

# SENATE BILL REPORT

## 2SHB 1514

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As Reported by Senate Committee On:  
Environment, Energy & Technology, April 1, 2025  
Ways & Means, April 7, 2025

**Title:** An act relating to encouraging the deployment of low carbon thermal energy networks.

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

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Ramel, Berry, Doglio, Hunt, Reed and Parshley).

**Brief History:** Passed House: 3/10/25, 86-9.

**Committee Activity:** Environment, Energy & Technology: 3/26/25, 4/01/25 [DPA-WM].  
Ways & Means: 4/05/25, 4/07/25 [DPA (ENET), DNP, w/oRec].

### Brief Summary of Amended Bill

- Brings thermal energy companies under the regulatory jurisdiction of the Utilities and Transportation Commission (UTC) with certain exemptions.
- Allows electric utilities to provide discounted rates to companies operating thermal energy networks under certain conditions with UTC authorization.

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### SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

**Majority Report:** Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Shewmake, Chair; Slatter, Vice Chair; Boehnke, Ranking Member; Dhingra, Harris, Liias, Lovelett, MacEwen, Ramos, Short and Wellman.

**Staff:** Kimberly Cushing (786-7421)

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### SENATE COMMITTEE ON WAYS & MEANS

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*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.*

**Majority Report:** Do pass as amended by Committee on Environment, Energy & Technology.

Signed by Senators Robinson, Chair; Stanford, Vice Chair, Operating; Trudeau, Vice Chair, Capital; Frame, Vice Chair, Finance; Gildon, Ranking Member, Operating; Cleveland, Conway, Dhingra, Hansen, Hasegawa, Kauffman, Muzzall, Pedersen, Riccelli, Saldaña, Warnick, Wellman and Wilson, C..

**Minority Report:** Do not pass.

Signed by Senator Schoesler, Ranking Member, Capital.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Torres, Assistant Ranking Member, Operating; Dozier, Assistant Ranking Member, Capital; Braun and Wagoner.

**Staff:** Jed Herman (786-7346)

**Background:** Utilities and Transportation Commission. The Utilities and Transportation Commission (UTC) regulates the rates, services, and practices of privately-owned utilities and transportation companies. Among the companies regulated by the UTC are investor-owned electrical and natural gas 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 and Networks. A thermal energy company develops, produces, transmits, distributes, delivers, furnishes, or sells to the public thermal energy services for any beneficial use other than electricity generation. Thermal energy companies are exempt from UTC's oversight.

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. A TEN may not rely on combustion to create thermal energy, except for emergency backup purposes.

Any gas company and any electrical company may deploy a TEN within their service territories. 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 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.

Thermal Energy Network Pilot Projects. The UTC must evaluate the TEN pilot projects and the Department of Commerce (Commerce) must grant awards 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.

**Summary of Amended Bill:** Regulation of Thermal Energy Companies. Thermal energy companies are subject to UTC regulation similar to electric and gas utilities, except for thermal energy companies that:

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

Thermal energy companies not subject to UTC regulation may opt in to regulation by providing the UTC with a request to opt in in writing. If a 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 in to UTC regulation with a request to opt in in writing.

Thermal energy companies with a thermal energy system 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 thermal energy system. Gas companies maintain their priority for developing thermal energy network pilot projects.

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.

Thermal energy systems include the TENs. A thermal energy system is any system providing thermal energy for space heating, space cooling, or process uses from a central plant, distributed plant, or combined heat and power facility, and that distributes the thermal energy to two or more buildings through a network of pipes.

The UTC may issue rules if it finds a thermal energy resource provider is injecting thermal energy into a thermal energy system that exceeds system needs and creates system imbalance to ensure ratepayers are not charged for energy that does not provide a benefit.

The UTC may appoint inspectors of thermal energy meters who, when required, must inspect, examine, prove and ascertain the accuracy of thermal energy meters used for measuring and ascertaining the quantity of thermal energy and the apparatus for testing the meters. No thermal energy company may furnish, set, or put in use any thermal energy meters which have not been approved by the UTC.

The UTC may authorize an electrical company to provide discounted rates to a company operating a TEN in the electrical company's service area if the TEN allows the electrical company to deliver electricity more efficiently than the electrical company's standard electrical service, including if the TEN shifts load off of peak demand. If the UTC approves such discounted rates, the UTC must consider the benefits of reduced input costs to operate a TEN in future rate setting proceedings for TENs.

Reporting on Thermal Energy Networks Interoperability Standards. The UTC must follow the development of interoperability standards for the TENs and report to the Legislature by December 1, 2027, on the readiness for adoption of these standards.

**EFFECT OF ENVIRONMENT, ENERGY & TECHNOLOGY COMMITTEE AMENDMENT(S):**

- Clarifies that no thermal energy company, rather than no public service company, may furnish, set, or put in use any thermal energy meters that have not been approved by the Utilities and Transportation Commission.
- Clarifies that the definition of utility includes both thermal energy companies and thermal energy systems operated by any public agency.

**Appropriation:** The bill contains a null and void clause requiring specific funding be provided in an omnibus appropriation act.

**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.

**Staff Summary of Public Testimony on Second Substitute House Bill (Environment, Energy & Technology):** *The committee recommended a different version of the bill than what was heard.* PRO: Thermal energy networks are the combination of old-school district heating systems and heat pumps, which creates incredible capacity for energy efficiency for neighborhoods. Last year the Legislature passed a pilot program to allow gas utilities to try out TENS in Washington. The businesses and workers involved in these kinds of networks are historically focused on fossil fuels. This is a clean energy alternative that is good work for the economy. Pilot programs will be regulated by the UTC, but there are other companies interested in developing these networks, and we want to regulate them so that we know rates are fair. Because networks have pipes underground full of warm or hot water they can help utilities meet their peak loads. Setting up a rate structure for this is encouraged but not required. A Bellingham system that used waste heat to heat new buildings wasn't regulated by the UTC and had to work with courts to set up an independent regulatory panel to deal with rate setting. Thus, we would support having UTC oversight.

We are looking for opportunities anywhere we can to build the technology. We all know we need every resource we can get. This is another tool in our toolbox to deliver clean energy to our customers.

**Persons Testifying (Environment, Energy & Technology):** PRO: Representative Alex Ramel, Prime Sponsor; John Rothlin, Avista Corp; Michael Hogan, Port of Bellingham.

**Persons Signed In To Testify But Not Testifying (Environment, Energy & Technology):** No one.

**Staff Summary of Public Testimony on Bill as Amended by Environment, Energy & Technology (Ways & Means):** PRO: The Port of Bellingham and the city have been transforming Bellingham's waterfront, employing a variety of strategies around sustainability. Along the way, an opportunity emerged to use waste heat from a nearby PSE plant for heating and cooling at the new buildings that would be built in that development. In 2018, they installed a four-pipe system under new roads, and the utility began operating that system in 2020. Last year, Mercy Housing, an affordable housing facility, became the system's first customer. This is a success story about affordable, low carbon neighborhoods. But the port didn't expect that that system of thermal energy network was not regulated by the UTC, and this bill solves that problem by bringing these systems under the oversight of the UTC.

**Persons Testifying (Ways & Means):** PRO: Katie Whittier, Port of Bellingham.

**Persons Signed In To Testify But Not Testifying (Ways & Means):** No one.