

HOUSE BILL REPORT

HB 1007

As Reported by House Committee On:
Technology, Energy & Communications
Capital Budget

Title: An act relating to creating a sustainable energy trust.

Brief Description: Creating a sustainable energy trust.

Sponsors: Representatives Morris, Chase, Morrell, Liias, Anderson, Upthegrove, Seaquist, Hudgins and Moeller.

Brief History:

Committee Activity:

Technology, Energy & Communications: 1/26/09, 2/12/09 [DPS];
Capital Budget: 2/24/09, 2/27/09 [DP2S(w/o sub TEC)].

Brief Summary of Second Substitute Bill

- Directs the Housing Finance Commission to develop and implement a sustainable energy trust program to provide financing for energy efficiency improvements.
- Includes owners of residential, agricultural, commercial, state, or municipal properties as eligible applicants for financing through the sustainable energy trust program.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives McCoy, Chair; Eddy, Vice Chair; Crouse, Ranking Minority Member; Carlyle, Finn, Hasegawa, Hudgins, Jacks, McCune, Morris, Takko and Van De Wege.

Minority Report: Without recommendation. Signed by 3 members: Representatives Haler, Assistant Ranking Minority Member; Condotta and Herrera.

Staff: Scott Richards (786-7156)

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

Background:

Housing Finance Commission.

The Housing Finance Commission (Commission) was established by the Legislature in 1983 to act as a financial conduit which, without using public funds or lending the credit of the state or local government, can issue revenue bonds and participate in federal, state, and local housing programs. In setting up the Commission, the Legislature sought to make available additional funds at affordable rates to help provide housing throughout the state.

The Commission is empowered to:

- issue bonds;
 - invest in, purchase, or make commitments to purchase or take assignments from mortgage lenders of mortgages or mortgage loans;
 - make loans to or deposits with mortgage lenders for the purpose of making mortgage loans; and
 - participate fully in federal and other governmental programs.
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Summary of Substitute Bill:

Energy Efficiency and Renewable Energy Improvement Loans.

The Commission must make available secured loans to certified applicants for the purpose of providing financing for all or part of the project costs of any energy efficiency improvement or renewable energy improvement. The period of such loans is 10 years for energy efficiency improvements and 25 years for renewable energy improvements. The Commission must periodically issue Sustainable Energy Trust bonds for the purpose of financing the project costs of energy efficiency improvements and renewable energy improvements. The Commission must provide payments to vendors for energy efficiency improvement and renewable energy improvement projects with certified applications. The Commission may recover its cost associated with executing the responsibilities through the issuance of bonds.

Certified Application.

The Washington State University's Climate and Rural Energy Development Center (Center) is responsible for certifying the energy efficiency and renewable energy improvements. In order to receive a certified application a property owner must obtain a binding fixed bid price from a vendor for the energy efficiency improvement or renewable energy improvement on a property owner's property. The binding fixed bid price must be provided to the Center as part of the application process in this section.

A property owner must submit an application in a form and manner prescribed by the Center that includes, but is not limited to, the following information:

- the name and address of the property owner and location of where the energy efficiency improvement or renewable energy improvement will be installed;

- the name and address of the vendor of the energy efficiency improvement or renewable energy improvement; and
- a copy of the invoice from the vendor to the property owner that details the energy efficiency improvement or renewable energy improvement to be made and the binding fixed bid price of the energy efficiency improvement or renewable energy improvement.

The Center must collect an application fee from the property owner in order to cover the cost to certify the application. Within 30 days of receipt of the application, the Center must advise the property owner in writing whether the energy efficiency improvement, or renewable energy improvement, qualifies as a certified application and provide the Commission with a copy of the certified application.

A project's cost includes the costs of:

- the construction of improvements;
- architectural, engineering, consulting, accounting, and legal costs related directly to the development, financing, and construction of improvements;
- finance costs, the costs of issuing Sustainable Energy Trust bonds, and costs incurred in carrying out any trust agreement;
- the refunding of any outstanding obligations incurred for certain costs; and
- other costs incidental to any of the costs listed.

"Energy efficiency improvement" means an installation or modification that is designed to reduce energy consumption in residential or commercial buildings. The term includes, but is not limited to: (a) insulation; (b) storm windows and doors; (c) automatic energy control systems; (d) heating, ventilating, or air conditioning and distribution system modifications or replacements in buildings or central plants; (e) caulking and weather stripping; (f) energy recovery systems; and (g) day lighting systems.

"Renewable energy improvement" means a fixture, product, system, device, or interacting group of devices installed behind the meter of any residential or commercial building that produces energy from renewable resources. The term includes, but is not limited to: (a) photovoltaic systems; (b) solar thermal systems; (c) small wind systems; (d) biomass systems; and (e) geothermal systems.

Substitute Bill Compared to Original Bill:

The substitute bill removes provisions permitting consumer-owned utilities, electric utilities, and natural gas utilities to collect a monthly system benefits charge (called a "smart and sustainable energy charge") from all retail electricity or natural gas customers served by the utility. Requirements for investor-owned utilities to submit a Sustainable Energy Trust proposal to the Utilities and Transportation Commission are removed. Requirements for consumer-owned utilities to submit to its governing board for approval of a Sustainable Energy Trust proposal before collecting a smart and sustainable energy charge are removed. The definitions for "smart energy" and "sustainable energy resources" are removed. The substitute bill removes provisions relating to the Sustainable Energy Trust Fund Account.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Homeowners and utilities would be provided with a resource to allow them to install new distributed energy generation technologies. This bill is modeled on the Berkley, California model. In Berkley, homeowners voluntarily levy their property tax assessment for a certain amount to pay for a solar electric system. The City of Berkley sells bonds that pay for the unit and the homeowner pays the cost of the unit on a monthly basis over a number of years. There is a great amount of efficiency to be gained by creating a state system rather than establishing programs on a city by city basis. There is work that needs to be accomplished on how to set up the bonding part of the policy.

(In support with concerns) This bill is the missing piece of the renewable energy puzzle. A voluntary finance program is the next step in accelerating deployment of these technologies.

(Opposed) None.

Persons Testifying: (In support) Representative Morris, prime sponsor; and Naomi Meyer, Washington State Legislative Youth Advisory Council.

(In support with concerns) Carrie Dolwick, Northwest Energy Coalition.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Technology, Energy & Communications. Signed by 15 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Warnick, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Anderson, Blake, Chase, Grant-Herriot, Hope, Jacks, Maxwell, McCune, Orwall, Smith and White.

Staff: Nona Snell (786-7153)

Summary of Recommendation of Committee On Capital Budget Compared to Recommendation of Committee On Technology, Energy & Communications:

An intent section relating to the promotion and development of renewable energy technologies and the application of energy efficiency measures is added.

The detailed requirements related to application certification and administration of the loan program are removed. The bill specifies that the Housing Finance Commission (Commission) must establish eligibility criteria for financing that will enable it to choose eligible applicants who are likely to repay loans funded from the proceeds of commission bonds.

The definition of center is replaced with certifying authority, which is the Washington Climate and Rural Energy Development Center for improvements involving solar electric systems, and any utility company or institution qualified to assess the feasibility and benefits of energy efficiency and renewable energy improvements for improvements involving all other energy efficient and renewable energy systems.

The definition of qualified improvement is modified to mean an energy efficiency improvement approved by a certifying authority or a net metering system, defined in statute.

The definition of certified application is replaced with eligible applicant. Eligible applicant is defined as the owner of a residential, agricultural, commercial, state, or municipal property.

Geothermal heat pump is added to the items included in the definition of energy efficiency improvement.

The following definitions are removed: financing document, project costs, renewable energy improvement, sustainable energy trust bond, sustainable energy trust fund, and user.

The requirements related to the following are removed: fixed bid prices; bond proceeds; bond issuance; and trust agreements.

The Second Substitute Bill.

The Commission is directed to, if economically feasible, develop and implement a sustainable energy trust program to provide financing for energy efficiency improvements that have been approved by a certifying authority or a net metering system defined under RCW 80.60.010. A certifying authority is the Washington Climate and Rural Energy Development Center for improvements involving solar electric systems. For improvements involving all other energy efficient and renewable energy systems, the certifying authority is any utility company or institution qualified to assess the feasibility and benefits of energy efficiency and renewable energy improvements.

The Commission is also directed to participate in federal and other governmental programs, and to contract with a certifying authority to accept applications for energy efficiency and renewable energy improvement projects.

An eligible applicant is defined as an owner of a residential, agricultural, commercial, state, or municipal property.

An energy efficiency improvement is defined as an installation or modification that is designed to reduce energy consumption in residential, agricultural, commercial, state, or municipal properties. It includes, but is not limited to: insulation; storm windows and doors; automatic energy control systems; heating, ventilating, or air conditioning or distribution system modifications or replacements; caulking and weather stripping; energy recovery systems; geothermal heat pumps; and day lighting systems.

Appropriation: None.

Fiscal Note: Requested on February 28, 2009.

Effective Date of Second Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The concept of selling bonds for renewable and conservation energy projects makes sense for a statewide program. This allows the consumer to borrow money for the projects. The Housing Finance Commission would assist by assuring the recovery of payments. There is a possibility of using tax exempt bonds, but taxable bonds may need to be used as well. This would be a voluntary program. Comingling of private and public funds could be deemed unconstitutional. Stakeholder groups are examining if the projects can be done without so much overhead. The technologies need to be analyzed by Washington State University (WSU) or the utilities to make sure the technologies have benefit. This will benefit users by saving money. This would not impact the state's credit, debt, or General Fund. The WSU Extension Energy Program currently certifies solar systems. There is a struggle to fund upfront costs for renewable energy projects. Not all of the public utilities participate in current programs.

(Opposed) None.

Persons Testifying: Representative Morris, prime sponsor; Kim Herman, Housing Finance Commission; and Jake Fey, Washington State University Extension Energy Program.

Persons Signed In To Testify But Not Testifying: None.