
**Technology, Energy & Communications
Committee**

E2SSB 5649

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 Summary of Engrossed Second Substitute Bill

- Creates an energy efficiency assistance program at Washington State University (WSU) to provide grants and technical assistance for energy efficiency services.
- Directs WSU to form an interdisciplinary team to assess opportunities to increase energy efficiency in the agricultural sector.
- Modifies definitions and operational requirements of the low-income residential weatherization program.
- Requires WSU to work with the State Board for Community and Technical Colleges to identify skills required for energy audit and retrofit activities.
- Creates an energy efficiency assistance account.

Hearing Date: 3/18/09

Staff: Kara Durbin (786-7133)

Background:

Energy Consumption in Buildings.

According to Pacific Northwest National Laboratory, buildings account for approximately 40 percent of total energy consumption and approximately 72 percent of electricity consumption. Weatherization can increase the energy efficiency of a building through installation of energy efficiency measures. Examples of weatherization services include insulating ceilings, walls,

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floors, and ducts, closing air gaps that allow heat to escape, and modifying heating systems to improve efficiency. The United States Department of Energy (DOE) estimates that weatherization efforts can reduce heating bills, on average, by up to one-third.

American Recovery and Reinvestment Act.

The American Recovery and Reinvestment Act (Act) of 2009 includes \$16.8 billion for energy efficiency and renewable energy programs and initiatives led by the DOE. These programs include assistance for weatherization, state energy programs, energy efficiency and conservation block grants, research and development of renewable energy, and energy efficient appliance rebate programs.

The Act specifically provides: \$5 billion for the Weatherization Assistance Program; \$4.1 billion for the State Energy Program; \$3.2 billion for Energy Efficiency and Conservation Block Grants; \$1.2 billion for applied research, development, demonstration and deployment of biomass and geothermal energy; and \$300 million for an energy efficient appliance rebate program and for the federal Energy Star program.

Low- Income Weatherization.

There are two main sources of funding for low-income weatherization. One source is the Low Income Home Energy Assistance Program (LIHEAP), which is administered through the Department of Community, Trade and Economic Development (DCTED) for the purpose of assisting low income households with their energy needs. Under the LIHEAP, the DCTED contracts with 26 community action agencies to provide utility bill assistance, as well as residential weatherization. The LIHEAP funding is generally distributed at a rate of 85 percent for utility bill assistance and 15 percent for residential weatherization.

The other source of funding for low-income weatherization is the Weatherization Assistance Program, which is also administered by the DCTED to assist in low-income residential weatherization services.

The Act makes two major changes to the existing Weatherization Assistance Program: (1) the income level eligibility threshold is modified from at or below 150 percent of the federal poverty level to at or below 200 percent of the federal poverty level; and (2) the average per-dwelling unit assistance limit is raised from \$2,500 to \$6,500. The Act also provides that dwelling units that were partially weatherized under the Low Income Weatherization Program between 1979 and 1994 are eligible for further assistance.

Energy Efficiency and Conservation Block Grants.

The Energy Efficiency and Conservation Block Grant (EECBG) Program was established by the Energy Independence and Security Act of 2007 to assist cities, counties, states, and tribal nations in activities to reduce fossil fuel emissions, reduce total energy use, and improve efficiency in transportation, buildings, and other sectors. The EECBG Program authorizes a number of energy efficiency and conservation activities, including energy efficiency audits, improvements, and retrofits; developing and implementing building codes that promote energy efficiency;

implementing energy distribution technologies; and implementing technologies to reduce or capture methane and other greenhouse gas emissions.

State Energy Program.

The DOE's State Energy Program (SEP) provides grants to states to design and carry out renewable energy and energy efficiency programs. Funding from the SEP for Washington goes directly to the DCTED. Under the SEP, states may fund a range of energy efficiency improvements and renewable resource development activities, public and private, across all sectors, including research, planning, technical assistance, demonstration and deployment.

Summary of Bill:

Energy Efficiency Assistance Program.

An Energy Efficiency Assistance Program is created within the Washington State University Extension Energy Program. The program must be managed by a director, who is appointed by the president of Washington State University (WSU). The director of the program must coordinate with the DCTED and other entities providing energy efficiency services to maximize the assistance provided for low- and middle-income households and avoid duplication of existing programs.

The program must provide grants and technical assistance for energy efficiency services, including energy audits, weatherization, and energy efficiency retrofits. Grants must also be used to create credit enhancements to finance energy efficiency efforts or to conduct direct outreach. The director, in consultation with the Department of Financial Institutions, must develop criteria for credit enhancements and set forth accountability principles for financial institutions receiving funding for credit enhancements.

For those grants funded by the SEP funds, priority is given for: (1) weatherization of residential structures for middle-income households that are not eligible under the Low Income Home Energy Assistance Program (LIHEAP) program; and (2) commercial, industrial, non-profit entities if those entities have reported an average of less than \$1 million of gross revenue annually in the last five years.

Program funding must be distributed as follows: (1) 60 percent or more in the form of grants; (2) 20 percent or more in the form of technical assistance and training resources, up to \$500,000 per year; and (3) 10 percent or less in the form of credit enhancements. The director must retain up to 5 percent for program administration and administrative overhead.

The director must also create an appliance efficiency rebate program with funds from the federal Energy Efficient Appliances Rebate Program.

Allocation of Grants.

The director must allocate the grants to sponsors on a competitive basis to achieve the greatest monetary and energy savings by energy consumers. If appropriations are received for expedited grants, the director must award grants within the time frame set by the federal government.

The director must also award three grants for pilots programs that:

- provide energy efficiency assistance to structures used or owned for residential, commercial, or non-profit purposes in specified urban neighborhoods;
- use volunteer support through community-based institutions;
- employ energy audits using recognized, cost-effective retrofit measures;
- select and provide oversight of the retrofit work performed by contractors; and
- work with customers to secure financing for the project.

Financing Energy Efficiency Projects.

State bond authorities may use federal energy efficiency funding to design energy efficiency finance products and programs. Municipalities receiving funding through the federal Energy Efficiency and Conservation Block Grant program may use federal stimulus funds to establish loan-loss reserves or for risk reduction mechanisms to leverage financing for energy efficiency projects.

The Washington State Housing Finance Commission (Commission) may issue revenue bonds to finance loans for energy efficiency and renewable energy improvement projects. The Commission may establish eligibility criteria for financing to allow the Commission to select applicants that are likely to repay the loans.

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: (1) energy self-assessment software tools; (2) energy auditor training curricula for the agricultural sector; (3) an infrastructure of trained energy auditors to assist with on-farm energy audits and identify cost-share assistance for efficiency improvements; and (4) systems to measure cost savings, energy savings and carbon emission reduction benefits resulting from efficiency improvements.

Low-Income Residential Weatherization Program.

Definitions and operational requirements of the low-income residential weatherization program are modified. The term "weatherization" is changed to "sustainable residential weatherization" to allow weatherization funding to be used for energy and resource conservation, energy efficiency improvements, repair, indoor air quality, and health and safety investments. The DCTED 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.

The DCTED and WSU must review energy efficiency programs and weatherization programs administered by the state. By July 1, 2010, the DCTED and WSU must report to the Governor and the Legislature their findings and recommendations. Their recommendations must include:

(1) identification of best practices and opportunities to consolidate and create efficiencies; and (2) legislative action necessary to maximize receipt of federal funding for weatherization and energy efficiency. If the DCTED and WSU find that administrative efficiencies are best achieved by combining functions from one state agency or entity to another, the recommendations must also include identification of statutory changes necessary to ensure an expeditious and efficient transition, including 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), the Workforce Training and Education Coordinating Board, the Employment Security Department, the Washington State Building and Construction Trades Council, the Washington State Apprenticeship and Training Council, and the Office of the Superintendent of Public Instruction to identify the necessary skills and qualifications required for energy audit and energy efficiency services. The Board must develop a curriculum of skills training for energy audits and energy efficiency services, which includes on-the job, classroom, and health and safety training. Training resource money may be provided to: (1) develop and deploy curricula and training programs; (2) expand existing and create new programs for energy audit and energy efficiency services training; and (3) other training activities identified by the director to supplement and expand the skills of the existing workforce.

The director must provide funding to programs that provide skills education and training services to underserved and disadvantaged communities. Community and technical colleges that enroll unemployed workers into training programs as described in the act may receive funding from employers' contributions to the unemployment compensation fund.

Publicly Funded Housing.

The DCTED must review all housing properties in the Housing Trust Fund's real estate portfolio and identify those properties in need of major renovation or rehabilitation. The DCTED must prioritize renovation or rehabilitation projects based on what will achieve the greatest expected monetary and energy savings and also leverage environmentally sustainable technologies, practices, and designs. If funding is made available, the DCTED must accelerate the review of its housing properties and attempt to complete energy audits on at least 25 percent of its properties that are over 25 years in age by June 30, 2011.

Energy Efficiency Assistance Account.

An Energy Efficiency Assistance Account (Account) is created as an appropriated account in the state treasury. Funds in the Account must be used for energy efficiency assessments, audits, or improvements, except for those appropriations and federal funds that must be used for low-income weatherization residential weatherization. Gifts, grants, and endowments from public or private sources may be deposited into the Account. The Account must receive \$30 million of energy-related federal funding.

Appropriation: None.

Fiscal Note: Available on substitute bill. New fiscal note on engrossed second substitute bill requested on March 13, 2009.

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