

HOUSE BILL REPORT

2SHB 1391

As Passed House:
February 28, 2023

Title: An act relating to energy in buildings.

Brief Description: Concerning energy in buildings.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Ramel, Doglio, Duerr, Berry, Pollet and Reed).

Brief History:

Committee Activity:

Environment & Energy: 1/24/23, 1/31/23, 2/9/23 [DPS];
Appropriations: 2/21/23, 2/23/23 [DP2S(w/o sub ENVI)].

Floor Activity:

Passed House: 2/28/23, 56-41.

Brief Summary of Second Substitute Bill

- Directs the Department of Commerce to contract with one or more administrators to establish a Statewide Building Energy Upgrade Navigator Program (Navigator Program) by March 1, 2024.
- Requires the administrator(s) to align the Navigator Program with programs and funding under the federal Inflation Reduction Act and the federal Infrastructure Investment and Jobs Act, provide outreach, and deliver energy services to residential building owners and renters, owners of commercial buildings under 20,000 square feet, and owners and occupants of single-family and multifamily buildings.
- Requires Commerce to convene a technical advisory group to provide ongoing guidance to the Navigator Program by December 2023, and to report to the Legislature.

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

HOUSE COMMITTEE ON ENVIRONMENT & ENERGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Doglio, Chair; Mena, Vice Chair; Berry, Duerr, Fey, Lekanoff, Ramel, Slatter and Street.

Minority Report: Do not pass. Signed by 6 members: Representatives Dye, Ranking Minority Member; Ybarra, Assistant Ranking Minority Member; Abbarno, Barnard, Couture and Goehner.

Staff: Megan McPhaden (786-7114).

HOUSE COMMITTEE ON APPROPRIATIONS

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 Environment & Energy. Signed by 18 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Berg, Chopp, Davis, Fitzgibbon, Lekanoff, Pollet, Riccelli, Ryu, Senn, Simmons, Slatter, Springer, Stonier and Tharinger.

Minority Report: Do not pass. Signed by 12 members: Representatives Stokesbary, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Corry, Assistant Ranking Minority Member; Chandler, Connors, Couture, Dye, Harris, Rude, Sandlin, Schmick and Steele.

Staff: Jackie Wheeler (786-7125).

Background:

2021 State Energy Strategy.

The Department of Commerce (Commerce) was directed in 2019 to update the State Energy Strategy, and to align the strategy with the requirements of the Energy Independence Act, the Clean Energy Transformation Act, and the state's greenhouse gas emissions reduction targets. Commerce published the State Energy Strategy in 2021.

Utilities and Transportation Commission's Natural Gas Decarbonization Study.

The enacted 2021-23 State Operating Budget required the Utilities and Transportation Commission to examine pathways for electric and natural gas utilities to contribute their share to greenhouse gas emissions reduction targets, and the impacts of energy decarbonization on residential and commercial customers and utilities. The study is required to identify and consider how natural gas utilities can decarbonize, as well as examine potential policy changes to facilitate decarbonization of the services that gas companies provide, among other requirements. The report is due to the Legislature by June 1, 2023.

State Funding for Programs Related to Energy in Buildings.

The state's budgets provide funding for multiple programs related to energy in buildings. The Governor's proposed Operating Budget and Capital Budget for the 2021-23 fiscal biennium include new funding for programs related to energy in buildings, which include the following programs:

- **High Efficiency Electric Home Rebate Program:** with capital budget funds, Commerce would provide grants to third-party administrators for heat pump and other high-efficiency electric equipment rebates, with a focus on low and moderate income households and small businesses. Commerce must implement a statewide high efficiency electric equipment program to include providing education, outreach, grants, coordination, and technical assistance.
- **Energy Burden Reduction Grant Program:** with Operating Budget funds, Commerce would provide utility bill assistance through the existing network of federal Low-Income Home Energy Assistance Program (LIHEAP) grantees. The program would connect households with an energy assessment to include determining needs for cooling and heating system upgrades.
- **Weatherization Plus Health Program:** with Capital Budget funds, Commerce provides funding and oversight to community based organizations to deliver affordable housing preservation and efficiency upgrades by providing repairs, health and safety improvements, and installation of energy efficiency measures in low-income communities. With a set aside portion of these funds, the Washington State University Extension Energy Program provides Community Energy Efficiency Program (CEEP) grants to homeowners, tenants, and small business owners for energy efficiency investments. The CEEP includes education, marketing, workforce support, and direct consumer incentives for building upgrades.
- **Inflation Reduction Act Home Owner Managing Energy Savings (HOMES) Rebate Program:** this new program, with funding proposed for Commerce in the capital budget, would provide rebates for energy efficiency upgrades.

Summary of Second Substitute Bill:

Establishment of Statewide Building Energy Upgrade Navigator Program.

The Department of Commerce (Commerce) must establish a Statewide Building Energy Upgrade Navigator Program (Navigator Program) to help building owners access electrification and energy efficiency services and funding, and to reduce greenhouse gas emissions, create jobs and business opportunities, and develop the building sector workforce. The Navigator Program must be administered to the extent that it is consistent with programs and funding authorized under the federal Inflation Reduction Act and the federal Infrastructure Investment and Jobs Act. Nothing about the Navigator Program may supplant energy efficiency programs administered by energy utilities.

Commerce must coordinate and collaborate with the Washington State University Extension Energy Program, and may consult with others, on the design, administration, and

implementation of the Navigator Program.

By March 1, 2024, Commerce must contract with one or more administrators to run the Navigator Program. The administrator(s) may be an entity including a nonprofit organization or community organization, but may not be an energy utility. Administrator contracts may not exceed five years and contracts must include performance metrics.

Outreach and Energy Services Requirements for the Navigator Program's Administrator(s). It is the Legislature's intent that the administrator(s) provide services immediately, but as it may take more time for some of the required services to be provided than others, the administrator(s) must first focus on education and outreach to customers on navigating through relevant funding opportunities and leverage existing energy utility programs.

Striving to serve all regions of the state, the administrator(s) must provide outreach and deliver energy services, which include both electrification and energy efficiency services, to: (1) residential building owners and renters; (2) owners of commercial buildings under 20,000 square feet; and (3) owners and occupants of single-family and multifamily dwellings.

The administrator(s) must:

- support energy efficient and emissions reductions alternatives for buildings that use all types of fuel;
- develop strategies to ensure that the Navigator Program prioritizes services to low-income households, vulnerable populations, and overburdened communities, including tribal communities, and consider energy decarbonization pathways of the Utilities and Transportation Commission's natural gas decarbonization study;
- support the integrated implementation of all relevant energy utility energy efficiency programs, any available community programs, and all clean building programs funded by the state, including the High Efficiency Electric Home Rebate program, Energy Burden Reduction Grant program, Weatherization Plus Health Program, and Inflation Reduction Act Home Owner Managing Energy Savings (HOMES) Rebate Program; and
- develop a contractor network to assist with finding and accessing qualified energy contractors for customers and coordinate with existing energy utility contractor network programs. This network must consist of contractors that are committed to meeting any training requirements or other provisions required by the administrator(s) or recommended by the Technical Advisory Group. The administrator(s) must conduct targeted outreach and coordinate with the Office of Minority and Women's Business Enterprises.

Specifically, regarding outreach, the administrator(s) must:

- create and maintain updated and educational marketing materials, to include advice about all funds and financial assistance available from federal, state, local, and energy utility programs;

- provide scientific and industry-accepted strategies for energy and electrification upgrades through information programs, planning tools, and technical support where possible;
- assist with performing or accessing energy audits. Energy audits are assessments of building energy efficiency and fossil fuel reduction opportunities, including replacing appliances and equipment that do not use fossil fuels. Energy audits must provide recommendations on improvements including: (1) weatherization; (2) electric appliance conversions or upgrades; (3) electrification; (4) information on the availability of smart meter technology provided by utilities; (5) solar photovoltaic panels, battery storage, and other on-site renewable energy; (6) electric vehicle charging; and (7) smart thermostats; and
- provide outreach in coordination with local utilities in collaboration with Commerce's programs to reach and serve underserved communities.

Specifically, regarding energy services, the administrator(s) must assist with:

- electrification, including energy audits, and evaluations of on-site renewable energy, heat pumps and heat pump water heaters, efficient electric appliances, and electric vehicle charging;
- energy efficiency, meaning energy audits, weatherization, energy efficiency retrofits, energy management systems, and smart metering;
- arranging and securing financing, program design and development, and other post-energy audit assistance and education to help customers meet energy savings goals;
- finding and accessing qualified energy contractors to implement energy audits; and
- recommendations for programs based on income eligibility.

The administrator(s) may:

- directly administer program incentives and rebates as directed by Commerce; and
- develop a database portal to identify and track the location of services provided, customer interactions, and performance metrics.

The administrator(s) may not provide any assistance for projects that include installing new natural gas or other fossil fuel appliances.

Reporting.

Every even-numbered year on September 1 Commerce must report on the implementation of the Navigator Program to the Legislature. The report must include detail on specific performance metrics, as well as recommendations for additional energy programs for customers. Performance metrics must include: (1) monetary, greenhouse gas, and energy savings achieved; (2) savings to investment ratio achieved for customers; (3) wage levels of jobs created; (4) use of state registered preapprentice and apprenticeship programs; (5) efficiency and speed of service delivery; (6) public health benefits, including air quality improvements and increased access to cooling; and (7) reduction of energy burdens for low-income and moderate-income residents.

Technical Advisory Group to Provide Ongoing Guidance to the Navigator Program.

By December 1, 2023, Commerce must convene a Technical Advisory Group (TAG) to provide ongoing guidance to the Navigator Program. The TAG must provide recommendations for the program on how to improve and grow, address gaps in program design and implementation, address split incentives, incorporate the Department of Health's environmental health disparities mapping tool, workforce development, contractor needs, and needed training curriculum. The TAG may recommend expanding the size of projects to buildings larger than 20,000 square feet, including schools, which could be paired with consolidated labor standards.

The TAG members must be appointed by Commerce, and Commerce must strive to represent the geographical diversity of the state in its appointments. Membership must consist of the following members, with specifications:

- seven members representing low-income and overburdened communities;
- three members representing labor and workforce;
- three members representing industry;
- two members representing utilities; and
- three members representing the environment.

To assist the TAG, the administrator(s) 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. In consultation with this evaluation, the TAG must make recommendations about how to ensure that projects supported by the Navigator Program pay workers at least the prevailing wage and ensure there is a path for small business and minority and women-owned contractors to comply with the Navigator Program.

By December 1 of every year, the TAG must provide an implementation progress report on the Navigator Program to the Legislature.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 28, 2023.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed. However, the bill is null and void unless funded in the budget.

Staff Summary of Public Testimony (Environment & Energy):

(In support) There are so many opportunities to do energy efficiency and clean energy improvements for buildings, but so many people need help every day navigating what to do to upgrade their homes and businesses and how to access programs, incentives, and rebates because it is very confusing at best. There is no statewide guidance to help residents and building owners through incentives and programs. The state needs to lead communication

and outreach. A centralized statewide navigator is needed to help people find what works best for them. This is especially true for low-income and BIPOC and immigrant households. Low and moderate-income people should be prioritized in the clean energy transition and this bill creates more inclusion. The bill couldn't be more timely because the Inflation Reduction Act incentives are already online and the rebates will be by the end of the year. The Statewide Building Energy Upgrade Navigator Program (Navigator Program) will immediately help with providing information and outreach services and over time will expand to help develop and implement a decarbonization strategy that creates tens of thousands of job and business opportunities, and will help us meet our climate goals. This is a win for customers, contractors, builders, utilities, and workers. This will help people save money. This will help us ensure we leverage federal resources. The bill ensures we make good use of public funds. It will connect residents to certified installers, prioritizes women and minority-owned business contractors, and has a purposeful approach to workforce development and quality standards for installers. We can build a new quality clean energy workforce at scale. Other states with navigator programs have success. We support the community-based organization to design and to help the most vulnerable communities in the state, and we support the strong workforce development component. Homeowners want to upgrade to energy efficiency upgrades and alternatives to help deal with potential health and safety risks from gas stoves and smoky summers impacting indoor air quality. But contractors have their own skills and products they are promoting, provide conflicting information about what a house can accommodate, and none had information on what qualified for state and federal tax credits or rebates. Our local utility prioritizes gas updates over electrification. BIPOC communities are the hardest hit with air quality and also need the most to help make a difference for reducing greenhouse gas emissions. This bill will make sure that and that we can supply the need for business owners and communities to be self-sufficient. The final version should include benefits to renters, support for non-native English speakers, and mechanisms to fill funding gaps and cover upfront costs in full for low and moderate incomes. There should be translation services as well. There is a want to amend it to make sure it works for everyone. There is a recommendation to include schools, especially those that may have limited resources, because we heard from them that this could be a valuable resource.

(Opposed) The community workforce agreement (CWA) requirement is a barrier to smaller contracts and isn't necessary to achieve the goal of the bill. These projects are relatively small, and CWAs are best for very large projects for that additional layer of administrative costs. Also, women and minority-owned firms initially thrive on smaller projects so CWAs are a barrier to their participation. These firms don't need a CWA; they can just be put into a contract, and performance metrics should include measuring the use of these firms. There is opposition to requiring a prevailing wage on private projects. The apprenticeship utilization aspect is a barrier; there are not enough approved apprenticeship programs so they should be removed until more of them are approved and we can meet the demands of the current workforce. Instead of limiting the contractors to select from, they should open this to the broadest number of contractors available to benefit the community. If this group certifies contractors, that will increase costs for the Navigator Program because it will limit

how many contractors who can participate.

(Other) Utilities are obligated to achieve a certain level of energy efficiency under the Energy Independence Act and the Clean Energy Transformation Act, and must help overburdened communities. Utilities will continue their own programs to follow these laws. Including direction in the bill establishing coordination between the navigators and utilities would be helpful to make utility programs successful. Financing is the greatest obstacle to achieving energy upgrades, and both federal funds and utility funds will help. The fiscal impacts of this bill are not in the Governor's Capital Budget, but this proposal fits into the energy landscape. The State Energy Strategy found that energy efficiency and electrification are two of the most cost-effective ways to decarbonize Washington's buildings. With many funding opportunities, it can be difficult for building owners and homeowners making efficiency upgrades to determine what opportunities they qualify for. The Navigator Program would clearly guide building owners from start to finish; this would be a one-stop shop for information. Tools that create a place for building owners to access everything they qualify for and get assistance for applying are some of the most effective residential decarbonization tools.

Staff Summary of Public Testimony (Appropriations):

(In support) The federal Inflation Reduction Act is providing millions of dollars for energy efficiency and electrification upgrades, but understanding which incentives, rebates, or tax credits are applicable and at what level is complex. Every resident should be able to join the clean energy movement, not just those with financial resources or capacity to navigate this complex system. The Navigator Program in this bill would provide a trusted resource that will make it easier for residents to claim millions of dollars in incentives to save money and protect our climate. Without this bill, millions of dollars could potentially be left on the table unclaimed. The final version of the bill should include support for non-native English speakers as well as a dedicated mechanism to cover up-front costs for low- and moderate-income households.

(Opposed) None.

Persons Testifying (Environment & Energy): (In support) John Seng, Spark Northwest; Tony Usibelli, Usibelli Consulting; Steve Gelb, Emerald Cities Collaborative; Ali Lee, Health and Equity Alliance; Srinidhi Sampath Kumar, Responsible Minerals Initiative; and Devon Kellogg.

(Opposed) Carolyn Logue, Washington Air Conditioning Association.

(Other) Liz Reichart, Department of Commerce; and Kathleen Collins, PacifiCorp.

Persons Testifying (Appropriations): John Seng, Spark Northwest; and Robert Marino, Thurston Climate Action Team.

Persons Signed In To Testify But Not Testifying (Environment & Energy): None.

Persons Signed In To Testify But Not Testifying (Appropriations): None.