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**SUBSTITUTE SENATE BILL 5570**

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**State of Washington**

**68th Legislature**

**2024 Regular Session**

**By** Senate Environment, Energy & Technology (originally sponsored by Senators Lovelett, Trudeau, Hasegawa, Keiser, Nguyen, Nobles, Pedersen, Randall, Rolfes, Saldaña, Valdez, and C. Wilson)

READ FIRST TIME 01/22/24.

1 AN ACT Relating to authorizing consumer-owned utilities to  
2 establish energy efficiency revolving loan programs; adding a new  
3 section to chapter 43.330 RCW; adding a new section to chapter 82.16  
4 RCW; adding a new section to chapter 82.04 RCW; creating new  
5 sections; and providing expiration dates.

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

7 NEW SECTION. **Sec. 1.** (1) The legislature finds that energy  
8 efficiency improvements may be costly and although they will pay back  
9 the up-front costs over time in reduced utility bills, many  
10 households do not have the capital or access to lenders at reasonable  
11 rates to make these investments. Furthermore, a property owner of  
12 rental housing may not believe the energy efficiency upgrades will  
13 sufficiently add to the property value to justify the investment,  
14 particularly when their tenant will obtain the benefits of reduced  
15 utility bills.

16 (2) Therefore, the legislature intends to establish a grant  
17 program within the department of commerce to provide funding for  
18 consumer-owned utilities that choose to establish loan programs for  
19 residential energy efficiency improvements that are structured to  
20 overcome the barriers of more traditional financing. As consumer-  
21 owned utilities have a regular relationship with their customers

1 through monthly billings and maintenance of their supply  
2 infrastructure, they are well-positioned to inform their customers of  
3 this potential financing mechanism to lower their utility bills while  
4 doing their part in the transition to a cleaner energy system.

5 (3) Furthermore, the legislature recognizes that federal funding  
6 may be used to provide similar benefits to households that cannot  
7 afford the upfront costs of energy efficiency upgrades but do not  
8 meet the income qualification of certain state programs. Thus, the  
9 legislature encourages the department of commerce to leverage federal  
10 funding to provide residential energy efficiency resources to  
11 moderate-income households whose adjusted income is more than 80  
12 percent of the median family income adjusted for family size.

13 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.330  
14 RCW to read as follows:

15 (1) Subject to the availability of amounts appropriated for this  
16 specific purpose, the residential energy efficiency capitalization  
17 grant program is created within the department. The purpose of the  
18 program is to enable consumer-owned utilities to provide residential  
19 loan options that create energy efficiency opportunities for eligible  
20 households. Energy efficiency includes audits, upgrades, and  
21 retrofits, such as insulation upgrades and window replacement, needed  
22 to achieve energy savings and improve the comfort of buildings.

23 (2) Each consumer-owned utility may apply to the department to  
24 receive funding to establish an energy efficiency revolving loan  
25 program.

26 (3) A consumer-owned utility's program must include the following  
27 elements:

28 (a) Priority for loans must be given to properties in  
29 overburdened communities, with additional consideration for regions  
30 of the state that experience disproportionately high levels of air  
31 contaminants and pollutants related to wildfire smoke;

32 (b) Determination of income qualification for a program must  
33 comply with guidelines adopted by the department by rule;

34 (c) All loans provided under a program must be interest free;

35 (d) Loans provided under a program must be secured with a lien on  
36 the property that received the energy efficiency improvement;

37 (e) A robust consumer protection plan that aligns with guidelines  
38 developed by the department, including information about choosing a  
39 program that meets a customer's budget;

1 (f) A list of participating contractors must be identified and  
2 provided as part of the program application process;

3 (g) Either a separate billing system or an on-bill repayment  
4 program must be provided for participating customers; and

5 (h) A plan for informing and educating residential customers  
6 about the program.

7 (4) A consumer-owned utility must establish an energy efficiency  
8 revolving loan account. The moneys in the account must be used solely  
9 to fulfill commitments arising under this section. All loan repayment  
10 moneys must be deposited into the account.

11 (5) A consumer-owned utility may choose to contract with a third  
12 party to implement a program, provided the third party acts in  
13 accordance with the requirements under this section.

14 (6) Consumer-owned utilities may offer different loan programs  
15 for eligible households depending on the customer needs and  
16 circumstances, including the following:

17 (a) Deferred loans for customers who own and occupy their home.  
18 The program may cover the full cost of a project and must allow:

19 (i) Loan repayment to be deferred until the home is sold, when  
20 the loan balance is paid as part of the sales transaction; and

21 (ii) Customers to qualify based on payment history with the  
22 consumer-owned utility;

23 (b) Forgivable loans for property owners with income-qualified  
24 tenants. If the property owner fails to meet the requirements of  
25 (b)(i) through (iii) of this subsection, the loan balance is  
26 transferred to a new loan and becomes due upon the sale of the home.  
27 The program must require:

28 (i) An energy audit of the property;

29 (ii) The property to be continuously occupied by income-qualified  
30 tenants for five years after the upgrades; and

31 (iii) The property owner keeps the rent within the fair market  
32 rent as determined by the United States department of housing and  
33 urban development during the five-year time period.

34 (7) A consumer-owned utility may claim conservation savings from  
35 cost-effective measures financed through an energy efficiency  
36 revolving loan program and apply these savings toward achieving its  
37 conservation acquisition targets under chapter 19.285 RCW.

38 (8) At least annually, any consumer-owned utility receiving  
39 funding under this section must report to the department their

1 program costs, estimated energy efficiency savings, and the number of  
2 customers who received program loans.

3 (9) Consumer-owned utilities may retain up to five percent of  
4 funds received by the department for administrative costs associated  
5 with the program.

6 (10) Beginning October 1, 2025, and every October thereafter, the  
7 department must submit a brief report to the appropriate committees  
8 of the legislature including, but not limited to, the information  
9 provided by the consumer-owned utilities in subsection (8) of this  
10 section, the number of program applicants the department received,  
11 the total amount of funding loaned to consumer-owned utilities, and  
12 the median loan award provided to participating customers.

13 (11) The department must adopt rules to implement this section.

14 (12) The definitions in this subsection apply throughout this  
15 section unless the context clearly requires otherwise.

16 (a) "Consumer-owned utility" means a municipal electric utility  
17 formed under Title 35 RCW, a public utility district formed under  
18 Title 54 RCW, an irrigation district formed under chapter 87.03 RCW,  
19 a cooperative association formed under chapter 23.86 RCW, or a mutual  
20 corporation or association formed under chapter 24.06 RCW, that is  
21 engaged in the business of distributing electricity to more than one  
22 retail electric customer in the state.

23 (b) "Eligible household" means a single person, family, or  
24 unrelated persons living together whose income is defined by the  
25 department, provided that the income definition may not exceed the  
26 higher of 80 percent of area median household income or 200 percent  
27 of the federal poverty level, adjusted for household size.

28 (c) "Overburdened community" means a geographic area where  
29 vulnerable populations face combined, multiple environmental harms  
30 and health impacts and includes, but is not limited to, highly  
31 impacted communities as defined in RCW 19.405.020.

32 (d) "Program" means an energy efficiency revolving loan program  
33 established by a consumer-owned utility.

34 (13) This section expires January 1, 2034.

35 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.16  
36 RCW to read as follows:

37 (1) This chapter does not apply to amounts received by a  
38 consumer-owned utility, or a third party contracting with a consumer-

1 owned utility, through the energy efficiency revolving loan program  
2 created in section 2 of this act.

3 (2) This section expires January 1, 2034.

4 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.04  
5 RCW to read as follows:

6 (1) This chapter does not apply to amounts received by a  
7 consumer-owned utility, or a third-party contracting with a consumer-  
8 owned utility, through the energy efficiency revolving loan program  
9 created in section 2 of this act.

10 (2) This section expires January 1, 2034.

11 NEW SECTION. **Sec. 5.** RCW 82.32.808 does not apply to this act.

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