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HOUSE BILL 1360

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State of Washington

65th Legislature

2017 Regular Session

By Representatives Wylie, Smith, Kirby, Short, Nealey, Kretz, Young, Shea, Hayes, Muri, and Holy

Read first time 01/18/17. Referred to Committee on Technology & Economic Development.

1 AN ACT Relating to allowing incremental electricity produced as a  
2 result of efficiency improvements to hydroelectric generation  
3 projects whose energy output is marketed by the Bonneville power  
4 administration to qualify as an eligible renewable resource under the  
5 energy independence act; and amending RCW 19.285.030 and 19.285.040.

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

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

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

11 (1) "Attorney general" means the Washington state office of the  
12 attorney general.

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

18 (3)(a) "Biomass energy" includes: (i) Organic by-products of  
19 pulping and the wood manufacturing process; (ii) animal manure; (iii)  
20 solid organic fuels from wood; (iv) forest or field residues; (v)  
21 untreated wooden demolition or construction debris; (vi) food waste

1 and food processing residuals; (vii) liquors derived from algae;  
2 (viii) dedicated energy crops; and (ix) yard waste.

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

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

9 (5) "Commission" means the Washington state utilities and  
10 transportation commission.

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

14 (7) "Cost-effective" has the same meaning as defined in RCW  
15 80.52.030.

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

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

20 (10) "Department" means the department of commerce or its  
21 successor.

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

26 (12) "Eligible renewable resource" means:

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

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

38 (c) Hydroelectric generation from a project completed after March  
39 31, 1999, where the generation facility is located in irrigation  
40 pipes, irrigation canals, water pipes whose primary purpose is for

1 conveyance of water for municipal use, and wastewater pipes located  
2 in Washington where the generation does not result in new water  
3 diversions or impoundments;

4 (d) Qualified biomass energy; ((~~ex~~))

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

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

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

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

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

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

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

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

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

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

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

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

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

33 (21) "Renewable resource" means: (a) Water; (b) wind; (c) solar  
34 energy; (d) geothermal energy; (e) landfill gas; (f) wave, ocean, or  
35 tidal power; (g) gas from sewage treatment facilities; (h) biodiesel  
36 fuel as defined in RCW 82.29A.135 that is not derived from crops  
37 raised on land cleared from old growth or first-growth forests where  
38 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(( $\tau$ )) 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) and (l) of this subsection, each  
2 qualifying utility shall use eligible renewable resources or acquire  
3 equivalent renewable energy credits, or any combination of them, to  
4 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) The requirements of this section may be met for any given  
31 year with renewable energy credits produced during that year, the  
32 preceding year, or the subsequent year. Each renewable energy credit  
33 may be used only once to meet the requirements of this section.

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

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

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

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

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

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

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

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

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

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

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

38 (k) An industrial facility that hosts a qualified biomass energy  
39 facility may only transfer or sell renewable energy credits  
40 associated with its facility to the qualifying utility with which it



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

11 (1) Beginning January 1, 2018, a qualifying utility may use  
12 eligible renewable resources as identified under RCW 19.285.030(12)  
13 (f) and (g) to meet its compliance obligation under this subsection  
14 (2). A qualifying utility may not transfer or sell these eligible  
15 renewable resources to another utility for compliance purposes under  
16 this chapter.

17 (m) Renewable energy credits allocated under RCW  
18 19.285.030(12)(g) may not be transferred or sold to another  
19 qualifying utility for compliance under this chapter.

20 (3) Utilities that become qualifying utilities after December 31,  
21 2006, shall meet the requirements in this section on a time frame  
22 comparable in length to that provided for qualifying utilities as of  
23 December 7, 2006.

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