SENATE BILL REPORT
SB 5570

As of January 9, 2024

Title: An act relating to authorizing electric utilities to establish energy efficiency revolving loan programs.

Brief Description: Authorizing electric utilities to establish energy efficiency revolving loan programs.

Sponsors: Senators Lovelett, Trudeau, Hasegawa, Keiser, Nguyen, Nobles, Pedersen, Randall, Rolfes, Saldaña, Valdez and Wilson, C..

Brief History:
Committee Activity: Environment, Energy & Technology: 2/08/23; 1/09/24.

Brief Summary of Bill

- Creates the Residential Utility Energy Efficiency Capitalization Grant Program within the Department of Commerce (Commerce) to enable electric utilities to provide residential loan options that create energy efficiency opportunities for eligible households.
- Authorizes each consumer-owned utility to apply to Commerce to receive funding to establish its own Energy Efficiency Revolving Loan Program, which must contain certain elements.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

Staff: Kimberly Cushing (786-7421)

Background: Energy Efficiency. Energy efficiency is the use of less energy to perform the same task or produce the same result. Energy-efficient homes and buildings use less energy to heat, cool, and run appliances and electronics. According the U.S. Department of Energy, energy efficiency saves money, increases the resilience and reliability of the electric grid,

---

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

and provides additional environmental benefits. The federal government and Washington State offer weatherization programs, which the Department of Commerce (Commerce) runs for qualified low-income households.

Energy Independence Act. Approved by voters in 2006, the Energy Independence Act (EIA), also known as Initiative 937, requires qualifying electric utilities to meet targets for energy conservation and for using eligible renewable resources. Qualifying utilities are electric utilities with 25,000 or more customers in the state, and there are 18 utilities subject to the EIA.

Qualifying utilities must pursue all conservation that is cost-effective, reliable, and feasible. They need to identify the conservation potential over a ten-year period, and set two-year targets.

Public Utility Tax. The public utility tax (PUT) is imposed on gross income derived from the operation of public and privately owned utilities, including businesses that engage in transportation, communications, and the supply of energy, natural gas, and water. The tax is in lieu of the business and occupation tax. This tax applies only on sales to consumers. There are also varying rates of the PUT, depending on the specific utility activity.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Proposed Substitute): Residential Energy Efficiency Capitalization Grant Program. Subject to availability of amounts appropriated for this specific purpose, the Residential Energy Efficiency Capitalization Grant Program (Grant Program) is created within Commerce. The purpose of the Grant Program is to enable consumer-owned utilities (COUs) to provide residential loan options that create energy efficiency opportunities for eligible households. Energy efficiency includes audits, upgrades, and retrofits needed to achieve energy savings and improve the comfort of buildings.

An eligible household means a single person, family, or unrelated persons living together whose income is defined by Commerce, provided the income does not exceed 80 percent of area median household income or 200 percent of the federal poverty level, adjusted for household size. Commerce must adopt rules to implement the Grant Program.

Energy Efficiency Revolving Loan Programs. Each COU may apply to Commerce to receive funding to establish its own Energy Efficiency Revolving Loan Program (program). A COU may choose to contract with a third party to implement the program. All programs must include the following elements:

- priority given to properties in overburdened communities, with additional consideration for regions of the state that experience disproportionately high levels of air contaminants and pollutants related to wildfire smoke;
- determination of income qualification must comply with guidelines adopted by rule;
- all loans must be interest free;

- loans must be secured with a lien on the property that receives the energy efficiency improvement;
- a robust consumer protection plan, including information about choosing a program that meets a customer's budget;
- a list of participating contractors must be identified and provided as part of the application process;
- a separate billing system or on-bill repayment program must be provided for participating customers;
- a plan for informing and education residential customers about the program; and
- an energy efficiency revolving loan account, which must receive all loan repayment moneys.

Depending on customer needs and circumstances, a COU may offer different loan programs, including:

- deferred loans for income-qualified customers that own and occupy their home—the program must cover the full cost of the project; allow loan payment to be deferred until the home is sold and the loan balance is paid as part of the sales transaction; and allow customers to qualify based on payment history with the COU; and
- forgivable loans for property owners with income-qualified tenants—the program must require an energy audit of the property; the property to be continuously occupied by income-qualified tenants for five years after the upgrades; and the property owner to keep the rent within the fair market rent during the five-year time period. If the property owner fails to meet the requirements, the loan balance is transferred to a new loan and becomes due when the home is sold.

At least annually, any COU that receives Grant Program funding must report to Commerce their program costs, and the number of customers who received program loans.

A COU may claim conservation savings from cost-effective measures financed through a program to apply toward EIA conservation targets. Loan program repayments are not subject to the PUT.

Appropriation: None.

Fiscal Note: Requested on January 6, 2024.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill (Regular Session 2023): PRO: This is a great step to help access capital. Federal money could be looked into to capitalize. Focus on the donut hole that doesn’t qualify for low-income weatherization programs. Small business and nonprofits could be included. Add consumer protection language. Fuel neutral investments do not matter if it is an electric or natural gas customer.

OTHER: Natural gas customers should be allowed to participate in the program as well. Our biggest concerns are the lien priority and how to collect at the point of sale. We agree weatherization and conservation is important.

Persons Testifying (Environment, Energy & Technology): PRO: Senator Liz Lovelett, Prime Sponsor; Amy Wheeless, NW Energy Coalition.

OTHER: Casey Brown, NW Natural and Cascade Natural Gas; Matt Miller, Puget Sound Energy.

Persons Signed In To Testify But Not Testifying (Environment, Energy & Technology): No one.

Staff Summary of Public Testimony On Proposed Substitute (Environment, Energy & Technology) (Regular Session 2024): PRO: This bill opens the literal and figurative door for allowing households to reduce energy bills and reduces greenhouse gas emissions and energy consumption in the state. We know that energy efficiency loan programs can provide necessary financing options for low- and moderate-income customers who might not otherwise afford or pursue these critical investments. Tacoma Power has operated such a program since 1995, provided over $2 million in no interest and forgivable loans, managed own customer service and billing, with a default rate of less than 1/3 of 1 percent. This bill provides more opportunities for COUs across the state to help customers achieve increasingly necessary energy efficiency investments.

OTHER: This is a valuable, optional tool. Small public utility districts don't have experience regarding the authority to place a lien. Perhaps there could be a carve out for funds to be used for administrative costs.

Persons Testifying (Environment, Energy & Technology): PRO: Senator Liz Lovelett, Prime Sponsor; Logan Bahr, Tacoma Public Utilities/Tacoma Power.

OTHER: Dave WARREN, Klickitat PUD.

Persons Signed In To Testify But Not Testifying (Environment, Energy & Technology): No one.