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**SENATE BILL 5570**

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**State of Washington 68th Legislature 2023 Regular Session**

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

AN ACT Relating to authorizing electric 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; and creating a new section.

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

NEW SECTION. **Sec.**  (1) The legislature finds that nearly all low-income households pay their utility bills directly, as either they own their homes or occupy rental homes where they are responsible for utility bills. 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 electric utilities that choose to establish loan programs for energy efficiency improvements that are structured to overcome the barriers of more traditional financing. As electric 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.

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

(1) Subject to availability of amounts appropriated for this specific purpose, the electric utility energy efficiency capitalization grant program is created within the department. The purpose of the program is to enable electric utilities to provide residential loan options that create energy efficiency for low-income and moderate-income households. Energy efficiency includes weatherization projects, such as insulation upgrades, window replacement, and repairs needed to achieve energy savings.

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

(3) An electric utility's program must include the following elements:

(a) Priority for loans must be given to properties in overburdened communities as identified by the state's environmental health disparities map;

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

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

(g) An energy efficiency revolving loan account. The moneys in the account must be used solely to fulfill commitments arising under this act. All loan repayment moneys must be deposited into this account.

(4) An electric 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.

(5) Electric utilities may offer different loan programs depending on the customer needs and circumstances, including the following:

(a) Deferred loans for income-qualified customers that 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 electric 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.

(6) An electric 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.

(7) At least annually, any electric utility receiving funding under this section must report to the department their program costs and the number of customers who received program loans.

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

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

(a) "Electric utility" means a consumer-owned or investor-owned utility as defined in RCW 19.29A.010.

(b) "Environmental health disparities map" means the data and information developed pursuant to RCW 43.70.815.

(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 an electric utility.

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

This chapter does not apply to any funds due and payable under an energy efficiency revolving loan program in accordance with section 2 of this act.

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