

HOUSE BILL REPORT

E2SSB 5649

As Reported by House Committee On:
Technology, Energy & Communications

Title: An act relating to achieving greater energy efficiency in buildings.

Brief Description: Regarding energy efficiency in buildings.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Rockefeller, Hobbs, Pridemore, Kohl-Welles, Keiser, Fraser, Sheldon, Shin, McAuliffe, Kline and Oemig).

Brief History:

Committee Activity:

Technology, Energy & Communications: 3/18/09, 3/26/09 [DPA].

**Brief Summary of Engrossed Second Substitute Bill
(As Amended by House)**

- Creates an energy efficiency assistance program at Washington State University (WSU) to provide grants and technical assistance for energy efficiency services.
- Directs WSU to form an interdisciplinary team to assess opportunities to increase energy efficiency in the agricultural sector.
- Modifies definitions and operational requirements of the low-income residential weatherization program.
- Requires WSU to work with the State Board for Community and Technical Colleges to identify skills required for energy audit and retrofit activities.
- Creates an Energy Efficiency Assistance Account.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: Do pass as amended. Signed by 9 members: Representatives McCoy, Chair; Eddy, Vice Chair; Carlyle, Finn, Hasegawa, Hudgins, Jacks, Takko and Van De Wege.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Minority Report: Do not pass. Signed by 6 members: Representatives Crouse, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Condotta, DeBolt, Herrera and McCune.

Staff: Kara Durbin (786-7133)

Background:

Energy Consumption in Buildings.

According to Pacific Northwest National Laboratory, buildings account for approximately 40 percent of total energy consumption and approximately 72 percent of electricity consumption. Weatherization can increase the energy efficiency of a building through installation of energy efficiency measures. Examples of weatherization services include insulating ceilings, walls, floors, and ducts, closing air gaps that allow heat to escape, and modifying heating systems to improve efficiency. The U.S. Department of Energy (DOE) estimates that weatherization efforts can reduce heating bills, on average, by up to one-third.

American Recovery and Reinvestment Act.

The American Recovery and Reinvestment Act (Act) of 2009 includes \$16.8 billion for energy efficiency and renewable energy programs and initiatives led by the DOE. These programs include assistance for weatherization, state energy programs, energy efficiency and conservation block grants, research and development of renewable energy, and energy efficient appliance rebate programs.

The Act specifically provides: \$5 billion for the Weatherization Assistance Program (WAP); \$4.1 billion for the State Energy Program; \$3.2 billion for Energy Efficiency and Conservation Block Grants; \$1.2 billion for applied research, development, demonstration and deployment of biomass and geothermal energy; and \$300 million for an energy efficient appliance rebate program and for the federal Energy Star program.

Low-Income Weatherization.

There are two main sources of funding for low-income weatherization. One source is the Low-Income Home Energy Assistance Program (LIHEAP), which is administered through the Department of Community, Trade and Economic Development (DCTED) for the purpose of assisting low-income households with their energy needs. Under the LIHEAP, the DCTED contracts with 26 community action agencies to provide utility bill assistance, as well as residential weatherization. The LIHEAP funding is generally distributed at a rate of 85 percent for utility bill assistance and 15 percent for residential weatherization.

The other source of funding for low-income weatherization is the WAP, which is also administered by the DCTED to assist in low-income residential weatherization services.

The Act makes two major changes to the existing WAP: (1) the income level eligibility threshold is modified from at or below 150 percent of the federal poverty level to at or below 200 percent of the federal poverty level; and (2) the average per dwelling unit assistance limit

is raised from \$2,500 to \$6,500. The Act also provides that dwelling units that were partially weatherized under the WAP between 1979 and 1994 are eligible for further assistance.

Energy Efficiency and Conservation Block Grants.

The Energy Efficiency and Conservation Block Grant (EECBG) Program was established by the Energy Independence and Security Act of 2007 to assist cities, counties, states, and tribal nations in activities to reduce fossil fuel emissions, reduce total energy use, and improve efficiency in transportation, buildings, and other sectors. The EECBG Program authorizes a number of energy efficiency and conservation activities, including energy efficiency audits, improvements, and retrofits; developing and implementing building codes that promote energy efficiency; implementing energy distribution technologies; and implementing technologies to reduce or capture methane and other greenhouse gas emissions.

State Energy Program.

The DOE's State Energy Program (SEP) provides grants to states to design and carry out renewable energy and energy efficiency programs. Funding from the SEP for Washington goes directly to the DCTED. Under the SEP, states may fund a range of energy efficiency improvements and renewable resource development activities, public and private, across all sectors, including research, planning, technical assistance, demonstration, and deployment.

Summary of Amended Bill:

Energy Efficiency Assistance Program.

An Energy Efficiency Assistance Program (Program) is created within the Washington State University (WSU) Extension Energy Program. The Program must be managed by a director, who is appointed by the president of WSU. The director (director) of the Program must coordinate with the DCTED and other entities providing energy efficiency services to maximize the assistance provided for low- and middle-income households and avoid duplication of existing programs.

The Program must provide grants and technical assistance for energy efficiency services, including energy audits, weatherization, and energy efficiency retrofits. Grants must also be used to create credit enhancements to finance energy efficiency efforts or to conduct direct outreach. The director, in consultation with the Department of Financial Institutions, must develop criteria for credit enhancements and set forth accountability principles for financial institutions receiving funding for credit enhancements.

The director must also create an appliance efficiency rebate program with funds from the federal Energy Efficient Appliances Rebate Program.

For those grants funded by the SEP funds, priority is given for: (1) weatherization of residential structures for middle-income households that are not eligible under the LIHEAP

program; and (2) commercial, industrial, nonprofit entities, if those entities have reported an average of less than \$1 million of gross revenue annually in the last five years.

Funding for the Program must be distributed as follows: (1) 60 percent or more in the form of grants; (2) 20 percent or more in the form of technical assistance and training resources; and (3) 10 percent or less in the form of credit enhancements. The director must retain up to 5 percent of funds provided by the federal government for program administration and administrative overhead.

Sponsors applying for a grant must provide convincing evidence that: (1) family wages will be paid for energy efficiency services; (2) the jobs being performed could lead to careers in the construction trades or the energy efficiency sector; (3) the sponsor plans to employ workers trained in the applicable workforce training programs, to the extent feasible; and (4) only responsible and reputable contractors with satisfactory compliance records will be used.

The Program must provide a preference to sponsors that: (1) propose projects that are designed to achieve the greatest scope and economies of scale in providing energy efficiency services; and (2) feature utilization of a hiring and workforce development program with entities that recruit disadvantaged workers, operate skills training and education programs, and place disadvantaged workers in sustained employment. A preference is provided for sponsors that allocate a certain percentage of their construction work hours to work performed by state certified apprentices, first period apprentices, disadvantaged workers who reside in the area, or recently separated veterans or members of the National Guard that have returned from active duty in a war zone.

The director of the Program must develop performance metrics for each sponsor receiving a grant.

Allocation of Grants.

The director must allocate the grants to sponsors on a competitive basis to achieve the greatest monetary and energy savings by energy consumers. If appropriations are received for expedited grants, the director must award grants within the timeframe set by the federal government.

The director must also award three grants for pilots programs that:

- provide energy efficiency assistance to structures used or owned for residential, commercial, or nonprofit purposes in specified urban neighborhoods;
- use volunteer support through community-based institutions;
- employ energy audits using recognized, cost-effective retrofit measures;
- select and provide oversight of the retrofit work performed by contractors; and
- work with customers to secure financing for the project.

Financing Energy Efficiency Projects.

State bond authorities may use federal energy efficiency funding to design energy efficiency finance products and programs. Municipalities receiving funding through the federal

EECBG Program may use federal stimulus funds to establish loan-loss reserves or for risk reduction mechanisms to leverage financing for energy efficiency projects.

The Washington State Housing Finance Commission (Commission) may issue revenue bonds to finance loans for energy efficiency and renewable energy improvement projects. The Commission may establish eligibility criteria for financing to allow the Commission to select applicants that are likely to repay the loans.

The director of the Program must approve any financing mechanisms offered by municipalities that receive federal EECBG Program funding. Any financing mechanisms offered must conform with state and federal regulations.

Farm Energy Assessments.

The director, in consultation with the Department of Agriculture, must form an interdisciplinary team of agriculture and energy extension agencies to assess opportunities to increase energy efficiency. The team must develop and deploy: (1) energy self-assessment software tools; (2) energy auditor training curricula for the agricultural sector; (3) an infrastructure of trained energy auditors to assist with on-farm energy audits and identify cost-share assistance for efficiency improvements; and (4) systems to measure cost savings, energy savings, and carbon emission reduction benefits resulting from efficiency improvements.

Low-Income Residential Weatherization Program.

Definitions and operational requirements of the Low-Income Residential Weatherization Program are modified. The term "weatherization" is changed to "sustainable residential weatherization" to allow weatherization funding to be used for energy and resource conservation, energy efficiency improvements, repair, indoor air quality, and health and safety investments. The DCTED must encourage proposals that: (1) use environmentally sustainable technologies, designs, and practices; (2) achieve the greatest possible monetary and energy savings over the longest period of time; (3) identify and correct, to the extent practical, health and safety problems for residents; and (4) create family-wage jobs that may lead to careers in the construction trades or in the energy efficiency sectors.

Consolidation of Weatherization Programs.

The DCTED and WSU must review energy efficiency programs and weatherization programs administered by the state. By July 1, 2010, the DCTED and WSU must report to the Governor and the Legislature their findings and recommendations. Their recommendations must include: (1) identification of best practices and opportunities to consolidate and create efficiencies; and (2) legislative action necessary to maximize receipt of federal funding for weatherization and energy efficiency. If the DCTED and WSU find that administrative efficiencies are best achieved by combining functions from one state agency or entity to another, the recommendations must also include identification of statutory changes necessary to ensure an expeditious and efficient transition, including a timeline for a process to phase the transition of administrative procedures, records, files, and staff.

Workforce Training.

The director must collaborate with the State Board for Community and Technical Colleges (Board), the Workforce Training and Education Coordinating Board, the Employment Security Department, the Washington State Building and Construction Trades Council, the Washington State Apprenticeship and Training Council, and the Office of the Superintendent of Public Instruction to identify the necessary skills and qualifications required for energy audit and energy efficiency services. The Board must develop a curriculum of skills training for energy audits and energy efficiency services, which includes on the job, classroom, and health and safety training. Training resource money may be provided to: (1) develop and deploy curricula and training programs; (2) expand existing and create new programs for energy audit and energy efficiency services training; and (3) other training activities identified by the director to supplement and expand the skills of the existing workforce.

The director must provide funding to programs that provide skills education and training services to underserved and disadvantaged communities. Community and technical colleges that enroll unemployed workers into training programs as described in the act may receive funding from employers' contributions to the unemployment compensation fund.

Publicly Funded Housing.

The DCTED must review all housing properties in the Housing Trust Fund's real estate portfolio and identify those properties in need of major renovation or rehabilitation. The DCTED must prioritize renovation or rehabilitation projects based on what will achieve the greatest expected monetary and energy savings and also leverage environmentally sustainable technologies, practices, and designs. If funding is made available, the DCTED must accelerate the review of its housing properties and attempt to complete energy audits on at least 25 percent of its properties that are over 25 years in age by June 30, 2011.

Energy Efficiency Assistance Account.

An Energy Efficiency Assistance Account (Account) is created as an appropriated account in the state treasury. Funds in the Account must be used for energy efficiency assessments, audits, or improvements, except for those appropriations and federal funds that must be used for low-income residential weatherization. Gifts, grants, and endowments from public or private sources may be deposited into the Account. The Account must receive \$30 million of energy-related federal funding.

State Energy and Climate Change Initiatives.

The Governor must designate a person to serve as the single point of contact for all energy and climate change initiatives within state government. State agencies, councils, or work groups with energy or climate change initiatives must coordinate with this designee.

Amended Bill Compared to Original Bill:

The amended bill makes the following changes to the Energy Efficiency Assistance Program:

- removes the \$500,000 per year limitation on funding for technical assistance and training;
- changes the definition of "middle-income;"
- adds definitions of "family-wage" and "low-income individual;" and
- requires performance metrics for each grant recipient.

The amended bill requires sponsors applying for a grant from WSU to provide convincing evidence that: (1) family wages will be paid for energy efficiency services; (2) the jobs being performed could lead to careers in the construction trades or the energy efficiency sector; (3) the sponsor plans to employ workers trained in the applicable workforce training programs, to the extent feasible; and (4) only responsible and reputable contractors with satisfactory compliance records will be used.

The amended bill requires WSU to provide a preference to sponsors that: (1) propose projects that are designed to achieve the greatest scope and economies of scale in providing energy efficiency services; and (2) feature utilization of a hiring and workforce development program with entities that recruit disadvantaged workers, operate skills training and education programs, and place disadvantaged workers in sustained employment. A preference is provided for sponsors that allocate a certain percentage of their construction work hours to work performed by state certified apprentices, first period apprentices, disadvantaged workers who reside in the area, or recently separated veterans or members of the National Guard that have recently returned from active duty in a war zone.

Technical changes are made to the definition of "low-income" and "sustainable weatherization" for purposes of the Low-Income Residential Weatherization Program. Creation of family-wage jobs is added as a criterion for how the DCTED may allocate funds through the Low-Income Weatherization Assistance Account.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) This represents a significant expansion in weatherization and efficiency improvements in the state. Homes of moderate means will now be able to make use of federal funding for weatherization. This framework will allow us to be ready to meet the timelines of the federal government in an efficient and transparent manner. This effort led by WSU will complement the DCTED's existing low-income efforts for weatherization.

Reducing our carbon emissions through energy efficiency is important. Financing mechanisms should be further defined to assist the Housing Finance Commission (Commission) in its mission. The Commission is well positioned to offer energy efficiency

financing. Financing is a critical element of retrofit programs. This bill would benefit from a more refined definition of what constitutes a green job. The emphasis should be on family wage jobs.

This bill is important because it encourages the development of a green workforce. Our disadvantaged population has to be part of the solution. These energy efficiency jobs need to be family-wage jobs. Apprenticeship programs in this area are critical.

Creation of the Energy Efficiency Assistance Program is a high priority to WSU. Administrative fees are capped at 5 percent, and it is not WSU's intent to charge indirect rates for this program. The Extension Energy Program at WSU has the capabilities and expertise to run this program effectively.

The Secretary of the United States Department of Energy (DOE) asked WSU to coordinate information on all federal stimulus money coming through the DOE nationwide.

There are concerns about WSU handling this program and there being higher administrative fees as a result.

(In support with amendments) The weatherization system should be housed within the DCTED. The mechanisms are already in place.

Prioritization of energy efficiency funds for weatherization may be leaving out schools, hospitals, and other public buildings.

(With concerns) There is no need to create a whole new program at WSU. Instead, the bill should specify how much funding should go towards middle-income weatherization, and the money should be put into the existing account. We want all income levels to have access to the weatherization program. The DCTED should be involved in the workforce training provisions of the bill in order to capitalize on the training and certification programs they have developed over the last 10 to 15 years. The various weatherization provisions seem to muddle the priorities set forth in the bill.

The updates to the weatherization statute are needed to allow the existing weatherization program to meet existing needs.

The Governor has asked the DCTED to provide recommendations regarding the state energy program dollars and the state portion of the Energy Efficiency Block Grant Program. Stimulus funds should be deployed rapidly with a strategic approach so that the state can take full advantage of these funding opportunities.

(Comments only) It is unclear how this legislation will be reconciled with the green jobs bill, Engrossed Second Substitute House Bill 2227. Both bills help explore pathways for the workforce to enter the green economy.

(Opposed) None.

Persons Testifying: (In support) Senator Rockefeller, prime sponsor; Adam Ydstie and Bob Merkholt, Sound Alliance; Tom Robinson, Spokane Alliance; Tina Bloomer, Washington State Board for Community and Technical Colleges; Kim Herman, Housing Finance Commission; Jake Fey, Washington State University Extension Energy Program; and Christian Dube, International Union of Operating Engineers Local 286.

(In support with amendments) Noah Reandeau, Northwest Energy Efficiency Council; Dave Finet, Opportunity Council; and David West, Puget Sound Sage.

(With concerns) Tony Usibelli and Will Graham, Department of Community, Trade and Economic Development; and Greg Provenzano, Columbia Legal.

(Comments only) Carolyn McKinnon, Workforce Training Board.

Persons Signed In To Testify But Not Testifying: None.