

SENATE BILL REPORT

2SHB 1390

As Reported by Senate Committee On:
Environment, Energy & Technology, March 28, 2023
Ways & Means, April 4, 2023

Title: An act relating to district energy systems.

Brief Description: Concerning district energy systems.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives Ramel, Berry, Duerr, Doglio, Pollet and Reed).

Brief History: Passed House: 3/2/23, 92-4.

Committee Activity: Environment, Energy & Technology: 3/22/23, 3/24/23, 3/28/23 [DPA-WM, w/oRec].

Ways & Means: 3/30/23, 4/04/23 [DPA (ENET), DNP, w/oRec].

Brief Summary of Amended 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) for approval by June 2025, and every five years thereafter.
- Establishes an alternative compliance pathway to meet the State Energy Performance Standard for an owner of a state campus district energy system if the owner is implementing an approved decarbonization plan; meets benchmarking, energy management, and operations and maintenance planning requirements; and receives Commerce's approval once every five years.
- Provides owners of non-state owned campus district energy systems the option to pursue the alternative compliance pathway.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.
Signed by Senators Nguyen, Chair; Lovelett, Vice Chair; Boehnke, Lovick, Short, Trudeau and Wellman.

Minority Report: That it be referred without recommendation.
Signed by Senator MacEwen, Ranking Member.

Staff: Kimberly Cushing (786-7421)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on Environment, Energy & Technology.

Signed by Senators Rolfes, Chair; Robinson, Vice Chair, Operating & Revenue; Mullet, Vice Chair, Capital; Rivers, Assistant Ranking Member, Capital; Billig, Boehnke, Conway, Dhingra, Hasegawa, Hunt, Keiser, Nguyen, Pedersen, Saldaña, Torres, Van De Wege and Wellman.

Minority Report: Do not pass.

Signed by Senators Schoesler, Ranking Member, Capital; Warnick, Assistant Ranking Member, Capital.

Minority Report: That it be referred without recommendation.

Signed by Senators Wilson, L., Ranking Member, Operating; Gildon, Assistant Ranking Member, Operating; Braun, Muzzall and Wagoner.

Staff: Michael Bezanson (786-7449)

Background: State Energy Performance Standard. In 2019, the Legislature enacted the Clean Buildings Act, which required the Department of Commerce (Commerce) to establish by rule a State Energy Performance Standard (Standard). The Standard seeks to maximize reductions in greenhouse gas emissions from the building sector. The Standard includes energy use intensity targets by building type, and methods of conditional compliance that include an energy management plan, operations and maintenance program, energy efficiency audits, and investments in energy efficiency measures designed to meet the targets.

Tier 1 covered buildings, also referred to as covered commercial buildings, must comply with the Standard. Tier 1 buildings include existing buildings where the sum of nonresidential, hotel, motel, and dormitory floor areas exceed 50,000 gross square feet, excluding the parking garage area. Compliance with the Standard, and reporting for Tier 1 buildings is tiered, and begins June 2026, for buildings greater than 220,000 square feet.

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 Amended Bill: Campus District Energy System. A campus district energy system is a district energy system that provides heating, cooling, or heating and cooling to three or more buildings with more than 100,000 square feet of combined conditioned space, where the system and all connected buildings are owned by:

- a single entity;
- a public-private partnership where one public entity owns the buildings and a private entity owns the energy system; or
- two private entities where one owns the connected buildings and the other owns the energy system.

A state campus district energy system is a campus district energy system with five or more buildings where the system and connected buildings are owned by the state of Washington or by a public-private partnership including one public buildings owner and one private entity.

Decarbonization Plan. The owner of a state campus district energy system must develop a decarbonization plan (plan) and consult with their electric utility and natural gas utility during plan development. The plan must provide a strategy for up to 15 years, or longer if approved by Commerce. The owner of a state campus district energy system must begin developing a plan by June 30, 2024, submit a final plan to Commerce by June 30, 2025, and submit a progress report on the implementation of the plan every five years thereafter.

Commerce must provide a summary report on plans to the Governor and Legislature by December 1, 2025.

The plan must include:

- mechanisms to replace fossil fuels in the heating plants, including a schedule for replacement;
- options to partner with nearby sources and uses of waste heat and cooling;
- opportunities and requirements to add buildings or facilities and a strategy to incentivize growth to a decarbonized system;
- an evaluation, prioritization, and scheduled plan of reducing energy use through conservation efforts at the central plant and connected buildings that results in meeting the campus energy use intensity target.

The owner of a state campus district energy system is encouraged to include in a plan:

- 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.

Alternative Compliance Pathway to the State Energy Performance Standard. The owner of a state campus district energy system is not required to meet the energy use intensity target for the system and for all buildings connected to the system, conduct an investment grade audit, or to comply with the requirements of the Standard, if the owner of the system:

- is implementing or implemented an approved plan, and that plan, when fully implemented, meets the energy use intensity target established for the campus at the time of required measurement and verification. The owner may apply for phased implementation through conditional compliance in accordance with requirements of the plan;
- meets the requirements for benchmarking, energy management, and operations and maintenance planning requirements under the Standard; and
- 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.

Non-state owned campus district energy systems may opt into this process to achieve an alternative compliance pathway, provided the owner of the campus district energy system submits a request to the Commerce, and that request is approved.

Under the alternative compliance pathway to the Standard, 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.

Commerce must also 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 the energy audit demonstrates that energy savings from the system's EEMs will be greater than the EEMs for the campus buildings, and the system implements the EEMs.

EFFECT OF ENVIRONMENT, ENERGY & TECHNOLOGY COMMITTEE AMENDMENT(S):

- Directs the owner of a state campus district energy system to consult with the natural gas utility, as well as the electric utility, serving the site of the system during decarbonization plan development.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Second Substitute House Bill (Environment, Energy & Technology)(March 22, 2023): PRO: Washington has over a dozen campus district energy systems with a central heating plant and multiple buildings around the campus. These systems are the biggest energy users under the state's management, a big part of the state's carbon footprint, and in many cases have a significant deferred maintenance backlog. Upgrading these systems is one of our biggest opportunity to reduce carbon footprint while reducing operating and maintenance costs. This bill proposes how to plan out upgrading systems over time, realize economies of scale, and develop public-private partnerships to reduce costs. After planning is done, these systems can provide an alternate opportunity to comply with the Clean Buildings Act.

Persons Testifying (Environment, Energy & Technology) (March 22, 2023): PRO: Representative Alex Ramel, Prime Sponsor.

Persons Signed In To Testify But Not Testifying (Environment, Energy & Technology) (March 22, 2023): PRO: Ash Awad; Janette Plunkett, Seattle Chair, Washington Higher Education Sustainability Coalition; David Woodson, University of Washington; Mark Riker, Washington State Building & Construction Trades Council; Bonnie Frye Hemphill, UMC, Inc..

OTHER: Emily Salzberg, Washington Department of Commerce.

Staff Summary of Public Testimony on Second Substitute House Bill (Environment, Energy & Technology) (March 24, 2023): *The committee recommended a different version of the bill than what was heard.* PRO: We should treat these buildings comprehensively because they are different than having a boiler in the basement of one building. The bill is open to some private owners, but is not the right vehicle for thermal energy utilities. We need to do this work and doing it systemically makes sense. The bill streamlines compliance, saves operational costs, and allows for one energy management plan. Decarbonizing is hard but this bill helps us get there. As we transition to cleaner energy sources, it is important we do so intentionally to understand how it impacts our supply capacity, resources, economy, and labor force. We believe this bill ensures that consideration of the workers is built in. This is an intelligent approach to ensure the proper plans with timelines are established to address the combined energy efficiencies of energy systems alongside buildings. The bill takes care of the unintended consequence of the Clean Buildings Act, which is good for single buildings but does not address connected buildings; calls out industrial symbiosis, which is finding ways of sharing energy; and includes public-private partnerships, which to convert buildings is going to take billions of dollars.

OTHER: The building sector is the second largest emitter of greenhouse gas emissions in the state. Energy efficiency and electrification are two of the most cost-effective strategies for decarbonizing buildings.

Persons Testifying (Environment, Energy & Technology) (March 24, 2023): PRO: David Woodson, University of Washington; Ash Awad, McKinstry; Mark Riker, WA State Building and Construction Trades Council.

OTHER: Emily Salzberg, Washington Department of Commerce.

Persons Signed In To Testify But Not Testifying (Environment, Energy & Technology) (March 24, 2023): No one.

Staff Summary of Public Testimony on Bill as Amended by Environment, Energy & Technology (Ways & Means): None.

Persons Testifying (Ways & Means): No one.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.