Multiple Agency Fiscal Note Summary

Bill Number: 5093 SB	**Title:** Building decarbonization

Estimated Cash Receipts

Agency Name	2021-23			2023-25			2025-27		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Enterprise Services	0	0	254,440	0	0	254,440	0	0	254,440
Total $	**0**	**0**	**254,440**	**0**	**0**	**254,440**	**0**	**0**	**254,440**

Estimated Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Commerce	8.2	2,980,366	2,980,366	2,980,366	7.6	2,635,990	2,635,990	2,635,990	7.4	2,556,489	2,556,489	2,556,489
Department of Enterprise Services	1.0	0	0	254,440	1.0	0	0	254,440	1.0	0	0	254,440
Utilities and Transportation Commission	2.1	0	0	612,695	.6	0	0	177,761	.1	0	0	36,550
Department of Natural Resources	.0	0	0	0	.0	75,000	75,000	75,000	.0	0	0	0
Total $	**11.3**	**2,980,366**	**2,980,366**	**3,847,501**	**9.2**	**2,710,990**	**2,710,990**	**3,143,191**	**8.5**	**2,556,489**	**2,556,489**	**2,847,479**

Agency Name	2021-23			2023-25			2025-27		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Commerce	.0	0	0	.0	0	0	.0	0	0
Department of Enterprise Services	.0	0	0	.0	0	0	.0	0	0
Utilities and Transportation Commission	.0	0	0	.0	0	0	.0	0	0
Department of Natural Resources	.0	0	0	.0	1,560,000	1,560,000	.0	750,000	750,000
Total $	**0.0**	**0**	**0**	**0.0**	**1,560,000**	**1,560,000**	**0.0**	**750,000**	**750,000**

FNPID: 61391

Agency Name	2021-23			2023-25			2025-27		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Breakout

NONE

Agency Name	2021-23	2023-25	2025-27
	Total	Total	Total
Construction	0	1,560,000	750,000
Total $	0	1,560,000	750,000

Prepared by: Jenna Forty, OFM	Phone: (564) 999-1671	Date Published: Final 1/27/2021

Individual State Agency Fiscal Note

Bill Number: 5093 SB	Title: Building decarbonization	Agency: 103-Department of Commerce

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	8.2	8.2	8.2	7.6	7.4
Account					
General Fund-State 001-1	1,476,350	1,504,016	2,980,366	2,635,990	2,556,489
Total $	1,476,350	1,504,016	2,980,366	2,635,990	2,556,489

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

Legislative Contact:	Kim Cushing	Phone: (360) 786-7421	Date: 01/15/2021
Agency Preparation:	Marla Page	Phone: 360-725-3129	Date: 01/15/2021
Agency Approval:	Joyce Miller	Phone: 360-725-2710	Date: 01/15/2021
OFM Review:	Gwen Stamey	Phone: (360) 902-9810	Date: 01/18/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Sections 5 expands the Clean Buildings Program, currently for buildings over 50,000 square feet, to buildings between 10,000 and 50,000 square feet.

Section 6 states both tier 2 and tier 3 covered commercial buildings will be required to benchmark and create energy management, operations and maintenance plans and report to the Department of Commerce. This act would require the department to expand building owner notifications, database expansion for tracking and compliance verification to existing commercial buildings over 10,000 square feet in the state.

Section 22 creates a new heat pump and electrification program within the department to support job creation and workforce development through the transition of residential and commercial buildings away from fossil fuels by providing incentives, education, and outreach resources for the installation of high-efficiency electric heat pumps and other electric equipment.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

General Assumptions

By November 1, 2021, the department must adopt by rule a state energy management and benchmarking requirement for tier 2 covered commercial buildings and tier 3 covered commercial buildings, including administrative penalties for non-compliance.

The department assumes that rulemaking will be completed by November 1, 2021 to adopt by rule a state energy management, operations and maintenance and benchmarking requirement for tier 2 covered commercial buildings and tier 3 covered commercial buildings, including administrative penalties for non-compliance. Rulemaking will include a pre-notice inquiry supporting stakeholder input in the development of the draft rules. The department estimates three stakeholder meetings and will include consultation on the development of program design. This will be followed by final rulemaking, providing additional opportunities for stakeholder input.

Data analysis supporting rulemaking and implementation will include identification of buildings subject to the requirements of bill using data from county assessors. This work is estimated to begin January 1, 2022 and be completed by July 1, 2023, to allow for notification to owners of tier 2 covered buildings, and July 1, 2024 to allow for notification of tier 3 covered buildings. The department estimates that approximately 75,000 parcels will require notification via mail with a cost of $20,000 for printing and mailing.

The department assumes the existing clean buildings database, housed at the department, will be expanded to include tier 2 and 3 buildings. The department estimates $125,000 for the database expansion in each fiscal year

2022 and 2023. Each year thereafter, the department estimates $50,000 per fiscal year for database maintenance.

The department assumes evaluation of benchmarking data to determine energy use averages by building type for commercial buildings between 50,000 and 10,000 square feet. The department will submit a report to the legislature and the governor's office by October 1, 2027, with recommendations for building performance standards for tier 2 and tier 3 covered commercial buildings.

The department assumes that the customer support program will assist building owners state-wide with technical assistance and training and will be accomplished utilizing a contractor. This cost is estimated at $200,000 per year for FY22 and FY23 and each year thereafter.

The department assumes creation of a new heat pump and electrification program to support job creation and workforce development through the transition of residential and commercial buildings away from fossil fuels by providing incentives, education, and outreach resources for the installation of high-efficiency electric heat pumps and other electric equipment.

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Section 5 and 6 – Expand clean buildings benchmarking, energy management and operations and maintenance plans reporting for Tier 2 and 3 covered buildings.

To accomplish this work the department estimates (FY22-27):

0.5 FTE EMS1 Energy Policy Specialist (1,044 hours) in FY22-FY23 focused primarily on rulemaking and program guidelines. Staff will provide expert policy advice and lead the development of rulemaking effort.

1.0 FTE EMS1 Energy Policy Specialist – Mechanical Engineer (2,088 hours) in FY22-FY30 to provide specialized technical services to the program, project and program development for the incentive program and design of technical assistance efforts for clients and staff.

1.0 FTE Management Analyst 4 (2,088 hours) in FY22-FY26 and 0.5 FTE in FY27-FY29 (1,088 hours) to provide specialized data analysis, provide recommendations regarding the development of rules and provide ongoing data management for the database including data collection from counties and ensuring uniformity of the data prior to entering it into the database.

2.0 FTE Commerce Specialist 3 (4,176 hours) in FY22-FY27 to provide or build capacity around solicitation, origination, management, application review and the monitoring of the program requirements. Compliance monitoring may include site visits and corresponding compliance reports. Staff will assist the Energy Policy Specialist in drafting rules, representing the agency, developing policy positions and coordinating the state’s role with respect to the implementation of the program.

0.5 FTE Commerce Specialist 2 (1,044 hours) in FY22-FY27 to provide program support including customer support and review of reporting requirements.

0.5 FTE Administrative Assistant 2 (1,044 hours) in FY22-FY27 to complete the notification of impacted building and provide communications tracking for covered buildings.

Salaries and Benefits:
FY22: $575,892
FY23: $591,170
FY24-FY26: $526,816 per fiscal year
FY27: $472,163

Goods and Services:
FY22: $89,478
FY23: $89,509
FY24-FY26: $64,723 per fiscal year
FY27: $58,457

Goods and Services include AAG cost for rulemaking of $10,600 per fiscal year for fiscal year 2022 and fiscal year 2023 and $2,100 per fiscal year for fiscal year 2024 through fiscal year 2027. This also includes $10,000 per fiscal year for fiscal year 2022 and fiscal year 2023 for printing and mailing cost associated with the notifications.

Professional Services Contract:
FY22-FY23: $325,000 per fiscal year
FY24-FY27: $250,000 per fiscal year
Database development and expansion – costs $125,000 in FY22-FY23 and $50,000 FY24-FY27
Customer support and technical assistance $200,000 FY22-FY27

Intra-agency Reimbursement:
FY22: $195,803
FY23: $200,998
FY24-FY26: $179,117 per fiscal year
FY27: $160,535

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Section 22 – Creation of New Heat Pump and Electrification Program

To accomplish this work the department estimates (FY22-FY27):

0.8 FTE EMS1 Energy Policy Specialist (1,664 hours) in FY22-FY27 focused primarily on technical services to the program, project and program development for the incentive program and design of technical assistance efforts for workforce.

0.8 FTE Commerce Specialist 3 (1,664 hours) in FY22-FY27 to provide or build capacity around workforce training needs for installation of high efficiency heat pumps and other equipment. Staff will provide coordination and technical assistance to utilities, housing providers, builders and the public.

0.2 FTE Commerce Specialist 2 (416 hours) in FY22-FY27 to provide program support including customer assistance and communications tracking.

Salaries and Benefits

FY22: $199,711
FY23-FY27: $205,048 per fiscal year

Goods and Services
FY22: $22,564
FY23-FY27: $22,575 per fiscal year

Intra-agency Reimbursement:
FY22: $67,902
FY23-FY27: $69,716 per fiscal year

Note: Standard goods and services costs include supplies and materials, employee development and training, Attorney General costs, central services charges and agency administration. Intra-agency Reimbursement-Agency administration costs (e.g., payroll, HR, IT) are funded under a federally approved cost allocation plan.

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Total Estimated Costs
FY22: $1,476,350
FY23: $1,504,016
FY24-FY26: $1,317,995 per fiscal year
FY27: $1,238,494

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	1,476,350	1,504,016	2,980,366	2,635,990	2,556,489
		Total $	1,476,350	1,504,016	2,980,366	2,635,990	2,556,489

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	8.2	8.2	8.2	7.6	7.4
A-Salaries and Wages	567,686	584,717	1,152,403	1,073,112	1,032,966
B-Employee Benefits	207,917	211,501	419,418	390,616	376,109
C-Professional Service Contracts	325,000	325,000	650,000	500,000	500,000
E-Goods and Other Services	112,042	112,084	224,126	174,596	168,330
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	263,705	270,714	534,419	497,666	479,084
9-					
Total $	1,476,350	1,504,016	2,980,366	2,635,990	2,556,489

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Administrative Assistant 2	44,184	0.5	0.5	0.5	0.5	0.5
Administrative Services	69,552	0.9	0.9	0.9	0.8	0.8
Commerce Specialist 2	64,008	0.7	0.7	0.7	0.7	0.7
Commerce Specialist 3	74,196	2.8	2.8	2.8	2.8	2.8
EMS Band 1	93,516	2.3	2.3	2.3	1.8	1.8
Management Analyst 4	77,952	1.0	1.0	1.0	1.0	0.8
Total FTEs		8.2	8.2	8.2	7.6	7.4

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 6 requires by November 1, 2021, the Department of Commerce must adopt by rule a state energy management and benchmarking requirement for tier 2 covered commercial buildings and tier 3 covered commercial buildings.

Individual State Agency Fiscal Note

Bill Number: 5093 SB	Title: Building decarbonization	Agency: 179-Department of Enterprise Services

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

ACCOUNT	FY 2022	FY 2023	2021-23	2023-25	2025-27
Enterprise Services Account-State 422-1	127,220	127,220	254,440	254,440	254,440
Total $	127,220	127,220	254,440	254,440	254,440

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	1.0	1.0	1.0	1.0	1.0
Account					
Enterprise Services Account-State 422-1	127,220	127,220	254,440	254,440	254,440
Total $	127,220	127,220	254,440	254,440	254,440

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- [X] If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- [ ] If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- [ ] Capital budget impact, complete Part IV.
- [ ] Requires new rule making, complete Part V.

Legislative Contact:	Kim Cushing	Phone: (360) 786-7421	Date: 01/15/2021
Agency Preparation:	Michael Diaz	Phone: (360) 407-8131	Date: 01/20/2021
Agency Approval:	Ashley Howard	Phone: (360) 407-8159	Date: 01/20/2021
OFM Review:	Tyler Lentz	Phone: (360) 790-0055	Date: 01/21/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 2 amends RCW 19.27A.160 and 2009 c 423 s 5 to (1) require residential and nonresidential construction permitted under the 2027 state energy code to achieve at least a seventy percent reduction in annual net energy consumption and eliminate onsite fossil fuel combustion for space heating and water heating, using the adopted 2006 Washington state energy code as a baseline.

Section 2(2) updated the requirement for the State Building Council (SBCC) to report its progress of adopting energy code changes to achieve the targets set forth in section 2(1) by December 31,2023, and every three years thereafter, and removed language allowing the SBCC the ability to defer implementation of the energy code and instead report to the legislature any technological or other impediments to adopting state energy codes. These updates can be addressed through SBCC's standard code adoption process and therefore has no fiscal impact.

Section 3 amends RCW 19.27A.015 and 1990 c 2 s 2 to remove the word maximum and an outdated date. These minor updates can be addressed through SBCC's standard code adoption process and therefore has no fiscal impact.

Section 4 amends RCW 19.27A.020 and 2018 c 207 s 7 and requires the Washington state energy code to be designed to (2)(a)construct increasingly low-emission energy efficient homes and buildings and achieve construction of zero fossil-fuel greenhouse gas emission homes and buildings by the year 2030. This section has removed language (2)(c) that the SBCC will allow the offset of space heating equipment substitute for building envelope thermal performance; this section will now require new buildings to provide space heating and water heating equipment that minimizes direct and indirect greenhouse gas emissions. This section (6)(b) has language clean up to allow a city, town, or county's energy code for residential structures the option to provide greater reductions in energy use and greenhouse gas emissions than the requirements of the state energy code adopted by the council. These updates can be addressed through SBCC's standard code adoption process and therefore has no fiscal impact.

Section 5 amends RCW 19.27A.200 and 2019 c 285 s 2 definitions to more accurately define the terms "Building", "Energy", and add two new definitions "Tier 2 covered commercial building" and "Tier 3 covered commercial building". These updates can be addressed through SBCC's standard code adoption process and therefore has no fiscal impact.

Section 6 is a new section that requires Commerce to complete rulemaking by November 1, 2021 for a state energy management and benchmarking requirement applying to tiers 2 and 3 covered commercial buildings. Commerce must also establish reporting and administrative procedures. Commerce is also authorized to impose an administrative penalty upon a building owner for failing to submit documentation demonstrating compliance with the requirements of this section.

The Department of Enterprise Services (DES) is currently administering compliance with the current energy reduction targets and the currently required benchmarking requirements for DES owned facilities. The combination of the accelerated deadline from section 2, and the additional tiers of reporting from section 6, will increase the workload for this effort due to:
-Higher volume of buildings to track benchmark metrics on.
-Higher volume of energy reduction projects to plan and implement the necessary changes for the 2027 deadline.

-Higher volume of operational changes (standard operating procedures for building owner's to manage their infrastructure to achieve reduced energy targets).
-Additional reporting requirements.
-Accelerated planning and implementation, overall, due to the advanced deadline in section 2.

DES would need an additional FTE to support this new work.

Capital Impacts: Financial impacts to future building construction and enhancements as a result of this legislation would be included in total cost of the capital project.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

The Campus Rent allocation in the CSM would need to be adjusted to fund the additional FTE needed to implement sections 2 and 6.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

DES is currently administering compliance with the current energy reduction targets and the currently required benchmarking requirements for DES owned facilities. The combination of the accelerated deadline from section 2, and the additional tiers of reporting from section 6, will increase the workload for this effort due to:
-Higher volume of buildings to track benchmark metrics on.
-Higher volume of energy reduction projects to plan and implement the necessary changes for the 2027 deadline.
-Higher volume of operational changes (standard operating procedures for building owner's to manage their infrastructure to achieve reduced energy targets).
-Additional reporting requirements.
-Accelerated planning and implementation, overall, due to the advanced deadline in section 2.

DES would need an additional FTE to support this new work.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
422-1	Enterprise Services Account	State	127,220	127,220	254,440	254,440	254,440
		Total $	127,220	127,220	254,440	254,440	254,440

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	1.0	1.0	1.0	1.0	1.0
A-Salaries and Wages	82,344	82,344	164,688	164,688	164,688
B-Employee Benefits	27,997	27,997	55,994	55,994	55,994
C-Professional Service Contracts					
E-Goods and Other Services	16,879	16,879	33,758	33,758	33,758
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	127,220	127,220	254,440	254,440	254,440

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Energy/Utilties Engineer 2	82,344	1.0	1.0	1.0	1.0	1.0
Total FTEs		1.0	1.0	1.0	1.0	1.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Capital Impacts: Financial impacts to future building construction and enhancements as a result of this legislation would be included in total cost of the capital project.

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5093 SB	Title: Building decarbonization	Agency: 215-Utilities and Transportation Commission

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	2.2	2.0	2.1	0.6	0.1
Account					
Public Service Revolving Account-State 111-1	320,935	291,760	612,695	177,761	36,550
Total $	320,935	291,760	612,695	177,761	36,550

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

[X] If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

[ ] If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

[ ] Capital budget impact, complete Part IV.

[X] Requires new rule making, complete Part V.

Legislative Contact:	Kim Cushing	Phone: (360) 786-7421	Date: 01/15/2021
Agency Preparation:	Amanda Hathaway	Phone: 360-664-1249	Date: 01/20/2021
Agency Approval:	Amy Andrews	Phone: 360-481-1335	Date: 01/20/2021
OFM Review:	Jenna Forty	Phone: (564) 999-1671	Date: 01/20/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 10 adds new definitions of lowest reasonable cost, low-income, overburdened community, and transition implementation plan to RCW 80.28.005.
Section 11(2) changes the UTC's review of line extension tariffs to require that the costs in the tariff recover the full cost from the new customer requesting service.
Sections 11(3) and 12 require the UTC to review and, by order, reject, modify, or approve natural gas company transition implementation plans. Transition implementation plans (TIPs) will expand the UTC's considerations to include electric alternatives to natural gas, as well as consideration of equity and indoor air quality. Section 11(5)(c) may require that the UTC review and approve changes related to depreciation schedules and rate design that are identified in a gas company's TIP.
Section 12 also requires the UTC to coordinate with the Department of Commerce to ensure that the transition from fossil natural gas does not disproportionally impact low-income households.
Section 13 requires the UTC to establish a climate protection surcharge with a ceiling based on the social cost of GHG emissions established in RCW 80.28.395. The UTC must also develop procedures to separately account for surcharge funds.
Section 14 of the bill codifies requirements for natural gas integrated resource plans, which is a current UTC practice and included in WAC 480-90-238. The bill includes several changes from the WAC, including adding an assessment of the impact of building electrification and removing the assessment of opportunities for additional pipeline transmission resources as well as adding assessments of current conditions and evaluations in disparities for highly impacted communities and vulnerable populations.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

No new revenue is associated with this legislation. As such, additional appropriation to fund this legislation may accelerate the declining fund balance in the Public Service Revolving Fund, placing stress on the agency's ability to maintain the necessary level of funding to support agency activities until the agency can obtain legislative approval for a change in regulatory fees.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Healthy Homes Clean Buildings extensive rulemaking beginning in July 2021 to implement the following sections:
Section 10 – Incorporate new statutory definitions into existing rules. Revisions will be required in WAC 480-100 and 480-109 at a minimum.

Sections 11(3) and 12 - transition implementation plans - There is not time to do a rulemaking to provide guidance before the deadline. Once the UTC has approved the first set of plans by order, we assume we will address the transition implementation plans within the extensive rulemaking beginning in January of 2023.

Section 13 - climate protection surcharge. We assume we will develop the procedures for the surcharge, including oversight of the use of the funds within the extensive rulemaking. We assume this part of the rulemaking must be completed by January 1, 2023.

FY 2022 and 2023
$125,006 (Administrative Law Judge, 0.04 FTE; Commissioner, 0.02 FTE; Asst Director Regulatory Services, 0.04 FTE; Director Policy, 0.01 FTE; Paralegal 2, 0.02 FTE; Policy Advisor, 0.21 FTE; Resource Planning Manager, 0.24 FTE; Regulatory Analyst 2, 0.15 FTE; Regulatory Analyst 3, 0.07 FTE; Attorney General, 0.05 FTE)

Section 11(2) – Review and approval of four new line extension tariffs completed by July 1, 2021.

FY 2022 –
$29,175 (Resource Planning Manager, 0.05 FTE; Regulatory Analyst 3, 0.17 FTE)

Sections 11(3) and 12 – Review and approval of four gas transition implementation plans by January 1, 2022. We assume we will hold two full-day workshops on the development of the plans. We assume the utilities will file their plans on January 1, 2022. We assume we will issue a notice of opportunity to comment on the plans, develop staff comments on each plan, hold a public hearing on each plan, and decide whether or not to set the plans for adjudication. We assume all four plans will be adjudicated.

FY 2022 and 2023 -
$148,478 (Administrative Law Judge, 0.04 FTE; Commissioner, 0.02 FTE; Asst. Director Regulatory Services, 0.04 FTE; Paralegal 2, 0.02 FTE; Policy Advisor, 0.15 FTE; Assistant Power Supply Manager, 0.24 FTE; Resource Planning Manager, 0.24 FTE; Regulatory Analyst 2, 0.15 FTE; Regulatory Analyst 3, 0.07 FTE; Attorney General, 0.05 FTE)

Section 12(2) – Ongoing coordination with Department of Commerce on low-income customer impacts of the transition from fossil natural gas. We assume we will hold twice-monthly hour-long coordination meetings and hold at least two full-day workshops on these issues, with 40 hours of coordination for each workshop.

FY 2022 and each year thereafter –
$18,275 (Policy Advisor, 0.07 FTE; Regulatory Analyst 3, 0.04 FTE; Director Policy, 0.01 FTE)

Section 13 – Establish climate protection surcharge by January 1, 2023. Establish procedures for oversight of the use of the funds. Elements of oversight include accounting procedures, the utility's plans for use of the funds, and reporting on actual use of the funds.

Review and approval of 4 new climate protection surcharge tariffs. We assume there will be a great deal of stakeholder interest in these filings. We assume we will consider these tariffs over a series of open meetings lasting nine months, beginning January 1, 2023.

FY 2024 –
$141,211 (Director Regulatory Services, 0.04 FTE; Asst Director Regulatory Services, 0.12 FTE; Commissioner, 0.04 FTE; Policy Advisor, 0.14 FTE; Resource Planning Manager, 0.19 FTE; Regulatory Analyst 3, 0.38 FTE; Director Policy, 0.04 FTE)

Section 14 – Complex gas integrated resource plan rulemaking to revise WAC 480-90-238. While the text of the statute is reasonably similar to our existing rule, we assume this rulemaking will engender significant stakeholder interest. We expect to hold two workshops and two rounds of comments. We assume this should begin January 1, 2022.

FY 2022 and 2023
No additional costs because this rulemaking replaces a rulemaking that is already in our workplan.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
111-1	Public Service Revolving Account	State	320,935	291,760	612,695	177,761	36,550
		Total $	320,935	291,760	612,695	177,761	36,550

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	2.2	2.0	2.1	0.6	0.1
A-Salaries and Wages	218,323	198,477	416,800	120,926	24,864
B-Employee Benefits	76,413	69,466	145,879	42,324	8,702
C-Professional Service Contracts					
E-Goods and Other Services	26,199	23,817	50,016	14,511	2,984
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	320,935	291,760	612,695	177,761	36,550

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Administrative Law Judge	111,996	0.1	0.1	0.1		
Assistant Power Supply Manager	95,964	0.2	0.2	0.2		
Asst. Director, Regulatory Services	115,908	0.1	0.1	0.1	0.1	
Attorney General	188,400	0.1	0.1	0.1		
Commissioner	149,028	0.0	0.0	0.0	0.0	
Director, Policy	114,744	0.0	0.0	0.0	0.0	0.0
Director, Regulatory Services	126,504				0.0	
Paralegal 2	69,265	0.0	0.0	0.0		
Policy Advisor	109,284	0.4	0.4	0.4	0.1	0.1
Regulatory Analyst 2	80,291	0.3	0.3	0.3		
Regulatory Analyst 3	90,883	0.3	0.2	0.3	0.2	0.0
Resource Planning Manager	87,924	0.5	0.5	0.5	0.1	
Total FTEs		2.2	2.0	2.1	0.6	0.1

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Healthy Homes Clean Buildings extensive rulemaking beginning in January 2022 to implement the following sections:
Section 10 – Incorporate new statutory definitions into existing rules. Revisions will be required in WAC 480-100 and 480-109 at a minimum.

Sections 11(3) and 12 - transition implementation plans - There is not time to do a rulemaking to provide guidance before the deadline for filing the transition implementation plans. Once the UTC has approved the first set of plans by order, we assume we will address the transition implementation plans within the extensive rulemaking beginning in January of 2023.

Section 13 - climate protection surcharge. We assume we will develop the procedures for the surcharge, including oversight of the use of the funds within the extensive rulemaking. We assume this part of the rulemaking must be completed by January 1, 2023.

Section 14 – Complex gas integrated resource plan rulemaking to revise WAC 480-90-238. While the text of the statute is reasonably similar to our existing rule, we assume this rulemaking will engender significant stakeholder interest. We expect to hold two workshops and two rounds of comments. We assume this should begin January 1, 2022. This rulemaking does not increase costs because it will replace the rulemaking that is already in our work plan.

Individual State Agency Fiscal Note

Bill Number: 5093 SB	Title: Building decarbonization	Agency: 490-Department of Natural Resources

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
Account					
General Fund-State 001-1	0	0	0	75,000	0
Total $	0	0	0	75,000	0

Estimated Capital Budget Impact:

	2021-23		2023-25		2025-27	
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Predesign/Design	0	0	0	0	0	0
Construction	0	0	780,000	780,000	500,000	250,000
Grants/Loans	0	0	0	0	0	0
Staff	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total $	**0**	**0**	**780,000**	**780,000**	**500,000**	**250,000**

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- [X] If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- [ ] If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- [X] Capital budget impact, complete Part IV.
- [ ] Requires new rule making, complete Part V.

Legislative Contact:	Kim Cushing	Phone: (360) 786-7421	Date: 01/15/2021
Agency Preparation:	Elayne Crow	Phone: 360-902-1121	Date: 01/27/2021
Agency Approval:	Angus Brodie	Phone: 360-902-1355	Date: 01/27/2021
OFM Review:	Lisa Borkowski	Phone: (360) 902-0573	Date: 01/27/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This bill expands the definition of buildings that are required to become more energy efficient. The original definition applied to buildings greater than 50,000 square feet; this bill now includes buildings between 25,000 and 50,000 square feet (tier 2) and between 10,000 and 25,000 square feet (tier 3). Benchmarking of utility usage is also required.

Department of Natural Resources (DNR) facilities at Webster, Tumwater Compound and all six region headquarters qualify as tier 3 commercial buildings per new definitions in the bill.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Section 2: eliminates the onsite use of fossil fuels for heating both space and water for all permitted construction over time. Retrofit and major repairs to HVAC systems require permitting; therefore, the provisions of this bill will require complete retrofit of a number of large industrial buildings and some regional headquarters at wear out point or major repair points over the next 10 to 15 years. The difference of repair or replacement of components of an existing system to complete transition to an electric-only system is significant with respect to future capital costs.

Section 6: Adds requirements with respect to benchmarking including energy usage intensity (EUI) calculation and energy performance standards and energy use reduction quotas for smaller facilities in addition to those in effect for buildings over 50,000 square feet. It establishes penalties associated with non-compliance including reporting. As written, this bill will affect Department of Natural Resources (DNR) facilities at Webster, Tumwater Compound and all six region headquarters, as these facilities qualify as tier 3 commercial buildings per new definitions in the bill. The potential costs to DNR would be substantial with respect to both retro-fit and reporting.

None of DNR's facilities that meet the proposed tier 3 definitions have individual metering of utility service, so calculation of energy use and determination of EUI is not possible in their current configurations. The reporting requirements established in this section would also require additional overhead capacity to compile, prepare and submit on a cyclic basis (every five years). In DNR's case, this would result in contracted support to meet state cyclic reporting requirements as DNR does not maintain on-hand expertise to support this type of analysis.

The reporting cycle outlined in the bill is for an initial baseline report and for cyclic reports every five years. Due to the specialized expertise necessary and infrequency of the reporting, DNR would accomplish such reporting via a contracted consulting firm in the year prior to necessary submission of a baseline use report and for subsequent five year cycles. Based on agency experience with specialized energy engineering consulting firms, the minimum cost for production of the baseline and subsequent reports via contract is estimated to be $75,000 in today’s dollars for the baseline report and each subsequent report cycle. The first report for tier 3 buildings is required by July 1, 2026.

Section 11: Adds full cost recovery requirement for extension of service lines for new customers or service. This provision potentially affects future DNR expansion costs at the Tumwater Compound and several regional headquarters sites where natural gas service provides economical utility service. Calculation of these costs is indeterminate with respect to future capital outlay.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	0	0	0	75,000	0
		Total $	0	0	0	75,000	0

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts				75,000	
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	0	0	0	75,000	0

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
057-1	State Building Construction Account	State	0	0	0	1,560,000	750,000
		Total $	0	0	0	1,560,000	750,000

IV. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts					
E-Goods and Other Services				60,000	
G-Travel					
J-Capital Outlays				1,500,000	750,000
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	0	0	0	1,560,000	750,000

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

Construction Estimate	FY 2022	FY 2023	2021-23	2023-25	2025-27
Predesign/Design					
Construction				1,560,000	750,000
Grants/Loans					
Staff					
Other					
Total $				1,560,000	750,000

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Section 6 requires metering of individual buildings (tier 2 and 3) to support EUI calculation. Metering must be complete during the 2023-25 biennium to allow data collection necessary for reporting requirements due 1 July 26. Individual meters cost approximately $1,500 and require $2,500 in contract labor cost to install for a total cost of $4,000 per meter per building. Buildings that utilize both gas/propane and electricity will require multiple meters of different type. DNR's total count of buildings that require reporting under tier 2 and tier 3 status is 15, assuming metering can be accomplished on compounds for just tier 2 and tier 3 buildings without installing meters on other projects in the process. Total: $60,000 Minor Works Preservation Capital expense 2023-25.

Section 2 Capital costs projected by biennium next six years beginning 2021-23:

2021-23: None. DNR will continue construction, design and repair/replacement under legacy building code conditions.

2023-25: Projected permitting changes will require two capital projects - HVAC repair/replacement projects to convert and transition to completely electric. Based on agency experience, this will require utilization of a DES-managed energy service company (ESCO) contract in each case. Based on pro-rating of recent work performed by ESCO contractors during the 2017-19 and 2019-21 biennia, these transition contracts will cost a minimum of $1 million each for a total of $2 million. The difference between use of an ESCO and conventional replacement for a building is approximately 400% additional cost for a full transition. Therefore the total for 2023-25 is $1.5 million increased capital cost.

Effects during the 2023-25 biennium for programmatic capital budget are indeterminate as designs for structures to be built during the biennium have yet to commence.

2025-27: Project costs - one major HVAC conversion under same conditions as that of 2023-25 for an increased cost of $750,000.

Project costs during the 2025-27 biennium for programmatic capital budget are indeterminate as designs for structures to be built during the biennium have yet to commence.

Part V: New Rule Making Required

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5093 SB	**Title:** Building decarbonization

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- [X] Cities: Potential for both costs and savings for publically-owned buildings held to the State Energy Code
- [X] Counties: Same as above
- [X] Special Districts: Public Utility Districts may adopt beneficial electrification plans.
- [ ] Specific jurisdictions only:
- [ ] Variance occurs due to:

Part II: Estimates

- [ ] No fiscal impacts.
- [ ] Expenditures represent one-time costs:
- [X] Legislation provides local option: Utilities have the option to adopt a Beneficial Electrification Plan
- [X] Key variables cannot be estimated with certainty at this time: Number of local jurisdictions that would exercise the bill's local options, number of buildings owned by local governments, building size, cost of operations and maintenance updates, extent of energy management already occurring, potential cost savings.

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Part III: Preparation and Approval

Fiscal Note Analyst: Emily Strange	Phone: (360) 890-1048	Date: 01/18/2021
Leg. Committee Contact: Kim Cushing	Phone: (360) 786-7421	Date: 01/15/2021
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 01/18/2021
OFM Review: Jenna Forty	Phone: (564) 999-1671	Date: 01/18/2021

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

HB 1084's purpose is to decarbonize residential and commercial buildings through stricter carbon emission standards on tier 2 and tier 3 buildings through the electrification of space and water heating. It also does so by providing an option for utilities to put together a beneficial electrification plan.

SECTION 1: Establishes that electric heating infrastructure (both space and water) is more efficient, improves indoor air quality, and better for the environment. It also establishes that to fight climate change we need to switch to electric heat infrastructure. Section 1 also states this bill as a jobs creation bill. Legislature needs to provide a framework to ensure that as the economy transitions, that no one gets left behind. Extending planning requirements currently in place for larger commercial buildings to smaller commercial buildings. utilities are an important partner in the decarbonization of buildings goal. These programs give utilities the opportunity to improve their infrastructure, causing better outcomes like lower environmental impacts and better indoor air quality for consumers. It also establishes the need to ensure an equitable implementation of this program, so that all utilities are able to meet the unique needs of its customers.

SECTION 2: Reduce by at least 70% net energy consumption, and no more fossil fuels for onsite heating (water and space) such as no gas water heaters, or oil space heating. Council shall report its progress by December 31, 2023. This also gets rid of the ability to delay implementation of these codes due to economic, technological, and process hardships.

SECTION 4: Changes the Washington State Energy code to reflect a moved up date from 2031 to 2030 and adds "low-emission" to part (a) of subsection 1. Harsher requirements - no more offsets and must minimize greenhouse gas emissions.

SECTION 6: Establishes new rules on both tier 2 and tier 3 buildings to adhere to the building standards of commercial buildings, and establishes methods of enforcement for the Department of Commerce.

SECTION 7: Gets rid of the need to ensure that natural gas services are preserved. Also asserts that we need to advance energy efficiency and promote the reduction of fossil fuels for space and water heating.

SECTION 9: This changes current code to restrict gas companies to the area within their approved certificate of public convenience as of July 1, 2021.

SECTION 11: Establishes a standard for transitioning from a natural gas based heating system (water and space) to an electric based heating system. It also makes sure that through this transition, equity is centered so that burden of this transition doesn't disproportionately impact low-income households or overburdened communities. This section also provides for ensuring an equitable transition for the workforce that will be impacted by this transition. In order to ensure this happens, each gas company must develop and submit a transition plan in by January 1, 2022 and every 4 years after.

SECTION 12: The commission must approve, reject, or approve with conditions a gas company's transition implementation plan. The commission has rights to edit with the bounds of certain conditions.

SECTION 13: The commission must establish a climate protection surcharge, which is to be administered by the gas companies. The moneys from this will fund programs to prevent disproportional impacts on overburdened communities, and transitioning the work force.

SECTION 14: States that natural gas utilities have a responsibility to keep costs low, by doing a least-cost mix of energy supply. Thus the commission requires that natural gas utilities put forward an integrated resource plan to ensure that the natural gas utilities live up to these responsibilities. This also calls for the utilities to include in this plan an evaluation of economic, public health, and environmental impacts within the utility's service territory, as well as an evaluation of the disproportionate impacts on overburdened communities. The commission must use this plan when they evaluate the utility's performance.

SECTION 16: This gives a governing authority the option to establish a beneficial electrification plan to see if the electrification of people's homes would be beneficial. Before adopting this plan, the governing authority must get the natural gas utilities' input. This plan must determine that the sum of benefits exceeds the sum of its costs. It also needs to include utility revenue from increase load, distribution system efficiencies associated with increased load, system reliability improvements, opportunity for indoor and outdoor air quality benefits, the opportunity for greenhouse gas emission reductions, and other benefits identified by the governing authority. This also needs to include the costs of beneficial electrification, upgrades necessary to the utility's distribution system, cost of the incentive program, etc. Upon adoption of this chapter, a utility may offer incentives to the consumers to electrify.

SECTION 17: A public utility may adopt a beneficial electrification plan, but must request the input of any natural gas company serving customers in the public utility district's service area. In order to do so, the public utility must also include in the plan the same requirements as for governing authorities from section 16.

SECTION 19: In addition to previously allowed mitigation, city or county owned utilities may also include implementation of programs including beneficial electrification programs that result in quantifiable and verified reductions in greenhouse gas emissions. They may also promote and advertise a greenhouse gas reduction program to consumers.

SECTION 21: A public utility may also do the same as section 19.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

POTENTIAL COSTS OF BUILDING COMPLIANCE
Under this legislation, local governments that own tier 2 and tier 3 buildings would incur costs associated with implementing sections five, six, and seven of ASHRAE-100, which pertain to energy management planning, operations and maintenance, and benchmarking. Local governments owning Tier 2 buildings would first accrue these costs between 2023 and 2025. Tier 3 buildings would accrue these costs initially between 2024 and 2026. These costs are unknown and would depend on standards established by the Department of Commerce, size of the buildings owned by the local governments, whether or not jurisdictions already have an energy manager on staff and decisions that local governments would make to bring their buildings into compliance with this standard.

POTENTIAL COST SAVINGS WITH ENERGY MANAGEMENT PLAN AND OPERATIONS AND MAINTENCE PLANNING AND IMPLEMENTATION
Complying with stricter energy standards would have potential cost savings for jurisdictions. The impacts are indeterminate depending on the size of a building. The Commerce Energy Division assumes implementation of an operations and maintenance plan yields 10-15% savings in utility operating costs for a building once these energy standards are implemented.

POTENTIAL COSTS OF ADOPTING A STRICTER BUILDING CODE
A jurisdiction would have the option of adopting a stricter building code than what is stated in this bill. The costs of adopting this option are indeterminate based on the size of the buildings, the jurisdiction adopting these codes, the amount of buildings owned.

POTENTIAL COSTS OF ELECTRIC HEAT PUMP IMPLEMENTATION
Utilities would have the option to participate in Commerce-led work sessions on the development of the heat pump incentive program and coordinate with the Dept. of Commerce on the roll out of the program. If they chose to be involved in either, they would incur indeterminate, but likely minimal, costs to do so.

POTENTIAL COSTS OF PROHIBITION OF GAS EXPANSION
Sec. 9 would prohibit expansions of the natural gas systems. This would apply to municipal systems, but would not impose a direct cost on a city.

COSTS ASSOCIATED WITH ADOPTING BENEFICIAL ELECTRIFICATION PLAN
As this is a local option, there is no fiscal impact unless a public utility or local government chose to adopt this plan. If a public utility or local government chose to adopt a beneficial electrification plan, the costs would still be unknown. The number of local governments that would chose this option is unknown. Snohomish Public Utility district estimates that implementing this option could cost in the range of $125,000 - $150,000 for plan development and administration costs.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

This legislation would have no direct impact on local government revenues.

SOURCES:
Washington State Department of Commerce - Energy Division
Clark County Public Utility District
Snohomish Public Utility District
Local Government Fiscal Note Program (LGFN) Fiscal Note 1257 2S HB (2019)