SENATE BILL REPORT
SB 5570

As of February 8, 2023

Title: An act relating to authorizing electric utilities to establish energy efficiency revolving loan programs.

Brief Description: Authorizing electric utilities to establish energy efficiency revolving loan programs.

Sponsors: Senators Lovelett, Trudeau, Hasegawa, Keiser, Nguyen, Nobles, Pedersen, Randall, Rolfes, Saldaña, Valdez and Wilson, C..

Brief History:
Committee Activity: Environment, Energy & Technology: 2/08/23.

Brief Summary of Bill

- Creates the Electric Utility Energy Efficiency Capitalization Grant Program within the Department of Commerce (Commerce) to enable electric utilities to provide residential loan options that create energy efficiency for low-income and moderate-income households
- Authorizes each electric utility to apply to Commerce to receive funding to establish its own Energy Efficiency Revolving Loan Program, which must contain certain elements.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

Staff: Kimberly Cushing (786-7421)

Background: Weatherization. Weatherization is adding insulation, sealing cracks, and making other changes that reduce heat loss and save households money on heating bills. The federal government and Washington State offer weatherization programs, which the Department of Commerce (Commerce) runs for qualified low-income households.

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.

Energy Independence Act. Approved by voters in 2006, the Energy Independence Act (EIA), also known as Initiative 937, requires qualifying electric utilities to meet targets for energy conservation and for using eligible renewable resources. Qualifying utilities are electric utilities with 25,000 or more customers in the state, and there are 18 utilities subject to the EIA.

Qualifying utilities must pursue all conservation that is cost-effective, reliable, and feasible. They need to identify the conservation potential over a ten-year period, and set two-year targets.

Public Utility Tax. The public utility tax (PUT) is imposed on gross income derived from the operation of public and privately owned utilities, including businesses that engage in transportation, communications, and the supply of energy, natural gas, and water. The tax is in lieu of the business and occupation tax. This tax applies only on sales to consumers. There are also varying rates of the PUT, depending on the specific utility activity.

Summary of Bill: Electric Utility Energy Efficiency Capitalization Grant Program. Subject to availability of amounts appropriated for this specific purpose, the Electric Utility Energy Efficiency Capitalization Grant Program (Grant Program) is created within Commerce. The purpose of the Grant Program is to enable electric utilities to provide residential loan options that create energy efficiency for low-income and moderate-income households. Energy efficiency includes weatherization projects, such as insulation upgrades, window replacement, and repairs needed to achieve energy savings.

Commerce must adopt rules to implement the Grant Program.

Energy Efficiency Revolving Loan Programs. Each electric utility may apply to Commerce to receive funding to establish its own Energy Efficiency Revolving Loan Program (program). An electric utility may choose to contract with a third party to implement the program. All programs must include the following elements:

- priority given to properties in overburdened communities as identified by the state's environmental health disparities map;
- determination of income qualification must comply with guidelines adopted by rule;
- all loans must be interest free;
- loans must be secured with a lien on the property that receives the energy efficiency improvement;
- a list of participating contractors must be identified and provided as part of the application process;
- a separate billing system or on-bill repayment program must be provided for participating customers; and
- an energy efficiency revolving loan account, which must receive all loan repayments moneys.

Depending on customer needs and circumstances, an electric utility may offer different loan programs. One program that may be offered is for deferred loans for income-qualified customers that own and occupy their home. The program must:

- cover the full cost of the project;
- allow loan payment to be deferred until the home is sold and the loan balance is paid as part of the sales transaction; and
- allow customers to qualify based on payment history with the electric utility.

A second program may be for forgivable loans for property owners with income-qualified tenants and require:

- an energy audit of the property;
- the property to be continuously occupied by income-qualified tenants for five years after the upgrades; and
- the property owner to keep the rent within the fair market rent during the five-year time period.

If the property owner fails to meet the requirements for a forgivable loan, the loan balance is transferred to a new loan and becomes due when the home is sold.

At least annually, any electric utility that receives Grant Program funding must report to Commerce their program costs, and the number of customers who received program loans.

An electric utility may claim conservation savings from cost-effective measures financed through a program to apply toward EIA conservation targets. Loan program repayments are not subject to the PUT.

Appropriation: None.

Fiscal Note: Requested on January 27, 2023.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.