

---

## Environment & Energy Committee

---

### HB 1514

**Brief Description:** Encouraging the deployment of low carbon thermal energy networks.

**Sponsors:** Representatives Ramel, Berry, Doglio, Hunt, Reed and Parshley.

#### Brief Summary of Bill

- Brings thermal energy companies under the regulatory jurisdiction of the Utilities and Transportation Commission with certain exemptions.
- Requires electric utilities to incorporate thermal energy networks into planning.
- Directs the Department of Commerce to award grants to local governments for mapping and developing technical expertise for thermal energy networks.

**Hearing Date:** 1/27/25

**Staff:** Megan McPhaden (786-7114).

#### Background:

##### Utilities and Transportation Commission Regulation of Utilities.

The Utilities and Transportation Commission (UTC) is a three-member commission with broad authority to regulate the rates, services, and practices of a variety of businesses in the state, including investor-owned gas and electrical companies. The UTC must ensure rates charged by these companies are fair, just, reasonable, and sufficient. The UTC also oversees gas pipeline safety in the state.

##### Thermal Energy Companies Exempt from UTC Regulation.

Thermal energy companies are those that develop, produce, transmit, distribute, deliver, provide,

---

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

or sell thermal energy to or for the public for any beneficial use other than electricity generation. Thermal energy companies are exempt from oversight by the UTC.

Combined heat and power facilities engaged in thermal energy services are also not subject to UTC regulation.

#### Thermal Energy Networks.

Thermal energy networks (TENs) are all real estate, fixtures, and property involved in a utility-scale project to supply thermal energy. Thermal energy is piped noncombustible fluids that transfer heat into and out of buildings for the purpose of eliminating any on-site greenhouse gas emissions from heating and cooling, improving energy efficiency, or both. Thermal energy networks may not rely on combustion to create thermal energy, except for emergency backup purposes.

#### Authorization for Gas and Electrical Companies to Deploy a Thermal Energy Network.

Gas companies may own, control, operate, or manage a TEN. Electrical companies and public utility districts may own, operate, or manage a TEN.

If an investor-owned gas or electrical company intends to deploy a TEN, the company must submit the project to the UTC for review and validation of costs assessments. If the UTC validates the costs assessments selection of a TEN, the company may propose to recover the costs of building and operating the project from ratepayers in a rate case filing before the UTC. Such a validation by the UTC does not constitute a prudence finding or a finding that the resource is used and useful for ratemaking purposes. If a consumer-owned gas company or electrical company intends to deploy a TEN, the company must submit the project to its governing body for review and approval.

#### TEN Pilot Projects.

The UTC must evaluate TEN pilot projects and the Department of Commerce (Commerce) must award grants for the TEN pilot projects under a TEN pilot project program. A gas company has priority for developing a TEN pilot project in its service territory, subject to certain requirements. The UTC may choose not to provide priority for a gas company in the scenario where an existing thermal energy company deployed or is developing a TEN in a specific location.

#### Electric Utility Planning.

All electric utilities must do resource planning, and investor-owned and consumer-owned electric utilities in the state with more than 25,000 customers must develop integrated resource plans. An integrated resource plan must include a number of components, such as the mix of generating resources and conservation and efficiency resources that will meet current and projected needs at the lowest reasonable cost to the utility and its ratepayers. Integrated resource plans must be updated every two years. Investor-owned utilities must submit their plans to the UTC.

### **Summary of Bill:**

### Regulation of Thermal Energy Companies.

Thermal energy companies are subject to UTC regulation comparable to UTC regulation of electric and gas utilities, except for thermal energy companies:

- operating a TEN with less than five independent customers and less than 250 households in a unit of a residential building served by a thermal energy company; and
- in operation or under development before July 1, 2025.

Thermal energy companies in operation before July 1, 2025, may opt-into regulation by providing the UTC with a request to opt-in in writing, and if the company chooses this path the company must remain under UTC regulation and cannot opt-out of UTC regulation. Combined heat and power facilities engaged in thermal energy services may also opt-into UTC regulation with a request to opt-in in writing.

Thermal energy companies with a TEN under development by July 1, 2025, are not subject to UTC regulation if a company notifies the UTC in writing of the company's plans to operate the TEN.

Thermal energy companies are not:

- gas companies, electrical companies, or public utility districts that own, control, operate, or manage a TEN;
- a homeowners' association providing service to units solely within its own buildings; or
- a company that develops, produces, or provides thermal energy for a TEN independently from the company involved in the TEN distribution system.

The UTC may issue rules if it finds a thermal energy resource provider is injecting thermal energy into a TEN that exceeds system needs and creates system imbalance.

The UTC may approve discounted rates from the electric utility to the TEN if a TEN allows the utility to deliver electricity more efficiently than electric company's standard electrical service, including if the TEN shifts load off of peak demand to: (1) TEN customers of a TEN owned by an electrical company; and (2) a thermal energy company operating a TEN in an electrical company's service area.

### Electric Utility Planning for Thermal Energy Networks.

Electric utilities subject to Integrated Resource Plan (IRP) requirements must include within their IRPs: (1) an assessment of where and how to include TENs into their service areas; and (2) a consideration of providing discounted rates to TENs in the scenarios where the UTC is allowed to approve discounted rates.

All other electric utilities must also consider providing discounted rates to TENs in resource plans.

### Reporting on TENs Interoperability Standards.

The UTC must follow the development of interoperability standards for TENs and report to the

state Legislature by December 1, 2026, on the readiness for adoption of these standards.

Thermal Energy Network Grant Program for Local Governments.

Commerce must award grants to local governments for mapping TENs or for developing technical expertise to design, plan, or permit TENs.

**Appropriation:** None.

**Fiscal Note:** Preliminary fiscal note available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.