

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

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

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

15 (ii) Beginning on January 1, 2012, a qualifying utility may use  
16 single large facility conservation acquisitions to meet up to an  
17 additional five percent of the immediately subsequent two biennial  
18 acquisition targets. For the purposes of this subsection, "single  
19 large facility conservation acquisitions" means cost-effective  
20 conservation savings achieved in a single biennial period at the  
21 premises of a single utility customer whose annual electricity  
22 consumption prior to the conservation acquisition exceeded five percent  
23 of the qualifying utility's load.

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

37 ~~((d))~~ (e) The commission may determine if a conservation program

1 implemented by an investor-owned utility is cost-effective based on the  
2 commission's policies and practice.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

33 (j)(i) Beginning January 1, 2016, only a qualifying utility that  
34 owns or is directly interconnected to a qualified biomass energy  
35 facility may use qualified biomass energy to meet its compliance  
36 obligation under RCW 19.285.040(2).

37 (ii) A qualifying utility may no longer use electricity and  
38 associated renewable energy credits from a qualified biomass energy

1 facility if the associated industrial pulping or wood manufacturing  
2 facility ceases operation other than for purposes of maintenance or  
3 upgrade.

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

17 (3) Utilities that become qualifying utilities after December 31,  
18 2006, shall meet the requirements in this section on a time frame  
19 comparable in length to that provided for qualifying utilities as of  
20 December 7, 2006.

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