

**FINAL BILL REPORT**

**ESSB 5245**

**C 201 L 91**

**SYNOPSIS AS ENACTED**

**Brief Description:** Directing the development of a state energy strategy and authorizing the implementation of conservation savings and sales by state agencies.

**SPONSORS:** Senate Committee on Energy & Utilities (originally sponsored by Senators Thorsness, Sutherland, Williams, Jesernig, Stratton, Bauer and Conner; by request of Governor Gardner).

**SENATE COMMITTEE ON ENERGY & UTILITIES**

**SENATE COMMITTEE ON WAYS & MEANS**

**BACKGROUND:**

Energy usage within Washington consists of many different fuels and energy sources. Although there exist many separate efforts to plan for the future regarding different energy sources, no centralized effort exists to plan for the future of energy usage in context of the overall mix.

Within state government, both the Department of General Administration (GA) and the Washington State Energy Office (WSEO) have duties related to energy consumption in state-owned facilities.

The region will soon need to develop additional sources of electricity generation. Many energy policy planners believe a great potential exists for developing cogeneration, when at least two forms of energy (such as electricity and heat) are generated from the same fuel source. Cogeneration is most effectively applied to larger facilities, including industrial plants, large schools and institutional facilities.

**SUMMARY:**

The Washington State Energy Office (WSEO) is directed to develop a state energy strategy. In developing the strategy, the WSEO is to consult with other state agencies, the Northwest Power Planning Council, the Bonneville Power Administration (BPA), public and investor-owned utilities, the Legislature, other relevant groups, and the public. The energy strategy is to provide a framework in which energy decisions can be evaluated. Guidelines are provided in which to consider the strategy. A final report is due to the Governor and the Legislature by December 1, 1992.

State agencies and school districts are directed to pursue and maintain efficient operation of their facilities related to energy consumption. The WSEO is directed to assist school districts and state agencies on the evaluation, development and financing of conservation projects. The WSEO is to consult with local utilities on any conservation projects and the local utility is to be offered the initial opportunity to participate in the development of any conservation projects. The WSEO is required to annually notify a local utility of the targeted conservation projects located within a utility's service area.

In coordination with affected parties, the WSEO is to facilitate the sale of energy savings at public facilities. Both the WSEO and a state agency or school district must approve a transaction involving the sale of energy savings.

In areas where utilities may be eligible to participate in BPA conservation programs, any negative financial impacts on nongrowing utilities must be considered when the WSEO determines project eligibility.

Schedules for utility participation in conservation projects are specified with provisions for an independent review process if an agreement cannot be reached between the WSEO, the host institution, and the local utility.

A school district or the WSEO with the consent of a state agency or school district may develop and finance conservation at public facilities, contract for energy services, and contract to sell energy savings. State agencies and state universities may contract for third-party development of energy conservation projects at those facilities.

The WSEO may use appropriated moneys to make loans to school districts to provide financing for conservation projects. The WSEO is to determine the eligibility of such projects. If funding is from bond proceeds, the repayments of the loans shall be sufficient to pay the principal and interest on the bonds. State agencies may use financing contracts to provide funding for conservation projects. These projects are subject to eligibility determination by the WSEO.

The WSEO is directed to identify priorities for cogeneration projects at state facilities. Where such projects are initially deemed desirable, the WSEO is to notify the local utility and offer the utility an opportunity to participate in developing the feasibility study for the facility. Specific responsibilities of the utility, the WSEO and state agencies are outlined related to the development of a feasibility study and the potential development of a cogeneration project. The state may own and/or operate a cogeneration project only if the project is determined to be cost-effective.

Cogeneration projects owned by the state are to be sized to the projected thermal load of the state facility. If projects are sized above the thermal load of the facility, legislative appropriation and approval is required. Any such project

owned by the state or a third party requires a written agreement with the local utility. Any thermal energy produced by a cogeneration project sold outside the state facility must be sold to a utility.

The WSEO must thoroughly review any proposed sales of cogenerated electricity or steam. The sale must be approved by both the WSEO and the state agency. In making a sale, the WSEO or state agency may not seek any advantage not available to a private citizen. Utilities are not required to wheel electric energy outside of a local utility's service area. The state may not be involved in a cogeneration project unless it can show the arrangement is in the economic interest of the state taking into account several specified factors. An independent review process is outlined for any party to an energy purchase agreement if a decision has been made to disapprove such a proposed agreement.

The WSEO and state agencies or state universities may contract to sell energy produced or generated at state facilities. State agencies or state universities may: develop, own, operate and maintain cogeneration projects at their facilities; lease property for cogeneration project development; contract to purchase the fuel or output of the cogeneration project; and undertake procurements for third-party development of cogeneration projects at their facilities.

The energy efficiency construction account is created in the state treasury, to be managed by the WSEO. Funds in the account may be used on projects related to energy efficiency. Sources of funds for the account include general obligation bonds, project revenue bonds, repayment of loans financed through the capital budget, and other appropriate sources.

The energy efficiency services account is created in the state treasury. The WSEO is directed to use the funds in the account to provide energy efficiency services to public entities. Sources of funds for the account include: project fees charged by the WSEO; after payment of principal and interest obligations, moneys from loans made to school districts for conservation projects; revenue not retained by school districts and state agencies for sales of energy; and any payments made by utilities for projects authorized in this legislation.

Public entities may retain a portion of savings or revenues from energy efficiency of generation projects. On conservation projects, a state host institution may retain all net conservation savings and half of net revenues received from a utility. On generation projects, the host institution may retain half of net savings in reduced energy costs and 20 percent of net revenues generated by the project except institutions of higher education which may retain 50 percent of net revenues. Public entities are directed to use retained savings or revenues on ongoing maintenance and operations of energy systems, other ongoing or deferred maintenance, and

other infrastructure improvements at the facility where the energy efficiency project is located.

The WSEO is to develop guidelines for administering the act and may impose fees on public agencies for reviewing lifecycle cost analysis reports on specific projects.

The WSEO is required to extensively report on activities authorized in this legislation, on an annual basis, until the year 2006. Annual reports from the Office of the Superintendent of Public Instruction are required pertaining to the effects of the act on school districts throughout the state.

**VOTES ON FINAL PASSAGE:**

Senate	40	8
House	97	0

**EFFECTIVE:** July 28, 1991