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**SUBSTITUTE HOUSE BILL 1095**

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**State of Washington**

**64th Legislature**

**2015 Regular Session**

**By** House Technology & Economic Development (originally sponsored by Representatives Morris and Hudgins)

1       AN ACT Relating to promoting thermal energy efficiency; amending  
2 RCW 39.35.010, 39.35.020, 39.35.040, 19.280.030, 19.280.060, and  
3 80.04.550; reenacting and amending RCW 39.35.030 and 19.280.020;  
4 adding new sections to chapter 19.280 RCW; adding a new section to  
5 chapter 80.28 RCW; adding new sections to chapter 70.94 RCW; and  
6 creating a new section.

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

8       NEW SECTION.   **Sec. 1.** The legislature finds that it is in the  
9 public interest to encourage and foster the development of a thermal  
10 standard and to encourage combined heat and power (cogeneration)  
11 systems throughout the state. Combined heat and power systems can  
12 help the state achieve energy independence and comply with new  
13 federal electric energy emission efficiency standards by generating  
14 both electric power and useful thermal energy from a single fuel  
15 source, thereby increasing energy efficiency and decreasing grid-  
16 based emissions. It is the intent of the legislature to promote the  
17 deployment of combined heat and power by requiring consideration of  
18 combined heat and power systems in the construction of new critical  
19 governmental facilities, incorporating reports on combined heat and  
20 power facilities in integrated resource plans, and streamlining the  
21 process by which combined heat and power facilities obtain permits.

1       **Sec. 2.** RCW 39.35.010 and 2001 c 214 s 15 are each amended to  
2 read as follows:

3       The legislature hereby finds:

4       (1) That major publicly owned or leased facilities have a  
5 significant impact on our state's consumption of energy;

6       (2) That energy conservation practices including energy  
7 management systems, combined heat and power systems, and renewable  
8 energy systems adopted for the design, construction, and utilization  
9 of such facilities will have a beneficial effect on our overall  
10 supply of energy;

11       (3) That the beneficial effect of the electric output from  
12 combined heat and power systems includes both energy and capacity  
13 value;

14       (4) That the cost of the energy consumed by such facilities over  
15 the life of the facilities shall be considered in addition to the  
16 initial cost of constructing such facilities;

17       (~~(4)~~) (5) That the cost of energy is significant and major  
18 facility designs shall be based on the total life-cycle cost,  
19 including the initial construction cost, and the cost, over the  
20 economic life of a major facility, of the energy consumed, and of the  
21 operation and maintenance of a major facility as they affect energy  
22 consumption; and

23       (~~(5)~~) (6) That the use of energy systems in these facilities  
24 which utilize combined heat and power or renewable resources such as  
25 solar energy, wood or wood waste, or other nonconventional fuels, and  
26 which incorporate energy management systems, shall be considered in  
27 the design of all publicly owned or leased facilities.

28       **Sec. 3.** RCW 39.35.020 and 1982 c 159 s 2 are each amended to  
29 read as follows:

30       The legislature declares that it is the public policy of this  
31 state to (~~insure~~) ensure that energy conservation practices and  
32 renewable energy systems are employed in the design of major publicly  
33 owned or leased facilities and that the use of at least one renewable  
34 energy or combined heat and power system is considered. To this end  
35 the legislature authorizes and directs that public agencies analyze  
36 the cost of energy consumption of each major facility and each  
37 critical governmental facility to be planned and constructed or  
38 renovated after September 8, 1975.

1       **Sec. 4.** RCW 39.35.030 and 2011 1st sp.s. c 43 s 247 are each  
2 reenacted and amended to read as follows:

3       For the purposes of this chapter the following words and phrases  
4 shall have the following meanings unless the context clearly requires  
5 otherwise:

6       (1) (~~("Cogeneration")~~) "Combined heat and power" means the  
7 sequential generation of (~~two or more forms of energy from a common~~  
8 ~~fuel or energy source. Where these forms are electricity and thermal~~  
9 ~~energy, then the operating and efficiency standards established by 18~~  
10 ~~C.F.R. Sec. 292.205 and the definitions established by 18 C.F.R.~~  
11 ~~292.202 (c) through (m) as of July 28, 1991, shall apply~~)  
12 electricity and useful thermal energy from a common fuel source  
13 where, under normal operating conditions, the facility has a useful  
14 thermal energy output of no less than thirty-three percent of the  
15 total energy output.

16       (2) "Critical governmental facility" means a building or district  
17 energy system owned by the state or a political subdivision of the  
18 state that is expected to:

19       (a) Be continuously occupied;

20       (b) Maintain operations for at least six thousand hours each  
21 year;

22       (c) Have a peak electricity demand exceeding five hundred  
23 kilowatts; and

24       (d) Serve a critical public health or public safety function  
25 during a natural disaster or other emergency situation that may  
26 result in a widespread power outage, including a:

27       (i) Command and control center;

28       (ii) Shelter;

29       (iii) Prison or jail;

30       (iv) Police or fire station;

31       (v) Communications or data center;

32       (vi) Water or wastewater treatment facility;

33       (vii) Hazardous waste storage facility;

34       (viii) Biological research facility;

35       (ix) Hospital; or

36       (x) Food preparation or food storage facility.

37       (3) "Department" means the state department of enterprise  
38 services.

39       (~~(3)~~) (4) "Design standards" means the heating, air-  
40 conditioning, ventilating, and renewable resource systems identified,

1 analyzed, and recommended by the department as providing an efficient  
2 energy system or systems based on the economic life of the selected  
3 buildings.

4 ~~((4))~~ (5) "Economic life" means the projected or anticipated  
5 useful life of a major facility as expressed by a term of years.

6 ~~((5))~~ (6) "Energy management system" means a program, energy  
7 efficiency equipment, technology, device, or other measure including,  
8 but not limited to, a management, educational, or promotional  
9 program, smart appliance, meter reading system that provides energy  
10 information capability, computer software or hardware, communications  
11 equipment or hardware, thermostat or other control equipment,  
12 together with related administrative or operational programs, that  
13 allows identification and management of opportunities for improvement  
14 in the efficiency of energy use, including but not limited to a  
15 measure that allows:

16 (a) Energy consumers to obtain information about their energy  
17 usage and the cost of energy in connection with their usage;

18 (b) Interactive communication between energy consumers and their  
19 energy suppliers;

20 (c) Energy consumers to respond to energy price signals and to  
21 manage their purchase and use of energy; or

22 (d) For other kinds of dynamic, demand-side energy management.

23 ~~((6))~~ (7) "Energy systems" means all utilities, including, but  
24 not limited to, heating, air-conditioning, ventilating, lighting, and  
25 the supplying of domestic hot water.

26 ~~((7))~~ (8) "Energy-consumption analysis" means the evaluation of  
27 all energy systems and components by demand and type of energy  
28 including the internal energy load imposed on a major facility or a  
29 critical governmental facility by its occupants, equipment, and  
30 components, and the external energy load imposed on a major facility  
31 or a critical governmental facility by the climatic conditions of its  
32 location. An energy-consumption analysis of the operation of energy  
33 systems of a major facility or a critical governmental facility shall  
34 include, but not be limited to, the following elements:

35 (a) The comparison of three or more system alternatives, at least  
36 one of which shall include renewable energy systems, and one of which  
37 shall comply at a minimum with the sustainable design guidelines of  
38 the United States green building council leadership in energy and  
39 environmental design silver standard or similar design standard as  
40 may be adopted by rule by the department;

1 (b) The simulation of each system over the entire range of  
2 operation of such facility for a year's operating period; ~~((and))~~

3 (c) The evaluation of the energy consumption of component  
4 equipment in each system considering the operation of such components  
5 at other than full or rated outputs;

6 (d) The identification and analysis of critical loads for each  
7 energy system; and

8 (e) A combined heat and power system feasibility assessment,  
9 including but not limited to an evaluation of whether equipping the  
10 facility with a combined heat and power system would result in  
11 expected energy savings in excess of the expected costs of  
12 purchasing, operating, and maintaining the system over a fifteen-year  
13 period.

14 The energy-consumption analysis shall be prepared by a  
15 professional engineer or licensed architect who may use computers or  
16 such other methods as are capable of producing predictable results.

17 ~~((+8))~~ (9) "Initial cost" means the moneys required for the  
18 capital construction or renovation of a major facility.

19 ~~((+9))~~ (10) "Life-cycle cost" means the initial cost and cost of  
20 operation of a major facility or a critical governmental facility  
21 over its economic life. This shall be calculated as the initial cost  
22 plus the operation, maintenance, and energy costs over its economic  
23 life, reflecting anticipated increases in these costs discounted to  
24 present value at the current rate for borrowing public funds, as  
25 determined by the office of financial management. The energy cost  
26 projections used shall be those provided by the department. The  
27 department shall update these projections at least every two years.

28 ~~((+10))~~ (11) "Life-cycle cost analysis" includes, but is not  
29 limited to, the following elements:

30 (a) The coordination and positioning of a major facility or a  
31 critical governmental facility on its physical site;

32 (b) The amount and type of fenestration employed in a major  
33 facility or a critical governmental facility;

34 (c) The amount of insulation incorporated into the design of a  
35 major facility or a critical governmental facility;

36 (d) The variable occupancy and operating conditions of a major  
37 facility or a critical governmental facility; and

38 (e) An energy-consumption analysis of a major facility or a  
39 critical governmental facility.

1       (~~(11)~~) (12) "Major facility" means any publicly owned or leased  
2 building having twenty-five thousand square feet or more of usable  
3 floor space.

4       (~~(12)~~) (13) "Public agency" means every state office, officer,  
5 board, commission, committee, bureau, department, and all political  
6 subdivisions of the state.

7       (~~(13)~~) (14) "Renewable energy systems" means methods of  
8 facility design and construction and types of equipment for the  
9 utilization of renewable energy sources including, but not limited  
10 to, hydroelectric power, active or passive solar space heating or  
11 cooling, domestic solar water heating, windmills, waste heat, biomass  
12 and/or refuse-derived fuels, photovoltaic devices, and geothermal  
13 energy.

14       (~~(14)~~) (15) "Renovation" means additions, alterations, or  
15 repairs within any twelve-month period which exceed fifty percent of  
16 the value of a major facility or a critical governmental facility and  
17 which will affect any energy system.

18       (~~(15)~~) (16) "Selected buildings" means educational, office,  
19 residential care, and correctional facilities that are designed to  
20 comply with the design standards analyzed and recommended by the  
21 department.

22       **Sec. 5.** RCW 39.35.040 and 1994 c 242 s 2 are each amended to  
23 read as follows:

24       Whenever a public agency determines that any major facility or a  
25 critical governmental facility is to be constructed or renovated,  
26 such agency shall cause to be included in the design phase of such  
27 construction or renovation a provision that requires a life-cycle  
28 cost analysis conforming with the guidelines developed in RCW  
29 39.35.050 to be prepared for such facility. Such analysis shall be  
30 approved by the agency prior to the commencement of actual  
31 construction or renovation. A public agency may accept the facility  
32 design if the agency is satisfied that the life-cycle cost analysis  
33 provides for an efficient energy system or systems based on the  
34 economic life of the (~~major~~) facility.

35       Nothing in this section prohibits the construction or renovation  
36 of major facilities (~~which~~) or critical governmental facilities  
37 that utilize renewable energy or combined heat and power systems.

1        NEW SECTION.    **Sec. 6.**    A new section is added to chapter 19.280  
2    RCW to read as follows:

3        (1) The legislature finds that combined heat and power systems  
4    provide both energy and capacity resources. Failure to value the  
5    electric output of combined heat and power systems as both an energy  
6    and a capacity resource results in a failure to account for the total  
7    benefits of that output in its posted price.

8        (2) Electric utilities with over twenty-five thousand customers  
9    in the state of Washington must value combined heat and power as  
10   having both energy and capacity value by December 31, 2016, for the  
11   purposes of setting the value of power under the federal public  
12   utility regulatory policies act, establishing rates for power  
13   purchase agreements, and integrated resource planning.

14       NEW SECTION.    **Sec. 7.**    A new section is added to chapter 19.280  
15   RCW to read as follows:

16       (1) Beginning December 31, 2016, electric utilities with over  
17   twenty-five thousand customers in the state of Washington must offer  
18   a minimum term of fifteen years for new power purchase agreements for  
19   the electric output of combined heat and power systems, unless a  
20   lesser number of years is mutually agreed to by both parties. Power  
21   purchase agreements for the electric output of combined heat and  
22   power systems must reflect both the energy and capacity value of that  
23   output. Parties in a power purchase agreement that is established  
24   before December 31, 2016, are not required to renegotiate the terms  
25   of that agreement.

26       (2) The commission may authorize recovery of the actual cost of  
27   fuel incurred by an electrical company under a power purchase  
28   agreement for the electric output of a combined heat and power  
29   system.

30       (3) The governing body of a consumer-owned utility that offers a  
31   fifteen-year minimum term for a power purchase agreement for the  
32   electric output of a combined heat and power system may, every five  
33   years after signing the agreement, initiate a fuel cost adjustment  
34   process in order to recover the actual cost of fuel incurred by the  
35   consumer-owned utility under a power purchase agreement under this  
36   section.

37       **Sec. 8.**    RCW 19.280.020 and 2013 c 149 s 2 are each reenacted and  
38   amended to read as follows:

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

3 (1) "Commission" means the utilities and transportation  
4 commission.

5 (2) "Conservation and efficiency resources" means any reduction  
6 in electric power consumption that results from increases in the  
7 efficiency of energy use, production, transmission, or distribution.

8 (3) "Consumer-owned utility" includes a municipal electric  
9 utility formed under Title 35 RCW, a public utility district formed  
10 under Title 54 RCW, an irrigation district formed under chapter 87.03  
11 RCW, a cooperative formed under chapter 23.86 RCW, a mutual  
12 corporation or association formed under chapter 24.06 RCW, a port  
13 district formed under Title 53 RCW, or a water-sewer district formed  
14 under Title 57 RCW, that is engaged in the business of distributing  
15 electricity to one or more retail electric customers in the state.

16 (4) "Department" means the department of commerce.

17 (5) "Electric utility" means a consumer-owned or investor-owned  
18 utility.

19 (6) "Full requirements customer" means an electric utility that  
20 relies on the Bonneville power administration for all power needed to  
21 supply its total load requirement other than that served by  
22 nondispatchable generating resources totaling no more than six  
23 megawatts or renewable resources.

24 (7) "Governing body" means the elected board of directors, city  
25 council, commissioners, or board of any consumer-owned utility.

26 (8) (~~"High efficiency cogeneration"~~) "Combined heat and power"  
27 means the sequential production of electricity and useful thermal  
28 energy from a common fuel source((~~τ~~)) where, under normal operating  
29 conditions, the facility has a useful thermal energy output of no  
30 less than thirty-three percent of the total energy output.

31 (9) "Integrated resource plan" means an analysis describing the  
32 mix of generating resources, conservation, methods, technologies, and  
33 resources to integrate renewable resources and, where applicable,  
34 address overgeneration events, and efficiency resources that will  
35 meet current and projected needs at the lowest reasonable cost to the  
36 utility and its ratepayers and that complies with the requirements  
37 specified in RCW 19.280.030(1).

38 (10) "Investor-owned utility" means a corporation owned by  
39 investors that meets the definition in RCW 80.04.010 and is engaged



1 in distributing electricity to more than one retail electric customer  
2 in the state.

3 (11) "Lowest reasonable cost" means the lowest cost mix of  
4 generating resources and conservation and efficiency resources  
5 determined through a detailed and consistent analysis of a wide range  
6 of commercially available resources. At a minimum, this analysis must  
7 consider resource cost, market-volatility risks, demand-side resource  
8 uncertainties, resource dispatchability, resource effect on system  
9 operation, the risks imposed on the utility and its ratepayers,  
10 public policies regarding resource preference adopted by Washington  
11 state or the federal government, and the cost of risks associated  
12 with environmental effects including emissions of carbon dioxide.

13 (12) "Overgeneration event" means an event within an operating  
14 period of a balancing authority when the electricity supply,  
15 including generation from intermittent renewable resources, exceeds  
16 the demand for electricity for that utility's energy delivery  
17 obligations and when there is a negatively priced regional market.

18 (13) "Plan" means either an "integrated resource plan" or a  
19 "resource plan."

20 (14) "Renewable resources" means electricity generation  
21 facilities fueled by: (a) Water; (b) wind; (c) solar energy; (d)  
22 geothermal energy; (e) landfill gas; (f) biomass energy utilizing  
23 animal waste, solid or liquid organic fuels from wood, forest, or  
24 field residues or dedicated energy crops that do not include wood  
25 pieces that have been treated with chemical preservatives such as  
26 creosote, pentachlorophenol, or copper-chrome-arsenic; (g) by-  
27 products of pulping or wood manufacturing processes, including but  
28 not limited to bark, wood chips, sawdust, and lignin in spent pulping  
29 liquors; (h) ocean thermal, wave, or tidal power; or (i) gas from  
30 sewage treatment facilities.

31 (15) "Resource plan" means an assessment that estimates  
32 electricity loads and resources over a defined period of time and  
33 complies with the requirements in RCW 19.280.030(2).

34 **Sec. 9.** RCW 19.280.030 and 2013 c 149 s 3 are each amended to  
35 read as follows:

36 Each electric utility must develop a plan consistent with this  
37 section.

38 (1) Utilities with more than twenty-five thousand customers that  
39 are not full requirements customers shall develop or update an

1 integrated resource plan by September 1, 2008. At a minimum, progress  
2 reports reflecting changing conditions and the progress of the  
3 integrated resource plan must be produced every two years thereafter.  
4 An updated integrated resource plan must be developed at least every  
5 four years subsequent to the 2008 integrated resource plan. The  
6 integrated resource plan, at a minimum, must include:

7 (a) A range of forecasts, for at least the next ten years or  
8 longer, of projected customer demand which takes into account  
9 econometric data and customer usage;

10 (b) An assessment of commercially available conservation and  
11 efficiency resources. Such assessment may include, as appropriate,  
12 ~~((high efficiency cogeneration))~~ opportunities for development of  
13 combined heat and power as an energy and capacity resource, demand  
14 response and load management programs, and currently employed and new  
15 policies and programs needed to obtain the conservation and  
16 efficiency resources;

17 (c) An assessment of commercially available, utility scale  
18 renewable and nonrenewable generating technologies including a  
19 comparison of the benefits and risks of purchasing power or building  
20 new resources;

21 (d) A comparative evaluation of renewable and nonrenewable  
22 generating resources, including transmission and distribution  
23 delivery costs, and conservation and efficiency resources using  
24 "lowest reasonable cost" as a criterion;

25 (e) An assessment of methods, commercially available  
26 technologies, or facilities for integrating renewable resources, and  
27 addressing overgeneration events, if applicable to the utility's  
28 resource portfolio;

29 (f) The integration of the demand forecasts and resource  
30 evaluations into a long-range assessment describing the mix of supply  
31 side generating resources and conservation and efficiency resources  
32 that will meet current and projected needs, including mitigating  
33 overgeneration events, at the lowest reasonable cost and risk to the  
34 utility and its ratepayers; and

35 (g) A short-term plan identifying the specific actions to be  
36 taken by the utility consistent with the long-range integrated  
37 resource plan.

38 (2) All other utilities may elect to develop a full integrated  
39 resource plan as set forth in subsection (1) of this section or, at a  
40 minimum, shall develop a resource plan that:

- 1 (a) Estimates loads for the next five and ten years;  
2 (b) Enumerates the resources that will be maintained and/or  
3 acquired to serve those loads; and  
4 (c) Explains why the resources in (b) of this subsection were  
5 chosen and, if the resources chosen are not: (i) Renewable resources;  
6 (ii) methods, commercially available technologies, or facilities for  
7 integrating renewable resources, including addressing any  
8 overgeneration event; or (iii) conservation and efficiency resources,  
9 why such a decision was made.

10 (3) Assessments for demand side resources included in an  
11 integrated resource plan may include combined heat and power systems  
12 as one of the measures in a conservation supply curve. The value of  
13 recoverable waste heat resulting from combined heat and power must be  
14 reflected in analyses of cost-effectiveness under this subsection.

15 (4) An electric utility that is required to develop a resource  
16 plan under this section must complete its initial plan by September  
17 1, 2008.

18 ~~((+4))~~ (5) Resource plans developed under this section must be  
19 updated on a regular basis, at a minimum on intervals of two years.

20 ~~((+5))~~ (6) Plans shall not be a basis to bring legal action  
21 against electric utilities.

22 ~~((+6))~~ (7) Each electric utility shall publish its final plan  
23 either as part of an annual report or as a separate document  
24 available to the public. The report may be in an electronic form.

25 **Sec. 10.** RCW 19.280.060 and 2013 c 149 s 4 are each amended to  
26 read as follows:

27 The department shall review the plans of consumer-owned utilities  
28 and investor-owned utilities, and data available from other state,  
29 regional, and national sources, and prepare an electronic report to  
30 the legislature aggregating the data and assessing the overall  
31 adequacy of Washington's electricity supply. The report shall include  
32 a statewide summary of utility load forecasts, load/resource balance,  
33 and utility plans for the development of thermal generation,  
34 renewable resources, conservation and efficiency resources, and an  
35 examination of assessment methods used by utilities to address  
36 overgeneration events. The commission shall provide the department  
37 with data summarizing the plans of investor-owned utilities for use  
38 in the department's statewide summary. The department shall submit  
39 any reports it receives of existing and potential combined heat and

1 power facilities as reported by utilities to the Washington State  
2 University extension energy program for analysis. The department may  
3 submit its report within the biennial report required under RCW  
4 43.21F.045.

5 NEW SECTION. **Sec. 11.** A new section is added to chapter 19.280  
6 RCW to read as follows:

7 The Washington State University extension energy program shall  
8 electronically submit an annual report to the appropriate legislative  
9 committees on the planned and completed combined heat and power  
10 facilities in the state, including but not limited to the following  
11 information: Number, size, and customer base of combined heat and  
12 power installations in the state; projects that have been publicly  
13 considered but have not been developed; and recommendations to  
14 further attain the goal of improving thermal energy efficiency.

15 **Sec. 12.** RCW 80.04.550 and 1996 c 33 s 2 are each amended to  
16 read as follows:

17 (1) It is the intent of the legislature to exempt from commission  
18 regulation thermal energy services provided by thermal energy  
19 companies and combined heat and power facilities that are not  
20 otherwise regulated under this title. Nothing in this section shall  
21 prevent the commission from issuing or enforcing any order affecting  
22 combined heat and power facilities owned or operated by an electrical  
23 company that are subsidized by a regulated service.

24 (2) Nothing in this title shall authorize the commission to make  
25 or enforce any order affecting rates, tolls, rentals, contracts or  
26 charges for service rendered, or the adequacy or sufficiency of the  
27 facilities, equipment, instrumentalities, or buildings, or the  
28 reasonableness of rules or regulations made, furnished, used,  
29 supplied, or in force affecting any (~~district~~) thermal energy  
30 system owned and operated by any thermal energy company or by a  
31 combined heat and power facility engaged in thermal energy services.

32 (~~(2)~~) (3) For the purposes of this section:

33 (a) "Thermal energy company" means any private person, company,  
34 association, partnership, joint venture, or corporation engaged in or  
35 proposing to engage in developing, producing, transmitting,  
36 distributing, delivering, furnishing, or selling to or for the public  
37 thermal energy services for any beneficial use other than electricity  
38 generation;

1 (b) "~~(District)~~ Thermal energy system" means any system that  
2 provides thermal energy for space heating, space cooling, or process  
3 uses from a central plant or combined heat and power facility, and  
4 that distributes the thermal energy to two or more buildings through  
5 a network of pipes;

6 (c) "Thermal energy" means heat or cold in the form of steam,  
7 heated or chilled water, or any other heated or chilled fluid or  
8 gaseous medium; and

9 (d) "Thermal energy services" means the provision of thermal  
10 energy from a ~~(district)~~ thermal energy system and includes such  
11 ancillary services as energy audits, metering, billing, maintenance,  
12 and repairs related to thermal energy.

13 NEW SECTION. **Sec. 13.** A new section is added to chapter 80.28  
14 RCW to read as follows:

15 (1) As used in this section, "emission" means any greenhouse gas,  
16 such as carbon dioxide, methane, nitrous oxide, hydrofluorocarbons,  
17 perfluorocarbons, and sulfur hexafluoride.

18 (2) The commission shall establish a voluntary emission reduction  
19 program for the purpose of encouraging natural gas companies to  
20 invest in projects that reduce emissions, improve thermal energy  
21 efficiency, and provide benefits to customers of natural gas  
22 companies.

23 (3) The commission shall adopt rules establishing the process by  
24 which a natural gas company may apply for and receive incentives and  
25 recover the costs associated with an emission reduction plan. The  
26 emission reduction plan must include only those investments that the  
27 natural gas company would not otherwise make in its ordinary course  
28 of business, consistent with the "lowest reasonable cost" standard,  
29 as defined in RCW 19.280.020. Each project or investment identified  
30 in an emission reduction plan must:

31 (a) Involve the provision of natural gas by a natural gas  
32 company;

33 (b) Directly or indirectly reduce emissions;

34 (c) Benefit customers of the natural gas company as identified by  
35 the commission by rule or order; and

36 (d) Improve end-use energy efficiency.

37 (4) The commission must, by rule or order, limit the total cost  
38 of a natural gas company's investments authorized under this section.  
39 The commission may limit the cost of the natural gas company's

1 emission reduction plan to an amount that does not exceed a  
2 percentage of the natural gas company's revenue requirements as  
3 identified by the commission by rule or order. In the absence of  
4 federal or statewide programs that establish enforceable emission  
5 reduction requirements, the cost limit for an emission reduction plan  
6 may include a threshold for the overall cost per metric ton of  
7 emission reduction.

8 (5) To participate in a voluntary emission reduction program, a  
9 natural gas company must file an emission reduction plan, subject to  
10 commission approval, that includes:

11 (a) A description of the projects or measures that the company  
12 plans to implement;

13 (b) The projected amount of capital and operating costs necessary  
14 to implement the plan;

15 (c) The projected amount of emission reduction achieved by each  
16 project or measure;

17 (d) A projected timeline for each project or measure;

18 (e) A requested method for recovery of costs incurred and  
19 investments made to implement the projects or measures in the plan;

20 (f) An explanation of why the natural gas company, without the  
21 emission reduction program, would not make the investments identified  
22 in the plan in its ordinary course of business;

23 (g) The projected rate impact of implementing the plan;

24 (h) Methods by which the natural gas company will evaluate,  
25 measure, and verify emission reductions projected to be achieved by  
26 the plan; and

27 (i) Any other information required by the commission by rule or  
28 order.

29 (6) The commission shall adopt rules to implement this section by  
30 December 31, 2016.

31 NEW SECTION. **Sec. 14.** A new section is added to chapter 70.94  
32 RCW to read as follows:

33 (1) It is the intent of the legislature for a general permit or  
34 permit by rule adopted by the department under this section to  
35 streamline the permitting process for a stationary natural gas engine  
36 used in a combined heat and power system. It is the further intent of  
37 the legislature that a general permit or permit by rule be adopted  
38 and implemented as the permitting mechanism for the new construction  
39 of a combined heat and power system.

1 (2) The definitions in this subsection apply throughout this  
2 section unless the context clearly requires otherwise.

3 (a) "Natural gas" includes: Naturally occurring mixtures of  
4 hydrocarbon gases and vapors consisting principally of methane,  
5 whether in gaseous or liquid form; and biogas derived from landfills,  
6 wastewater treatment facilities, anaerobic digesters, and other  
7 sources of organic decomposition that have been purified to meet  
8 standards for natural gas derived from fossil fuel sources.

9 (b) "Stationary natural gas engine" includes any stationary,  
10 natural gas internal combustion engine, whether it is an internal  
11 combustion reciprocating engine or a gas turbine. The term does not  
12 include a natural gas engine that powers a motor vehicle or other  
13 mobile source.

14 (3) This section applies only to a stationary natural gas engine  
15 used in a combined heat and power system.

16 (4) The department shall issue a general permit or permit by rule  
17 for new stationary natural gas engines used in a combined heat and  
18 power system that establishes emission limits for air contaminants  
19 released by the engines.

20 (5) In adopting a general permit or permit by rule under this  
21 section, the department may consider:

22 (a) The geographic location in which a stationary natural gas  
23 engine may be used, including the proximity to an area designated as  
24 a nonattainment area;

25 (b) The total annual operating hours of a stationary natural gas  
26 engine;

27 (c) The technology used by a stationary natural gas engine;

28 (d) Whether the stationary natural gas engine will be a major  
29 stationary source or part of a new or modified major stationary  
30 source as those terms are utilized in Title I of the federal clean  
31 air act; and

32 (e) Other relevant emission control or clean air policies of the  
33 state.

34 (6) In addition to emission limits required by federal and state  
35 laws, the department must provide for the emission limits for  
36 stationary natural gas engines subject to this section to be measured  
37 in terms of air contaminant emissions per United States environmental  
38 protection agency unit of energy output. The department shall  
39 consider both the primary and secondary functions when determining  
40 the engine's emissions per unit of energy output.

1        NEW SECTION.    **Sec. 15.**    A new section is added to chapter 70.94  
2    RCW to read as follows:

3        (1)    An owner or operator of an industrial, commercial, or  
4    institutional boiler or process heater required to complete an energy  
5    assessment under 40 C.F.R. Part 63 subpart DDDDD shall:

6        (a)    By January 31, 2016, submit nonproprietary information  
7    reported in the energy assessment electronically to the department or  
8    air pollution control authority that issues the air operating permit  
9    for the source, following completion of the assessment; and

10       (b)    By January 1, 2017, submit a report electronically to the  
11    Washington State University extension energy program that identifies,  
12    if applicable, the economic, technical, and other barriers to  
13    implementing thermal efficiency opportunities identified in the  
14    energy assessment.

15       (2)    An owner or operator of an industrial, commercial, or  
16    institutional boiler or process heater who has not completed an  
17    energy assessment under 40 C.F.R. Part 63 subpart DDDDD must request  
18    a free combined heat and power site qualification screening from the  
19    United States department of energy.

20       (3)    The requirements established in this section shall not apply  
21    to an owner or operator of an industrial, commercial, or  
22    institutional boiler or process heater if the owner or operator is  
23    not required to complete an energy assessment under 40 C.F.R. Part 63  
24    subpart DDDDD as it existed on the effective date of this section.

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