

Energy Efficiency and Green Building IWG Meeting Summary
Meeting #5, Thursday, August 14, 2008, 10:00 am – 2:30 pm
McKinstry Building, Seattle

In Attendance

Co-Leads:

Tony Usibelli, CTED
Ash Awad, McKinstry

Workgroup Members:

Aaron Adelstein, King & Snohomish Master Builders Association
Eddie Bugg, Alcoa: Kawneer Company
Anthony Chavez, Weyerhaeuser
Carrie Dolwick, NW Energy Coalition
Amanda Eichel, Seattle Office of Sustainability and Environment¹
Jake Fey, City of Tacoma
Mark Frankel, New Buildings Institute
Bert Gregory, Mithun Architects
Ann Grodnik, Seattle-Northwest Securities
Rachael Jamison, Ecology
Becky Kelley, Washington Environmental Council
Patrick Neville, Apollo Alliance
Stan Price, NW Energy Efficiency Council
Stu Simpson, General Administration
John Stoll, Chelan PUD

Absent:

James Abelson, Microsoft
Doug Daley, Harbor Properties
Tom Eckmann, Greenwood Technologies
Mark Frankel, New Buildings Institute
Patrick Mazza, Climate Solutions
Cal Shirley, Puget Sound Energy
Mary Verner, City of Spokane
Wayne Williams, Telect & Chair of Greater Spokane Inc.
Yancy Wright, Sellen

Support:

David von Hippel, Facilitator/Technical Analyst, SEI-Center for Climate Strategies
Carrie Lee, Facilitator/Technical Analyst, SEI-Center for Climate Strategies
Chuck Murray, process support, CTED
David Van Holde, support, King County

Meeting Agenda

- Roll Call
- Review and approval of IWG Meeting #4 summary
- Prepare for quantification of 2009 Actions
- Review and discussion of revised 2009 Actions developed by small groups
- Public Comment
- Next Steps for IWG
- Agenda, Time and Date for Next Meeting

Background Documents (available online at

http://www.ecy.wa.gov/climatechange/2008CAT_iwg_bee.htm)

- Agenda
- PowerPoint Presentation
- Draft 2009 Actions Descriptions

Discussion Items and Key Issues

1. The IWG Meeting #4 summary was approved by IWG members.
2. The facilitators provided an overview of the expected quantification process for the 2009 Actions. The facilitators noted that quantification of the 2009 Actions will use analysis done for the 2007 CAT RCI TWG process as a starting point. The co-leads noted that this process will differ somewhat from the 2007 process, because there is a focus on specifically generating legislative outputs and providing analysis needed to support these initiatives in the legislature (e.g., local government fiscal notes). A key goal of meeting #5 will be to identify the key parameters and assumptions to guide quantification of the 2009 actions.
3. The facilitators provided an overview of each 2009 Action being considered by the IWG. For each 2009 Action, the facilitators provided a brief overview of revisions submitted by small groups following the Aug 1 EE/GB IWG meeting #4, and of a set of considerations for quantification of each action. The co-leads reviewed their specific questions and comments for each small group regarding the proposed 2009 Actions.

Summaries of discussions by IWG members of each action considered during the call are provided below:

3.1. EE/GB Action 1: Energy Efficiency Incentives

- 3.1.1. Co-leads and IWG members expressed agreement to consider 2009 Actions 1A and 1B under the same umbrella as "Energy Efficiency Incentives"; however each action would be specifically designed and developed separately by small groups.

3.2. 1A: Energy Efficiency Quality Investment Program (EEQUIP)

Discussion of PUT credit for non-residential buildings:

- Co-lead's noted that the administrative costs of proposed 2009 actions should be considered, and suggested that the small group walk through how

the tax incentive would be implemented to consider the administrative needs.

- The small group lead walked the IWG through an example of how the proposed PUT tax incentive would work. For example, a 200,000 sq. ft. building for could get a benchmark score for their building through the Energy Star Portfolio Manager. The Energy Star Portfolio Manager software is used to assign commercial buildings an energy performance score on a scale from 1-100 based on comparison with energy use in commercial buildings across the US. The Portfolio Manager score can be authenticated by having a professional engineer verify and stamp the application. Using the EPA-administered program could reduce the state administrative demands. In the proposed 2009 Action, buildings which meet a specific energy star rating (e.g. 75) would be eligible to receive a tax credit on their Public Utility Tax (PUT) of 3.8%. In the proposed example, this could result in \$16,000 in PUT credit; it is not yet determined how the credit would be delivered, though several options exist. A building would continue to receive the tax credit at that level for some period of time, for example, 3-5 years, after which building owners would need to undertake improvements to increase the building's score to (for example) a rating of 90 to continue receiving the tax credit. The small group's question is whether the level of savings offered by the credit would be sufficient to provide incentives to pursue building energy efficiency improvements. A co-lead suggested that yes, as in this example, \$160,000 in additional funds for investment over a ten year period would be enough for clients to consider additional energy efficiency improvements.
- IWG members discussed whether a proof of investment in energy efficient retrofits should be required to receive the PUT credit, in order to reduce free-riders and demonstrate continuing energy efficiency activity to receive the tax credit. Despite these concerns, IWG members urged that given the magnitude of the need to reduce greenhouse gas emissions, everything possible should be done to assure high participation, even if it means there will be some free-riders.
- IWG members urged that the EPA continue to be engaged in the development of a WA state Energy Star database that more accurately reflects the make up of buildings in the state.
- Co-leads noted that it should be stated that investment in energy efficiency retrofitting will provide sales tax revenue for the state, offsetting some of the tax revenue losses caused by offering the PUT credit.
- IWG member expressed interest in raising the eligible Energy Star Portfolio Manager score to 80 from 75, requiring buildings to get a "B" to receive credit. Representatives of the small group stated that while they had considered raising the requirement to 80, there was concern that if the standard is set too high to start with, there will not be as much participation. Additionally, the proposal already includes a one-time tax credit for buildings that increase their score by at least 20 points, to help provide incentives for buildings that currently have poor energy efficiency to make improvements.

IWG members agreed that the standard should match that being considered for Action 3.

- Co-leads outlined four strengths in this proposed action: the inclusion of a performance-based tax credit, a feature of annual inherent accountability that reduces much of the free-rider concern, the inclusion of a link to the PUT that builds on an inherent base of energy efficiency expertise within electric utilities, and the availability of the Energy Star Portfolio Manager program, which makes the credit inherently scalable to increase or decrease the participation as desired.
- The small group agreed that the ramp-up rate for the credit (increase in the rating required to qualify for the credit) should match the building code revisions cycle of every 3 years.
- The small group still plans to consider how a potential sunset (date on which the legislation would expire) for the tax incentive should be developed, with options including setting a date on which the program could stop accepting new participants, or a date on which the program would be phased out.

Discussion of 10% sales tax credit on construction materials in new residential and non-residential buildings that meet performance standard:

- IWG members discussed whether only one certification scheme, such as Built Green, should be eligible, or whether the sales tax credit would apply more broadly to third-party verified green building standards. IWG members urged that the performance standard should focus on GHG emission reductions and energy performance.
- IWG members raised concerns as to how to translate the benefits of energy cost savings that accrue over time from energy efficiency improvements so as to provide developers with short-term interests in properties with incentives to produce more energy-efficient buildings. An IWG member noted that California requires all buildings to provide an Energy Star score at the point of sale simply for information purposes to potential building purchasers.

Discussion of financing mechanisms for energy efficiency projects:

- IWG members noted that adopting a similar program to that in California, where government entities can provide funds to home owners for energy efficiency improvements that are paid back through property taxes, would require an amendment to the WA state constitution and present a significant barrier to implementation.
- An IWG member provided an overview of another financing mechanism using the structure of the local improvement district (LID) financing. Currently energy efficiency and distributed energy projects are not eligible, but enabling legislation could allow this to be a potential funding avenue. IWG members were interested to learn more about this opportunity, but were in agreement with developing enabling legislation to provide a potential financing mechanism.

- A co-lead offered to make staff at CTED available to answer questions small groups may have, as needed, through the next stage of developing proposed 2009 Actions.

3.3. 1B: CHP and Distributed Energy

- The small group proposed the development of a B&O tax credit for CHP projects with an efficiency of 60-80%. The group has considered a tiered credit approach to avoid setting the bar too high, but to promote the development of more efficient CHP projects. An IWG member asked the small group to provide additional information that offers a basis for the 60% efficiency level, including the current number of CHP systems in WA and their current performance. A co-lead suggested that the group examine the old cogeneration standards that were in place in WA and expired 10-15 years ago. Gary Grossman at DOR would be a good contact to see if any studies of the effectiveness of that standard were conducted.
- Small group members noted that they are still determining how best to incorporate district energy projects. They encouraged IWG members who have experience with distributed and district energy to provide input. IWG members from General Administration and WSU Energy offered to direct the group to staff familiar with district energy.
- An IWG member suggested that the small group consider what other barriers, beyond financial investment, exist for CHP and other distributed energy projects, and that it provide an assessment of how to address those issues.
- IWG members agreed that there was disagreement regarding whether the definition for renewable energy should include black liquor.

3.4. EE/GB Action 2: Energy Efficiency in Existing, New and Renovated Public Buildings

- Co-leads recommended that the small group consider how the proposed action could be scaled, and delay for now any additional refinement of language for legislative action until after the Sept. CAT meeting.
- IWG members and co-leads expressed concern that this legislation could be perceived as an "unfunded mandate". To avoid concerns, the small group agreed to clarify that there will be no upfront cost for local governments because funds can be borrowed from the state Treasurer and paid back through energy use savings, consistent with similar mechanisms already in use for funding other types of projects. The small group will revise the Action text to state that the state Treasurer is charged with providing funds via the Treasurer's bonding authority as available.
- An IWG member suggested developing a competitive award program for funds for a net zero building.
- Small group members asked the IWG where they recommend placing a provision requiring utilities, above a size limit equivalent to that in the I-937 legislation, to provide customer energy use data in a form appropriate for

use in Energy Star Portfolio Manager. IWG members agreed it could remain as part of Action 2.

- Small group members asked the IWG for feedback on the development of a building materials standard by the Dept. of Ecology. IWG members and co-leads recommended that in coordination with the Forestry working group, this issue would be better addressed/considered by the Beyond Waste IWG.

3.5. EE/GB Action 3: State Energy Code Improvements, and Establishment of 2030 Building Goals

- A co-lead noted that cost effectiveness data for this option will be important to present to the CAT, as well as costs for state agencies, local governments, and training. The small group should try to articulate where those funds would come from.
- Small group members provided clarification that the 30% efficiency “beyond code” target is based on a Dept. of Energy goal. The small group noted they are also looking toward the new Seattle building code and others for lessons learned.
- IWG members expressed concern about the implications of a significant upgrade in the code on available funds to improve existing buildings. Utility incentive programs are measured as the improvement over the code, thus with a high code, there may be fewer incentives for owners to undertake major renovations. Also, in some cases meeting code can become very difficult due to the physical nature of the existing buildings. IWG members expressed strong support for having the utilities use a building's energy use as the baseline to measure performance improvements, rather than an average baseline. A co-lead noted that input from the utility perspective is needed. It was agreed that the utility members of the EE/GB IWG will be contacted to request their input. The small group agreed to revise Action 3 to state that baseline quantification should be changed and that the code is triggered for a major renovation.

4. Next Meeting

The next IWG meeting is on Sept. 3. Each small group is asked to revise their proposed 2009 Action based on discussion during meeting #5, and to submit revised text to the facilitators and co-leads by COB Wed. Aug. 27th. Facilitators will begin to develop the framework for quantification of the proposed 2009 Actions, incorporating blanks where data are needed, and making initial assumptions for key parameters as appropriate for the IWG to consider and provide input on at the next meeting.