

HOUSE BILL REPORT

SSB 5647

As Reported by House Committee On:
Technology, Telecommunications & Energy

Title: An act relating to the improvement of energy efficiency in state-funded public buildings through adoption of energy efficiency standards for new buildings, energy audits of existing state-funded public buildings, and performance-based energy service contracting.

Brief Description: Requiring new energy efficiency measures.

Sponsors: By Senate Committee on Environment, Energy & Water (originally sponsored by Senators Regala, Thibaudeau, Jacobsen, Eide, Rasmussen, Fraser, Kohl-Welles, Hale, Winsley, Fairley, Shin, Prentice, Patterson, Constantine, Franklin, Costa, Kastama, McAuliffe, Kline, Haugen and Oke; by request of Governor Locke).

Brief History:

Committee Activity:

Technology, Telecommunications & Energy: 3/21/01, 3/30/01 [DPA].

(As Amended by House Committee)

- Includes the concept of energy management systems in the development of the life-cycle cost analysis for the construction and renovation of major public buildings.
- Encourages use of performance-based contracting that allows the cost of the project to be paid from the energy savings guaranteed by the contractor.
- Directs state agencies to conduct energy audits by December 1, 2002, and school districts to conduct audits by June 30, 2003.

HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS & ENERGY

Majority Report: Do pass as amended. Signed by 17 members: Representatives Crouse, Republican Co-Chair; Poulsen, Democratic Co-Chair; Casada, Republican Vice Chair; Ruderman, Democratic Vice Chair; Anderson, Berkey, Bush, Cooper, DeBolt, Esser, Hunt, Linville, Mielke, Morris, Pflug, Simpson and Wood.

Minority Report: Do not pass. Signed by 1 member: Representative B. Chandler.

Staff: Pam Madson (786-7166).

Background:

Energy conservation in the design of public buildings

When a public agency determines that a major new facility should be built or renovated, a life-cycle cost analysis must be completed in the design phase of the project. The life-cycle cost analysis must conform to guidelines established by the Department of General Administration. The agency may accept the facility design if it is satisfied that the life-cycle cost analysis provides an efficient energy system.

Guidelines for a life-cycle cost analysis are intended to promote selection of low life-cycle cost alternatives. The guidelines encourage consideration of energy components and system alternatives including renewable systems and cogeneration systems.

A life-cycle cost is the initial cost and cost of operation of a major facility over its economic life. A life-cycle cost analysis includes, among other elements, an energy consumption analysis. An energy consumption analysis is an evaluation of all energy systems and components by demand and type of energy. The analysis must include a comparison of three or more system alternatives, one of which must be a renewable energy system.

A priority program of the U.S. Green Building Council is the LEED Green Building Rating System. A building may be certified as meeting one of the four levels of compliance with the LEED criteria depending on the percentage of compliance. A bronze certification is the lowest level meeting 50-60 percent of the criteria; silver meets 61-70 percent; gold meets 71-80 percent; and Platinum meets 81-90 percent.

Performance based contracting by municipalities

Municipalities may enter into performance-based energy contracts for equipment and services that are intended to reduce energy use or energy costs of an existing building. A performance-based contract allows for payment to be made under the contract from savings attributable to the use of the equipment and services.

Energy conservation projects

In 1980 the Legislature directed the Department of General Administration (GA) to conduct an energy audit of state-owned buildings and to make modifications and installations to maximize energy efficiency. The audit for buildings on the capitol campus was to be completed by July 1, 1981, and the remaining buildings by July 1,

1983. Modifications to the physical facility were identified and a schedule for completing acquisition and installation was set. Progress toward completion was reported by the director of GA each biennium until upgrades were completed.

In 1991 GA was directed to assist state agencies and school districts in identifying and implementing cost effective conservation improvements in public buildings to minimize energy consumption and related environmental impacts and to reduce operating costs.

Summary of Amended Bill:

Energy conservation in the design of public buildings

The concept of energy management systems is introduced into the development of life-cycle cost analysis for the construction or renovation of major public buildings. Energy management systems are equipment, devices, or other measures that allow for a variety of demand-side management practices. These practices include interactive communication between a public agency and its energy suppliers before energy is consumed and the ability to respond to the cost of electricity by managing the consumption within the agency.

Energy management systems must be included in the identification of energy components and systems alternatives when conducting a life-cycle cost analysis.

In conducting an energy consumption analysis as a component of a life-cycle cost analysis, one component must include a comparison of three or more system alternatives. One alternative must be a renewable energy system. A second alternative must be one that meets the Leadership in Energy and Environmental Design (LEED) silver level building standard developed under the United States Green Building Council or some similar standard.

Performance based contracting by municipalities

Municipalities may contract for energy management systems under their existing authority to enter into performance-based contracts for energy equipment and services.

The Department of General Administration (GA) must maintain a registry of energy service contractors and provide assistance to municipalities in identifying performance-based contracting services.

Energy conservation projects

State agencies and school districts must conduct an energy audit of public buildings. Performance-based contracting is the preferred method for implementing the audit

requirement. This method allows the agency to pay for improvements solely from the savings resulting from the improvements while the contractor guarantees the savings and agrees to be paid from them.

An energy audit includes: (1) a survey of energy consumption that identifies the amount, type and rate of consumption; (2) a walk-through survey to determine the need for energy conservation measures and energy management systems; and (3) an investment grade audit if cost-effective measures are identified after a walk-through survey. School district deadlines for the energy consumption survey and the walk-through survey are a few months later than those for state agencies. Investment grade audits must be completed by December 1, 2002, for state agencies and by June 30, 2003, for school districts. Installation of cost-effective measures must be completed by June 30, 2004, for state agencies and by December 31, 2004, for school districts. The department must report each biennium beginning in December, 2004, on progress made to date and further changes planned for the next biennium.

State agencies or school districts may contract with energy service companies to conduct audits and implement energy saving measures. The department must provide technical assistance and may recover a fee for this service. School districts that are unable to obtain a contract with an energy service company to conduct an investment grade audit or implement conservation measures is exempt from this requirement.

For buildings that are leased by the state, energy audits are required only for that portion of the building that is under state lease, and the energy conservation measures that are implemented as a result of the audit must generate sufficient savings to pay for the modifications and installations allowing for repayment during the lease term.

Agencies or school districts that contracted for or completed energy audits and implemented energy saving measures after December 31, 1997, are in compliance with the audit requirement.

Amended Bill Compared to Substitute Bill:

The amendment requires energy audits only for that portion of a building that is under state lease, and the energy conservation measures that are implemented as a result of the audit must generate sufficient savings to pay for the modifications and installations allowing for repayment during the lease term.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill contains an emergency clause and takes effect

immediately.

Testimony For: This bill makes an important statement by having the public sector lead by example in this energy crisis. Buildings will be designed with conservation in mind. That will save both energy and money. The bill provides some flexibility to school districts by providing longer time lines and by relieving them of the audit and implementation responsibility if no contractor can be obtained. General administration has experience with this type of audit process and performance contracting and will help agencies and school districts implement these provisions. This updates technology and allows another look and energy efficiency.

(With concerns): It is unclear how energy audits will be implemented in leased buildings including what portion of a leased building will be subject to the audit requirement. The LEED silver standard may not be appropriate in this context. The state has a very good energy code and adding this standard may add cost to a project and confusion to the standards being used. The school time lines may still be too short and the audits may need additional funding.

Testimony Against: None

Testified: (Pro) Senator Debbie Regala, (prime sponsor); Danielle Dixon, Northwest Energy Coalition; Jim Hedrick, Governor's Office; Clint Lougheed, General Administration; and Mike Tracey, Puget Sound Energy.

(Concerns) Erik Mewhinney, Building Owners and Managers Association; Kim Dinsmore and Joe Bettridge, Government Building Owners and Lessors Association; and Ray Tobiason, Alliance of Educational Associations.