

## New Washington Legislation Drives Energy Conservation in Commercial Buildings



As part of its comprehensive effort to reduce greenhouse gas emissions in Washington, the 2019 legislature adopted a new measure, [HB 1257](#), aimed at reducing greenhouse gas emissions from Washington's commercial building sector. The new legislation, along with three companion bills – the [Washington Clean Energy Transformation Act](#), which requires Washington's electric utilities to phase out greenhouse-gas emitting generation by 2045, a bill limiting emissions of [hydrofluorocarbons](#) (gases used in refrigeration and other industrial processes), and a bill [encouraging electrification of Washington's transportation system](#) – promise to profoundly change Washington's energy consumption patterns over the next two to three decades.

HB 1257 adopts a series of legislative changes designed to substantially improve the energy performance of commercial buildings, to encourage the conservation of natural gas and the use of renewable natural gas, and to make new commercial buildings ready for electric vehicle (EV) infrastructure.

### Energy Performance Standards for Commercial Buildings and Early Adoption Incentives

HB 1257 adopts energy performance standards, aimed at reducing the energy intensity of Washington's commercial building stock, for commercial buildings exceeding 50,000 square feet. For such buildings, the Department of Commerce (Commerce) will adopt

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rules setting energy intensity targets (measured by energy consumption per square foot of commercial space) by building type. The rules will also require energy management plans that include operations and maintenance improvements, energy efficiency audits, and investment in energy efficiency measures designed to meet the energy intensity targets.

The rules are to be adopted by November 1, 2020, with a staggered compliance schedule: June 1, 2026, for buildings of more than 220,000 square feet; June 1, 2027, for buildings between 90,000 and 220,000 square feet; and June 1, 2028, for buildings of 50,000-90,000 square feet. Buildings failing to meet the energy intensity targets may be subject to penalties of up to \$5,000 plus \$1 per square foot per year.

Building owners that adopt measures that exceed the energy intensity targets adopted by Commerce by at least fifteen energy use intensity units will be eligible for incentive payments of up to 85 cents per square foot, subject to an overall program cap of \$75 million. The incentive payments will be administered by utilities, with the costs of the program treated as a credit against the public utility tax owed by the utility, similar to the model successfully used for Washington's program encouraging community solar developments.

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Because building owners will be responsible for financing energy conservation measures sufficient to meet the energy use intensity requirements, and to qualify for the early-adoption incentives, the legislation places a premium on creative energy efficiency financing solutions. For example, the innovative [MEETS transaction model](#) (recently adopted as the "Energy Efficiency as a Service" pilot program by Seattle City Light) may be an avenue for building owners to make energy efficiency a profit center while financing deep energy retrofits. In addition, the new legislation adds urgency to the case for Washington to adopt legislation permitting [Property Assessed Clean Energy](#) loans for commercial buildings, which have successfully facilitated large-scale financing of energy efficiency and clean energy measures in many other states.

## Natural Gas Conservation and Renewable Natural Gas

Recognizing that natural gas remains a major source of heating for Washington's commercial buildings, HB 1257 adopts two new programs applicable to Washington's natural gas distribution utilities. First, the legislation requires those utilities to "identify and acquire all conservation measures that are available and cost-effective." To achieve this goal, the legislation requires the utilities to establish a conservation acquisition target every two years and, in determining whether an efficiency measure is cost-effective, to include the Obama Administration's "social cost of carbon" measure in its assessment. The legislation borrows heavily from the conservation standards applied to Washington's electric utilities under [Initiative 937](#), which similarly requires the acquisition of all cost-effective energy conservation measures based on two-year planning cycles.

Second, the legislation adopts measures to encourage the use of renewable natural gas, which includes methane derived from the decomposition of organic matter, wastewater treatment facilities, and anaerobic digesters. The legislation requires Washington's natural gas utilities to offer a voluntary renewable natural gas tariff, which will allow gas customers to be served with renewable natural gas by agreeing to the tariff. In addition, the legislation permits natural gas utilities to propose a renewable natural gas program for a portion of the gas delivered to all retail customers. These programs will be subject to review and

approval by the [Utilities & Transportation Commission](#). Further, charges for renewable natural gas may not exceed the charge for ordinary natural gas by more than five percent.

## Changes to Building Codes to Drive Energy Efficiency and EV Charging Stations

HB 1257 makes two significant changes to the laws governing Washington's building codes. First, for building codes governing nonresidential buildings, the legislation explicitly incorporates the requirement that new construction achieves a 70% reduction in energy use by 2031, using the 2006 energy code as a baseline. The legislature adopted this target in 2009, but HB 1257 explicitly incorporates the target into the process for establishing Washington's nonresidential energy building code, requiring the code to be updated every three years to move incrementally toward the 2031 target.

Second, the legislation mandates new building code provisions that require new construction with on-site parking to allow for EV charging infrastructure. Specifically, all new parking facilities must be constructed with either wiring or a raceway sufficient to accommodate Level 2 (240-volt) charging stations. Level 2 charging allows electric vehicles to be charged in a fraction of the time required to charge EVs from an ordinary 120-volt household socket. The legislation should, therefore, help remove charging as a perceived barrier to adoption of EVs, especially for potential EV purchasers who reside in multi-family buildings. The requirement should dovetail with transportation-related provisions of the other greenhouse gas legislation also adopted this year. These provisions include new legislation aimed at speeding [electrification of Washington's transportation system](#), and the [Clean Energy Transformation Act](#) applicable to Washington's electric utilities, which includes alternative compliance options that permit utilities to encourage electrification of transportation if such measures achieve greenhouse gas reductions equal to or better than retiring fossil-fired generation.

## Transformative Legislation

By prioritizing energy efficiency for Washington's commercial buildings and creating new programs to encourage renewable natural gas, HB 1257 promises to transform how commercial buildings operate in the state over the next two decades. The legislation is likely to create substantial new business opportunities for energy efficiency contractors, institutions interested in financing energy efficiency investments, and for producers of renewable natural gas such as dairy digesters.

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