

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 2131 E S HB	<b>Title:</b> Thermal energy networks
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## 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	Fiscal note not available					
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	Fiscal note not available											
Department of Commerce	.7	271,789	271,789	271,789	.0	0	0	0	.0	0	0	0
Utilities and Transportation Commission	Fiscal note not available											
<b>Total \$</b>	<b>0.7</b>	<b>271,789</b>	<b>271,789</b>	<b>271,789</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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	Fiscal note not available								
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	Fiscal note not available								
Department of Commerce	.0	0	0	.6	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	Fiscal note not available								
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.6</b>	<b>254,117</b>	<b>254,117</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

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	Fiscal note not available								
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.					
<b>Total \$</b>		0		254,117		0

<b>Prepared by:</b> Val Terre, OFM	<b>Phone:</b> (360) 280-3973	<b>Date Published:</b> Preliminary 2/13/2024
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2131 E S HB	<b>Title:</b> Thermal energy networks	<b>Agency:</b> 103-Department of Commerce
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## 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	1.3	0.7	0.0	0.0
<b>Account</b>					
General Fund-State 001-1	0	271,789	271,789	0	0
<b>Total \$</b>	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
Pre-design/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
<b>Total \$</b>	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:

- 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: 02/11/2024
Agency Preparation: Joseph Piper	Phone: 360-725-3042	Date: 02/13/2024
Agency Approval: Joseph Piper	Phone: 360-725-3042	Date: 02/13/2024
OFM Review: Val Terre	Phone: (360) 280-3973	Date: 02/13/2024

## 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.*

Differences between the house bill and the substitute house bill:

There are no differences between the house bill and the engrossed substitute house bill that affect the fiscal impact to the Department of Commerce (department).

Summary of the engrossed substitute house bill:

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.*

### **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. 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
<b>Total \$</b>			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		1.3	0.7		
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-					
<b>Total \$</b>	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
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		
EMS Band 2	126,529		0.1	0.1		
Management Analyst 4	88,794		0.2	0.1		
<b>Total FTEs</b>			1.3	0.7		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
<b>Total \$</b>			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				0.6	
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-					
<b>Total \$</b>	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					
<b>Total \$</b>				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
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	
EMS Band 2	126,529				0.1	
<b>Total FTEs</b>					0.6	0.0

**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. 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 has assumed staffing estimates in this fiscal note, grants are indeterminate (less administrative costs) for 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.