

# SENATE BILL REPORT

## E2SSB 5649

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As Amended by House, April 16, 2009

**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:** Environment, Water & Energy: 1/30/09, 2/24/09 [DPS-WM, DNP].

Ways & Means: 2/26/09, 3/02/09 [DP2S, DNP, w/oRec].

Passed Senate: 3/10/09, 34-14.

Passed House: 4/16/09, 63-34.

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### SENATE COMMITTEE ON ENVIRONMENT, WATER & ENERGY

**Majority Report:** That Substitute Senate Bill No. 5649 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Rockefeller, Chair; Pridemore, Vice Chair; Fraser, Hatfield, Marr and Ranker.

**Minority Report:** Do not pass.

Signed by Senators Honeyford, Ranking Minority Member; Delvin, Holmquist and Morton.

**Staff:** Jan Odano (786-7486)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Second Substitute Senate Bill No. 5649 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Fairley, Hobbs, Keiser, Kline, Kohl-Welles, McDermott, Murray, Oemig, Pridemore, Regala and Rockefeller.

**Minority Report:** Do not pass.

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*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.*

Signed by Senator Honeyford.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Zarelli, Ranking Minority Member; Brandland, Carrell, Hewitt, Parlette and Schoesler.

**Staff:** Jan Odano (786-7486)

**Background:** In the United States, buildings account for 40 percent of total energy consumption and 70 percent of electricity consumption. The benefits of more efficient use of energy include reduced investments in energy infrastructure, lower fossil fuel dependency, improved consumer welfare, and reduced greenhouse gas emissions. Energy efficiency can be achieved by weatherizing homes and buildings. Increased energy efficiency can reduce heating bills on average by up to one-third, sometimes more. Energy efficient homes and commercial buildings have lower energy bills, and may realize other benefits such as reduction in water consumption and therefore lower water and sewer fees and an increase in property value. In addition, implementing avenues to improve home and building energy efficiency can provide jobs for weatherization and related home services.

There are programs available to low-income households to assist with weatherization of homes. The Low-Income Home Energy Assistance Program (LIHEAP) is administered through the Department of Community, Trade and Economic Development (CTED). CTED contracts with 26 community action agencies to provide resources for weatherization projects. In the last fiscal year, the program served 2771 households at an average cost of \$6,400. CTED estimates that there are approximately 300,000 low-income households currently in need. Since 1990, the weatherization program has served over 95,000 households.

In addition, the federal government in its economic stimulus package is proposing to weatherize one million homes per year for the next five years nationwide to improve energy efficiency, reduce the need for foreign oil, to create living wage jobs and stimulate the economy.

**Summary of Engrossed Second Substitute Bill:** Energy Efficiency Assistance Program. An Energy Efficiency Assistance Program is created within the Energy Office at the Washington State University (WSU). The program must be managed by a director, who is appointed by the President of WSU. The program must coordinate with CTED and other entities providing energy audit and efficiency improvements so as to maximize program assistance for low- and middle-income households and minimize duplication of target populations.

The program provides grants and technical assistance for energy efficiency services and improvements in residential households not eligible under LIHEAP, commercial, industrial, and nonprofit structures, and agricultural activities. Priority is provided to middle-income households and commercial, industrial, and nonprofit structures with an average of less than \$1 million gross annual revenue in the past five years. Grants may also be used to create credit enhancements for financing energy efficiency projects.

Allocation of Grants. The director must allocate the grants on a competitive basis. The criteria for grants includes fiscal accountability; performance measures; outreach to eligible building owners (priority for funds); cost-effective energy savings; creating or maintaining living wage jobs; and a full suite of services to potential customers. Where funding is received for expedited grants, the director must award grants within the time frame set by the federal government. The director must also award three pilot grants for programs that provide energy efficiency services in specified urban neighborhoods where the objective is to have a high rate of participation among building owners; utilize volunteer support for direct outreach; employ qualified energy auditors; and select contractors who agree to participate in quality control and efficiency training, pay prevailing wages, and meet minimum apprentice utilization standards.

Financing Energy Efficiency Projects. The director may grant funds for use by financial institutions to establish loan-loss reserves or for risk reduction mechanisms to leverage financing for energy efficiency projects. The state bond authorities may use federal energy efficiency funding for designing energy efficiency finance products and programs. Local municipalities receiving funding through the federal Energy Efficiency and Conservation Block Grant program also may use the funds to establish loan-loss reserves or for risk reduction mechanisms to leverage financing for energy efficiency projects.

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 online energy self-assessment software tools; energy auditor training curricula for the agricultural sector; and an infrastructure of trained energy auditors to assist with on-farm audits and identify cost-share assistance for efficiency improvements.

CTED - LIHEAP. The definition of weatherization is revised to sustainable residential weatherization to allow funding for energy and resource conservation and energy efficiency improvements, repair, and health and safety investments. CTED must encourage proposals that use environmentally sustainable technologies, designs, and practices, and achieve the greatest possible monetary and energy savings over the longest period of time.

Consolidation of Weatherization Programs. CTED and WSU must review weatherization, weatherization services, and energy efficiency programs administered by the state. By July 1, 2010, CTED and WSU must report to the Governor and the Legislature with findings from the review and make recommendations. The recommendations must include identification of best practices and opportunities to consolidate and create efficiencies of economies of scale; and legislative action necessary to maximize receipt of federal funding for weatherization. If it is found that administrative efficiencies are best achieved by combining functions from one state agency or entity to another, the recommendations must include identification of statutory changes necessary to ensure expeditious and efficient transition; and 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), Workforce Training and Education Coordinating Board, State Building and Construction Trades Council, and the State Apprenticeship and Training Council to identify the necessary skills and qualifications required for energy audit and

retrofit activities. The Board must develop a curriculum of skills training, which includes on-the-job, classroom, and safety and health training. Training resource money provided from the Energy Efficiency Audits Funding must be directed to training programs as necessary to meet demands for jobs. The director must provide funding for skills education and training services to underserved and disadvantaged communities. The director must develop a strategy to ensure that the workers who receive training in these programs are provided with employment opportunities considered in the act. Community and technical colleges, enrolling unemployed workers into training programs as described in the act, may receive funding from employers' contributions to the unemployment compensation fund.

Publicly Funded Housing. CTED must review all properties in its Housing Trust Fund real estate portfolio for potential opportunities for energy efficiencies. CTED must prioritize projects based on achieving the greatest expected monetary and energy savings. If funding is made available, CTED must accelerate the review and attempt to complete audits on 25 percent of its properties 20 years or older.

Energy Efficiency Assistance Account. Funds must be used for energy efficiency audits or improvements that are not LIHEAP federal funds or have federal limitations for low-income weatherization assistance. Gifts, grants, and endowments are allowed from public or private sources. The Energy Efficiency Assistance Account must receive \$30 million of federal funding.

**Appropriation:** None.

**Fiscal Note:** Requested on the EWE Committee Substitute on February 25, 2009.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Staff Summary of Public Testimony (Environment, Water & Energy):** PRO: Energy efficiency is the foundation of our energy future. Community partnerships create energy conservation programs, workforce training programs, and developing jobs at family wages. Green jobs should all be supported. The jobs are essential to provide many people with the opportunity to turn their lives around and make a living wage. WSU Energy Office has the requisite services available to carry out the provisions of the bill. Financing programs should be available for multiple programs/sectors. Community banks are ready and willing to participate in this endeavor. Leveraging funds would allow for a broader participation in the programs. This bill will create jobs that will support family wage. The inclusion of the donation credit, the early incentive for conservation and energy efficiency is something that was always envisioned. Residential improvement needs to include a longer timeframe for payback as some of the work done to the shell of a structure could take up to 20 years to repay. It is important to assess broad farm energy usage beyond electricity, and other inputs such as fertilizers.

CON: This section conflicts with conservation goals of I-937 and hinder qualifying utilities' ability to achieve these goals.

OTHER: Utility incentives section reduces the effectiveness of renewable energy by diluting the eligible renewable originally designated in I-937. We don't want to see funding steered away from low-income housing assistance to those with higher incomes. We want to make sure that the federal stimulus funding is available for low-income assistance projects. Allocation of FTEs are already overenrolled in workforce training programs. The board does not usually tell the programs how to allocate their FTEs.

**Persons Testifying (Environment, Water & Energy):** PRO: Jake Fey, Washington State University Extension Energy Program; John MacLean, Energy Efficiency Finance Corp.; Tina Bloomer, Washington State Board for Community and Technical Colleges; Bob Markholt, Sound Alliance; Terry Tilton, Washington State Building & Construction Trades Council; Andrew Sanden, Dairy Federation; Greg Provonzono, Columbia Legal Services; Bob Guenther, IBEW-77; Stacy Noland, Moontown Foundation; Jay Gordon, WSDF; Henton Hailey-Marshall, Got Green; Dave Warren, Washington PUD Association; Steven Payne, CTED.

CON: Ken Johnson, Puget Sound Energy.

OTHER: Chuck Eberdt, The Energy Project; Nancy Hirsch, NW Energy Coalition; Jessica Finn-Coven, Climate Solutions.

**Staff Summary of Public Testimony (Ways & Means):** PRO: The benefits of weatherization are overwhelming, especially for low-income persons. The structure created by this bill will also create jobs and expand the reach of CTED weatherization programs. WSU has 55 people to implement the program. It will also provide training for green jobs. The Department of Energy will soon publish the constraints on using the federal stimulus money but the funding should be available to the state by early April. This bill will create living wage jobs, help the environment, and help low-income consumers through savings on their utility bills.

We support this bill but it doesn't make sense to move these programs to WSU; they have research expertise but don't have experience in residential weatherization. CTED has demonstrated cost-effective administration and working with community action agencies.

OTHER: For over 25 years community-action agencies have worked with CTED; the agency is part of the best weatherization program in the country.

**Persons Testifying (Ways & Means):** PRO: Senator Rockefeller, prime sponsor; Jake Fey, WSU Extension Energy Program; Sherry Krainick, Sound Alliance, Spokane Alliance; Jim King, Washington State HVACR Association; Greg Provenzano, Columbia Legal Services.

OTHER: Ken Steriver, North Columbia Community Action.

**House Amendment(s):** Eliminates the middle-income energy efficiency assistance program at WSU.

Removes expedited grant making authority.

Authorizes WSU to implement grants for pilot programs providing community-wide energy efficiency upgrades.

Requires contractors to use workers trained in workforce training and apprenticeship programs; pay prevailing wages; hire from the community where the program is located; and create employment opportunities for veterans, members of the national guard, and low-income and disadvantaged populations.

Directs the CTED, instead of WSU, to:

- establish a process to award grants for credit enhancements;
- create an appliance efficiency rebate program;
- allocate federal funding to state bond authorities for energy efficiency finance programs; and
- approve any financing mechanisms offered by municipalities receiving federal energy stimulus funding.

Removes provisions relating to workforce training and curricula development for energy efficiency services.

Removes the requirement that CTED and WSU review existing weatherization and energy efficiency programs and provide recommendations.