

HOUSE BILL REPORT

HB 1642

As Reported by House Committee On:
Environment & Energy

Title: An act relating to allowing the energy savings associated with on-bill repayment programs to count toward a qualifying utility's energy conservation targets under the energy independence act.

Brief Description: Allowing the energy savings associated with on-bill repayment programs to count toward a qualifying utility's energy conservation targets under the energy independence act.

Sponsors: Representatives Doglio, Fey, Peterson, Fitzgibbon, Lekanoff, Ortiz-Self and Tarleton.

Brief History:

Committee Activity:

Environment & Energy: 2/18/19, 2/21/19 [DPS].

Brief Summary of Substitute Bill

- Authorizes each electric utility to offer an on-bill repayment program option to its retail electric customers beginning July 1, 2022.
- Allows the energy savings associated with on-bill repayment programs to count toward a utility's energy conservation targets under the Energy Independence Act.
- Requires the Joint Legislative Audit and Review Committee to study the efficacy of on-bill repayment programs and submit a report to the Legislature by January 1, 2025.

HOUSE COMMITTEE ON ENVIRONMENT & ENERGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Fitzgibbon, Chair; Lekanoff, Vice Chair; Shea, Ranking Minority Member; Boehnke, Doglio, Fey, Mead, Peterson and Shewmake.

Minority Report: Do not pass. Signed by 1 member: Representative Dye, Assistant Ranking Minority Member.

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.

Staff: Nikkole Hughes (786-7156).

Background:

The Energy Independence Act.

The Energy Independence Act (EIA) was approved by voters in 2006. The EIA requires an electric utility with more than 25,000 customers to meet targets for energy conservation and to meet a certain percent of its annual load with eligible renewable resources. Utilities that must comply with the EIA are called "qualifying utilities."

Energy Conservations Targets.

A qualifying utility must pursue all available conservation that is cost-effective, reliable, and feasible. "Conservation" means any reduction in electric power consumption resulting from increases in the efficiency of energy use, production, or distribution.

Every two years, the qualifying utility must review and update an assessment of its achievable cost-effective conservation potential for the subsequent 10-year period. The qualifying utility must establish and make publicly available a biennial acquisition target for cost-effective conservation consistent with its 10-year assessment. At a minimum, each biennial target must be no lower than the qualifying utility's pro rata share for that two-year period of its cost-effective conservation potential for the subsequent 10-year period.

Washington State Housing Finance Commission.

The Washington State Housing Finance Commission (WSHFC) is a quasi-governmental corporation with the authority to issue bonds, make loans, and enter into contracts for the purpose of assisting in making affordable and decent housing available throughout the state. The WSHFC is also authorized to implement a Sustainable Energy Trust Program to provide financing for qualified energy efficiency or renewable energy improvement projects.

Joint Legislative Audit and Review Committee.

The Joint Legislative Audit and Review Committee (JLARC) is a non-partisan legislative agency tasked with conducting performance audits, program evaluations, sunset reviews, and other analyses at the request of the Legislature or the legislative members of the JLARC.

Summary of Substitute Bill:

On-Bill Repayment Program.

Each electric utility may offer an on-bill repayment program option to its retail electric customers beginning July 1, 2022.

An electric utility may provide a participant in an on-bill repayment program with any conservation incentives for which the participant is eligible. An electric utility may prepare a marketing and outreach program to promote its on-bill repayment program as part of its biennial conservation plan under the Energy Independence Act (EIA). The utility may recover reasonable and prudent costs associated with marketing and outreach through its conservation tariff rider.

An electric utility may contract with one or more third-party capital providers for the purposes of implementing an on-bill repayment program. An electric utility is not liable or responsible for remitting or collecting unpaid amounts due toward the balance of projected finance through on-bill repayment. Partial payments of an electric bill must be first applied to the amount owed to the electric utility for utility services. If the utility does not contract with a third-party capital provider, and chooses instead to offer its own capital program, the utility is liable and responsible for remitting or collecting unpaid amounts due toward the balance of projects financed through an on-bill repayment program.

Energy Conservation under the Energy Independence Act.

A qualifying utility may count the conservation savings associated with an on-bill repayment program toward its conservation targets under the EIA, provided that the savings otherwise qualify as cost-effective conservation.

Joint Legislative Audit and Review Committee.

The Joint Legislative Audit and Review Committee (JLARC) must study the efficacy of on-bill repayment programs and submit a report to the Legislature by January 1, 2025. In the study, the JLARC must evaluate whether program efficacy varies by location, utility type, and other variables.

Definitions.

"On-bill repayment program" means a program in which an electric utility facilitates repayment of an energy conservation or renewable energy loan between a customer and a third-party capital provider by providing for the repayment of the loan on the customer's electric utility bill.

"Third-party capital provider" means the Washington State Housing Finance Commission or a nonprofit lender, community bank, or credit union that provides capital for the purpose of making energy conservation or renewable energy loans under an on-bill repayment program.

Substitute Bill Compared to Original Bill:

The substitute bill:

- adds the Washington State Housing Finance Commission as an eligible third-party capital provider for an on-bill repayment program;
- authorizes, rather than requires, an electric utility to offer an on-bill repayment program beginning July 1, 2022;
- removes the provision allowing an electric utility to recover costs associated with upgrading its billing systems to implement an on-bill repayment program through its conservation tariff rider;
- specifies that if an electric utility does not contract with a third-party capital provider to implement an on-bill repayment program, the utility is liable and responsible for remitting or collecting unpaid amounts due toward the balance of projects financed through an on-bill repayment program; and
- requires the Joint Legislative Audit and Review Committee to study the efficacy of on-bill repayment programs and submit a report to the Legislature by January 1, 2025.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

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) On-bill repayment allows retail electric customers to gain access to affordable financing for energy efficiency and renewable energy projects and to overcome the high upfront costs of capital investments. On-bill repayment allows borrowers to finance energy conservation upgrades through third-party providers. Three utilities in the state currently offer on-bill repayment programs on an ongoing or pilot basis. The definition of third-party capital provider should be expanded to include the Washington State Housing Finance Commission (WSHFC). The WSHFC already has the authority to issue bonds and loans for energy efficiency and renewable energy projects under the Sustainable Energy Trust. This type of program could provide access to capital for more multifamily residential housing facilities.

(Opposed) This type of program has not yet been determined to be cost-effective or prudent for customers of regulated utilities. Regulated utilities need more time to evaluate the cost-effectiveness of this program. On-bill repayment would require an extensive and expensive update to utility billing systems.

Persons Testifying: (In support) Representative Doglio, prime sponsor; Carl Seip, Craft3; and Lisa Vatske, Washington State Housing Finance Commission.

(Opposed) Laura Wilkeson, Puget Sound Energy.

Persons Signed In To Testify But Not Testifying: None.