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**SECOND SUBSTITUTE HOUSE BILL 1391**

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

**By** House Appropriations (originally sponsored by Representatives Ramel, Doglio, Duerr, Berry, Pollet, and Reed)

AN ACT Relating to energy in buildings; amending RCW 70A.50.010; adding new sections to chapter 70A.50 RCW; and creating new sections.

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

NEW SECTION. **Sec.**  The legislature recognizes the findings in the 2021 state energy strategy, which reports that improving the energy efficiency of buildings is the most cost-effective means to meet the state's emissions and energy goals for buildings. While there have been significant energy efficiency savings achieved in the state over the past four decades, there remains enormous potential to achieve even greater savings in existing buildings. Increasing access to energy efficiency improvements, such as weatherization measures and installation of highly efficient electric appliances, in residential and nonresidential buildings achieves many benefits including reducing energy bills, avoiding the need for new electricity generating facilities and electricity transmission, and creating living wage jobs.

The legislature also recognizes the 2021 state energy strategy's electrification scenario findings that the amount of fossil natural gas delivered to buildings must be reduced by 90 percent from 2020 to 2050 to meet the state's emissions limits. The electrification scenario indicates substantial near-term and long-term benefits from energy reduction measures in buildings. This points to the value of early and aggressive action to improve energy efficiency, including electrification and other efficiency measures in buildings. Implementing multiple measures simultaneously in each building and achieving a high level of market penetrations will achieve economies of scale and help lower costs of energy upgrades.

Furthermore, in order to put the state on a pathway to meeting the emissions limits as outlined in RCW 70A.45.020, the strategy recommends widespread conversion of fossil fuel end uses to electricity, to deploy more demand responsive and energy efficiency technologies, and to increase the supply of electricity from renewable energy.

The 2022 report to the legislature on state weatherization plus health programs recommends the state provide funding to expand the suite of weatherization and community energy efficiency program services statewide, prioritizing multifamily housing, fossil fuel-heated housing, and high energy burden communities.

It is the intent of the legislature that financial and technical assistance programs be expanded to direct local, state, and federal funds as well as electric and natural gas utility funding towards greater achievement of energy efficiency improvements. To this end, the legislature establishes a policy goal of providing cost-effective electrification and energy efficiency services to the state's residential and commercial buildings over the next 10 years. The legislature also intends to attain this goal in part through supporting programs for state registered apprenticeship programs and other clean energy career pathway programs, and that there is a maximum living wage job creation in fields related to building energy retrofits.

By leveraging state resources available through the climate commitment act, the legislature intends to rapidly leverage the various funding streams created in the federal inflation reduction act and the federal infrastructure investment and jobs act and ensure that our state has projects ready and optimizes all available federal resources. Washington's approach to this work will ensure that low-income and moderate-income Washingtonians can fully benefit from federal investment.

**Sec.**  RCW 70A.50.010 and 2020 c 20 s 1410 are each amended to read as follows:

The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Administrator" means an entity including, but not limited to, a nonprofit corporation or community-based organization. An administrator may not be an energy utility.

(2) "Customers" means residents, businesses, and building owners.

((~~(2)~~)) (3) "Department" means the department of commerce.

(4) "Direct outreach" means:

(a) ((~~The~~)) Outreach including, but not limited to, the use of door-to-door contact, community events, online advertising, vendor promotions, and other methods of direct interaction with customers to inform them of energy efficiency and weatherization opportunities in coordination with local utilities; and

(b) The performance of energy audits.

((~~(3)~~)) (5) "Electrification services" includes:

(a) Energy audits;

(b) Evaluations of on-site renewable energy, heat pumps and heat pump water heaters, efficient electric appliances, and electric vehicle charging; and

(c) Assistance with paperwork, arranging for financing, program design and development, and other postenergy audit assistance and education to help customers meet their energy savings goals.

(6) "Energy audit" means an assessment of building energy efficiency and fossil fuel reduction opportunities, from measures that require very little investment and without any disruption to building operation, normally involving general building operational measures, to low or relatively higher cost investment, such as installing timers to turn off equipment, replacing light bulbs, installing insulation, replacing equipment and appliances with higher efficiency equipment and appliances or appliances and equipment that do not use fossil fuels, and similar measures. The term includes an assessment of alternatives for generation of heat and power from renewable energy resources, including but not limited to installation of solar water heating and equipment for photovoltaic electricity generation and storage.

((~~(4)~~)) (7) "Energy efficiency and conservation block grant program" means the federal program created under the energy independence and security act of 2007 (P.L. 110-140).

((~~(5)~~)) (8) "Energy efficiency services" means energy audits, ((~~weatherization,~~)) energy efficiency retrofits, energy management systems as defined in RCW 39.35.030, smart metering, and other activities to reduce a customer's energy consumption, and includes assistance with paperwork, arranging for financing, program design and development, and other postenergy audit assistance and education to help customers meet their energy savings goals.

((~~(6)~~)) (9) "Energy services" means electrification services and energy efficiency services.

(10) "Low-income ((~~individual~~))" means ((~~an individual whose annual~~)) household income ((~~does~~)) as defined by the department, provided that the definition may not exceed ((~~eighty~~)) 80 percent of ((~~the area~~)) median household income ((~~for the metropolitan, micropolitan, or combined statistical area in which that individual resides as determined annually by the United States department of housing and urban development~~)) adjusted for household size, for the county in which the dwelling unit is located.

(11)(a) "Overburdened community" means a geographic area where a vulnerable population faces combined, multiple environmental harms and health impacts or risks due to exposure to environmental pollutants or contaminants through multiple pathways, which may result in significant disparate adverse health outcomes or effects.

(b) "Overburdened community" includes, but is not limited to:

(i) A highly impacted community as defined in RCW 19.405.020;

(ii) Communities located in census tracts that are fully or partially on "Indian country" as defined in 18 U.S.C. Sec. 1151; and

(iii) Populations, including Native Americans or immigrant populations, who may be exposed to environmental contaminants and pollutants outside of the geographic area in which they reside based on the populations' use of traditional or cultural foods and practices, such as the use of resources, access to which is protected under treaty rights in ceded areas, when those exposures in conjunction with other exposures may result in disproportionately greater risks, including risks of certain cancers or other adverse health effects and outcomes.

(c) An overburdened community identified by the department may include the same communities as those identified by the department through its process for identifying overburdened communities under RCW 70A.02.010.

((~~(7)~~)) (12) "Sponsor" means any entity or group of entities that submits a proposal under RCW 70A.50.020, including but not limited to any nongovernmental nonprofit organization, local community action agency, tribal nation, community service agency, public service company, county, municipality, publicly owned electric, or natural gas utility.

((~~(8)~~)) (13) "Sponsor match" means the share, if any, of the cost of efficiency improvements to be paid by the sponsor.

((~~(9)~~)) (14) "Weatherization" means ((~~making energy and resource conservation and energy efficiency improvements~~)) activities that achieve one or more of the following: (a) Energy and resource conservation; (b) energy efficiency improvements; (c) repairs, indoor air quality improvements, and health and safety improvements; and (d) client education.

NEW SECTION. **Sec.**  A new section is added to chapter 70A.50 RCW to read as follows:

(1)(a) The department is authorized to establish and oversee a statewide building energy upgrade navigator program. The purpose of the navigator program is to provide a statewide resource to assist building owners and renters with accessing electrification services and energy efficiency services, funding, and any other assistance that will result in the reduction of greenhouse gas emissions, job creation, business opportunities, and workforce development in the building sector.

(b) The department must coordinate and collaborate with the Washington State University extension energy program on the design, administration, and implementation of the navigator program.

(c) The department may consult with other programs, entities, and stakeholders, including energy utilities, as the department determines to be appropriate on the design, administration, and implementation of the navigator program.

(2)(a) The department must contract with an administrator or administrators to implement the navigator program on behalf of the state. The administrator or administrators must be selected through a competitive process, and contracts may not exceed five years in duration. The administrator contracts may be funded with any eligible funds for such purpose, including state and federal dollars.

(b) The department must ensure the requirements of the navigator program are being met through the contract terms with the administrator or administrators. The department must include performance metrics in any administrator's contract that are sufficient to allow the department, the legislature, and the technical advisory group established in section 4 of this act to evaluate the energy savings, greenhouse gas emissions reductions, consumer cost savings, wage and employment impacts,including opportunities for minority and women-owned businesses, services delivered to low-income and overburdened communities, nonenergy benefits, and customer satisfaction resulting from the administrator's operation of the navigator program.

(c) The department must enter into a contract with an administrator or administrators by March 1, 2024. The legislature intends for the administrator or administrators to begin providing as many of the services outlined in this section as possible immediately and recognizes that it may take more time for some services to be provided than others. Therefore, the administrator or administrators must first focus on providing clear education and community outreach to customers on navigating through relevant funding opportunities and leverage existing energy utility programs.

(3) The administrator or administrators of the navigator program must align this program with programs and funding authorized under the federal inflation reduction act and the federal infrastructure investment and jobs act and, to the extent consistent with such alignment:

(a) Provide outreach and deliver energy services to: (i) Residential building owners and renters; (ii) owners of commercial buildings under 20,000 square feet; and (iii) owners and occupants of single-family and multifamily dwellings;

(b) Strive for coverage for all geographic regions in the state;

(c) Support energy efficient and emissions reductions alternatives for buildings that use all types of fuel;

(d) Develop strategies to ensure that the navigator program prioritizes services to low-income households, vulnerable populations, and overburdened communities identified by the department, including tribal communities, and consider the energy decarbonization pathways examination of the natural gas decarbonization study conducted by the utilities and transportation commission as required by chapter 334, Laws of 2021. Strategies may include dedicating a portion of the navigator program funding for these prioritized services;

(e) Support the integrated implementation of all relevant energy utility energy efficiency programs, any available community programs, and all relevant clean buildings programs funded in any state budget including, but not limited to, the following programs:

(i) High efficiency electric home rebate program, as described in chapter . . . . . (House Bill No. . . . . . (the omnibus capital appropriations act)), Laws of 2023;

(ii) Energy burden reduction grant program using the existing network of the federal low-income home energy assistance program to provide low-income households with energy utility bill assistance, as described in chapter . . . . . (House Bill No. . . . . . (the omnibus operating appropriations act)), Laws of 2023;

(iii) Weatherization plus health program, as described in chapter . . . . . (House Bill No. . . . . . (the omnibus capital appropriations act)), Laws of 2023; and

(iv) Inflation reduction act home owner managing energy savings rebate program, as described in chapter . . . . . (House Bill No. . . . . . (the omnibus capital appropriations act)), Laws of 2023; and

(f) Develop a contractor network to assist with finding and accessing qualified energy contractors for customers as outlined in subsection (5)(a) of this section and coordinate with existing energy utility contractor network programs. The contractor network must consist of contractors that, at a minimum, have met or are committed to meeting any training requirements or other qualifying provisions required by the administrator or recommended by the technical advisory group established in section 4 of this act. The administrator must conduct targeted outreach, and coordinate with the office of minority and women's business enterprises as created in RCW 39.19.030, to ensure the contractor network consists of a diversity of contractors across the state.

(4) The outreach to customers as required in subsection (3) of this section must include:

(a) Creating and maintaining updated and educational marketing materials, which must include advice about all relevant funds and financial assistance available from federal, state, local, and energy utility programs including, but not limited to, incentives, tax credits, grants, loan programs, or other support;

(b) Providing currently scientific and industry accepted strategies for energy and electrification upgrades through information programs, planning tools, and direct technical support where possible;

(c) Assistance with performing or accessing energy audits to provide recommendations to customers on a wide range of cost-effective energy and health improvements where relevant including, but not limited to:

(i) Weatherization, including adding insulation, sealing cracks, and making other changes that reduce heat loss, save money on heating bills, and improve the health and safety of buildings;

(ii) Electric appliance conversions or upgrades;

(iii) Electrification, including installation of space heat pumps, heat pump hot water heaters, and electric panel upgrades and wiring;

(iv) Information regarding the availability of smart meter technology provided by electric utilities;

(v) Solar photovoltaic panels, battery storage, and other on-site sources of renewable energy;

(vi) Electric vehicle charging; and

(vii) Smart thermostats; and

(d) Providing community outreach in collaboration with the department's programs and energy utility programs to reach and serve underserved communities.

(5) The energy services for customers as required in subsection (3) of this section must include:

(a) Assistance with finding and accessing qualified energy contractors to implement energy audit recommendations;

(b) Recommendations for programs customers may be eligible for based on income, in coordination with agencies delivering income qualified services, including the department's weatherization plus health program; and

(c) Assistance with securing financing.

(6) To assist the technical advisory group established in section 4 of this act, the administrator must convene labor representatives, participating contractors, and other stakeholders, to evaluate whether and how a workforce agreement could streamline project implementation where multiple funding sources have various program reporting requirements.

(7) The administrator may directly administer incentives and rebates for programs as directed by the department.

(8) The administrator may not provide any financial or technical assistance for any projects that include installation of new natural gas or other fossil fuel appliances.

(9) The administrator may develop a database portal to identify and track:

(a) The geographic location of services provided;

(b) Customer interactions; and

(c) Performance metrics for work completed.

(10) The department must report to the legislature on the implementation of the statewide building energy upgrade navigator program.

(a) The report must include detail on the following performance metrics:

(i) Monetary, greenhouse gas, and energy savings achieved;

(ii) Savings to investment ratio achieved for customers;

(iii) Wage levels of jobs created;

(iv) Utilization of state registered preapprentice and apprenticeship programs;

(v) Efficiency and speed of delivery of services;

(vi) Public health benefits, including indoor and outdoor air quality improvements and increased access to cooling for climate resilience; and

(vii) Reduction of energy burdens for low-income and moderate-income residents.

(b) The report must include recommendations for additional energy efficiency, electrification, and distributed energy programs for customers to: (i) Maximize deployment of energy efficiency services; (ii) achieve higher rates of penetration and economies of scale related to implementing multiple measures simultaneously; and (iii) close gaps in funding and services that restrict access for low-income and moderate-income residents.

(c) The department's report to the legislature is due by September 1st of even-numbered years.

(11) Nothing in this section may supplant energy efficiency programs administered by energy utilities.

NEW SECTION. **Sec.**  A new section is added to chapter 70A.50 RCW to read as follows:

(1) The department must convene a technical advisory group by December 1, 2023, to provide ongoing guidance to the statewide building energy upgrade navigator program established in section 3 of this act. The technical advisory group's guidance must include recommendations on how to continuously improve and grow the program, address any gaps in program design and implementation, address split incentives, and how to incorporate the department of health's environmental health disparities mapping tool into the work of the navigator program.

(2) The technical advisory group must make recommendations regarding workforce development, contractor needs, and needed training curriculum.

(3) The technical advisory group may recommend expanding the size of the projects to buildings above 20,000 square feet, including schools, which would potentially be paired with adding consolidated labor standards.

(4) In consultation with the evaluation in section 3(6) of this act, the technical advisory group must make recommendations about how to ensure that projects supported by the navigator program pay workers at least a rate consistent with the prevailing rate of wage pursuant to RCW 39.12.010 and to ensure there is a pathway for small businesses and minority and women-owned contractors to comply with program requirements.

(5) Technical advisory group members must be appointed by the department. The department must strive to appoint members representing the geographical diversity of the state. Membership must consist of the following:

(a) Seven members representing low-income and overburdened communities to include:

(i) Five from community-based organizations that represent communities disproportionately burdened by pollution and environmental hazards;

(ii) One from a tribe whose treaty rights are connected to the lands and waterways of Washington; and

(iii) One from the low-income weatherization advisory board;

(b) Three members representing labor and workforce to include:

(i) One from construction labor;

(ii) One from the electrician trades; and

(iii) One from an organization involved in workforce training;

(c) Three members representing industry to include:

(i) One from the heating, ventilation, and air conditioning industry;

(ii) One from a minority and women's business contractor or a minority and women's business training provider or advocate; and

(iii) One from the financial services industry;

(d) Two members representing utilities to include:

(i) One from an investor-owned utility;

(ii) One from a consumer-owned utility; and

(e) Three members representing the environment to include:

(i) Two with a depth of experience in greenhouse gas emissions reduction and climate resiliency; and

(ii) One from the Washington State University extension energy program.

(6) By December 1st of every year, the technical advisory group must provide a progress report on the implementation of the statewide building energy upgrade navigator program to the legislature.

NEW SECTION. **Sec.**  If specific funding for the purposes of this act, referencing this act by bill or chapter number, is not provided by June 30, 2023, in the omnibus appropriations act, this act is null and void.

**--- END ---**