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**SUBSTITUTE SENATE BILL 5570**

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**State of Washington 68th Legislature 2024 Regular Session**

**By** Senate Environment, Energy & Technology (originally sponsored by Senators Lovelett, Trudeau, Hasegawa, Keiser, Nguyen, Nobles, Pedersen, Randall, Rolfes, Saldaña, Valdez, and C. Wilson)

AN ACT Relating to authorizing consumer-owned utilities to establish energy efficiency revolving loan programs; adding a new section to chapter 43.330 RCW; adding a new section to chapter 82.16 RCW; adding a new section to chapter 82.04 RCW; creating new sections; and providing expiration dates.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  (1) The legislature finds that energy efficiency improvements may be costly and although they will pay back the up-front costs over time in reduced utility bills, many households do not have the capital or access to lenders at reasonable rates to make these investments. Furthermore, a property owner of rental housing may not believe the energy efficiency upgrades will sufficiently add to the property value to justify the investment, particularly when their tenant will obtain the benefits of reduced utility bills.

(2) Therefore, the legislature intends to establish a grant program within the department of commerce to provide funding for consumer-owned utilities that choose to establish loan programs for residential energy efficiency improvements that are structured to overcome the barriers of more traditional financing. As consumer-owned utilities have a regular relationship with their customers through monthly billings and maintenance of their supply infrastructure, they are well-positioned to inform their customers of this potential financing mechanism to lower their utility bills while doing their part in the transition to a cleaner energy system.

(3) Furthermore, the legislature recognizes that federal funding may be used to provide similar benefits to households that cannot afford the upfront costs of energy efficiency upgrades but do not meet the income qualification of certain state programs. Thus, the legislature encourages the department of commerce to leverage federal funding to provide residential energy efficiency resources to moderate-income households whose adjusted income is more than 80 percent of the median family income adjusted for family size.

NEW SECTION. **Sec.**  A new section is added to chapter 43.330 RCW to read as follows:

(1) Subject to the availability of amounts appropriated for this specific purpose, the residential energy efficiency capitalization grant program is created within the department. The purpose of the program is to enable consumer-owned utilities to provide residential loan options that create energy efficiency opportunities for eligible households. Energy efficiency includes audits, upgrades, and retrofits, such as insulation upgrades and window replacement, needed to achieve energy savings and improve the comfort of buildings.

(2) Each consumer-owned utility may apply to the department to receive funding to establish an energy efficiency revolving loan program.

(3) A consumer-owned utility's program must include the following elements:

(a) Priority for loans must be 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;

(b) Determination of income qualification for a program must comply with guidelines adopted by the department by rule;

(c) All loans provided under a program must be interest free;

(d) Loans provided under a program must be secured with a lien on the property that received the energy efficiency improvement;

(e) A robust consumer protection plan that aligns with guidelines developed by the department, including information about choosing a program that meets a customer's budget;

(f) A list of participating contractors must be identified and provided as part of the program application process;

(g) Either a separate billing system or an on-bill repayment program must be provided for participating customers; and

(h) A plan for informing and educating residential customers about the program.

(4) A consumer-owned utility must establish an energy efficiency revolving loan account. The moneys in the account must be used solely to fulfill commitments arising under this section. All loan repayment moneys must be deposited into the account.

(5) A consumer-owned utility may choose to contract with a third party to implement a program, provided the third party acts in accordance with the requirements under this section.

(6) Consumer-owned utilities may offer different loan programs for eligible households depending on the customer needs and circumstances, including the following:

(a) Deferred loans for customers who own and occupy their home. The program may cover the full cost of a project and must allow:

(i) Loan repayment to be deferred until the home is sold, when the loan balance is paid as part of the sales transaction; and

(ii) Customers to qualify based on payment history with the consumer-owned utility;

(b) Forgivable loans for property owners with income-qualified tenants. If the property owner fails to meet the requirements of (b)(i) through (iii) of this subsection, the loan balance is transferred to a new loan and becomes due upon the sale of the home. The program must require:

(i) An energy audit of the property;

(ii) The property to be continuously occupied by income-qualified tenants for five years after the upgrades; and

(iii) The property owner keeps the rent within the fair market rent as determined by the United States department of housing and urban development during the five-year time period.

(7) A consumer-owned utility may claim conservation savings from cost-effective measures financed through an energy efficiency revolving loan program and apply these savings toward achieving its conservation acquisition targets under chapter 19.285 RCW.

(8) At least annually, any consumer-owned utility receiving funding under this section must report to the department their program costs, estimated energy efficiency savings, and the number of customers who received program loans.

(9) Consumer-owned utilities may retain up to five percent of funds received by the department for administrative costs associated with the program.

(10) Beginning October 1, 2025, and every October thereafter, the department must submit a brief report to the appropriate committees of the legislature including, but not limited to, the information provided by the consumer-owned utilities in subsection (8) of this section, the number of program applicants the department received, the total amount of funding loaned to consumer-owned utilities, and the median loan award provided to participating customers.

(11) The department must adopt rules to implement this section.

(12) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Consumer-owned utility" means a municipal electric utility formed under Title 35 RCW, a public utility district formed under Title 54 RCW, an irrigation district formed under chapter 87.03 RCW, a cooperative association formed under chapter 23.86 RCW, or a mutual corporation or association formed under chapter 24.06 RCW, that is engaged in the business of distributing electricity to more than one retail electric customer in the state.

(b) "Eligible household" means a single person, family, or unrelated persons living together whose income is defined by the department, provided that the income definition may not exceed the higher of 80 percent of area median household income or 200 percent of the federal poverty level, adjusted for household size.

(c) "Overburdened community" means a geographic area where vulnerable populations face combined, multiple environmental harms and health impacts and includes, but is not limited to, highly impacted communities as defined in RCW 19.405.020.

(d) "Program" means an energy efficiency revolving loan program established by a consumer-owned utility.

(13) This section expires January 1, 2034.

NEW SECTION. **Sec.**  A new section is added to chapter 82.16 RCW to read as follows:

(1) This chapter does not apply to amounts received by a consumer-owned utility, or a third party contracting with a consumer-owned utility, through the energy efficiency revolving loan program created in section 2 of this act.

(2) This section expires January 1, 2034.

NEW SECTION. **Sec.**  A new section is added to chapter 82.04 RCW to read as follows:

(1) This chapter does not apply to amounts received by a consumer-owned utility, or a third-party contracting with a consumer-owned utility, through the energy efficiency revolving loan program created in section 2 of this act.

(2) This section expires January 1, 2034.

NEW SECTION. **Sec.**  RCW 82.32.808 does not apply to this act.

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