
HOUSE BILL 1095

State of Washington

64th Legislature

2015 Regular Session

By Representative Morris

Prefiled 01/09/15.

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 owned by
17 the state or a political subdivision of the state that is expected
18 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 By December 31, 2016, electric utilities with over twenty-five
17 thousand customers in the state of Washington must offer a minimum
18 term of fifteen years for power purchase agreements for the electric
19 output of combined heat and power systems, unless a lesser number of
20 years is mutually agreed to by both parties. Power purchase
21 agreements for the electric output of combined heat and power systems
22 must reflect both the energy and capacity value of that output.

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

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

27 (1) "Commission" means the utilities and transportation
28 commission.

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

32 (3) "Consumer-owned utility" includes a municipal electric
33 utility formed under Title 35 RCW, a public utility district formed
34 under Title 54 RCW, an irrigation district formed under chapter 87.03
35 RCW, a cooperative formed under chapter 23.86 RCW, a mutual
36 corporation or association formed under chapter 24.06 RCW, a port
37 district formed under Title 53 RCW, or a water-sewer district formed

1 under Title 57 RCW, that is engaged in the business of distributing
2 electricity to one or more retail electric customers in the state.

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

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

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

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

13 (8) (~~"High efficiency cogeneration"~~) "Combined heat and power"
14 means the sequential production of electricity and useful thermal
15 energy from a common fuel source((~~r~~)) where, under normal operating
16 conditions, the facility has a useful thermal energy output of no
17 less than thirty-three percent of the total energy output.

18 (9) "Integrated resource plan" means an analysis describing the
19 mix of generating resources, conservation, methods, technologies, and
20 resources to integrate renewable resources and, where applicable,
21 address overgeneration events, and efficiency resources that will
22 meet current and projected needs at the lowest reasonable cost to the
23 utility and its ratepayers and that complies with the requirements
24 specified in RCW 19.280.030(1).

25 (10) "Investor-owned utility" means a corporation owned by
26 investors that meets the definition in RCW 80.04.010 and is engaged
27 in distributing electricity to more than one retail electric customer
28 in the state.

29 (11) "Lowest reasonable cost" means the lowest cost mix of
30 generating resources and conservation and efficiency resources
31 determined through a detailed and consistent analysis of a wide range
32 of commercially available resources. At a minimum, this analysis must
33 consider resource cost, market-volatility risks, demand-side resource
34 uncertainties, resource dispatchability, resource effect on system
35 operation, the risks imposed on the utility and its ratepayers,
36 public policies regarding resource preference adopted by Washington
37 state or the federal government, and the cost of risks associated
38 with environmental effects including emissions of carbon dioxide.

39 (12) "Overgeneration event" means an event within an operating
40 period of a balancing authority when the electricity supply,

1 including generation from intermittent renewable resources, exceeds
2 the demand for electricity for that utility's energy delivery
3 obligations and when there is a negatively priced regional market.

4 (13) "Plan" means either an "integrated resource plan" or a
5 "resource plan."

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

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

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

22 Each electric utility must develop a plan consistent with this
23 section.

24 (1) Utilities with more than twenty-five thousand customers that
25 are not full requirements customers shall develop or update an
26 integrated resource plan by September 1, 2008. At a minimum, progress
27 reports reflecting changing conditions and the progress of the
28 integrated resource plan must be produced every two years thereafter.
29 An updated integrated resource plan must be developed at least every
30 four years subsequent to the 2008 integrated resource plan. The
31 integrated resource plan, at a minimum, must include:

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

35 (b) An assessment of commercially available conservation and
36 efficiency resources. Such assessment may include, as appropriate,
37 ~~((high efficiency cogeneration))~~ opportunities for development of
38 combined heat and power as an energy and capacity resource, demand
39 response and load management programs, and currently employed and new

1 policies and programs needed to obtain the conservation and
2 efficiency resources;

3 (c) An assessment of existing and potential combined heat and
4 power facilities within its service area, including the number of
5 customers served by the thermal output of each individual facility;

6 (d) An assessment of commercially available, utility scale
7 renewable and nonrenewable generating technologies including a
8 comparison of the benefits and risks of purchasing power or building
9 new resources;

10 (~~(d)~~) (e) A comparative evaluation of renewable and
11 nonrenewable generating resources, including transmission and
12 distribution delivery costs, and conservation and efficiency
13 resources using "lowest reasonable cost" as a criterion;

14 (~~(e)~~) (f) An assessment of methods, commercially available
15 technologies, or facilities for integrating renewable resources, and
16 addressing overgeneration events, if applicable to the utility's
17 resource portfolio;

18 (~~(f)~~) (g) The integration of the demand forecasts and resource
19 evaluations into a long-range assessment describing the mix of supply
20 side generating resources and conservation and efficiency resources
21 that will meet current and projected needs, including mitigating
22 overgeneration events, at the lowest reasonable cost and risk to the
23 utility and its ratepayers; and

24 (~~(g)~~) (h) A short-term plan identifying the specific actions to
25 be taken by the utility consistent with the long-range integrated
26 resource plan.

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

30 (a) Estimates loads for the next five and ten years;

31 (b) Enumerates the resources that will be maintained and/or
32 acquired to serve those loads; and

33 (c) Explains why the resources in (b) of this subsection were
34 chosen and, if the resources chosen are not: (i) Renewable resources;
35 (ii) methods, commercially available technologies, or facilities for
36 integrating renewable resources, including addressing any
37 overgeneration event; or (iii) conservation and efficiency resources,
38 why such a decision was made.

1 (3) An electric utility that is required to develop a resource
2 plan under this section must complete its initial plan by September
3 1, 2008.

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

6 (5) Plans shall not be a basis to bring legal action against
7 electric utilities.

8 (6) Each electric utility shall publish its final plan either as
9 part of an annual report or as a separate document available to the
10 public. The report may be in an electronic form.

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

13 The department shall review the plans of consumer-owned utilities
14 and investor-owned utilities, and data available from other state,
15 regional, and national sources, and prepare an electronic report to
16 the legislature aggregating the data and assessing the overall
17 adequacy of Washington's electricity supply. The report shall include
18 a statewide summary of utility load forecasts, load/resource balance,
19 and utility plans for the development of thermal generation,
20 renewable resources, conservation and efficiency resources, and an
21 examination of assessment methods used by utilities to address
22 overgeneration events. The commission shall provide the department
23 with data summarizing the plans of investor-owned utilities for use
24 in the department's statewide summary. The department shall submit
25 reports of existing and potential combined heat and power facilities
26 as reported by utilities under RCW 19.280.030(1)(c) to the Washington
27 State University extension energy program for analysis. The
28 department may submit its report within the biennial report required
29 under RCW 43.21F.045.

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

32 The Washington State University extension energy program shall
33 electronically submit an annual report to the appropriate legislative
34 committees on the planned and completed combined heat and power
35 facilities in the state, including but not limited to the following
36 information: Number, size, and customer base of combined heat and
37 power installations in the state; projects that have been publicly

1 considered but have not been developed; and recommendations to
2 further attain the goal of improving thermal energy efficiency.

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

5 (1) Nothing in this title shall authorize the commission to make
6 or enforce any order affecting rates, tolls, rentals, contracts or
7 charges for service rendered, or the adequacy or sufficiency of the
8 facilities, equipment, instrumentalities, or buildings, or the
9 reasonableness of rules or regulations made, furnished, used,
10 supplied, or in force affecting any (~~district~~) thermal energy
11 system owned and operated by any thermal energy company or by a
12 combined heat and power facility engaged in thermal energy services.

13 (2) For the purposes of this section:

14 (a) "Thermal energy company" means any private person, company,
15 association, partnership, joint venture, or corporation engaged in or
16 proposing to engage in developing, producing, transmitting,
17 distributing, delivering, furnishing, or selling to or for the public
18 thermal energy services for any beneficial use other than electricity
19 generation;

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

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

28 (d) "Thermal energy services" means the provision of thermal
29 energy from a (~~district~~) thermal energy system and includes such
30 ancillary services as energy audits, metering, billing, maintenance,
31 and repairs related to thermal energy.

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

34 (1) As used in this section, "emission" means any anthropogenic
35 gas, such as carbon dioxide, methane, nitrous oxide,
36 hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride.

37 (2) The commission shall establish a voluntary emission reduction
38 program for the purpose of encouraging natural gas companies to

1 invest in projects that reduce emissions, improve thermal energy
2 efficiency, and provide benefits to customers of natural gas
3 companies.

4 (3) As part of the emission reduction program, the commission
5 shall establish eligibility criteria for projects to receive a cost
6 recovery mechanism under subsection (8) of this section. The
7 eligibility criteria must include the following requirements:

8 (a) That the project:

9 (i) Involves the provision of natural gas by a natural gas
10 company;

11 (ii) Directly or indirectly reduces emissions;

12 (iii) Benefits customers of the public utility as identified by
13 the commission by rule or order; and

14 (iv) Contains energy efficiency improvements;

15 (b) That the natural gas company, without the emission reduction
16 program, would not invest in the project in the ordinary course of
17 business;

18 (c) That the natural gas company, prior to filing an application
19 under subsection (4) of this section, involves stakeholders as
20 required by the commission by rule or order; and

21 (d) That the rate impact of the aggregate of all projects
22 undertaken by a natural gas company under this section not exceed an
23 amount established by the commission by rule or order.

24 (4) For each project that a natural gas company proposes under
25 this section, the natural gas company must file with the commission
26 an application that includes:

27 (a) A description of the project;

28 (b) The projected amount of capital and operating costs necessary
29 to complete and operate the project;

30 (c) The projected amount of reduced emissions created by the
31 project;

32 (d) The projected date on which the project will become
33 operational;

34 (e) A requested mechanism, as described in subsection (8) of this
35 section, for recovery of costs incurred and investments made;

36 (f) An explanation of why the natural gas company, without the
37 emission reduction program, would not invest in the project in the
38 ordinary course of business;

39 (g) Proof of stakeholder involvement;

40 (h) The projected rate impact of the project;

1 (i) The projected aggregate rate impact of all projects proposed
2 by the natural gas company under this section and approved by the
3 commission for the natural gas company under this section;

4 (j) An explanation of how the natural gas company will provide
5 the commission with progress updates during the life of the project,
6 including updates on costs and reduced emissions associated with the
7 project; and

8 (k) Any other information required by the commission by rule or
9 order.

10 (5)(a) The commission shall establish a two-tiered process for
11 submitting a project proposal under the emission reduction program.
12 For the purpose of establishing the tiers, the commission shall:

13 (i) Establish a threshold for overall project cost; and

14 (ii) Establish a threshold for overall project cost per metric
15 ton of reduced emissions.

16 (b) If the proposed project meets both the thresholds described
17 in (a) of this subsection, the project is a tier one project subject
18 to the requirements of subsection (6) of this section. If a proposed
19 project does not meet the thresholds described in (a) of this
20 subsection, the project is a tier two project subject to the
21 requirements of subsection (7) of this section.

22 (6) For tier one projects, the commission shall:

23 (a) Provide interested parties with an opportunity to submit
24 written comment in response to the proposed project;

25 (b) Hold a public hearing to address all the submitted written
26 comments; and

27 (c) Issue a final order regarding a cost recovery mechanism for
28 the proposed project within ninety days of receiving the application
29 for the project.

30 (7) For tier two projects, the commission shall:

31 (a) By rule or order, provide interested parties with an
32 opportunity to submit testimony in response to the proposed project
33 and be heard; and

34 (b) Issue a final order regarding a cost recovery mechanism for
35 the proposed project within one hundred eighty days of receiving the
36 application for the project.

37 (8) If a final order issued under subsection (6)(c) or (7)(b) of
38 this section authorizes cost recovery mechanism for a project, the
39 order must specify:

1 (a) The type of ratepayer from whom the natural gas company that
2 submitted the project proposal may recover costs incurred and
3 investments made. A natural gas company may recover costs incurred
4 and investments made from a type of ratepayer under this subsection
5 (8)(a) only if the commission makes a finding that the type of
6 ratepayer receives a benefit from the project. If the commission
7 makes a finding that more than one type of ratepayer receives a
8 benefit from the project, the commission shall allow recovery from
9 each type of ratepayer in an amount that is proportionate to the
10 proportion of the benefit received, as determined by the commission,
11 by the type of ratepayer;

12 (b) The mechanism by which the natural gas company that submitted
13 the project proposal may recover costs incurred and investments made
14 and the amount that the natural gas company may recover.

15 (9) For purposes related to the emission reduction program
16 established under this section, the commission may consider the
17 amount of reduced emissions created by a project or the avoided cost
18 value of reduced emissions created by a project.

19 (10) The commission shall establish a rate cap for each natural
20 gas company for which a project is authorized under this section. The
21 rate cap must limit the cost of all of the natural gas company's
22 projects authorized under this section to an amount that does not
23 exceed a percentage of the natural gas company's revenue requirements
24 as identified by the commission by rule or order.

25 (11) The commission shall adopt rules to implement this section
26 by December 31, 2016.

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

29 (1) For the purposes of this section, "natural gas engine"
30 includes a natural gas internal combustion engine, natural gas
31 stationary internal combustion reciprocating engine, and natural gas
32 turbine. The term does not include a natural gas engine that powers a
33 motor vehicle.

34 (2) This section applies only to a stationary natural gas engine
35 used in a combined heat and power system.

36 (3) The department shall issue a general permit or permit by rule
37 for stationary natural gas engines used in a combined heat and power
38 system that establishes emission limits for air contaminants released
39 by the engines.

1 (4) In adopting a general permit or permit by rule under this
2 section, the department may consider:

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

6 (b) The total annual operating hours of a stationary natural gas
7 engine;

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

9 (d) The types of fuel used to power a stationary natural gas
10 engine; and

11 (e) Other emission control policies of the state.

12 (5) In adopting a general permit or permit by rule, the
13 department may not distinguish between the end-use functions powered
14 by a stationary natural gas engine.

15 (6) The department must provide for the emission limits for
16 stationary natural gas engines subject to this section to be measured
17 in terms of air contaminant emissions per unit of total energy
18 output. The department shall consider both the primary and secondary
19 functions when determining the engine's emissions per unit of energy
20 output.

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

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

26 (a) Submit the energy assessment electronically to the department
27 by January 31, 2016, following completion of the assessment; and

28 (b) By January 1, 2020, implement thermal efficiency
29 opportunities identified in the energy assessment with an estimated
30 payback period of less than four years for site costs, taking into
31 account financial incentives from utilities and other sources.

32 (2) An energy assessment submitted to the department under
33 subsection (1) of this section must include a feasibility analysis
34 for combined heat and power projects that, at minimum:

35 (a) Identifies a preliminary combined heat and power system size,
36 based on estimated loads and schedules for thermal and electrical
37 demand at the site;

38 (b) Calculates an estimated payback period that takes into
39 account:

- 1 (i) The amount of thermal energy produced by the combined heat
2 and power system and the estimated amount of thermal energy to be
3 used on the site;
- 4 (ii) The offset costs of utility-purchased electricity and
5 thermal energy;
- 6 (iii) The amount and cost of fuel associated with running the
7 combined heat and power system;
- 8 (iv) The budgetary cost to install and maintain the system;
- 9 (v) The benefits of available grants or incentives;
- 10 (vi) The additional costs and benefits associated with using the
11 system to provide backup power in a utility outage;
- 12 (vii) The impacts of future utility rate increases or decreases;
13 and
- 14 (c) Identifies factors that could prevent or hamper the
15 implementation of combined heat and power at the site, including
16 existing corporate power purchase agreements.

--- END ---