

MINUTES OF THE HOUSE ENERGY AND UTILITIES COMMITTEE

The meeting was called to order by Chairman Carl Holmes at 9:00 a.m. on March 4, 2009, in Room 783 of the Docking State Office Building.

All members were present except:

Representative Annie Kuether- excused  
Representative Milack Talia- excused

Committee staff present:

Melissa Doeblin, Office of the Revisor of Statutes  
Sean Ostrow, Office of the Revisor of Statutes  
Mary Galligan, Kansas Legislative Research Department  
Renaë Hansen, Committee Assistant

Conferees appearing before the committee:

Stephen R. Weatherford, Kansas Housing Resources Corporation  
Paul Johnson, Kansas Catholic Conference  
Liz Brosius, Kansas Energy Office

Others attending:

Twenty-Six including the attached list.

Presentation on:

**Weatherization Issues, Stimulus funding, Kansas Energy Efficiency Program**

Stephen R. Weatherford, Kansas Housing Resources Corporation, presented information to the committee regarding "The Weatherization Assistance Program" (Attachment 1) and the Kansas Energy Efficiency Program (KEEP), (Attachment 2). He noted that they have used approximately \$800,000 dollars to make \$1.9 million dollars in upgrades to over 200 homes across the state.

Questions were asked and comments made by Representatives: Gail Finney, Cindy Neighbor, Vern Swanson, Mike Burgess, Tom Moxley, Don Myers, and Carl Holmes.

Paul Johnson, Kansas Catholic Conference (Attachment 3), presented information regarding weatherization and the way the Kansas Catholic Conference intervenes for customers with utilities companies.

Liz Brosius, Kansas Energy Office, made some comments on the low interest loans for home owner weatherization upgrades.

Questions were asked and comments made by Representatives: Vern Swanson, Joe Seiwert, Rocky Fund, Carl Holmes, and Tom Moxley.

The next meeting is scheduled for March 5, 2009.

The meeting was adjourned at 10:42 a.m.

# HOUSE ENERGY AND UTILITIES COMMITTEE GUEST LIST

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NAME	REPRESENTING
Paul Johnson	Ks Cath Conf
Steve Weatherford	KHRC
Joe Dick	KLBPU
Tom Day	KCC
PAUL WAGGERS	KEPCO
DAVE MITCHELL	KGS
LON STANTON	NORTHERN NATURAL GAS
Mari Tucker	Dept of Commerce
Matt Casey	G B A
Scott Jones	KCPCL
Doug Smith	Pinegar, Smith & Associates
Mark Lee Smith	KMHA
Mark Schreiber	Westar
LARRY BERG	MIDWEST ENERGY
Liz Brasias	Energy Office
Tom Thompson	Sierra Club
Wes Ashton	Black Hills Energy
Todd Smith	KHRC



**TESTIMONY TO HOUSE COMMITTEE ON ENERGY AND UTILITIES  
REGARDING THE WEATHERIZATION ASSISTANCE PROGRAM**

**Stephen R. Weatherford  
President of the Kansas Finance Development Authority  
and Kansas Housing Resources Corporation**

**March 4, 2009**

Chairman Holmes and Honorable Members of the Committee, in this age of rising energy costs and growing environmental concerns, I am pleased to provide testimony regarding the history of the Weatherization Assistance Program administered by Kansas Housing Resources Corporation (KHRC).

The Weatherization Assistance Program (WAP) provides home improvements that increase energy efficiency in income-eligible households throughout our state. Unlike utility payment assistance programs which only address short-term need, WAP identifies the cause of energy loss and works to eliminate the problem for the long term.

Originally established in the mid 1970's, WAP utilizes a network of regional weatherization agencies blanketing the state. Our weatherization agencies use the latest technology to locate energy loss in homes, whether through insufficient insulation, leaky seals, or obsolete furnaces. Weatherization then addresses the energy loss through energy efficient improvements and collects data on energy savings captured from those improvements.

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During the 2006 grant year, weatherization providers replaced 453 dangerous furnaces and served 1,725 households or nearly 4,000 Kansas residents. For the 2007 grant year, which ended March 31<sup>st</sup>, 2008, WAP providers weatherized 1894 homes in 97 Kansas counties. WAP replaced 477 dangerous furnaces, repaired 1187 homes with elderly and persons with disabilities, and repaired 222 homes with children under the age of 6. On average, weatherization services saved approximately \$325 per household in annual energy savings.

The Weatherization Program has been primarily funded with grants from the U.S. Department of Energy (DOE) and Low-Income Energy Assistance Program (LIEAP, administered by SRS, which supplements the DOE weatherization program). However, the Kansas Legislature in 2006 made a one-time \$2 million appropriation to supplement weatherization services across the state. These funds were received in 2006 and expended in the 2007 program year. In Program Year 2006 the State received \$2.7 million in DOE funds and \$4.4 million in LIEAP funds. Program Year 2007 awarded \$2.2 million in DOE funds and \$2.5 million in LIEAP funds (used with the \$2 million in State funds). In the 2008 program year, the network received total DOE funding of approximately \$2.7 million. For the 2009 program year, beginning April 1<sup>st</sup>, 2009, the DOE funding will double to \$5.4 million. Funding in the 2008 program year from LIEAP was \$2.5 million. In the 2009 program year, beginning April 1<sup>st</sup>, 2009, LIEAP funding will increase over 250 percent to \$6.4 million.

WAP is one of the most successful weatherization programs in the country. Utilizing a portion of our Department of Energy grant, we provide funding to Kansas State University, making us one of the first states to fund training for weatherization inspectors in building science, combustion appliance testing and home energy audits. KHRC is also one of the first to develop, implement and utilize a web-based management information system for local and state agency reporting use.



**Effect of the Stimulus Funding:**

The Kansas Weatherization Program will grow even more over the next two years. The Federal Stimulus bill provides an estimated \$58 million to Kansas for weatherization services.

**Issue:**

As you can imagine, with Stimulus funds for weatherization services increasing substantially to \$58 million, our weatherization network must greatly ramp up activity to respond to this exciting challenge. Each agency has already provided a projection of their capacity, with the weatherization network estimating providers can complete over 3,100 units the first year and 4,000 units the second year (\$21 million and \$27 million, respectively).

**New Delivery Plan:**

KHRC acknowledges that even with our provider's optimistic projections, the weatherization network, as currently structured, will fall short in utilizing all available federal resources. Because of this fact, KHRC proposes implementation of a new three-part plan which we are confident will effectively utilize the Stimulus-provided resources.

In addition to continuation of the current plan, KHRC proposes the addition of a multi-family weatherization plan and a stand-alone voucher plan. KHRC will need to develop complete program rules for these new delivery plans; however, the basic program rules are summarized below.

**Multifamily Plan:**

In the multi-family weatherization plan, KHRC staff will conduct the required pre- and post-weatherization audits for each unit. While we do not expect to find substantial need for general weatherization activities such as insulation, we do anticipate that rental units more than 10 years old will likely benefit from replacement of refrigerators and hot water tanks, as well as updating central heating and air conditioning appliances.

A brief look at the inventory of tax credit units ten or more years old shows that more than 17,000 units that would qualify for this program. If only 20-25% of the eligible units participate, the multi-family program could easily weatherize 3-4,000 units, utilizing an additional \$15-20 million. Beyond tax-credit-financed housing, KHRC works with additional providers of affordable multi-family units who may also be eligible for participation in this plan.

For both the existing weatherization plan and the new multi-family plan, DOE regulations limit the eligibility to those with incomes at or below 200% of the poverty level (\$20,800 annually for a single person or \$42,400 annually for a family of 4 in Kansas). The new regulations also include an increase in the per-home average cost of repair and improvements from \$2,966 to \$6,500. While there was speculation that DOE would expand eligible improvements to include necessary repairs as part of the weatherization, the list of eligible improvements is not expected to be expanded.

**Voucher Plan:**

As mentioned earlier, KHRC has previously utilized SRS LIEAP funds for weatherization activities. While this is still an eligible use, sufficient weatherization funding will now be provided through DOE stimulus funds. KHRC proposes utilizing the \$4 million in 2009 LIEAP funds for a voucher plan.

Under the voucher plan, low- and moderate-income Kansans could receive replacement appliances for old refrigerators, hot water tanks, window air conditioners, and central heat and air units. Citizens would submit an application and receive a voucher for a new appliance (or heating and cooling unit), including the cost of installation. The voucher would be presented to participating vendors who would certify that the new appliance was installed and the old unit removed and processed for recycling. Upon receipt, KHRC would issue payment specified in the voucher.

Income eligibility under the LIEAP program is 75% of median income, which is \$25,322 for a single person and \$48,697 for a family of four in Kansas.

**Training and Technical Assistance:**

The Stimulus specifies that up to 20% of the funds can be used for training and technical assistance. KHRC is one of the few states that requires inspectors to be certified and further has established a partnership through the Kansas Building Science Institute to train and certify those inspectors. The K-State program currently provides two sessions each year with approximately 20-25 students for each session. We have arranged for two additional classes to be held each year to double the number of new inspectors entering the field. This training opportunity is funded entirely by KHRC through DOE funding.

**Projected Program Capacity:**

The Kansas Weatherization Assistance Program is ramping up and expanding its activities to utilize the \$11.8 million in 2009 DOE and LIEAP formula funding, \$58 million in stimulus funding and an estimated \$7.2 million in 2010 DOE and LIEAP formula funding, as follows:

**Year 1**

Program	Units	Funds
Agency Partners	3,277	\$22 million
Multi-family Plan	1,800	\$8 million
Voucher Plan	1,500	\$4 million
Annual Total	6,577	\$34 million

**Year 2**

Program	Units	Funds
Agency Partners	4,640	\$28 million
Multi-family Plan	2,500	\$11 million
Voucher Plan	1,500	\$4 million
Annual Total	8,640	\$43 million

**Stimulus Total**

Program	Units	Funds
Agency Partners	7,917	\$50 million
Multi-family Plan	4,300	\$19 million
Voucher Plan	3,000	\$8 million
<b>Stimulus Total</b>	<b>15,217</b>	<b>\$77 million</b>

## **Summary**

This overview outlines additional weatherization program opportunities and program capacity necessary to utilize funding provided by the Federal Stimulus plan. While KHRC acknowledges new delivery strategies are necessary, we are confident that by implementing the two new multi-family and voucher plan, the state will effectively utilize the increase in federal weatherization-related funds.





**TESTIMONY BEFORE HOUSE COMMITTEE  
ON ENERGY AND UTILITIES  
REGARDING THE KANSAS ENERGY EFFICIENCY PROGRAM**

**Stephen R. Weatherford  
President of the Kansas Finance Development Authority  
and Kansas Housing Resources Corporation**

**March 4, 2009**

Chairman Holmes and Members of the Committee, thank you for the opportunity to speak with you about the Kansas Energy Efficiency Program (KEEP). In response to a 2006 State appropriation of \$2 million, the Kansas Housing Resources Corporation (KHRC) launched KEEP, a statewide initiative to promote energy conservation and efficiency. The intent was to establish a low-interest loan program to encourage low- and moderate-income homeowners to make long-lasting, energy efficient home improvements.

KEEP was based on a very successful energy loan program in Nebraska. The Nebraska program had been in operation for over 20 years enjoying funding of over \$24 million. The Nebraska program provides loans for residential, industrial and commercial structures, with no income limitations.

In an effort to help families most in need, KEEP targeted homeowners with household income below 120 percent of the state median income. However, in consideration of the fact that the program is primarily an energy savings program, and following the recommendation of the Kansas Energy Council, the income limit has subsequently been eliminated to offer cost-savings to families of all incomes.

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KEEP is designed to work with hometown community banks, with each party providing one half of the eligible loan amounts. The interest rate for KHRC's half of the loan is zero percent, while the community bank determines its rate based on the borrowers' credit worthiness and prevailing interest rates. The resulting "blended" interest rate the borrower pays for the loan is effectively one half the interest rate charged by the local community bank. Per recommendations of the Kansas Energy Council, the loan amount of the KHRC participation was increased from \$7,500 to \$10,000.

KEEP loans are limited to specific energy-efficiency measures that have proven value in lowering energy use. Eligible improvements include installation of specific ENERGY STAR™ forced air natural gas or propane furnaces, central air conditioners, heat pumps, water heaters and ventilation systems; installing wall and floor insulation, new storm doors and windows, and weather stripping; air sealing, duct work and the purchase of certain ENERGY STAR™ appliances such as refrigerators, washers, dryers, dishwashers and programmable thermostats.

Due to the limited funding available for KEEP, recruiting lending partners has been difficult. However, KHRC is excited to report that over the past year we have established a new partner. In addition to our banking partner Sunflower Bank, Midwest Energy is now participating in the KEEP program as well. As with Sunflower, Midwest Energy loans one-half of the necessary funds and KHRC provides the other half. One of the primary differences is that repayment of the KEEP funds is tied to the utility meter, as opposed to a more conventional loan with a more conventional repayment process. We are hopeful that similar partnerships with other utilities are also on our horizon.

Response to KEEP continues to grow. We are pleased to announce that as of this week, \$840,000 of KEEP program funds have leveraged over \$1.9 million in weatherization improvements to 220 homes across the state. In the Sunflower partnership, \$584,000 in KEEP funds has generated 124 loans totaling \$1.4 million. In the Midwest Energy partnership, \$256,000 in KEEP funds has generated 96 loans totaling \$512,000.

With the record numbers of foreclosures, increasing unemployment, and the near collapse of the housing and financial markets during this past year both nationally and in Kansas, we'd like to note that KHRC has not suffered any loan defaults in the program. Such a statistic is a testament to the administration of the program.

Lastly, KHRC appreciates your interest in this program. We believe the KEEP program is important for Kansans, and we believe the changes made to the program will encourage even more families to make needed energy-efficiency improvements to their homes.

**KANSAS HOUSE ENERGY & UTILITIES COMMITTEE  
WEATHERIZATION ISSUES  
PAUL JOHNSON – KANSAS CATHOLIC CONFERENCE  
MARCH 4, 2009**

Thank you for holding this informational hearing on weatherization issues in Kansas. The Kansas Catholic Conference is hopeful that with the extra dollars now available for weatherization the waiting lists can be addressed and a coordinated plan developed to target the homes of greatest energy usage. Weatherization needs to be one component of a Kansas 'affordable housing plan'.

The Kansas Catholic Conference has held a few meetings with Westar staff to discuss 'disconnects' and targeting homes of highest electrical use. Westar has done a great deal of research on 'non-pay shut-offs' in their service area over the last few years. (Westar serves 560,000 of the 1 million homes in Kansas) The information is available by customer name and premise. Westar is now sharing their customer data from SRS's Low Income Home Energy Assistance Program (LIHEAP) with the sub-grantees of the Kansas Weatherization Assistance Program so that utility usage data can be factored into the selection process.

The Kansas Catholic Conference has held a similar meeting with Kansas Gas Service. (Kansas Gas Service provides natural gas to 645,000 of the 1 million homes in Kansas.) Kansas Gas Service has provided disconnect information to the Kansas Corporation Commission by zip code when the Cold Weather Rule ended in March 2005. Kansas Gas Service does not seem to systematically record the residences that are repeatedly disconnected. A request has been made to Kansas Gas Service to share their SRS's LIHEAP client household natural gas usage with the Kansas Weatherization Assistance Program.

The Kansas Catholic Conference would support a disconnect policy from the Kansas Corporation Commission to target homes that are disconnected three times in the last three years. If this home is a rental unit, the name of the owner would be required to restore service. In the safety inspection to restore service, the efficiency of the furnace would be reported. Given that the KCC allows 70% of 'uncollectables' to be paid by all KGS ratepayers, a plan for homeowners and landlords should be required to lessen the number of repeat disconnects.

Weatherization must be one component of a long-term affordable housing plan that would assist with funding of new energy efficient homes, rehabbing existing homes and have a dedicated funding source similar to the Highway Plans. Kansas started this debate with the housing grants for natural disasters. One-fourth of all Kansas households are cost burdened by paying over 30% of income for housing and utility costs according to the 2000 U.S. Census.

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