

SENATE BILL REPORT

2SHB 1390

As of March 20, 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.

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) 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

Staff: Kimberly Cushing (786-7421)

Background: State Energy Performance Standard. In 2019, the Legislature enacted the

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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 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 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.

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.