Multiple Agency Fiscal Note Summary

Bill Number: 2131 HB	**Title:** Thermal energy networks

Estimated Cash Receipts

NONE

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	No fiscal impact					
Local Gov. Total						

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Joint Legislative Audit and Review Committee	.0	0	0	0	1.2	0	0	453,400	.1	0	0	23,900
Department of Commerce	.8	271,789	271,789	271,789	.0	0	0	0	.0	0	0	0
Utilities and Transportation Commission	.2	60,206	60,206	60,206	.3	88,160	88,160	88,160	.4	114,422	114,422	114,422
Total $	**1.0**	**331,995**	**331,995**	**331,995**	**1.5**	**88,160**	**88,160**	**541,560**	**0.5**	**114,422**	**114,422**	**138,322**

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	No fiscal impact								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
Department of Commerce	.0	0	0	.7	254,117	254,117	.0	0	0
Department of Commerce	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.								
Utilities and Transportation Commission	.0	0	0	.0	0	0	.0	0	0
Total $	**0.0**	**0**	**0**	**0.7**	**254,117**	**254,117**	**0.0**	**0**	**0**

FNPID 69525

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	No fiscal impact								
Local Gov. Total									

Estimated Capital Budget Breakout

Agency Name	2023-25	2025-27	2027-29
	Total	Total	Total
Department of Commerce			
Staff	0	254,117	0
	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.		
Total $	**0**	**254,117**	**0**

Prepared by: Val Terre, OFM	**Phone:** (360) 280-3973	**Date Published:** Final 1/23/2024

Individual State Agency Fiscal Note

Bill Number: 2131 HB	Title: Thermal energy networks	Agency: 014-Joint Legislative Audit and Review Committee

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	0.0	0.0	1.2	0.1
Account					
Performance Audits of Government Account-State 553-1	0	0	0	453,400	23,900
Total $	0	0	0	453,400	23,900

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:	Megan McPhaden	Phone: 360-786-7114	Date: 01/10/2024
Agency Preparation:	Aaron Cavin	Phone: 360-786-5194	Date: 01/12/2024
Agency Approval:	Eric Thomas	Phone: 360 786-5182	Date: 01/12/2024
OFM Review:	Gaius Horton	Phone: (360) 819-3112	Date: 01/12/2024

Part II: Narrative Explanation

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

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

Sec. 1 defines terms, including "thermal energy network," which means infrastructure for piped noncombustible fluids used for transferring heat into and out of buildings for the purpose of eliminating on-site greenhouse gas emissions or improving energy efficiency.
Sec. 2 states that any gas or electrical company may deploy a non-emitting thermal energy network within its service territory.
Sec. 3 creates a non-emitting thermal energy network pilot project program.
Sec. 4 states that the Department of Commerce may award grants to gas companies for pilot projects and outlines award criteria.
Sec. 5, 6, and 7 contain various provisions about solicitations, obligations, and rate planning.
Sec. 8 creates a JLARC study in RCW 44.28, with a report due no later than three years after the effective date. (The effective date is not identified in this bill. JLARC staff assume an effective date of June 5, 2024.) JLARC's report must include an evaluation of how all pilot projects, including those in the process of deployment, address the considerations outlined in Sections 3 and 4.
Sec. 9 states that a public utility district may own, operate, or manage a non-emitting thermal energy network.
Sec. 10 states that a municipal electric utility may own, operate or manage a non-emitting thermal energy network.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

The bill directs JLARC to conduct an evaluation of how all pilot projects, including those in process of deployment and those that have been deployed, address considerations in Sec. 3 and Sec. 4. JLARC staff will work with the Utilities and Transportation Commission (UTC) and the Department of Commerce (Commerce) to evaluate how projects were approved and how grants were awarded.

JLARC staff will work with the UTC and Commerce in July 2025 to determine if any projects were approved and if any grants were awarded.

JLARC is directed to issue a report no later than three years after the effective date of the pilot program. JLARC staff assume an effective date of June 5, 2024, since no effective date is provided in section 8. Under this assumption, JLARC staff will begin the evaluation in May 2026 and issue a report in July 2027.

This audit will require an estimated 20 audit months.

JLARC ASSUMES THAT THE ASSIGNMENT IN THIS PROPOSED BILL MAY REQUIRE ADDITIONAL RESOURCES. JLARC WILL ASSESS ALL OF THE ASSIGNMENTS MANDATED IN THE 2024 LEGISLATIVE SESSION. BASED ON ALL LEGISLATION THAT IS PASSED, JLARC MAY SUBSEQUENTLY DETERMINE THAT IT CAN ABSORB THE COSTS FOR THIS PROPOSED BILL IN ITS BASE BUDGET, IF THE WORKLOAD OF OTHER ENACTED LEGISLATION DOES NOT EXCEED CURRENT STAFFING LEVELS.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst's time for a month, together with related administrative, support, and goods/services costs. JLARC's anticipated 2023-25 costs are calculated at approximately $23,900 per audit month.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
553-1	Performance Audits of Government Account	State	0	0	0	453,400	23,900
		Total $	0	0	0	453,400	23,900

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years				1.2	0.1
A-Salaries and Wages				294,500	15,500
B-Employee Benefits				93,100	4,900
C-Professional Service Contracts					
E-Goods and Other Services				59,800	3,200
G-Travel				6,000	300
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	453,400	23,900

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 2024	FY 2025	2023-25	2025-27	2027-29
Research Analyst	131,064				0.8	0.1
Support staff	110,856				0.4	
Total FTEs					1.2	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

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

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

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 2131 HB	Title: Thermal energy networks	Agency: 103-Department of Commerce

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	1.5	0.8	0.0	0.0
Account					
General Fund-State 001-1	0	271,789	271,789	0	0
Total $	0	271,789	271,789	0	0

Estimated Capital Budget Impact:

	2023-25		2025-27		2027-29	
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Predesign/Design	0	0	0	0	0	0
Construction	0	0	0	0	0	0
Grants/Loans	0	0	0	0	0	0
Staff	0	0	237,800	16,317	0	0
Other	0	0	0	0	0	0
Total $	**0**	**0**	**237,800**	**16,317**	**0**	**0**

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

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.

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

Legislative Contact:	Megan McPhaden	Phone: 360-786-7114	Date: 01/10/2024
Agency Preparation:	Marla Page	Phone: 360-725-3129	Date: 01/22/2024
Agency Approval:	Marla Page	Phone: 360-725-3129	Date: 01/22/2024
OFM Review:	Val Terre	Phone: (360) 280-3973	Date: 01/23/2024

Part II: Narrative Explanation

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

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

This bill would establish a grant program at Department of Commerce (department) to offset the costs necessary to build and operate non-emitting thermal energy network pilot projects.

Section 1 would allow electric and natural gas companies to own, operate, or manage any nonemitting thermal energy network within the state. The bill adds the following definitions to existing law:

"Thermal energy" means piped noncombustible fluids used for transferring heat into and out of buildings for the purpose of either: (a) Eliminating any resultant on-site greenhouse gas emissions of all types of heating and cooling processes including, but not limited to, comfort heating and cooling, domestic hot water, and refrigeration; (b) improving energy efficiency; or (c) both (a) and (b) of this subsection.

"Thermal energy network" means all real estate, fixtures, and personal property operated, owned, used, or to be used for or in connection with or to facilitate a utility-scale distribution infrastructure project that supplies thermal energy.

Section 2 authorizes gas companies and electrical companies, whether investor-owned or consumer-owned, to operate non-emitting thermal energy systems within their service area. Establishes review and approval requirements for the Utilities and Transportation Commission (UTC) or the governing board of the consumer-owned utility. The bill authorizes companies to propose inclusion of network costs in the rates charged for utility services.

Section 3 establishes a pilot program for non-emitting thermal energy network projects, administered by the UTC. Gives priority in proposing pilot programs.

Section 4 directs the department, subject to the availability of amounts appropriated for this specific purpose, to provide grants to any gas company developing a non-emitting thermal energy network pilot project. The bill establishes the following:

- limits on grant amounts and directs the UTC to determine this limit for each project;
- 12 mandatory and five options factors for the department to consider in evaluating grant applications; and
- requirements to coordinate all grants with other grant recipients, the UTC, Commerce, and consultants with expertise.

Section 5 establishes procedures for investor-owned utilities to solicit for non-emitting thermal energy pilot projects, to be overseen by the UTC.

Section 6 modifies the obligation to serve of natural gas companies to allow them to meet this obligation by providing thermal energy services instead.

Section 7 modifies procedures concerning the regulated rate base of gas companies and electric companies.

Section 8 directs JLARC to evaluate the implementation of the non-emitting thermal energy network pilot project program no later than three years after the effective date of this act. The scope includes the grant program in Section 4 of the bill.

Section 9 authorizes public utility districts to operate non-emitting thermal energy networks anywhere in the state.

Section 10 authorizes municipal electric utilities to operate non-emitting thermal energy networks anywhere in the state.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

None.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Establishment of Thermal Energy Grant Program

Operating Start-up Cost Assumptions:

The bill requires the department to create a grant program within the department to offset the costs necessary to build and operate non-emitting thermal energy network pilot projects.

Section 4 of the bill requires the department, subject to the availability of amounts appropriated for this specific purpose, to provide grants to any gas company developing a non-emitting thermal energy project. The bill does not specify the total number of grants to be provided. For the purpose of the staffing estimates in this fiscal note, the department assumes that $10 million of grant funding will be appropriated. The department estimates cost based on five gas companies applying for grants. The department also assumes the grant program is not a competitive program. Costs may vary if the number of contracted grants is higher.

Section 8 requires the department to conduct an evaluate implementation of the non-emitting thermal energy. The department assumes JLARC will conduct the evaluation in FY27. The department will provide data and other supporting information as may be required to conduct the evaluation.

To complete the work the department estimates (FY25):

Meetings

The department assumes meetings for environmental justice assessments to develop the grant program. The department assumes there will be three two-hour workshops starting in FY25 and ongoing meetings to support engagement with grantees and stakeholders. The department assumes all meetings will be virtual.

Staffing Costs

0.10 FTE EMS2 Senior Energy Policy Specialist (208 hours) in FY25 to provide subject matter expertise and expert policy advice or consultation in coordinating development of the program, and provide expert policy advice.
Energy Programs in Communities (EPIC) program staff:

0.20 FTE Commerce Specialist 5 (418 hours) in FY25 for staffing, implementation planning, leadership, oversight, supervision, and decision making over all elements of the program.

0.20 FTE Management Analyst 4 (418 hours) in FY25 to lead and monitor the environmental justice assessments, tribal consultation and community engagement process required under the HEAL Act (RCW 70A.02).

0.50 FTE Commerce Specialist 3 (1044 hours) in FY25 to coordinate the grant program with the Utilities and Transportation Commission, conduct for each application the multi-factor assessment required under subsection (5), execute grant agreements, monitor budget and expenditures, conduct detailed analysis, and provide consultative planning for program established in this bill.

0.20 FTE Commerce Specialist 2 (418 hours) in FY25 to provide coordination support, contract management, contract monitoring, invoicing, and data entry.

0.10 Budget Analyst 4 (208 hours) in FY25 to provide or develop the capacity to eventually monitor budget and expenditures, conduct detailed analysis, and provide consultative planning for the grant program established in this bill.

Salaries and Benefits
FY25: $157,495

Professional Services
Professional Service Contracts for consultant to provide expert analysis required by Section 4(7) - costs $50,000 in FY25.

Goods and Services and travel
FY25: $12,478

Intra-agency Reimbursement:
FY25: $51,816

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

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Total Costs:
FY25: $271,789

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	0	271,789	271,789	0	0
		Total $	0	271,789	271,789	0	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		1.5	0.8		
A-Salaries and Wages		115,971	115,971		
B-Employee Benefits		41,524	41,524		
C-Professional Service Contracts		50,000	50,000		
E-Goods and Other Services		12,478	12,478		
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		51,816	51,816		
9-					
Total $	0	271,789	271,789	0	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*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Administrative Services - Indirect	111,168		0.2	0.1		
Budget Analyst 4	91,068		0.1	0.1		
Commerce Specialist 2	72,924		0.2	0.1		
Commerce Specialist 3	84,518		0.5	0.3		
Commerce Specialist 5	98,040		0.2	0.1		
EMS2	126,529		0.1	0.1		
Management Analyst 4	88,794		0.2	0.1		
Total FTEs			1.5	0.8		0.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
057-1	State Building Construction Account	State	0	0	0	254,117	0
		Total $	0	0	0	254,117	0

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

IV. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years				0.7	
A-Salaries and Wages				106,664	
B-Employee Benefits				38,256	
C-Professional Service Contracts				50,000	
E-Goods and Other Services				11,518	
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				47,679	
9-					
Total $	0	0	0	254,117	0

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

Construction Estimate	FY 2024	FY 2025	2023-25	2025-27	2027-29
Predesign/Design					
Construction					
Grants/Loans					
Staff				254,117	
Other					
Total $				254,117	

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Administrative Services - Indirect	111,168				0.1	
Budget Analyst 4	91,068				0.1	
Commerce Specialist 2	72,924				0.1	
Commerce Specialist 3	84,518				0.3	
Commerce Specialist 5	98,040				0.1	
EMS2	126,529				0.1	
Total FTEs					0.7	0.0

Establishment of Thermal Energy Grant Program

Capital Assumptions:

The bill requires the department to create a grant program within the department to offset the costs necessary to build and operate non-emitting thermal energy network pilot projects.

Section 4 of the bill requires the department, subject to the availability of amounts appropriated for this specific purpose, to provide grants to any gas company developing a non-emitting thermal energy project. The bill does not specify the total number of grants to be provided. For the purpose of staffing estimates in this fiscal note, the department assumes that $10 million of grant funding will be appropriated. The department estimates cost based on five gas companies applying for grants. The department also assumes the grant program is not a competitive program. Costs may vary if the number of contracted grants is higher.

Section 8 requires the department to conduct an evaluate implementation of the non-emitting thermal energy. The department assumes JLARC will conduct the evaluation in FY27. The department will provide data and other supporting information as may be required to conduct the evaluation.

To complete the work the department estimates (FY26-FY27):

Meetings

The department assumes meetings for environmental justice assessments to develop the grant program. The department assumes there will be three two-hour workshops starting in FY26 to support engagement with grantees and stakeholders. The department assumes all meetings will be virtual.

Staffing Costs

0.10 FTE EMS2 Senior Energy Policy Specialist (208 hours) in FY26 to provide subject matter expertise and expert policy

advice or consultation in coordinating development of the program, and provide expert policy advice.
Energy Programs in Communities (EPIC) program staff:

0.20 FTE Commerce Specialist 5 (418 hours) in FY26 for staffing, implementation planning, leadership, oversight, supervision, and decision making over all elements of the program.

0.50 FTE Commerce Specialist 3 (1044 hours) in FY26 to coordinate the grant program with the Utilities and Transportation Commission, conduct for each application the multi-factor assessment required under subsection (5), execute grant agreements, monitor budget and expenditures, conduct detailed analysis, and provide consultative planning for program established in this bill.

0.10 FTE Commerce Specialist 3 (208 hours) in FY27 to provide data and other supporting information as required for the JLARC evaluation required by Sec. 8.

0.20 FTE Commerce Specialist 2 (418 hours) in FY26 to provide coordination support, contract management, contract monitoring, invoicing, and data entry.

0.10 Budget Analyst 4 (208 hours) in FY26 to provide or develop the capacity to eventually monitor budget and expenditures, conduct detailed analysis, and provide consultative planning for the grant program established in this bill.

Salaries and Benefits
FY26: $133,364
FY27: $11,556

Professional Services
Professional Service Contracts for consultant to provide expert analysis required by Section 4(7) - costs $50,000 in FY26.

Goods and Services and travel
FY26: $10,559
FY27: $959

Grants are Indeterminate
The department assumes that $10,000,000 (less administrative costs) will be provided for grants in the 2025-2027 biennium

Intra-agency Reimbursement:
FY26: $43,877
FY27: $3,802

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

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Total Costs:
FY26: $237,800
FY27: $16,317

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

None.

Individual State Agency Fiscal Note

Bill Number: 2131 HB	Title: Thermal energy networks	Agency: 215-Utilities and Transportation Commission

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	0.4	0.2	0.3	0.4
Account					
General Fund-State 001-1	0	60,206	60,206	88,160	114,422
Total $	0	60,206	60,206	88,160	114,422

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:	Megan McPhaden	Phone: 360-786-7114	Date: 01/10/2024
Agency Preparation:	Kim Anderson	Phone: 360-664-1153	Date: 01/15/2024
Agency Approval:	Kim Anderson	Phone: 360-664-1153	Date: 01/15/2024
OFM Review:	Tiffany West	Phone: (360) 890-2653	Date: 01/16/2024

Part II: Narrative Explanation

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

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

Section 1: allows an electrical company or gas company to own a thermal energy network. UTC assumes no fiscal impact.

Section 2: requires Commission review and approval of thermal energy network projects. UTC assumes an extensive rulemaking beginning July 2024, detailing process and standards for approval of thermal energy network projects. The UTC assumes ongoing technical assistance beginning January 2025, with review, and an order for approval of four projects, beginning June 30, 2027, and one project every other year thereafter.

Section 3: requires the Commission to design a format for gas companies to announce their intention to deploy a pilot project. Allows a gas company to request an extension of deadline to deploy pilot project from the Commission. Allows the Commission to approve an extension if it determines the gas company is making substantial progress. Requires the Commission to consider customers served, labor issues, infrastructure safety and reliability, heating demand, benefits (including health benefits) to customers, communities, and society, coordination with electric utilities, customer protection plans, climate justice, financial and technical advancement of building electrification, usefulness to rule adoption, enrollment in an electric demand response program, and potential pipeline decommissioning. Allows the Commission to consider greenhouse gas emissions reductions, use of listed technologies, hot water demand, cooling demand, and thermal energy storage. Requires review and comment period of no less than 30 days. UTC assumes the requirements of section 3 will be included in the extensive rulemaking, identified in section 2 assumptions, detailing process, and standards for approval of thermal energy network projects.

Section 4: Requires the Commission to coordinate with grant awardees, the department of Commerce, and consultants to ensure diversity of projects. UTC assumes additional work required to implement this section will begin in January 2025 and occur regularly.

Section 5: Requires investor-owned gas companies to include thermal energy network pilot project in requests for proposals. UTC assumes a complex rulemaking concerning gas company requests for proposals beginning July 2024.

Section 6: Allows a gas company to meet its obligation to serve through a thermal energy network. UTC assumes a simple rulemaking modifying WAC 480-90-148 to reflect the change beginning January 2025.

Section 7: Allows a company to propose, and the Commission to approve, the merger of regulated gas operations with its thermal energy network. Requires the Commission to avoid rate class subsidization. Requires separate accounting for benefits received from federal, state, or other incentives to mitigate rate impacts to customers. Requires Commission direction to use credits for other purposes. UTC assumes incremental fiscal impact for evaluation of merger of rate bases in a multi-year rate plan, beginning in June 2027 and recurring every year for the next five years. In addition, UTC assumes four petitions for accounting orders to separate accounting for benefits received from incentives to mitigate rate impact to customers beginning January 2028.

Sections 8 through 10 do not apply to the Commission. UTC assumes no fiscal impact.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

None.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Technical assistance, review, and approval of thermal energy network projects
UTC assumes work related to approval of four projects by the commission, beginning June 30, 2025, and one project every other year thereafter. The UTC assumes technical assistance beginning January 2025, and continuing every year thereafter.

FY2025: $20,363
FY2026: $20,363

(Administrative Law Judge, 0.48 FTE; Director | Regulatory Services, 0.16 FTE; Deputy Director | Regulatory Services, 0.16 FTE; Policy Advisor, 0.32 FTE; Deputy Asst. Director | Regulatory Services, 0.21 FTE; Regulatory Analyst 2, 0.37 FTE; Regulatory Analyst 3, 0.51 FTE; Asst. Director, Policy, 0.16 FTE; Commissioner, 0.09 FTE)

Simple rulemaking clarifying how a gas company can meet its obligation to serve through a thermal energy network.
UTC assumes a proceeding beginning January 2025 and wrapping up by December 2025.

FY2025 - $24,730
FY2026 - $14,838

(Administrative Law Judge, 0.06 FTE; Commissioner, 0.04 FTE; Deputy Director | Regulatory Services, 0.02 FTE; Director, Administrative Law & Policy, 0.02 FTE; Policy Advisor, 0.02 FTE; Deputy Asst. Director | Regulatory Services, 0.02 FTE; Regulatory Analyst 2, 0.03; Regulatory Analyst 3, 0.04 FTE; Asst. Director, Policy, 0.02 FTE)

Multiyear rate plan evaluation of merger of rate bases
UTC assumes incremental fiscal impact for evaluation of merger of rate bases in a multi-year rate plan, beginning in June 2027 and recurring every year for the next five years.

FY 2027 – FY 2029: $22,731

(Deputy Asst. Director | Regulatory Services, 0.01 FTE; Regulatory Analyst 3
Asst. Director, Policy, 0.11 FTE; Policy Advisor, 0.01 FTE; Regulatory Analyst 2, 0.06 FTE; Deputy Director | Regulatory Services, 0.01 FTE)

Petition for accounting order to separate accounting for benefits received from incentives to mitigate rate impact to customers
UTC assumes four petitions for accounting orders to separate accounting for benefits received from incentives to mitigate rate impact to customers beginning January 2028.

FY 2028: $19,366
FY 2029: $19,366

(Commissioner, 0.02 FTE; Deputy Asst. Director | Regulatory Services, 0.03 FTE; Deputy Director | Regulatory Services, 0.01 FTE; Director, Regulatory Services
Director, Administrative Law & Policy, 0.01 FTE; Regulatory Analyst 3, 0.08 FTE; Regulatory Analyst 2, 0.04 FTE; Policy Advisor, 0.04 FTE)

Coordination with grant awardees, the department of Commerce, and consultants to ensure diversity of projects
Section 4 requires the commission to coordinate with the department, grant awardees, and consultants to ensure diversity of

projects. UTC assumes that the work required to implement this section will begin in January 2025 and occur regularly.

FY2025 – FY2029: $15,114

(Commissioner, 0.01 FTE; Deputy Asst. Director | Regulatory Services, 0.02 FTE; Asst. Director, Policy, 0.02 FT; Policy Advisor, 0.07 FTE; Regulatory Analyst 3, 0.07 FTE)

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	0	60,206	60,206	88,160	114,422
		Total $	0	60,206	60,206	88,160	114,422

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		0.4	0.2	0.3	0.4
A-Salaries and Wages		40,425	40,425	59,584	77,840
B-Employee Benefits		14,148	14,148	20,854	27,244
C-Professional Service Contracts					
E-Goods and Other Services		5,633	5,633	7,722	9,338
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	60,206	60,206	88,160	114,422

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 2024	FY 2025	2023-25	2025-27	2027-29
Administrative Law Judge	119,604		0.1	0.0	0.0	
Asst. Director, Policy	119,808		0.0	0.0	0.0	0.0
Commissioner	174,732		0.0	0.0	0.0	0.0
Deputy Asst. Director | Regulatory Services	115,440		0.0	0.0	0.0	0.0
Deputy Director | Regulatory Services	122,724		0.0	0.0	0.0	0.0
Director, Administrative Law & Policy	134,772		0.0	0.0	0.0	0.0
Director, Regulatory Services	139,908		0.0	0.0	0.0	0.0
Policy Advisor	104,004		0.1	0.0	0.1	0.1
Regulatory Analyst 2	86,208		0.0	0.0	0.0	0.1
Regulatory Analyst 3	97,596		0.1	0.0	0.1	0.1
Total FTEs			0.4	0.2	0.3	0.4

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

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

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

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Simple rulemaking clarifying how a gas company can meet its obligation to serve through a thermal energy network. UTC assumes a proceeding beginning January 2025 and wrapping up by December 2025.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 2131 HB	**Title:** Thermal energy networks

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

Legislation Impacts:

- [ ] Cities:
- [ ] Counties:
- [ ] Special Districts:
- [ ] Specific jurisdictions only:
- [ ] Variance occurs due to:

Part II: Estimates

- [X] No fiscal impacts.
- [ ] Expenditures represent one-time costs:
- [X] Legislation provides local option: Public utility districts and cities that operate an electric utility have the option to own, operate, or manage a nonemitting thermal energy network, as defined.
- [X] Key variables cannot be estimated with certainty at this time: The number of public utility districts or cities that will choose to own, operate or manage a nonemitting thermal energy network.

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Kristine Williams	Phone: (564) 669-3002	Date: 01/12/2024
Leg. Committee Contact: Megan McPhaden	Phone: 360-786-7114	Date: 01/10/2024
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 01/12/2024
OFM Review: Val Terre	Phone: (360) 280-3973	Date: 01/16/2024

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

This bill would allow public utility districts and municipal electric utilities to own, operate or manage a nonemitting thermal energy network. The bill would also establish the nonemitting thermal energy network pilot (grant) program to be administered by the department of commerce.

Section 1 would amend RCW 80.04.010 to apply the definitions in this section throughout the title. The definition of "thermal energy" and "thermal energy network" are also provided.

Section 3 adds a new section to chapter 80.28 RCW which establishes a nonemitting thermal energy network pilot (grant) program. This section includes the selection criteria that may be used for the program.

Sections 9 and 10 add new sections to chapters 54.16 and 35.21 RCW to allow a public utility district and a municipal electric utility to own, operate or manage a nonemitting thermal energy network as defined in this act subject to review and approval of its governing body.

This legislation would take effect 90 days after adjournment of the session in which the bill is passed.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

This bill would not impact local government expenditures due to the local option.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

This bill would not impact local government revenues due to the local option.

SOURCES
Association of Washington Cities (AWC)
Washington Public Utility District Association (WPUDA)