

HOUSE BILL REPORT

HB 1403

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: Representatives DeBolt, Poulsen, Crouse, Linville, Mielke, Kenney, Van Luven, Cooper, O'Brien, Campbell, Keiser, Roach, Bush, Morell, Berkey, Miloscia, McIntire, Esser, Rockefeller, McDermott and Kessler.

Brief History:

Committee Activity:

Technology, Telecommunications & Energy: 1/29/01, 2/16/01 [DP].

Brief Summary of Bill

- 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 and school districts to conduct energy audits by December 2002.

HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS & ENERGY

Majority Report: Do pass. Signed by 18 members: Representatives Crouse, Republican Co-Chair; Poulsen, Democratic Co-Chair; Ruderman, Democratic Vice Chair; Anderson, Berkey, Bush, Cooper, DeBolt, Delvin, Esser, Hunt, Linville, Mielke, Morris, Pflug, Reardon, 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 (GA). 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 Leadership in Energy and Environmental Design (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 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 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 LEED silver level building standard developed under the U.S. 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 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. Investment grade audits must be completed by December 1, 2002. Installation of cost-effective

measures must be completed by June 30, 2004. The department must report each biennium beginning in December 2004 on progress made to date and further changes planned for the next biennium.

Agencies 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.

Agencies that contracted for or completed energy audits and implemented energy saving measures after December 31, 1996 are in compliance with the audit requirement.

Appropriation: None.

Fiscal Note: Requested on January 29, 2001.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: This bill focuses on energy efficiency in the public sector. By reducing energy use and energy costs in public buildings, it allows the state to lead by example. The use of energy audits was a process that worked very well 20 years ago. A lot of conservation took place from operational changes at little or no implementation cost. This bill will require a fresh start with energy audits that will allow increased benefits from new technology. The walk-through audits provided in the bill can be done by the state agency at very little cost. A number of energy performance contracts have been managed by the GA. These contracts are paid for from the savings in energy costs. Energy performance contracting uses energy service companies that do audits. If no cost-effective energy savings are found, there is no charge. If the audit does identify projects, the cost is paid out of energy savings. The purpose is to investigate the savings potential at no up-front cost. The GA has done a good job at identifying good contractors. Savings can be significantly higher than the costs of making the efficiency investments. The state energy policy prioritizes conservation and renewable energy resources above all others. Given today's electricity prices, there is much more cost-effective conservation today than there was in 1996. An agency exemption should only exempt agency efforts from 1998 forward. Conservation is a key to our energy future.

Testimony Against: None.

Testified: Dave Danner, Governor's office; John Lynch and Clint Lougheed, Department of General Administration; Dave Sjoding, Washington State University Cooperative Extension Energy Program; Danielle Dixon, Northwest Energy Coalition; Eric Espenhorst, Friends of the Earth; Jim Coonan; Collins Sprague, Avista Corporation; and Mike Tracy, Puget Sound Energy.