

HOUSE BILL REPORT

SHB 1335

*As of House Second Reading
March 19, 1991*

Title: An act relating to low-income energy assistance.

Brief Description: Providing an energy assistance and conservation program for low-income households.

Sponsor(s): Representatives Nelson, Franklin, Ogden, Leonard, Wineberry, Mitchell, Winsley, Phillips, Jacobsen, Jones, Brekke, Spanel, Scott and Anderson.

Brief History:

Reported by House Committee on:
Housing, February 22, 1991, DPS;
Revenue, March 8, 1991, DPS(HO)-A;
House Second Reading, March 19, 1991.

**HOUSE COMMITTEE ON
HOUSING**

Majority Report: *That Substitute House Bill No. 1335 be substituted therefor, and the substitute bill do pass.*

Signed by 5 members: Representatives Nelson, Chair; Franklin, Vice Chair; Leonard; Ogden; and Wineberry.

Minority Report: *Without recommendation.* Signed by 2 members: Representatives Mitchell, Ranking Minority Member; and Winsley, Assistant Ranking Minority Member.

Staff: Kenny Pittman (786-8392).

Background: Energy costs are usually the largest housing expense after rent or mortgage payments. However, federal Department of Energy (DOE) studies have found that energy costs are a much more significant burden for lower-income households than for middle and upper income households. Energy conservation measures have been viewed as one method of making housing more affordable by reducing energy costs.

The state's Energy Matchmakers Program, which began in 1987, is funded with federal court ordered settlements from oil overcharges in the 1980s. This program has greatly enhanced the state of Washington's ability to meet the need for weatherizing homes of low-income persons. The program provides matching funds on a dollar for dollar basis to

operators of local energy conservation programs to be used to weatherize homes of low-income persons. The matching funds are usually provided by energy suppliers, rental property owners, and charitable organizations.

Since the beginning of the program an estimated 11,000 homes have been weatherized with Matchmaker funds and its associated match, nearly double the amount of homes that would have been weatherized with Matchmaker funds alone. The funds used for the state's Energy Matchmaker Program are expected to be depleted by July 1991.

Summary of Bill: The state's Low-Income Residential Weatherization Program, Energy Matchmaker Program, is revised to provide a comprehensive strategy of energy assistance, energy conservation and energy education for low-income households. The major provisions include: 1) establishment of low-income energy assistance and energy conservation programs; 2) development of model energy education programs; 3) creation of a state-wide low-income energy assistance advisory committee; 4) funding of the state's energy conservation and energy assistance programs through an assessment on energy suppliers; and 5) required coordination of rehabilitation and weatherization activities funded through the State.

An energy supplier is defined as either a privately or publicly owned, electrical utility or natural gas utility, a heating oil dealer, or propane dealer with annual sales of \$10,000 or more.

A fuel oil dealer is defined as a person who supplies fuel oil at retail for space heating of residential dwellings.

Low-Income Energy Assistance and Energy Conservation Programs

1. Low-Income Energy Assistance Program

The Department of Community Development is required to develop a low-income energy assistance program within 180 days after enactment of the section. The program must: a) ensure that low-income customers pay reduced rates for home heating and electric services; b) not require a utility deposit of low-income customers; and c) require that the customer apply for any energy conservation programs for which he or she is eligible. The energy assistance program must be developed in consultation with the Low-Income Energy Assistance Advisory Committee. Federal energy assistance funds must be used to the maximum extent available for energy assistance.

Energy suppliers are authorized to develop their own energy assistance programs that meet the standards of the state program and are approved by the Department of Community Development. The energy supplier's sponsored program may provide for discounted rates, percentage-of-income plan, or other methods to lower energy bills.

2. Low-Income Energy Conservation Program

The Department of Community Development is required to develop a low-income energy conservation program. The program must be targeted to households with the highest energy costs and serve low-income households in their relative proportion of heating energy source. The Department of Community Development is required to collect information on energy consumption for low-income households and an evaluation of the energy conservation program on an annual basis. The energy conservation program must be developed in consultation with the Low-Income Energy Assistance Advisory Committee.

Allowable expenditures under the program include, but are not limited to, insulation, window replacement, furnace or wood stove replacement in certain areas of the State, caulking, door replacement, and labor.

Model Energy Education Programs

The Department of Community Development is required to develop model energy education programs. The energy education programs must include instruction and training on the effective use of the energy conservation measures and money management techniques that the household can adopt to effectively use and preserve energy resources.

State-Wide Energy Assistance and Conservation Plan

The Department of Community Development is required to prepare a state-wide plan for the low-income energy assistance and energy conservation programs. The state-wide plan must be developed in consultation with the Low-Income Energy Advisory Committee and must: a) ensure energy service to all low-income households; b) establish uniform eligibility, verification, and documentation requirements for energy assistance and energy conservation programs offered by the State; c) require all energy suppliers to offer energy assistance and energy conservation programs to all qualified customers; d) require demonstration of the performance of energy conservation measures; e) establish registration, certification, training, and inspection programs for those involved in the installation or financing of energy conservation measures; f) establish and review

goals for the delivery of energy audits and other services to utility customers; g) require all energy suppliers to work with local community action agencies in publicizing the energy programs; and h) coordinate the operation of the state's low-income energy assistance and energy conservation programs.

Energy Supplier Assessment

An assessment is placed on all energy suppliers with annual sales of \$10,000 or more. The total assessment of all energy suppliers cannot exceed \$20 million per biennium. The individual energy supplier's assessment is based on the ratio of the individual energy supplier's annual gross operating revenue to annual gross operating revenue derived within the State by all energy suppliers for the previous year. An energy supplier with an annual assessment that is less than \$250 is exempt from paying the assessment. The assessment must be paid on a quarterly basis starting not later than 90 days after the governor signs the biennial budget. Funds collected from the assessment are deposited in the low-income energy weatherization assistance account.

Energy suppliers that operate approved energy assistance or energy conservation programs may receive a dollar for dollar credit against the annual assessment. The credit must be equal to expenditures from the energy supplier's **own funds** on approved activities. Pass-through funds received by an energy supplier from a governmental entity are not eligible for the credit.

Low-Income Energy Assistance Advisory Committee

An 18 member Low-Income Energy Assistance Advisory Committee is created in the Department of Community Development. The four ex-officio, nonvoting members of the advisory committee are the secretary of the Department of Social and Health Services, the directors of the Department of Community Development and the State Energy Office, and the chair of the Utilities and Transportation Commission, or their designees. The 14 voting members of the advisory committee are appointed by the director of the Department of Community Development and consist of: a) three representatives of low-income households or organizations that represent low-income households; b) seven representatives of energy suppliers: one from the natural gas industry, one from the investor-owned electric industry, one from the publicly owned electric industry, one from the municipal electric industry, one from the oil heat industry, one from the liquified petroleum gas industry, and one from the Washington Wood Heat Association; and c) two representatives of low-income rental property owners: one from single family or

multifamily units, and one from mobile home rental units. The chairperson must be elected from the voting members of the advisory committee.

The duties of the Low-Income Energy Assistance Advisory Committee include: a) monitoring the state-wide energy assistance and energy conservation programs; b) assisting the Department of Community Development in developing regulations for the program; c) reviewing and commenting on energy assistance and energy conservation plans submitted by energy suppliers; and d) preparing and submitting an annual report to the Legislature on the operation of the energy programs.

Coordination of Rehabilitation and Energy Conservation Activities

The Department of Community Development is required to coordinate available energy conservation assistance with assistance from the Washington housing trust fund or the state-administered federal Community Development Block Grant Program that is used to rehabilitate residential dwellings.

Other Provisions

The Utilities and Transportation Commission must allow investor-owned utility companies to offer discounted rates to low-income individuals.

The Washington State Energy Office must prepare proposals to sell low-income energy conservation to energy suppliers.

Fiscal Note: Available.

Appropriation: Yes.

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

Testimony For: Housing affordability has to take into consideration the energy costs of the household. The present oil overcharge funds are inadequate and will be depleted by July 1991. At the present time only 20 percent of eligible households can get energy assistance. The assessment on the energy sales will provide a source of revenue to meet the weatherization needs of low-income households. The program will benefit low-income households regardless of the type of fuel used to heat their homes. This could be viewed as a form of homelessness prevention. When the utility bill is lowered, through weatherization, this frees up the monies spent on energy bills for other needs.

Testimony Against: We support the concept of energy assistance however, the assessment in this bill is a tax on the utility companies. By basing the assessment against gross revenue, a company would be liable even if it did not make a profit for the year. This is a societal problem and the funding should come from the State. The additional requirements of the program will place an undue burden on many energy suppliers. This is particularly true for the small oil heat dealers. The method that the assessment is set gives the Department of Community Development and the Legislature a blank check. Any assessment against the energy suppliers must have an annual maximum limit.

Witnesses: Chuck Savage, Washington State Association of Community Action Agencies (in favor of bill); Henry Yates and Betty Blair, Seattle City Light (in favor of bill); Phyllis Pulfer, Blue Mountain Action Council (in favor of bill); Don Morin and Don Keenan, The Opportunity Council (in favor of bill); Mary Murphy, League of Women Voters (in favor of bill); John Walsh, Community Action Council (in favor of bill); Larry Stuckart, Spokane Neighborhood Centers (in favor of bill); Arnold Livingston and Robert Jacobson, Senior Lobby (in favor of bill); Steve Lansing, Lutheran Public Policy Office (in favor of bill); David Girard, Evergreen Legal Services (in favor of bill); Rita Casey (in favor of bill); Ray Shindler and David Gerdts, L.P. Gas Association (against the bill); Lis Gildemeister, Ben Caley, Paul Allenkopf, Fred Liska, Mary Jacobson, and Tom Allen, Oil Heat Institute (against the bill); Terry Oxley, Puget Power (against the bill); Ron Newbry, Pacific Power (against the bill); and Tricia McKay, Washington Natural Gas (against the bill).

**HOUSE COMMITTEE ON
REVENUE**

Majority Report: *The substitute bill by Committee on Housing be substituted therefor and the substitute bill as amended by Committee on Revenue do pass.* Signed by 8 members: Representatives Wang, Chair; Fraser, Vice Chair; Appelwick; Belcher; Leonard; Morris; Phillips; and Rust.

Minority Report: *Do not pass.* Signed by 6 members: Representatives Holland, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Brumsickle; Day; Morton; and Silver.

Staff: Kenny Pittman (786-7392).

Summary of Recommendation of Committee on Revenue Compared to Recommendation of Committee on Housing: The striking amendment removes the state-mandated requirement that energy suppliers offer reduced rates to low-income customers; requires low-income customers to apply for any energy education programs offered through the energy supplier; and removes the dollar or dollar credit against the annual assessment that energy suppliers could claim for operating an approved energy conservation program.

The assessment on energy suppliers, based on gross sales of energy, used to fund the energy assistance, energy conservation, and energy education programs is replaced with an excise tax on the individual energy customer. The excise tax would be \$.35 per month for electric and gas customers; \$.80 per 100 gallons of fuel oil sold and used for heating; and \$.55 per 100 gallons of liquified petroleum gas (propane) sold and used for heating. The excise tax must be used in the area where the excise tax was collected. A priority system for spending the excise tax collected from the energy supplier's customers is established. First priority for funding is for energy conservation activities and second priority is for energy education activities.

Fiscal Note: Available.

Appropriation: Yes.

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

Testimony For: There are over 150,000 low-income households in the state that need weatherization assistance. The cost of energy is one area where housing costs can be lowered through conservation or education efforts. The existing oil overcharge funds that are used to operate the existing weatherization programs will be expended by July of this year. The funds collected under this bill would be used to continue the weatherization efforts and provide needed energy education activities.

Testimony Against: The annual assessment proposed in the substitute bill is a tax on energy suppliers. This is a societal problem that should not be funded by a tax on energy suppliers. The state should provide funding and the energy suppliers would provide the match as in the Energy Matchmaker Program. Any assessment must be listed on the customer's bill as a tax.

Witnesses: Representative Dick Nelson, Bill Sponsor (Pro); Representative Holly Myers (Pro - with changes); Mary Murphy, League of Women Voters of Washington (Pro); Robert

Jacobson and Mildred Johnson, Senior Lobby (Pro); Mike Ryherd, Low-Income Housing Congress (Pro); Arnold Livingston, Mobile Home Owners of America (Pro); Tricia McKay, Washington Natural Gas (Con); and Greg Hanon, Tacoma City Light and Pierce County Cooperative Power Association (Con).