

---

**BILL REQUEST - CODE REVISER'S OFFICE**

---

BILL REQ. #: S-1096.1/15

ATTY/TYPIST: AA:akl

BRIEF DESCRIPTION: Providing incentives for carbon reduction investments.

1 AN ACT Relating to providing incentives for carbon reduction  
2 investments; and 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) Carbon reduction investments;

4 (e) Qualified biomass energy; or

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

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

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

18 (15)(a) "Nonpower attributes" means all environmentally related  
19 characteristics, exclusive of energy, capacity reliability, and other  
20 electrical power service attributes, that are associated with the  
21 generation of electricity from a renewable resource, including but  
22 not limited to the facility's fuel type, geographic location,  
23 vintage, qualification as an eligible renewable resource, and avoided  
24 emissions of pollutants to the air, soil, or water, and avoided  
25 emissions of carbon dioxide and other greenhouse gases.

26 (b) "Nonpower attributes" does not include any aspects, claims,  
27 characteristics, and benefits associated with the on-site capture and  
28 destruction of methane or other greenhouse gases at a facility  
29 through a digester system, landfill gas collection system, or other  
30 mechanism, which may be separately marketable as greenhouse gas  
31 emission reduction credits, offsets, or similar tradable commodities.  
32 However, these separate avoided emissions may not result in or  
33 otherwise have the effect of attributing greenhouse gas emissions to  
34 the electricity.

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

39 (17) "Public facility" has the same meaning as defined in RCW  
40 39.35C.010.

1 (18) "Qualified biomass energy" means electricity produced from a  
2 biomass energy facility that: (a) Commenced operation before March  
3 31, 1999; (b) contributes to the qualifying utility's load; and (c)  
4 is owned either by: (i) A qualifying utility; or (ii) an industrial  
5 facility that is directly interconnected with electricity facilities  
6 that are owned by a qualifying utility and capable of carrying  
7 electricity at transmission voltage.

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

14 (20) "Renewable energy credit" means a tradable certificate of  
15 proof of at least one megawatt-hour of an eligible renewable resource  
16 where the generation facility is not powered by freshwater. The  
17 certificate includes all of the nonpower attributes associated with  
18 that one megawatt-hour of electricity, and the certificate is  
19 verified by a renewable energy credit tracking system selected by the  
20 department.

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

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

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

32 (24) "Carbon reduction investment" means an investment in support  
33 of eligible projects or actions that reduce, prevent, or remove from  
34 the atmosphere the emissions of greenhouse gasses in the state. An  
35 eligible project or action includes, but is not limited to,  
36 investment in or purchase of the emissions reductions attributable to  
37 the following: (a) Installation of electric vehicle chargers and  
38 related infrastructure; (b) installation of infrastructure to provide  
39 compressed natural gas, liquefied natural gas, and renewable natural  
40 gas for motor vehicles, locomotives, and marine vessels; (c) the fuel

1 conversion of state ferries to liquefied natural gas; (d) demand side  
2 management of electricity consumption; (e) energy storage  
3 technologies; and (f) carbon sequestration programs.

4 (25) "Greenhouse gas" means carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>),  
5 nitrogen trifluoride (NF<sub>3</sub>), nitrous oxide (N<sub>2</sub>O), sulfur hexafluoride  
6 (SF<sub>6</sub>), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and other  
7 fluorinated greenhouse gases.

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

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

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

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

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

1 (ii) Beginning January 1, 2014, a qualifying utility may use  
2 single large facility conservation savings in excess of its biennial  
3 target to meet up to an additional five percent of the immediately  
4 subsequent two biennial acquisition targets, such that no more than  
5 twenty-five percent of any biennial target may be met with excess  
6 conservation savings allowed under all of the provisions of this  
7 section combined. For the purposes of this subsection (1)(c)(ii),  
8 "single large facility conservation savings" means cost-effective  
9 conservation savings achieved in a single biennial period at the  
10 premises of a single customer of a qualifying utility whose annual  
11 electricity consumption prior to the conservation savings exceeded  
12 five average megawatts.

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

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

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

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

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

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

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

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

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

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

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

32 (e) Beginning January 1, 2016, and ending December 31, 2025, a  
33 qualifying utility may use carbon reduction investments for  
34 compliance with an annual target in (a) of this subsection as  
35 specified under this subsection (2)(e). For the purposes of complying  
36 with an annual target in (a) of this subsection, one-half metric ton  
37 of carbon dioxide equivalent emissions reduced, prevented, or removed  
38 from the atmosphere is equal to the compliance equivalent of one  
39 renewable energy credit. Each compliance equivalent under this  
40 subsection (2)(e) must be recognized by the commission or auditor for

1 each year that the emissions reduction is certified to persist. The  
2 determination and certification of emissions reductions must be  
3 measured, verified, and documented by a third-party expert retained  
4 by the qualifying utility and subject only to determination or audit  
5 as specified under RCW 19.285.060.

6 (f) Beginning January 1, 2016, and ending December 31, 2025, a  
7 qualifying utility is considered in compliance with an annual target  
8 in (a) of this subsection if it invests at least one percent of its  
9 total annual retail revenue requirement for that year in carbon  
10 reduction investments. The determination and certification of  
11 emissions reductions must be measured, verified, and documented by a  
12 third-party expert retained by the qualifying utility and subject  
13 only to determination or audit as specified under RCW 19.285.060.  
14 Emissions reductions under this subsection that are certified to  
15 persist for longer than one year may be carried forward and applied  
16 as compliance equivalents under (e) of this subsection.

17 (g) A qualifying utility using the alternative compliance path in  
18 (f) of this subsection shall resume meeting the annual targets in (a)  
19 of this subsection on a time frame comparable in length to what it  
20 would have been before using this compliance path.

21 (h) The requirements of this section may be met for any given  
22 year with renewable energy credits produced during that year, the  
23 preceding year, or the subsequent year. Each renewable energy credit  
24 may be used only once to meet the requirements of this section.

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

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

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

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

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

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

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

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

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

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

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

29       ~~((k))~~ (n) An industrial facility that hosts a qualified biomass  
30 energy facility may only transfer or sell renewable energy credits  
31 associated with its facility to the qualifying utility with which it  
32 is directly interconnected with facilities owned by such a qualifying  
33 utility and that are capable of carrying electricity at transmission  
34 voltage. The qualifying utility may only use an amount of renewable  
35 energy credits associated with qualified biomass energy that are  
36 equivalent to the proportionate amount of its annual targets under  
37 (a)(ii) and (iii) of this subsection that was created by the load of  
38 the industrial facility. A qualifying utility that owns a qualified  
39 biomass energy facility may not transfer or sell renewable energy

1 credits associated with qualified biomass energy to another person,  
2 entity, or qualifying utility.

3 (3) Utilities that become qualifying utilities after December 31,  
4 2006, shall meet the requirements in this section on a time frame  
5 comparable in length to that provided for qualifying utilities as of  
6 December 7, 2006.

--- END ---