

HB

374

<TARGET><BILL>HB 374</BILL><SUBJECT>HB
374</SUBJECT><COMM>HL&C30</COMM></TARGET>

Representative Adam Wool

Alaska State Legislature • District 5 Fairbanks



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MEMORANDUM

Date: March 8, 2018

To: Representative Sam Kito, Chair, House Labor & Commerce Committee

From: Rep. Adam Wool

A handwritten signature in black ink, appearing to read "Adam Wool".

RE: HB 374 "An Act relating to on-bill financing by an electric or gas distribution utility for certain energy efficiency and conservation improvements."

I respectfully request that HB 374, "An Act relating to on-bill financing by an electric or gas distribution utility for certain energy efficiency and conservation improvements" be scheduled for the House Labor and Commerce Committee.

If you have any questions or need additional information, please contact myself or my staff Rob Earl at 465-6959.

Representative Adam Wool

Alaska State Legislature • District 5 Fairbanks



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Sponsor Statement

HB 374

On-Bill Financing for Energy Upgrades

HB 374 would allow a utility to voluntarily create an on-bill financing or on-bill repayment program to help customers finance energy improvements. The improvement must utilize renewable energy or include switching to a more efficient device or fuel that does not increase greenhouse gas emissions. This legislation will be particularly useful as the Interior Energy Project expands its reach and a large number of Fairbanks residents choose to convert from oil to natural gas to heat their homes.

The on-bill financing program allows a utility customer to borrow money for an energy improvement and then repay it through a "meter conservation charge" on their utility bill. A customer's utility bill, even with the meter conservation charge, is often immediately lower due to savings in energy costs due to increased efficiency.

Examples of energy improvements that would qualify under HB 374 include: adding solar panels to a house; converting to a cleaner burning wood stove; and converting a boiler or furnace to natural gas. Weatherization projects such as upgrading windows or insulation would not qualify under this legislation.

HB 374 allows for utilities to create either an "on-bill financing" or an "on-bill repayment" program. Under the former type of program, the utility provides the capital for the loan to the customer and under the latter a third party financial institution would provide the capital.

A utility may recoup all of their costs associated with the program through a line item on the bill of a customer who has elected to utilize the program for an energy improvement. The balance of the costs on an on-bill financing agreement may be recovered by the utility when a property is sold.

HB 374 provides an optional tool for utilities and their customers to lower energy costs and improve air quality in Alaska.

Representative Adam Wool

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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.

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version:	CSHB 374(ENE)
Fiscal Note Number:	1
(H) Publish Date:	3/9/2018

Identifier: HB374-DCCED-RCA-02-23-18
 Title: ON-BILL FINANCING OF ENERGY IMPROVEMENTS
 Sponsor: WOOL
 Requester: (H) Energy

Department: Department of Commerce, Community and Economic Development
 Appropriation: Regulatory Commission of Alaska
 Allocation: Regulatory Commission of Alaska
 OMB Component Number: 2417

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2019	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2019 Request	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES	FY 2019	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
 If yes, by what date are the regulations to be adopted, amended or repealed? N/A

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

Prepared By:	Stephen McAlpine, Chairman	Phone:	(907)276-6222
Division:	Regulatory Commission of Alaska	Date:	02/23/2018
Approved By:	Catherine Reardon, Director	Date:	02/23/18
Agency:	Division of Administrative Services, DCCED		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2018 LEGISLATIVE SESSION

Analysis

HB 374 would add new sections to statute (AS 42.05.750 - 42.05.756) to allow an electric or gas distribution utility to enter into a financing arrangement with a customer or landlord to finance the purchase and installation of a renewable energy system, energy efficiency device, or energy conservation system in an eligible residence or building.

The utility is allowed to recover the purchase, installation, and financing costs through a meter conservation charge on the customer's utility bill, with the utility also allowed to assess interest. This legislation establishes a meter conservation charge as a line item charge on the customer's bill, with the utility allowed to disconnect electric or gas service for nonpayment of the meter conservation charge.

HB 374 also addresses notice requirements for and the transferability of the financing arrangement, adds provisions specific to rental properties, and provides the utility with the ability to contract with a third party to administer the financing program.

The Regulatory Commission of Alaska (RCA) would be required to review and approve tariff revisions filed by regulated electric and gas companies seeking to establish program rules and cost assessment methodologies. The RCA would also be required to review proposed interest rates and disconnection provisions to ensure compliance with statute, with the possibility of a rulemaking proceeding to address general program guidelines. Once implemented, the RCA could be required to address consumer complaints regarding the assessment amount or disconnection process.

The RCA expects to implement the provisions of this legislation with existing resources.

From: Margo Waring <margowaring@gmail.com>
Sent: Wednesday, March 07, 2018 9:54 AM
To: Rep. Adam Wool <Rep.Adam.Wool@akleg.gov>; Rep. Justin Parish
<Rep.Justin.Parish@akleg.gov>
Subject: HB 374

Dear Representatives Wool and Parish,

Renewable Juneau thanks you for introducing HB 374 for on bill financing of certain electric or gas improvements for energy efficiency and conservation. Renewable Juneau is a local non profit that educates and advocates for greater use of local renewable energy, especially in transportation and heating in order to promote a more healthy and resilient community while decreasing our use of fossil fuels.

Early on, we identified the lack of available financing as a barrier to greater adoption of more energy efficient heating systems, especially those using ground source and air source heat pumps. While AHFC offers some support for energy efficiency, the process is not as accessible as what is being proposed in HB 374. On-bill financing for residential and other buildings is the effective tool used in many locales to simplify access to energy efficiencies. This approach is especially attractive to households who cannot afford the initial capital outlay that has hampered much adoption of energy efficiency improvements.

Our only wish would be that utilities be required to offer on-bill financing, rather than leaving it optional for them.

Please share our comments with committee members.

Margo Waring
Board Member
Renewable Juneau



March 7, 2018

Representative Adam Wool
State Capitol Building Room 412
Juneau, Alaska 99801

Dear Representative Wool:

Thank you for introducing House Bill 374, An Act relating to on-bill financing by an electric or gas distribution utility for certain energy efficiency and conservation improvements.

I currently serve as the AIDEA Project Team Lead for the Interior Energy Project (IEP). This project is designed to provide an alternative and affordable source of fuel to Interior Alaska using a suite of financing tools provided by the Legislature in 2013. As this project has advanced, contractual agreements have been signed, and infrastructure investment is underway, to expand the availability and use of natural gas in the Interior.

As steps are taken to increase the availability of natural gas to potential customers, Fairbanks Natural Gas, which is currently owned by AIDEA, has reviewed various means of assisting customers with conversion to natural gas when it is available. An on-bill financing, or on-bill repayment mechanism is an important tool to help achieve this goal. In order to assess the potential rate of customer conversions in the future, the IEP worked with focus groups and found that access to an on-bill repayment mechanism, that allows conversion costs to be spread over an extended period of time, was very attractive to consumers.

AIDEA has identified potential sources of federal funding that eligible Alaska electric and gas distribution utilities may be able to access to assist utility customers with energy efficiency financing. For example, the Rural Energy Savings Program administered by the USDA Rural Utility Service identified a preferred repayment mechanism in which customer energy efficiency improvements “shall be repaid through charges added to the electric bill for the property”. Although funding from these sources is not certain, availability of an on-bill financing, or repayment, mechanism may be a provision that makes a significant difference.

I look forward to working with you as you move HB 374 through the legislative process.

Gene Therriault
AIDEA IEP Team Lead

US Department of Energy:

On-Bill Financing and Repayment



On-bill financing and on-bill repayment programs provide two options for property owners to pay for investments in clean energy upgrades through their utility. While electric utilities and natural gas companies typically run on-bill programs, there is an opportunity for state and local governments to capitalize on new on-bill loan funds and/or provide credit enhancement for existing on-bill funds. Depending on the programs available in a given jurisdiction, some government entities may also be able to take advantage of on-bill programs to finance projects for their own facilities.

On-bill financing allows the utility to incur the cost of the clean energy upgrade, which is then repaid on the utility bill. **On-bill repayment** options require the customer to repay the investment through a charge on their monthly utility bill as well, but with this option, the upfront capital is provided by a third party, not the utility. Additionally, on-bill repayment allows for a streamlined process as utilities already have a billing relationship with their customers, as well as access to information about their energy usage patterns and payment history. In some on-bill repayment programs, the loan is transferable to the next owner of the home or building.

On-Bill Financing and Repayment Program Challenges

There are two issues that state and local governments should be aware of when considering providing support to an on-bill program: (1) changing the billing system to allow for on-bill repayment appears to be difficult for some utilities; and (2) repayment allocation (i.e., who is paid first) is an issue when customers partially pay their bills. When using a third-party source of capital for the program, the utility usually covers the gas or electric charge first, increasing the risk to the lender, which is why credit enhancement is useful to attract private capital.

Despite these challenges, on-bill financing and repayment programs offer some of the most elegant solutions to energy financing as the savings are on the same bill as the repayment. On-bill programs work best when there is a cooperative utility.

ADVANTAGES

- Savings are paired directly with repayment on the same bill
- Can be structured to meet the needs of different markets
- Provides a secure revenue stream because failure to pay can be tied to disconnection
- Can use past bill repayment as a proxy for credit

DISADVANTAGES

- Utilities are often reluctant to take on role of financing entity; potential exposure to consumer lending laws and alterations to billing systems are required
- Can be complicated to set up
- If transferability is not allowed, businesses or homeowners must pay off entire loan upon sale of property, which could result in not all of the energy savings being realized

Representative Adam Wool

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CSHB 374 (ENE) Explanation of Changes

Changes from Version J to HB 374 (ENE) (Version N)

Page 1, lines 11-13

REWORDED language to make it clear that if the utility enters into an on-bill financing agreement, they will be using a meter conservation charge and the charge may only be used to recover the costs listed.

Page 1, line 10

INSERTED "energy storage device" after "energy efficiency device". This insertion is repeated 14 times wherever the list of eligible devices appears in the bill.

Page 2, lines 6-9

REPLACED Subsection (b). This new language allows for any building that is fully constructed and in use to qualify.

Page 2, lines 2-5

ADDED repayment of costs incurred by a third party, administrative and noticing costs to what a utility can recover on the Meter Conservation Charge.

Page 2, lines 10-13

REMOVED from subsection C the mandate that the percentage charged on the loan not be more than 2 points above prime.

Page 5, lines 29-31

ADDED repayment of costs incurred by a third party, administrative and noticing costs to the definition of Meter Conservation Charge.

Page 6

DELETED Section 2 which would have exempted utilities using on-bill financing from the Unfair Trade Practices Act.

30-LS1333\E
Nauman
3/27/18

CS FOR HOUSE BILL NO. 374(L&C)
IN THE LEGISLATURE OF THE STATE OF ALASKA
THIRTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES WOOL, Parish

A BILL
FOR AN ACT ENTITLED

1 **"An Act relating to on-bill financing by a utility for certain energy efficiency and**
2 **conservation improvements."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 *** Section 1.** AS 42.05 is amended by adding new sections to read:

5 **Article 8A. On-Bill Financing of Energy Efficiency and Conservation Improvements.**

6 **Sec. 42.05.750. On-bill financing of energy efficiency and conservation**
7 **improvements; authorization and eligibility.** (a) A utility may enter into a written
8 on-bill financing agreement with a customer to finance the purchase and installation of
9 a renewable energy system, energy efficiency device, energy storage device, or energy
10 conservation system in a residence or building that is eligible under (b) of this section
11 by assessing a meter conservation charge on the customer's utility bill.

12 (b) A residence or building is eligible for on-bill financing under (a) of this
13 section if, at the time the financing agreement is entered into, the residence or building

14 (1) is occupied or in use; and

1 (2) is not under initial construction.

2 (c) An on-bill financing agreement must clearly state the interest rate to be
3 charged for financing the purchase and installation of the renewable energy system,
4 energy efficiency device, energy storage device, or energy conservation system. The
5 interest shall be set at a rate that is fixed over the term of the agreement.

6 (d) The balance owed on an on-bill financing agreement may be paid in full at
7 any time without penalty.

8 (e) Nothing in this section requires a utility to enter into an on-bill financing
9 agreement with a specific customer or for a specific device or system.

10 **Sec. 42.05.751. Meter conservation charge.** (a) A meter conservation charge
11 assessed under AS 42.05.750(a) may only be used to recover the

12 (1) actual costs incurred by the utility for the purchase, installation,
13 and financing of the renewable energy system, energy efficiency device, energy
14 storage device, or energy conservation system, including the administrative costs of
15 the on-bill financing agreement and the cost of filing notice under AS 42.05.752; and

16 (2) repayment of costs incurred by a third party that has performed a
17 function under AS 42.05.755.

18 (b) A utility may assess a meter conservation charge on

19 (1) the customer who entered into the on-bill financing agreement; or

20 (2) a subsequent purchaser of the residence or building under
21 AS 42.05.753.

22 (c) A meter conservation charge must be shown as a separate line item on a
23 customer's bill.

24 (d) A utility may treat a customer's failure to pay a meter conservation charge
25 as a failure to pay the utility account, and the utility may disconnect the utility service
26 for nonpayment of the meter conservation charge, if the utility complies with
27 AS 42.05.381(c), AS 42.20.040, and any other applicable law. A utility may not
28 remove a renewable energy system, energy efficiency device, energy storage device,
29 or energy conservation system for failure to pay a meter conservation charge or when
30 disconnecting service for failure to pay a meter conservation charge.

31 (e) Money collected by a utility as a meter conservation charge is not revenue

1 subject to state taxes under AS 43.20.

2 (f) The billing and collection of a meter conservation charge does not subject a
3 utility to the laws that regulate financial institutions, escrow depositories, or collection
4 agencies. A utility is not responsible for a lending, underwriting, or credit
5 determination for an on-bill financing agreement.

6 **Sec. 42.05.752. Notice of on-bill financing agreement and meter**
7 **conservation charge.** (a) A utility that enters into an on-bill financing agreement shall
8 file notice of the on-bill financing agreement and related meter conservation charge in
9 the recording district in which the residence or building subject to the agreement is
10 located. Notice under this subsection does not constitute a lien on the property, but is
11 intended to give a purchaser of the residence or building notice that the residence or
12 building is subject to a meter conservation charge. Notice is considered given if it is
13 sufficient to disclose to prospective purchasers the existence of the meter conservation
14 charge, including the balance owed under the on-bill financing agreement and the
15 length of time the meter conservation charge is expected to remain in effect.

16 (b) A utility shall file notice of satisfaction when an on-bill financing
17 agreement is paid in full. Notice of satisfaction shall be filed in the recording district
18 in which the residence or building subject to the agreement is located.

19 **Sec. 42.05.753. Transferability of on-bill financing balances to subsequent**
20 **purchasers.** A utility that enters into an on-bill financing agreement may recover the
21 balance of the costs allowed under the agreement from a subsequent purchaser of the
22 residence or building in which the renewable energy system, energy efficiency device,
23 energy storage device, or energy conservation system was installed if the utility gives
24 notice under AS 42.05.752 that the residence or building is subject to the agreement.

25 **Sec. 42.05.754. Rental property.** A utility may recover the costs under an on-
26 bill financing agreement for a rental property by assessing a meter conservation charge
27 on a utility bill only if the landlord is responsible for the entire utility bill, including
28 the meter conservation charge.

29 **Sec. 42.05.755. Third parties; contracting and liability.** (a) A utility may
30 contract with a third party to perform functions permitted under AS 42.05.750 -
31 42.05.754, including financing the purchase and installation costs for a renewable

1 energy system, energy efficiency device, energy storage device, or energy
2 conservation system. The third party shall comply with AS 42.05.750 - 42.05.754.

3 (b) If the installation, operation, or maintenance of a renewable energy system,
4 energy efficiency device, energy storage device, or energy conservation system is
5 performed by a third party,

6 (1) the utility is not liable for the installation, operation, or
7 maintenance of the renewable energy system, energy efficiency device, energy storage
8 device, or energy conservation system;

9 (2) the utility may not provide, nor is there implied, a warranty of
10 merchantability or fitness of the renewable energy system, energy efficiency device,
11 energy storage device, or energy conservation system; and

12 (3) no action may be brought against the utility related to the failure of
13 the renewable energy system, energy efficiency device, energy storage device, or
14 energy conservation system.

15 (c) When a utility contracts with a third party to perform administrative or
16 financing functions,

17 (1) the third party is not liable for the installation, operation, or
18 maintenance of the renewable energy system, energy efficiency device, energy storage
19 device, or energy conservation system;

20 (2) the third party may not provide, nor is there implied, a warranty of
21 merchantability or fitness of the renewable energy system, energy efficiency device,
22 energy storage device, or energy conservation system; and

23 (3) no action may be brought against the third party related to the
24 failure of the renewable energy system, energy efficiency device, energy storage
25 device, or energy conservation system.

26 (d) The provisions of (b) and (c) of this section may not be construed to impair
27 the rights and remedies of a utility customer against any other parties to a transaction
28 involving the purchase or installation of a renewable energy system, energy efficiency
29 device, energy storage device, or energy conservation system.

30 **Sec. 42.05.756. Definitions.** In AS 42.05.750 - 42.05.756,

31 (1) "energy conservation system" includes a fuel-switching system; in

1 this paragraph, "fuel-switching" means the replacement of existing fuel consuming
2 equipment using a particular fuel with equipment that uses another fuel that does not
3 increase greenhouse gas emissions and that

4 (A) is more fuel efficient; or

5 (B) results in lower fuel expenses;

6 (2) "meter conservation charge" means a charge placed on a customer's
7 utility bill by a utility to recover costs under an on-bill financing agreement;

8 (3) "on-bill financing agreement" means an agreement entered into
9 under AS 42.05.750.

Representative Adam Wool

Alaska State Legislature • District 5 Fairbanks



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CSHB 374 (ENE) Explanation of Changes

Changes from HB 374 (ENE) Version N to Version E

MOVED meter conservation charge language from section 42.05.750 to the meter conservation charge section (Page 2, lines 10-17) and DELETED meter conservation charge language unnecessarily repeated in the definition of meter conservation charge (Page 5, lines 6-7). Change requested by bill drafter – cosmetic change only.

Page 2, line 27 DELETED “AS 42.05.261,” (mistaken cross reference)

Page 3, lines 25-28 DELETED most of Sect. 42.05.754 Rental Property. With deletion, only landlords that are responsible for the entire utility bill can enter into an on-bill financing agreement for rental property; and tenants cannot enter into on-bill financing agreements at all.

This led to the following conforming DELETIONS:

- “a customer or landlord of” on Page 1, line 8;
- “or landlord” Page 2, line 19;
- “a tenant or subsequent tenant of the residence or building under AS 42.05.754.” Page 2, line 21;
- “a purchaser’s obligation to notify a tenant under AS 42.05.754 if the purchaser leases the property.” Page 3, line 16; and
- “or landlord of a utility customer” Page 4, line 27.

Page 2, lines 8-9 INSERTED language making it explicitly clear that the utility can choose what type of improvements the utility will finance under an on-bill program. This was the bill’s intent all along.

DELETED “an electric or gas distribution” before “utility” nine places in the bill (including the title). The change would allow a district heating utility to utilize on-bill financing.

Page 4, line 31 REWORDED definition of “energy conservation system”.

Version N: the new fuel switched to must be more efficient and not increase direct greenhouse gas emissions.

Version E: the new fuel still must not increase greenhouse gas emissions, and must either be more efficient OR cheaper.

30-LS1333\U
Laffen
2/28/18

CS FOR HOUSE BILL NO. 374()
IN THE LEGISLATURE OF THE STATE OF ALASKA
THIRTIETH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES WOOL, Parish

A BILL
FOR AN ACT ENTITLED

1 **"An Act relating to on-bill financing by an electric or gas distribution utility for certain**
2 **energy efficiency and conservation improvements."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 *** Section 1.** AS 42.05 is amended by adding new sections to read:

5 **Article 8A. On-Bill Financing of Energy Efficiency and Conservation Improvements.**

6 **Sec. 42.05.750. On-bill financing of energy efficiency and conservation**
7 **improvements; authorization and eligibility.** (a) An electric or gas distribution
8 utility may enter into a written on-bill financing agreement with a customer or
9 landlord of a customer to finance the purchase and installation of a renewable energy
10 system, energy efficiency device, or energy conservation system in a residence or
11 building that is eligible under (b) of this section. The agreement may provide for the
12 utility to assess a meter conservation charge on the customer's utility bill to recover the
13 (1) actual costs incurred by the utility for the purchase, installation,
14 and financing of the renewable energy system, energy efficiency device, or energy

1 conservation system, including the administrative costs of the on-bill financing
2 agreement and the cost of filing notice under AS 42.05.752; and

3 (2) repayment of costs incurred by a third party that has performed a
4 function under AS 42.05.755.

5 (b) A residence or building is eligible for on-bill financing under (a) of this
6 section if the residence or building is occupied for a residential, business, commercial,
7 or governmental purpose at the time the financing agreement is entered into. A
8 residence or building under initial construction is not eligible for on-bill financing
9 under (a) of this section.

10 (c) An on-bill financing agreement must clearly state the interest rate to be
11 charged for financing the purchase and installation of the renewable energy system,
12 energy efficiency device, or energy conservation system. The interest shall be set at a
13 rate that is fixed over the term of the agreement.

14 (d) The balance owed on an on-bill financing agreement may be paid in full at
15 any time without penalty.

16 **Sec. 42.05.751. Meter conservation charge.** (a) To recover its costs under an
17 on-bill financing agreement for a residence or building, an electric or gas distribution
18 utility may assess a meter conservation charge on

19 (1) the customer or landlord who entered into the on-bill financing
20 agreement;

21 (2) a subsequent purchaser of the residence or building under
22 AS 42.05.753; or

23 (3) a tenant or subsequent tenant of the residence or building under
24 AS 42.05.754.

25 (b) A meter conservation charge must be shown as a separate line item on a
26 customer's bill.

27 (c) A utility may treat a customer's failure to pay a meter conservation charge
28 as a failure to pay the electricity or gas account, and the utility may disconnect electric
29 or gas service for nonpayment of the meter conservation charge, if the utility complies
30 with AS 42.05.261, 42.05.381(c), AS 42.20.040, and any other applicable law. A
31 utility may not remove a renewable energy system, energy efficiency device, or

1 energy conservation system for failure to pay a meter conservation charge or when
2 disconnecting service for failure to pay a meter conservation charge.

3 (d) Money collected by a utility as a meter conservation charge is not revenue
4 subject to state taxes under AS 43.20.

5 (e) The billing and collection of a meter conservation charge does not subject
6 a utility to the laws that regulate financial institutions, escrow depositories, or
7 collection agencies. A utility is not responsible for a lending, underwriting, or credit
8 determination for an on-bill financing agreement.

9 **Sec. 42.05.752. Notice of on-bill financing agreement and meter**
10 **conservation charge.** (a) An electric or gas distribution utility that enters into an on-
11 bill financing agreement shall file notice of the on-bill financing agreement and related
12 meter conservation charge in the recording district in which the residence or building
13 subject to the agreement is located. Notice under this subsection does not constitute a
14 lien on the property, but is intended to give a purchaser of the residence or building
15 notice that the residence or building is subject to a meter conservation charge. Notice
16 is considered given if it is sufficient to disclose to prospective purchasers

17 (1) the existence of the meter conservation charge, including the
18 balance owed under the on-bill financing agreement and the length of time the meter
19 conservation charge is expected to remain in effect; and

20 (2) a purchaser's obligation to notify a tenant under AS 42.05.754 if
21 the purchaser leases the property.

22 (b) A utility shall file notice of satisfaction when an on-bill financing
23 agreement is paid in full. Notice of satisfaction shall be filed in the recording district
24 in which the residence or building subject to the agreement is located.

25 **Sec. 42.05.753. Transferability of on-bill financing balances to subsequent**
26 **purchasers.** An electric or gas distribution utility that enters into an on-bill financing
27 agreement may recover the balance of the costs allowed under the agreement from a
28 subsequent purchaser of the residence or building in which the renewable energy
29 system, energy efficiency device, or energy conservation system was installed if the
30 utility gives notice under AS 42.05.752 that the residence or building is subject to the
31 agreement.

1 **Sec. 42.05.754. Rental property.** (a) An electric or gas distribution utility may
 2 recover the costs under an on-bill financing agreement for a rental property by
 3 assessing a meter conservation charge on the tenant's utility bill only if the

4 (1) utility, landlord, and tenant agree to the charge in an agreement that
 5 provides notice to the landlord of the requirements in (b) of this section; or

6 (2) tenant occupies a rental unit for which a meter conservation charge
 7 was previously assessed on a former tenant's utility bill under (1) of this subsection to
 8 recover the costs under an on-bill financing agreement.

9 (b) Before entering into a rental agreement with a tenant, a landlord shall give
 10 the tenant written notice of a meter conservation charge that the tenant could be
 11 subject to under (a)(2) of this section. If the landlord fails to give the required notice,
 12 the tenant may, for not longer than one-half of the term of the rental agreement, deduct
 13 the meter conservation charges paid by the tenant from rent paid.

14 (c) A utility may enter into an on-bill financing agreement with the tenant of a
 15 rental property only if the landlord consents to the agreement.

16 **Sec. 42.05.755. Third parties; contracting and liability.** (a) An electric or
 17 gas distribution utility may contract with a third party to perform functions permitted
 18 under AS 42.05.750 - 42.05.754, including financing the purchase and installation
 19 costs for a renewable energy system, energy efficiency device, or energy conservation
 20 system. A third party shall comply with AS 42.05.750 - 42.05.754.

21 (b) If the installation, operation, or maintenance of a renewable energy system,
 22 energy efficiency device, or energy conservation system is performed by a third party,

23 (1) the utility is not liable for the installation, operation, or
 24 maintenance of the renewable energy system, energy efficiency device, or energy
 25 conservation system;

26 (2) the utility may not provide, nor is there implied, a warranty of
 27 merchantability or fitness of the renewable energy system, energy efficiency device, or
 28 energy conservation system; and

29 (3) no action may be brought against the utility related to the failure of
 30 the renewable energy system, energy efficiency device, or energy conservation
 31 system.

1 (c) When a utility contracts with a third party to perform administrative or
2 financing functions,

3 (1) the third party is not liable for the installation, operation, or
4 maintenance of the renewable energy system, energy efficiency device, or energy
5 conservation system;

6 (2) the third party may not provide, nor is there implied, a warranty of
7 merchantability or fitness of the renewable energy system, energy efficiency device, or
8 energy conservation system; and

9 (3) no action may be brought against the third party related to the
10 failure of the renewable energy system, energy efficiency device, or energy
11 conservation system.

12 (d) The provisions of (b) and (c) of this section may not be construed to impair
13 the rights and remedies of a utility customer or landlord of a utility customer against
14 any other parties to a transaction involving the purchase or installation of a renewable
15 energy system, energy efficiency device, or energy conservation system.

16 **Sec. 42.05.756. Definitions.** In AS 42.05.750 - 42.05.756,

17 (1) "energy conservation system" includes a fuel-switching system; in
18 this paragraph, "fuel-switching" means the replacement of existing fuel consuming
19 equipment using a particular fuel with more efficient fuel consuming equipment that
20 uses another fuel but does not increase direct greenhouse gas emissions;

21 (2) "meter conservation charge" means a charge placed on a customer's
22 utility bill by which an electric or gas distribution utility recovers the

23 (A) costs of the purchase, installation, and financing of a
24 renewable energy system, energy efficiency device, or energy conservation
25 system;

26 (B) administrative costs of the on-bill financing agreement;

27 (C) cost of filing notice under AS 42.05.752; and

28 (D) repayment of costs incurred by a third party that has
29 performed a function under AS 42.05.755;

30 (3) "on-bill financing agreement" means an agreement entered into
31 under AS 42.05.750.