
HOUSE BILL 1390

State of Washington

68th Legislature

2023 Regular Session

By Representatives Ramel, Berry, Duerr, Doglio, Pollet, and Reed

Read first time 01/17/23. Referred to Committee on Environment & Energy.

1 AN ACT Relating to district energy systems; amending RCW
2 19.27A.210; adding a new section to chapter 19.27A RCW; and creating
3 a new section.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The legislature recognizes that building
6 decarbonization is necessary to achieve the state's climate goals.
7 Washington is a member of the national building performance standards
8 coalition and is leading the nation with existing building
9 performance standards. District energy policy could be used in
10 coordination with any future statewide building performance standards
11 policies to reduce commercial and large state-owned building
12 emissions.

13 Due to the increased prevalence of extreme summer heat events,
14 the ability to cool space at our state-run campus facilities,
15 including correctional facilities, is an essential function of
16 maintaining humane living, working, and learning conditions.

17 Upgrading existing district energy systems has great potential to
18 increase efficiency, oftentimes more so than a building-by-building
19 approach.

20 Upgrading and constructing district energy systems will employ
21 skilled labor, including trades that have historically utilized

1 fossil fuel energy sources. This work will be an important part of a
2 just transition to a clean energy economy.

3 For state-owned facilities connected to district energy systems,
4 the legislature recognizes that it may take years, multiple budget
5 cycles, and commitments as anchor customers to develop and upgrade
6 campus district energy systems, but remains committed to steadily
7 investing in plans developed by these agencies and their selected
8 providers. Having plans for multiyear customer commitments or
9 spending programs will set the state and private sector up well for
10 applying for federal grants and resources and to appropriately plan
11 capital, operating, and climate commitment act funding for these
12 investments over time.

13 NEW SECTION. **Sec. 2.** A new section is added to chapter 19.27A
14 RCW to read as follows:

15 (1) The definitions in this subsection apply throughout this
16 section unless the context clearly requires otherwise.

17 (a) "Campus" means a collection of buildings served by a campus
18 district heating, cooling, water reuse, or power system.

19 (b) "State campus district energy system" means a district energy
20 system that provides heating, cooling, or heating and cooling to a
21 campus through a distributed system providing steam, hot water, or
22 cool water to five or more buildings with more than 100,000 square
23 feet of conditioned space, and is owned by the state of Washington.

24 (2)(a) The owner of a state campus district energy system must
25 develop a decarbonization plan that includes:

26 (i) Mechanisms to replace fossil fuels in the heating plants;

27 (ii) An evaluation of possible options to partner with nearby
28 sources and uses of waste heat and cooling;

29 (iii) An examination of opportunities to add buildings or other
30 facilities to the system once it is decarbonized, a strategy to
31 incentivize growth of a decarbonized system, and requirements for
32 facilities joining the system; and

33 (iv) An evaluation of the potential for reduced energy use
34 through conservation efforts.

35 (b) The owner of a state campus district energy system is
36 encouraged to include the following considerations in a
37 decarbonization plan:

38 (i) Distribution network upgrades;

39 (ii) On-site energy storage facilities;

1 (iii) Space cooling for residential facilities;
2 (iv) Labor and workforce, including state registered
3 apprenticeship utilization;
4 (v) Options for public-private partnerships;
5 (vi) Incorporation of industrial symbiosis projects or networks
6 as described in chapter 308, Laws of 2021.

7 (c) The owner of a state campus district energy system must
8 consult with the electric utility serving the site of the system
9 during decarbonization plan development.

10 (3) The owner of a state campus district energy system must begin
11 developing a decarbonization plan by June 30, 2024, and must submit a
12 final decarbonization plan to the department of commerce by June 30,
13 2025.

14 (4) The department of commerce must provide a summary report on
15 the decarbonization plans required in subsection (3) of this section
16 to the governor and the appropriate committees of the legislature by
17 December 1, 2025.

18 (5) (a) The owner of a state campus district energy system is not
19 required to make capital investments to the state campus district
20 energy system and all the connected buildings that are heated,
21 cooled, or heated and cooled by the system, to otherwise comply with
22 the state energy performance standard requirements in RCW 19.27A.200
23 through 19.27A.250 if:

24 (i) The owner of a state campus district energy system is
25 implementing a decarbonization plan or has fully implemented a
26 decarbonization plan for the state campus district energy system and
27 all of its connected buildings; and

28 (ii) The owner of the state campus district energy system meets
29 the benchmarking, energy management, and operations and maintenance
30 planning requirements under RCW 19.27A.200 through 19.27A.250 for the
31 state campus district energy system and all of its connected
32 buildings.

33 (b) The owner of a state campus district energy system may not be
34 required to make capital investments if the owner submits a request
35 to the department of commerce once during every five-year compliance
36 cycle as part of documentation submitted in accordance with RCW
37 19.27A.210(7), and the department of commerce approves the request.

38 **Sec. 3.** RCW 19.27A.210 and 2021 c 65 s 19 are each amended to
39 read as follows:

1 (1) (a) By November 1, 2020, the department must establish by rule
2 a state energy performance standard for covered commercial buildings.

3 (b) In developing energy performance standards, the department
4 shall seek to maximize reductions of greenhouse gas emissions from
5 the building sector. The standard must include energy use intensity
6 targets by building type and methods of conditional compliance that
7 include an energy management plan, operations and maintenance
8 program, energy efficiency audits, and investment in energy
9 efficiency measures designed to meet the targets. The department
10 shall use ANSI/ASHRAE/IES standard 100-2018 as an initial model for
11 standard development. The department must update the standard by July
12 1, 2029, and every five years thereafter. Prior to the adoption or
13 update of the standard, the department must identify the sources of
14 information it relied upon, including peer-reviewed science.

15 (2) In establishing the standard under subsection (1) of this
16 section, the department:

17 (a) Must develop energy use intensity targets that are no greater
18 than the average energy use intensity for the covered commercial
19 building occupancy type with adjustments for unique energy using
20 features. The department must also develop energy use intensity
21 targets for additional property types eligible for incentives in RCW
22 19.27A.220. The department must consider regional and local building
23 energy utilization data, such as existing energy star benchmarking
24 data, in establishing targets for the standard. Energy use intensity
25 targets must be developed for two or more climate zones and be
26 representative of energy use in a normal weather year;

27 (b) May consider building occupancy classifications from ANSI/
28 ASHRAE/IES standard 100-2018 and the United States environmental
29 protection agency's energy star portfolio manager when developing
30 energy use intensity targets;

31 (c) May implement lower energy use intensity targets for more
32 recently built covered commercial buildings based on the state energy
33 code in place when the buildings were constructed;

34 (d) (i) Must adopt a conditional compliance method that ensures
35 that covered commercial buildings that do not meet the specified
36 energy use intensity targets are taking action to achieve reduction
37 in energy use, including investment criteria for conditional
38 compliance that ensure that energy efficiency measures identified by
39 energy audits are implemented to achieve a covered commercial
40 building's energy use intensity target. The investment criteria must

1 require that a building owner adopt an implementation plan to meet
2 the energy intensity target or implement an optimized bundle of
3 energy efficiency measures that provides maximum energy savings
4 without resulting in a savings-to-investment ratio of less than 1.0,
5 except as exempted in (d) (ii) of this subsection. The implementation
6 plan must be based on an investment grade energy audit and a life-
7 cycle cost analysis that accounts for the period during which a
8 bundle of measures will provide savings. The building owner's cost
9 for implementing energy efficiency measures must reflect net cost,
10 excluding any costs covered by utility or government grants. The
11 implementation plan may exclude measures that do not pay for
12 themselves over the useful life of the measure and measures excluded
13 under (d) (ii) of this subsection. The implementation plan may include
14 phased implementation such that the building owner is not required to
15 replace a system or equipment before the end of the system or
16 equipment's useful life;

17 (ii) For those buildings or structures that are listed in the
18 state or national register of historic places; designated as a
19 historic property under local or state designation law or survey;
20 certified as a contributing resource with a national register listed
21 or locally designated historic district; or with an opinion or
22 certification that the property is eligible to be listed on the
23 national or state registers of historic places either individually or
24 as a contributing building to a historic district by the state
25 historic preservation officer or the keeper of the national register
26 of historic places, no individual energy efficiency requirement need
27 be met that would compromise the historical integrity of a building
28 or part of a building;

29 (e) May not require the owner of a state campus district energy
30 system, as defined in section 2 of this act, to make capital
31 investments to the state campus district energy system or its
32 connected buildings to comply with the state energy performance
33 standard if the owner of the state campus district energy system is
34 implementing or has fully implemented a decarbonization plan. The
35 owner of a state campus district energy system must still comply with
36 benchmarking, energy management, and operations and maintenance
37 planning requirements for the state campus district energy system and
38 its connected buildings under this chapter. The owner of a state
39 campus district energy system may not be required to implement more

1 than one energy management plan and more than one operations and
2 maintenance plan for the campus;

3 (f) Must guarantee that a state campus district energy system, as
4 defined in section 2 of this act, and all buildings connected to a
5 state campus district energy system, are in compliance with any
6 requirements for campus buildings to implement energy efficiency
7 measures identified by an energy audit if:

8 (i) The energy audit demonstrates the energy savings from the
9 state campus district energy system energy efficiency measures will
10 be greater than the energy efficiency measures identified for the
11 campus buildings; and

12 (ii) The state campus district energy system implements the
13 energy efficiency measures.

14 (3) Based on records obtained from each county assessor and other
15 available information sources, the department must create a database
16 of covered commercial buildings and building owners required to
17 comply with the standard established in accordance with this section.

18 (4) By July 1, 2021, the department must provide the owners of
19 covered buildings with notification of compliance requirements.

20 (5) The department must develop a method for administering
21 compliance reports from building owners.

22 (6) The department must provide a customer support program to
23 building owners including, but not limited to, outreach and
24 informational material, periodic training, phone and email support,
25 and other technical assistance.

26 (7) The building owner of a covered commercial building must
27 report the building owner's compliance with the standard to the
28 department in accordance with the schedule established under
29 subsection (8) of this section and every five years thereafter. For
30 each reporting date, the building owner must submit documentation to
31 demonstrate that:

32 (a) The weather normalized energy use intensity of the covered
33 commercial building measured in the previous calendar year is less
34 than or equal to the energy use intensity target; or

35 (b) The covered commercial building has received conditional
36 compliance from the department based on energy efficiency actions
37 prescribed by the standard; or

38 (c) The covered commercial building is exempt from the standard
39 by demonstrating that the building meets one of the following
40 criteria:

1 (i) The building did not have a certificate of occupancy or
2 temporary certificate of occupancy for all (~~twelve~~) 12 months of
3 the calendar year prior to the building owner compliance schedule
4 established under subsection (8) of this section;

5 (ii) The building did not have an average physical occupancy of
6 at least (~~fifty~~) 50 percent throughout the calendar year prior to
7 the building owner compliance schedule established under subsection
8 (8) of this section;

9 (iii) The sum of the building's gross floor area minus
10 unconditioned and semiconditioned spaces, as defined in the
11 Washington state energy code, is less than (~~fifty thousand~~) 50,000
12 square feet;

13 (iv) The primary use of the building is manufacturing or other
14 industrial purposes, as defined under the following use designations
15 of the international building code: (A) Factory group F; or (B) high
16 hazard group H;

17 (v) The building is an agricultural structure; or

18 (vi) The building meets at least one of the following conditions
19 of financial hardship: (A) The building had arrears of property taxes
20 or water or wastewater charges that resulted in the building's
21 inclusion, within the prior two years, on a city's or county's annual
22 tax lien sale list; (B) the building has a court appointed receiver
23 in control of the asset due to financial distress; (C) the building
24 is owned by a financial institution through default by a borrower;
25 (D) the building has been acquired by a deed in lieu of foreclosure
26 within the previous (~~twenty-four~~) 24 months; (E) the building has a
27 senior mortgage subject to a notice of default; or (F) other
28 conditions of financial hardship identified by the department by
29 rule.

30 (8) A building owner of a covered commercial building must meet
31 the following reporting schedule for complying with the standard
32 established under this section:

33 (a) For a building with more than (~~two hundred twenty thousand~~)
34 220,000 gross square feet, June 1, 2026;

35 (b) For a building with more than (~~ninety thousand~~) 90,000
36 gross square feet but less than (~~two hundred twenty thousand and~~
37 ~~one~~) 220,001 gross square feet, June 1, 2027; and

38 (c) For a building with more than (~~fifty thousand~~) 50,000 gross
39 square feet but less than (~~ninety thousand and one~~) 90,001 square
40 feet, June 1, 2028.

1 (9) (a) The department may issue a notice of violation to a
2 building owner for noncompliance with the requirements of this
3 section. A determination of noncompliance may be made for any of the
4 following reasons:

5 (i) Failure to submit a compliance report in the form and manner
6 prescribed by the department;

7 (ii) Failure to meet an energy use intensity target or failure to
8 receive conditional compliance approval;

9 (iii) Failure to provide accurate reporting consistent with the
10 requirements of the standard established under this section; and

11 (iv) Failure to provide a valid exemption certificate.

12 (b) In order to create consistency with the implementation of the
13 standard and rules adopted under this section, the department must
14 reply and cite the section of law, code, or standard in a notice of
15 violation for noncompliance with the requirements of this section
16 when requested to do so by the building owner or the building owner's
17 agent.

18 (10) The department is authorized to impose an administrative
19 penalty upon a building owner for failing to submit documentation
20 demonstrating compliance with the requirements of this section. The
21 penalty may not exceed an amount equal to (~~five thousand dollars~~)
22 \$5,000 plus an amount based on the duration of any continuing
23 violation. The additional amount for a continuing violation may not
24 exceed a daily amount equal to (~~one dollar~~) \$1 per year per gross
25 square foot of floor area. The department may by rule increase the
26 maximum penalty rates to adjust for the effects of inflation.

27 (11) Administrative penalties collected under this section must
28 be deposited into the low-income weatherization and structural
29 rehabilitation assistance account created in RCW 70A.35.030.

30 (12) The department must adopt rules as necessary to implement
31 this section, including but not limited to:

32 (a) Rules necessary to ensure timely, accurate, and complete
33 reporting of building energy performance for all covered commercial
34 buildings;

35 (b) Rules necessary to enforce the standard established under
36 this section; and

37 (c) Rules that provide a mechanism for appeal of any
38 administrative penalty imposed by the department under this section.

1 (13) Upon request by the department, each county assessor must
2 provide property data from existing records to the department as
3 necessary to implement this section.

4 (14) By January 15, 2022, and each year thereafter through 2029,
5 the department must submit a report to the governor and the
6 appropriate committees of the legislature on the implementation of
7 the state energy performance standard established under this section.
8 The report must include information regarding the adoption of the
9 ANSI/ASHRAE/IES standard 100-2018 as an initial model, the financial
10 impact to building owners required to comply with the standard, the
11 amount of incentives provided under RCW 19.27A.220 and 19.27A.230,
12 and any other significant information associated with the
13 implementation of this section.

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