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**HOUSE BILL 1391**

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

**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 a new section.

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 municipal 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 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 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.

Furthermore, the legislature finds that improving the energy efficiency of, and reducing the greenhouse gases from, residential buildings are critical to meeting the state's adopted climate goals. The legislature finds that making information about energy efficiency and greenhouse gas emissions available to homebuyers will help buyers make more informed decisions and will cause the housing market to better value energy efficiency and greenhouse gas emissions. The legislature further finds that other states have energy labeling programs in place that are both proven and effective. The legislature further finds that energy labeling is a multifaceted issue that requires collaborative effort between real estate professionals, environmental advocates, low-income housing representatives, and other involved parties to identify how labeling should be designed and implemented. Therefore, the legislature intends to establish a task force with the goal of developing a method for energy labeling of residential buildings.

**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; and

(b) The performance of energy audits.

((~~(3)~~)) (5) "Electrification services" includes energy audits, assistance converting to on-site renewable energy, installing heat pumps and heat pump water heaters, electric appliance replacement, electric vehicle charging, 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) "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.

((~~(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 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 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 and the legislature to evaluate the energy savings, greenhouse gas emissions reductions, consumer cost savings, wage and employment impacts, 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.

(3) The administrator or administrators of the navigator program must:

(a) Provide outreach and deliver energy services to: (i) Owner-occupied and rental residences; (ii) commercial buildings under 20,000 square feet; and (iii) 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 all types of fuel used in buildings;

(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 having considered recommendations 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) To the extent possible, support accessible administration of programs authorized under the federal inflation reduction act;

(f) Support the integrated implementation of 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

(g) Implement a contractor qualification process to assist with finding and accessing qualified energy contractors for customers as outlined in subsection (5)(a) of this section. The contractor qualification process must include, but is not limited to, meeting program labor standards and program reporting requirements. Contractor qualification must consider contractor inclusion plans in coordination with the office of minority and women's business enterprises as created in RCW 39.19.030.

(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) Assistance with performing 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) Appliance upgrades;

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

(iv) Smart meters;

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

(vi) Electric vehicle charging; and

(vii) Smart thermostats; and

(c) Providing community outreach in collaboration with the department's 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) Income qualification services and recommendations for programs customers may be eligible for based on income, including the department's weatherization plus health program; and

(c) Assistance with securing financing.

(6)(a) The administrator must develop community workforce agreements between labor representatives and contractors for the work performed on projects funded by the program.

(b) In developing the terms and conditions of community workforce agreements, the administrator shall consider the size and complexity of the projects, number of trades and crafts anticipated to be used on the projects, availability of trained and skilled craft workers, and geographic location of the projects.

(c) At a minimum, any community workforce agreement must:

(i) Establish goals or criteria for labor hours or percentage of work to be performed by underrepresented groups, including women and minority-owned businesses, and veterans;

(ii) Establish goals or criteria for labor hours or percentage of work to be performed by local residents;

(iii) Establish goals or criteria for labor hours or percentage of work to be performed by state registered apprentices approved by the Washington state apprenticeship and training council; and

(iv) Provide that workers performing work on projects under a community workforce agreement are paid a wage rate that is at least equivalent to the prevailing wage rate of workers, laborers, or mechanics in the same trade or occupation in the locality in which the work is being performed.

(d) The administrator must identify statewide workforce and contractor training needs and develop training curriculum.

(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 including, but not limited to, the implementation of community workforce agreements.

(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; and

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

(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; and (ii) achieve higher rates of penetration and economies of scale related to implementing multiple measures simultaneously.

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

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) Technical advisory group members must be appointed by the department and must include one person representing each of the following:

(a) Construction labor;

(b) Electrician trades;

(c) Construction industry;

(d) Washington State University extension energy program;

(e) The department's energy office;

(f) Low-income communities;

(g) Low-income weatherization advisory board;

(h) Investor-owned utilities;

(i) Consumer-owned utilities;

(j) The house of representatives; and

(k) The senate.

(3) 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.

**--- END ---**