

Representative Adam Wool

Alaska State Legislature • District 5 Fairbanks



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Sectional Analysis

HB 374, Version N

“An Act relating to on-bill financing by an electric or gas distribution utility for certain energy efficiency and conservation improvements.”

Sec. 42.05.750 On-bill financing of energy efficiency improvements: authorization and eligibility.

- (a) Allows a utility to enter into an on-bill financing agreement with a customer to finance energy conservation systems. The agreement provides for the utility to cover costs through a meter conservation charge on the customer's utility bill.
- (b) Building must be occupied and not under initial construction to be eligible.
- (c) The interest rate on the loan to finance the energy improvement must be fixed.
- (d) Balance of loan may be paid in full without penalty at any time.

Sec. 42.05.751 Meter conservation charge.

- (a) To recover costs under an on-bill financing agreement, a utility may assess a meter conservation charge on the customer or landlord who initially entered into the on-bill financing agreement; a subsequent purchaser of the property; or a tenant or subsequent tenant.
- (b) A meter conservation charge must be shown as a separate item on a customer's bill.
- (c) A utility may treat failure to pay a meter conservation charge the same as failure to pay the utility or gas account and may disconnect service in response to non-payment. A utility may not remove an energy improvement system in response to non-payment.
- (d) Money collected by a utility as a meter conservation charge may not be taxed as revenue.
- (e) The billing and collection of a meter conservation charge does not subject a utility to the laws that regulate financial institutions.

Sec. 42.05.752 Notice of on-bill financing agreement and meter conservation charge.

- (a) A utility that enters into an on-bill financing agreement must file notice of the agreement, intended to give a subsequent purchaser notice that the building is subject to a meter conservation charge.
- (b) A utility must file notice when an on-bill financing agreement is paid in full.

Sec. 42.05.753 Transferability of on-bill financing balances to subsequent purchasers.

A utility that enters into an on-bill financing agreement may recover costs from a subsequent purchaser.

Sec. 42.05.754 Rental Property.

(a) A utility may recover costs under an on-bill financing agreement by accessing a meter conservation charge for a rental property only if:

- (1) The utility, landlord, and tenant agree to the charge; or
- (2) The tenant occupies a rental unit for which a meter conservation charge was previously accessed.

(b) Before renting to a new tenant, a landlord must give written notice of an active meter conservation charge. If no notice is given, the tenant can deduct the charge from rent for up to one-half of the rental term.

(c) A utility may enter into an on-bill financing agreement with a tenant only with the landlord's consent.

Sec. 42.05.755 Third parties; contracting and liability.

- (a) A utility may contract with a third party for financing the costs of an energy conservation system.
- (b) If a third party installs, operates or maintains the energy conservation system, the utility is not liable for these functions and may not provide a warranty of fitness on the system.
- (c) When a utility contracts with a third party to perform administrative or financing functions:
 - (1) & (2) The third party is not liable for the energy conservation system and may not provide a warranty of fitness on the system
- (d) The provisions in (b) and (c) above may not be construed to impair the rights of a utility customer (or customer's landlord) against any parties involved in the purchase or installation of an energy conservation system.

Sec. 42.05.756. Definitions.

- (1) "energy conservation system" includes a fuel-switching system that increases efficiency without increasing greenhouse gas emissions.
- (2) "meter conservation charge" means a charge placed on a customer's utility bill by which the utility recovers all costs related to the utility having entered into an on-bill financing agreement with the customer.
- (3) "on-bill financing agreement" means an agreement entered into under AS 42.05.750.