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## Environment & Energy Committee

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### HB 1390

**Brief Description:** Concerning district energy systems.

**Sponsors:** Representatives Ramel, Berry, Duerr, Doglio, Pollet and Reed.

#### Brief Summary of Bill

- Requires owners of state campus district energy systems to develop a decarbonization plan by June, 2024, and provide their final plan to the Department of Commerce (Commerce) by June, 2025.
- Allows an owner of a state campus district energy system to not make capital investments to their system and connected buildings to comply with the state energy performance standard if the owner: (1) is implementing a decarbonization plan; (2) meets benchmarking, energy management, and operations and maintenance planning requirements; and (3) gets a request approved by Commerce once every five years.

**Hearing Date:** 1/24/23

**Staff:** Megan McPhaden (786-7114).

#### **Background:**

##### State Energy Performance Standard.

In 2019, the State Energy Performance Standard was established, which requires the Department of Commerce (Commerce) to establish rules for energy performance standards for covered commercial buildings, collect data on compliance, and report on outcomes. The performance standards seek to maximize reductions in greenhouse gas emissions from the building sector. The performance standards include energy use intensity targets by building type, as well as requirements for an energy management plan, operations and maintenance program, energy

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efficiency audits, and investments in energy efficiency measures.

The 2019 law applies to what is now known as a Tier 1 covered commercial building, which is a building where the sum of nonresidential, hotel, motel, and dormitory floor areas exceed 50,000 square feet, excluding the parking garage area. In 2022, the State Energy Performance Standard was amended to add a second tier of covered buildings. Tier 2 covered buildings are commercial buildings greater than 20,000 square feet but less than 50,000 square feet, and multifamily residential buildings greater than 20,000 square feet. Dates of compliance are phased in for Tier 1 and Tier 2 buildings. For example, the first set of Tier 1 buildings, those over 220,000 square feet, must comply with the standard by 2026. Tier 2 buildings must comply with the benchmarking and energy management planning element of the standard by 2027, but do not have to comply with the energy use intensity performance target until 2031.

#### Commerce's Rules for Tier 1 Buildings.

Commerce finalized rules for Tier 1 Buildings in December, 2020, and included guidance for energy efficiency measures (EEMs) for campus district systems. Commerce's rules specify that implementation of EEMs to campus district heating and/or cooling systems in lieu of energy efficiency measures implemented directly to campus buildings is acceptable for compliance, as long as an energy audit demonstrates that the energy savings from the district system EEMs will be greater than the buildings' EEMs.

#### Industrial Symbiosis Projects.

Industrial symbiosis is the use by one company or sector of waste resources from another. Waste resources are broadly defined to include waste, by-products, residues, energy, water, logistics, capacity, expertise, equipment, and materials. In 2021, Commerce was directed to establish an industrial waste coordination program to provide expertise, technical assistance, and best practices to support local industrial symbiosis projects.

### **Summary of Bill:**

#### State Campus District Energy Systems.

A state campus district energy system is a district energy system, owned by the State of Washington, that provides heating, cooling, or heating and cooling to five or more buildings with more than 100,000 square feet of conditioned space.

#### Decarbonization Plans.

The owner of a state campus district energy system must develop a decarbonization plan and consult with their electric utility during plan development. The plan must be under development by June 30, 2024, and a final plan must be submitted to the Department of Commerce (Commerce) by June 30, 2025. Commerce must provide a summary report on decarbonization plans to the Governor and Legislature by December 1, 2025.

#### *Required elements.*

The plan must include mechanisms to replace fossil fuels in the heating plants. The plan must

also assess options to partner with nearby sources and uses of waste heat and cooling, opportunities to add facilities and a strategy to incentivize growth to a decarbonized system, requirements for facilities joining the system, and the potential for reduced energy use through conservation efforts.

*Encouraged elements.*

The decarbonization plan is encouraged to include considerations for distribution network upgrades, on-site energy storage facilities, space cooling for residential facilities, labor and workforce, options for public-private partnerships, and incorporation of industrial symbiosis projects or networks.

Compliance with the State Energy Performance Standard.

*No required capital investments if certain conditions are met.*

The owner of a state campus district energy system is not required to make capital investments to the system and all buildings connected to the system if the following three conditions are met: The owner of the system: (1) is implementing or completed implementation of a decarbonization plan; (2) meets the state energy performance standard requirements for benchmarking, energy management, and operations and maintenance planning; and (3) submits a request to Commerce once every five years and Commerce approves the request. These conditions apply to both the system and all its connected buildings.

*Clarification on number of plans required.*

The owner of a state campus district energy system may not be required to implement more than one energy management plan and more than one operations and maintenance plan for the campus.

*Implementation of energy efficiency measures.*

Commerce must guarantee that a state campus district energy system and all its connected buildings are in compliance with any requirements for campus buildings to implement energy efficiency measures (EEMs) identified in an energy audit if: (1) the energy audit demonstrates that energy savings from the system's EEMs will be greater than the EEMs for the campus buildings; and (2) the system implements the EEMs.

**Appropriation:** None.

**Fiscal Note:** Requested on January 17, 2023.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.