

HOUSE BILL NO. 305

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE HOUSE SPECIAL COMMITTEE ON ENERGY

Introduced: 1/19/10

Referred: House Special Committee on Energy, Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to energy; relating to the board of directors of the Alaska Energy**
2 **Authority; amending the size and composition of the board of directors of the Alaska**
3 **Energy Authority by removing the members of the Alaska Industrial Development and**
4 **Export Authority as directors of the Alaska Energy Authority and providing for**
5 **designation or appointment of other members; amending the quorum requirement for**
6 **the board of directors of the Alaska Energy Authority; and relating to nuclear waste**
7 **material."**

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

9 *** Section 1.** AS 14.07.020(a) is amended to read:

10 (a) The department shall

11 (1) exercise general supervision over the public schools of the state
12 except the University of Alaska;

13 (2) study the conditions and needs of the public schools of the state,

1 adopt or recommend plans, administer and evaluate grants to improve school
 2 performance awarded under AS 14.03.125, and adopt regulations for the improvement
 3 of the public schools;

4 (3) provide advisory and consultative services to all public school
 5 governing bodies and personnel;

6 (4) prescribe by regulation a minimum course of study for the public
 7 schools; the regulations must provide that, if a course in American Sign Language is
 8 given, the course shall be given credit as a course in a foreign language;

9 (5) establish, in coordination with the Department of Health and Social
 10 Services, a program for the continuing education of children who are held in detention
 11 facilities in the state during the period of detention;

12 (6) accredit those public schools that meet accreditation standards
 13 prescribed by regulation by the department; these regulations shall be adopted by the
 14 department and presented to the legislature during the first 10 days of any regular
 15 session, and become effective 45 days after presentation or at the end of the session,
 16 whichever is earlier, unless disapproved by a resolution concurred in by a majority of
 17 the members of each house;

18 (7) prescribe by regulation, after consultation with the state fire
 19 marshal and the state sanitarian, standards that will assure healthful, **energy efficient,**
 20 and safe conditions in the public and private schools of the state, including a
 21 requirement of physical examinations and immunizations in pre-elementary schools;
 22 the standards for private schools may not be more stringent than those for public
 23 schools; **energy use standards established under this paragraph shall meet or**
 24 **exceed the requirements of the 2009 edition of the International Energy**
 25 **Conservation Code;**

26 (8) exercise general supervision over pre-elementary schools that
 27 receive direct state or federal funding;

28 (9) exercise general supervision over elementary and secondary
 29 correspondence study programs offered by municipal school districts or regional
 30 educational attendance areas; the department may also offer and make available to any
 31 Alaskan through a centralized office a correspondence study program;

1 (10) accredit private schools that request accreditation and that meet
2 accreditation standards prescribed by regulation by the department; nothing in this
3 paragraph authorizes the department to require religious or other private schools to be
4 licensed;

5 (11) review plans for construction of new public elementary and
6 secondary schools and for additions to and major rehabilitation of existing public
7 elementary and secondary schools and, in accordance with regulations adopted by the
8 department, determine and approve the extent of eligibility for state aid of a school
9 construction or major maintenance project; for the purposes of this paragraph, "plans"
10 include educational specifications, schematic designs, and final contract documents;

11 (12) provide educational opportunities in the areas of vocational
12 education and training, and basic education to individuals over 16 years of age who
13 are no longer attending school;

14 (13) administer the grants awarded under AS 14.11;

15 (14) establish, in coordination with the Department of Public Safety, a
16 school bus driver training course;

17 (15) require the reporting of information relating to school disciplinary
18 and safety programs under AS 14.33.120 and of incidents of disruptive or violent
19 behavior;

20 (16) establish by regulation criteria, based on low student performance,
21 under which the department may intervene in a school district to improve instructional
22 practices, as described in AS 14.07.030(14) or (15); the regulations must include

23 (A) a notice provision that alerts the district to the deficiencies
24 and the instructional practice changes proposed by the department;

25 (B) an end date for departmental intervention, as described in
26 AS 14.07.030(14)(A) and (B) and (15), after the district demonstrates three
27 consecutive years of improvement consisting of not less than two percent
28 increases in student proficiency on standards-based assessments in math,
29 reading, and writing as provided in AS 14.03.123(f)(2)(A); and

30 (C) a process for districts to petition the department for
31 continuing or discontinuing the department's intervention;

(17) notify the legislative committees having jurisdiction over education before intervening in a school district under AS 14.07.030(14) or redirecting public school funding under AS 14.07.030(15).

* **Sec. 2.** AS 14.07.020 is amended by adding a new subsection to read:

(d) In reviewing plans under (a)(11) of this section, the department shall review

(1) the construction, rehabilitation, and siting plans to ensure that the proposed construction or rehabilitation achieves the maximum efficiency in energy use by the subject school; and

(2) the siting plans for new school construction to determine the potential use of cogeneration capabilities of local power plants to provide heat to the newly constructed school.

* **Sec. 3.** AS 18.45.020 is amended to read:

Sec. 18.45.020. United States licenses or permits required. A person may not manufacture, construct, produce, transfer, acquire, or possess a special nuclear material facility, by-product material facility, production facility, or utilization facility, or act as an operator of a production facility or utilization facility, wholly within the state without first obtaining a license or permit for the activity in which the person proposes to engage from the Nuclear Regulatory Commission if the commission requires a license or permit to be obtained by persons proposing to engage in the activities.

* **Sec. 4.** AS 18.45.025 is amended to read:

Sec. 18.45.025. Facilities siting permit required. (a) A person may not construct a nuclear fuel production facility, nuclear utilization or utilization facility, reprocessing facility, or nuclear waste disposal facility in the state without first obtaining a permit from the Department of Environmental Conservation to construct the facility on land designated by the legislature under (b) of this section.

(b) The legislature shall designate by law the land in the state on which a nuclear fuel production facility, nuclear utilization facility, [NUCLEAR] reprocessing facility, or nuclear waste disposal facility may be located. In designating the land in the state on which

1 **(1) a nuclear utilization facility or utilization facility may be**
 2 **located, the legislature shall act in the interest of regulating the economics of**
 3 **nuclear energy;**

4 **(2)** a nuclear fuel production **facility**, [NUCLEAR UTILIZATION,]
 5 nuclear reprocessing **facility**, or nuclear waste disposal facility may be located, the
 6 legislature shall act to protect the public health and safety.

7 (c) The Department of Environmental Conservation shall adopt regulations
 8 governing the issuance of permits required by (a) of this section. However, a permit
 9 may not be issued until

10 [(1) REPEALED

11 (2)] the municipality with jurisdiction over the proposed facility site
 12 has approved the permit [; AND

13 (3) REPEALED

14 (4) THE GOVERNOR HAS APPROVED THE PERMIT].

15 * **Sec. 5.** AS 18.56.090(c) is amended to read:

16 (c) The corporation may not provide money or another form of housing
 17 assistance authorized by (b) of this section unless the board identifies in the
 18 corporation's proposed operating budget the money available to the corporation,
 19 including the corporation's own assets, for the proposed housing assistance. The
 20 provisions of this subsection apply to

21 (1) subsidies authorized by the home ownership assistance program
 22 under AS 18.56.091;

23 (2) mortgage subsidies authorized by the graduated payment mortgage
 24 loan program under AS 18.56.098(c);

25 (3) interest rate deductions authorized in the housing development
 26 fund under AS 18.56.100(b)(1) and (l);

27 (4) money or another form of housing assistance payable from
 28 corporate earnings or assets of the corporation, other than money appropriated to the
 29 corporation for the specific purpose, for a program set out in **AS 18.56.400 - 18.56.810**
 30 [AS 18.56.400 - 18.56.850].

31 * **Sec. 6.** AS 18.65.340(f)(1) is amended to read:

(1) "department" means a department of state government listed in
AS 44.17.005(2) - (16) [AS 44.17.005(2) - (15)];

* **Sec. 7.** AS 22.05.025(a) is amended to read:

(a) The supreme court has authority over

(1) all matters relating to the

(A) maintenance, occupancy, and operation of all court facilities;

(B) rent or lease of facilities for court system purposes, subject to AS 36.30.080(c); and

(C) acquisition of facilities for court system purposes by lease-purchase or lease-financing agreements, subject to AS 36.30.085; and

(2) the planning, design, and construction of court facilities but, in the exercise of its authority under this paragraph, the supreme court shall cooperate and coordinate with the Department of Transportation and Public Facilities so that court facility construction projects are carried out in accordance with the statutes and regulations applicable to state public works projects and comply with the state energy use reduction plan under AS 44.42.067.

* **Sec. 8.** AS 35.10 is amended by adding a new section to article 1 to read:

Sec. 35.10.085. Alternative energy for public works. (a) When preparing and adopting plans and specifications and determining standards for the construction of a public work under AS 35.10.010, the department shall review the option of using a viable alternative energy system for heat or electrical power for the public work.

(b) If a viable alternative energy resource is available and can be used as a primary or secondary source of heat or electrical power or the department determines a viable alternative energy source will become available, a public work constructed under this chapter shall be constructed to accommodate or be compatible with the viable alternative energy system.

(c) In this section, "viable alternative energy system" means a system that uses a nonfossil fuel fired system for heat or electrical power that, if used over the course of the life of the facility, will cost not more than a fossil fuel fired system to purchase, install, maintain, and operate and will have less measurable adverse effect on the

environment than a fossil fuel fired system.

* **Sec. 9.** AS 37.07.062 is amended by adding a new subsection to read:

(d) In addition to the requirements of (a) of this section, if an agency is requesting an appropriation of \$1,000,000 or more for capital improvements to an existing public facility, the agency must submit with the request for review by the legislature

(1) the most recent energy audit report as described in AS 44.42.065 for the public facility;

(2) a proposal for energy efficiency improvements for the public facility; and

(3) a cost-savings analysis for the proposed energy efficiency improvements for the public facility.

* **Sec. 10.** AS 39.50.200(b) is amended by adding a new paragraph to read:

(64) the board of directors of the Alaska Energy Authority (AS 44.83.030).

* **Sec. 11.** AS 41.41.010(b) is amended to read:

(b) The authority is a public corporation and an instrumentality of the state within the Department of **Energy** [REVENUE].

* **Sec. 12.** AS 42.45.045(d) is amended to read:

(d) The authority shall, in consultation with the advisory committee established under (i) of this section and the Department of Natural Resources,

(1) develop a methodology for determining the order of projects that may receive assistance, including separate requirements for grant eligibility, and adopt regulations identifying criteria to evaluate the benefit and feasibility of projects for which an applicant applies for support from the legislature, with the most weight being given to projects that serve any area in which the average cost of energy to each resident of the area exceeds the average cost to each resident of other areas of the state, and significant weight being given to a statewide balance of grant funds, [AND] to the amount of matching funds an applicant **has verified to the authority that are [IS ABLE TO MAKE] available for a project, and to projects that are likely to have a financial benefit that exceeds the amount of grant funds received;**

(2) make recommendations to the legislature for renewable power production reimbursement grants; [AND]

(3) not later than 10 days after the first day of each regular legislative session, submit to the legislature a report summarizing and reviewing each grant application submitted under this section and a recommended priority for awarding grants; and

(4) require activity reports for each project funded at intervals determined by the authority.

* **Sec. 13.** AS 42.45.045 is amended by adding a new subsection to read:

(m) The authority shall enter into a contract or agreement with an economist or financial analyst with experience in the area of renewable energy for the economist or financial analyst to prepare a written evaluation for each project the authority recommends under (e) of this section and submit a report to the legislature detailing the results of the evaluation.

* **Sec. 14.** AS 42.45 is amended by adding a new section to read:

Article 7A. Emerging Energy Technology.

Sec. 42.45.375. Emerging energy technology fund. (a) The emerging energy technology fund is established. The authority shall administer the fund as a fund distinct from other funds of the authority. The fund consists of

(1) money appropriated to the fund by the legislature to provide grants and loans for energy projects;

(2) gifts, bequests, contributions from other sources, and federal money appropriated to the fund;

(3) interest earned on the fund balance; and

(4) investments to be managed by the Department of Revenue, which shall be the fiduciary of the fund under AS 37.10.071.

(b) The fund is not a dedicated fund.

(c) The authority, in consultation with the advisory committee established under (e) of this section, may make grants or loans from the fund to eligible applicants for

(1) research, development, or demonstration projects designed to

1 (A) test new energy technologies or methods of conserving
2 energy; or

3 (B) improve an existing energy technology; and

4 (2) applied research projects that employ energy technology with a
5 reasonable expectation that the technology will be commercially viable in not more
6 than five years.

7 (d) In making grants and loans under this section, the authority, in consultation
8 with the advisory committee established under (e) of this section, shall give priority to

9 (1) Alaska residents, associations, organizations, or institutions;

10 (2) projects that demonstrate partnership with the University of Alaska
11 or another Alaska postsecondary institution; and

12 (3) projects supported by matching funds or in-kind partnerships.

13 (e) An advisory committee is established and consists of five members. Each
14 member of the committee shall have a degree in science or engineering and at least
15 two years of experience working in the state. Members of the committee shall be
16 appointed by the governor to staggered three-year terms. The committee consists of
17 one representative of each of the following groups:

18 (1) a business or organization engaged in the renewable energy sector;

19 (2) a business or organization engaged in the fossil fuel energy sector;

20 (3) the Alaska Power Association or an Alaska electric utility;

21 (4) the Denali Commission established under P.L. 105-277 and
22 mentioned in a note at 42 U.S.C. 3121;

23 (5) a department or agency of the state.

24 (f) A member of the advisory committee appointed under (e) of this section
25 serves without compensation but is entitled to per diem and travel expenses as
26 provided in AS 39.20.180.

27 (g) A member of the advisory committee or a business or organization to
28 which the advisory member belongs may not receive a loan or grant from the fund
29 during that member's term on the advisory committee or for a period of one year after
30 the termination of the member's service on the advisory committee.

31 (h) In this section,

(1) "eligible applicant" means

(A) an electric utility holding a certificate of public convenience and necessity under AS 42.05;

(B) an independent power producer;

(C) a local government, quasi-governmental entity, or other governmental entity, including a tribal council or housing authority;

(D) a business holding an Alaska business license; or

(E) a nonprofit organization.

(2) "energy technology" means technology that promotes, enhances, or expands the diversity of available energy supply sources or means of transmission, increases energy efficiency, or reduces negative energy-related environmental effects; "energy technology" includes technology related to renewable sources of energy, conservation of energy, enabling technologies, efficient and effective use of hydrocarbons, and integrated energy systems;

(3) "fund" means the emerging energy technology fund.

* **Sec. 15.** AS 42.45.990(4) is amended to read:

(4) "power project" or "project" means a plant, works, system, or facility, together with related or necessary facilities and appurtenances, including a divided or undivided interest in or a right to the capacity of a power project or project, that is used or is useful for the purpose of

(A) electrical or thermal energy production [OTHER THAN NUCLEAR ENERGY PRODUCTION];

(B) waste energy utilization and energy conservation; or

(C) transmission, purchase, sale, exchange, and interchange of electrical or thermal energy, including district heating or interties;

* **Sec. 16.** AS 43.20.021(d) is amended to read:

(d) Where a credit allowed under the Internal Revenue Code is also allowed in computing Alaska income tax, it is limited to 18 percent for corporations of the amount of credit determined for federal income tax purposes that [WHICH] is attributable to Alaska. This limitation does not apply to a special industrial incentive tax credit under AS 43.20.042 or to a renewable energy production tax credit

1 under AS 43.20.046.

2 * **Sec. 17.** AS 43.20 is amended by adding a new section to article 1 to read:

3 **Sec. 43.20.046. Renewable energy production tax credit.** (a) An energy
4 producer that produces renewable energy may claim a renewable energy production
5 tax credit in the amount of 15 percent of the retail rate for each kilowatt-hour of
6 electricity charged by the energy producer, as determined by the Regulatory
7 Commission of Alaska; however, a tax credit may not be less than 2.1 cents for each
8 kilowatt-hour of renewable energy produced or more than five cents for each kilowatt-
9 hour of renewable energy produced.

10 (b) An energy producer may claim a renewable energy tax credit under this
11 section for each kilowatt-hour of renewable energy produced or sold for each of the
12 first five tax years after the date the capital investment used to produce renewable
13 energy is placed into service if the energy producer sells all or part of the energy
14 produced.

15 (c) A renewable energy tax credit under this section may be claimed only for a
16 capital investment

17 (1) to produce renewable energy that is placed into service on or after
18 July 1, 2010; or

19 (2) to expand production of renewable energy if the investment for
20 production expansion is made on or after July 1, 2010.

21 (d) An unused renewable energy tax credit under this section may be carried
22 forward and applied against the tax liability of the energy producer.

23 (e) A renewable energy tax credit provided under this section may be sold,
24 assigned, exchanged, conveyed, or otherwise transferred, in whole or in part.

25 (f) A taxpayer acquiring a renewable energy tax credit under (a) or (e) of this
26 section may use the tax credit or a portion of the tax credit to offset taxes imposed
27 under this chapter. Any portion of the credit not used may be used at a later time or
28 transferred under (e) of this section.

29 (g) A renewable energy tax credit acquired under (a) or (e) of this section,
30 when combined with any state aid that the energy producer receives for the capital
31 investment made to produce renewable energy for which the credit is acquired, may

1 not exceed 10 percent of the energy producer's capital investment for production of
 2 renewable energy, aggregated over the five years within which the credit is allowed to
 3 be claimed under (b) of this section.

4 (h) An energy producer that claims a renewable energy tax credit under this
 5 section and that wishes to transfer the unused tax credit to a taxpayer under (e) of this
 6 section may apply to the department for a transferable tax credit certificate. An
 7 application under this subsection must be in a form prescribed by the department and
 8 must include supporting information and documentation that the department
 9 reasonably requires. The department shall grant or deny the tax credit certificate, or
 10 grant the tax credit certificate as to a lesser amount than that for which application is
 11 made and deny it as to the excess, not later than 120 days after it receives the
 12 application.

13 (i) An energy producer that uses a renewable energy production tax credit to
 14 offset the tax imposed by this chapter or transfers the credit under (e) of this section
 15 may not also claim the federal renewable energy credit under 26 U.S.C. 45, authorized
 16 by AS 43.20.021, for a capital investment associated with the production or expansion
 17 of renewable energy that generated the credit under this section.

18 (j) The department shall

- 19 (1) prescribe an application form for a tax credit under this section; and
- 20 (2) adopt regulations necessary for the administration of this section.

21 (k) In this section,

22 (1) "capital investment" means an expenditure made

23 (A) as a cash expenditure or binding payment agreement for
 24 real property or tangible personal property used in this state in the production
 25 of renewable energy; and

26 (B) for an asset first placed in service for the production of
 27 renewable energy in the state during or before the tax year in which the credit
 28 is claimed; in this subparagraph, "placed in service for the production of
 29 renewable energy in the state" means that the first use of the capital investment
 30 is in this state; if the property on which the claim of the credit is based has
 31 been used elsewhere in the tax year of acquisition and is brought to this state

during that year or a subsequent year, the property does not qualify as a capital investment;

(2) "energy producer" means

(A) an electric utility or independent power producer holding a certificate of public convenience and necessity under AS 42.05; or

(B) an independent power producer producing more than 100 kilowatts of electricity from renewable energy;

(3) "renewable energy" means geothermal, solar, hydroelectric, wind, biomass, hydrokinetic or tidal, and wave energy.

* **Sec. 18.** AS 44.17.005 is amended to read:

Sec. 44.17.005. Offices and departments. There are in the state government the following principal offices and departments:

(1) Office of the Governor

(2) Department of Administration

(3) Department of Law

(4) Department of Revenue

(5) Department of Education and Early Development

(6) Department of Health and Social Services

(7) Department of Labor and Workforce Development

(8) Department of Commerce, Community, and Economic Development

(9) Department of Military and Veterans' Affairs

(10) Department of Natural Resources

(11) Department of Fish and Game

(12) Department of Public Safety

(13) Department of Transportation and Public Facilities

(14) Department of Environmental Conservation

(15) Department of Corrections

(16) Department of Energy.

* **Sec. 19.** AS 44 is amended by adding a new chapter to read:

Chapter 38. Department of Energy.

1 **Sec. 44.38.010. Commissioner of energy.** The principal executive officer of
 2 the Department of Energy is the commissioner of energy.

3 **Sec. 44.38.020. Duties.** The Department of Energy shall

4 (1) develop and administer a comprehensive energy plan for the state,
 5 addressing energy production, distribution, conservation, and consumption statewide;

6 (2) promote cost-effective energy efficiencies in construction,
 7 renovation, and maintenance of public buildings and commercial and residential
 8 structures, including the adoption and management of energy-efficiency standards;

9 (3) encourage the development of new technologies and alternative
 10 energy sources to reduce energy use and costs to consumers;

11 (4) lead the implementation of statewide energy strategies to ensure
 12 reliable, stable supplies of electricity, heating fuels, renewable and alternative energy,
 13 and other energy resources at reasonable costs to consumers;

14 (5) serve as the state's designated energy office for all United States
 15 Department of Energy funds.

16 **Sec. 44.38.030. Home energy conservation and weatherization program.**

17 (a) The Department of Energy shall plan, study, implement, and assist programs for
 18 home energy conservation and weatherization, including, without limitation,

19 (1) a home energy loan program;

20 (2) a rural capital retrofit program; and

21 (3) an energy efficiency and weatherization program.

22 (b) In the development of a home energy conservation or weatherization
 23 program under (a) of this section, the department may not consider the value of Alaska
 24 longevity bonus payments under AS 47.45 or permanent fund dividends under
 25 AS 43.23 in determining whether a person meets income guidelines established in
 26 regulation by the department for a state conservation or weatherization program or, to
 27 the extent permitted by federal law, a federal energy conservation or weatherization
 28 program.

29 * **Sec. 20.** AS 44.42.065 is amended to read:

30 **Sec. 44.42.065. Energy use index database maintenance; energy audit**
 31 **[CONSERVATION OF ENERGY IN PUBLIC BUILDINGS].** (a) The department

1 shall

2 (1) update the energy use index database established in
 3 AS 44.83.955 not later than December 31 of each year; and

4 (2) conduct [, AT LEAST ONCE EVERY SEVEN YEARS,
 5 PERFORM] an energy audit of each public facility whenever, in updating the
 6 energy use index under (1) of this subsection, the department determines there is
 7 substantial energy inefficiency for the public facility [BUILDING].

8 (b) The department shall include in each energy audit required by (a)(2) [(a)]
 9 of this section recommendations for corrective measures to improve the energy
 10 efficiency and to minimize the life-cycle cost of the public facility [BUILDING]
 11 surveyed. These measures may include (1) energy conservation measures, (2)
 12 measures involving solar technology and other renewable [ALTERNATIVE] energy
 13 systems, (3) energy management, and (4) maintenance and operating procedures and
 14 energy-related modifications. In recommending the corrective measures, the
 15 department shall give priority to changes in maintenance and operating procedures
 16 over measures requiring substantial structural modification or installation of
 17 equipment.

18 (c) In this section, "energy audit" means a determination of

19 (1) the energy consumption characteristics of a public facility
 20 [BUILDING], including the size, type, and rate of energy consumption of major
 21 energy-consuming systems of the public facility [BUILDING] and the climate
 22 characterizing the region where the public facility [BUILDING] is located; and

23 (2) a determination of the energy conservation and cost savings likely
 24 to result from appropriate energy-conserving maintenance and operating procedures
 25 and modifications, including the purchase and installation of energy-related fixtures.

26 * **Sec. 21.** AS 44.42.065 is amended by adding new subsections to read:

27 (d) The department shall submit to the legislature a report summarizing the
 28 energy audits conducted under this section not later than one year after the completion
 29 of an energy audit required under this section.

30 (e) In this section, "public facility" has the meaning given in AS 44.83.955.

31 * **Sec. 22.** AS 44.42 is amended by adding a new section to read:

1 **Sec. 44.42.067. State energy use reduction plan and energy efficiency**
 2 **improvements.** (a) The department shall prepare and adopt a state energy use
 3 reduction plan that will allow the state to achieve a reduction of energy consumption
 4 for state facilities, starting one year after the effective date of this section.

5 (b) The state energy use reduction plan prepared under (a) of this section must
 6 contain

7 (1) a plan to improve, to the extent feasible, the energy efficiency of all
 8 state facilities managed by the department;

9 (2) a requirement that new public facilities managed by the department
 10 be designed and constructed in accordance with applicable standards listed in the 2009
 11 edition of the International Energy Conservation Code; and

12 (3) a plan for recovery of costs of efficiency improvements to state
 13 facilities managed by the department, including lighting projects, that start after the
 14 effective date of this Act through energy cost savings over the 15-year period
 15 following completion of the project.

16 (c) In implementing the plan, the department may waive a requirement listed
 17 in (b)(2) of this section if the department makes a determination that a requirement is
 18 ineffective or inappropriate due to the climate conditions of the state.

19 (d) In implementing the plan, the department shall, if cost-effective, consider
 20 entering into performance energy contracts. In this subsection, "performance energy
 21 contract" means a contract for which payment is conditional on achieving
 22 contractually specified energy savings.

23 * **Sec. 23.** AS 44.83.020 is amended to read:

24 **Sec. 44.83.020. Creation of authority.** There is created the Alaska Energy
 25 Authority. The authority is a public corporation of the state in the Department of
 26 **Energy** [COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT] but
 27 with separate and independent legal existence.

28 * **Sec. 24.** AS 44.83.030 is amended to read:

29 **Sec. 44.83.030. Membership of the authority.** The directors of the **authority**
 30 [ALASKA ENERGY AUTHORITY] are

31 **(1) the commissioner of revenue to serve as an ex officio member;**

1 (2) the commissioner of energy to serve as an ex officio member;

2 (3) one other person appointed by the governor who serves as the
 3 head of a principal department of the executive branch to serve as an ex officio
 4 member; and

5 (4) four public members appointed by the governor to serve
 6 overlapping terms of two years [MEMBERS OF THE ALASKA INDUSTRIAL
 7 DEVELOPMENT AND EXPORT AUTHORITY].

8 * **Sec. 25.** AS 44.83.040(a) is amended to read:

9 (a) The chair and vice-chair of the authority shall be elected by the
 10 directors of the authority [ALASKA INDUSTRIAL DEVELOPMENT AND
 11 EXPORT AUTHORITY SHALL SERVE AS OFFICERS OF THE ALASKA
 12 ENERGY AUTHORITY]. The powers of the authority [ALASKA ENERGY
 13 AUTHORITY] are vested in the directors, and four [THREE] directors of the
 14 authority constitute a quorum. Action may be taken and motions and resolutions
 15 adopted by the authority [ALASKA ENERGY AUTHORITY] at a meeting by the
 16 affirmative vote of a majority of the directors. The directors of the authority
 17 [ALASKA ENERGY AUTHORITY] serve without compensation, but they shall
 18 receive the same travel pay and per diem as provided by law for board members under
 19 AS 39.20.180.

20 * **Sec. 26.** AS 44.83 is amended by adding a new section to read:

21 **Sec. 44.83.955. Energy use index.** (a) The authority shall

22 (1) develop an energy use index for public facilities to measure
 23 baseline energy consumption;

24 (2) establish an energy use index database to include baseline energy
 25 use data for all public facilities evaluated in (1) of this subsection; and

26 (3) adopt regulations establishing the methodology to be used in
 27 determining the energy use index described in (1) of this subsection.

28 (b) In this section, "public facility" means a facility owned or controlled and
 29 held by the state for government or public use.

30 * **Sec. 27.** AS 44.83.990(6) is amended to read:

31 (6) "power project" or "project" means a plant, works, system, or

1 facility, together with related or necessary facilities and appurtenances, including a
 2 divided or undivided interest in or a right to the capacity of a power project or project,
 3 that is used or is useful for the purpose of

4 (A) electrical or thermal energy production [OTHER THAN
 5 NUCLEAR ENERGY PRODUCTION];

6 (B) waste energy utilization and energy conservation; or

7 (C) transmission, purchase, sale, exchange, and interchange of
 8 electrical or thermal energy, including district heating or interties;

9 * **Sec. 28.** AS 45.88.010 is amended by adding a new subsection to read:

10 (e) The fund consists of

11 (1) money appropriated to the fund by the legislature;

12 (2) gifts, bequests, or contributions from other sources; and

13 (3) principal and interest payments or other income earned on loans or
 14 investments in the fund and appropriated to the fund.

15 * **Sec. 29.** AS 45.88.020(a) is amended to read:

16 (a) The department may

17 (1) make loans for the purchase, construction, and installation of
 18 alternative energy systems **that are located in the state;**

19 (2) adopt regulations necessary to carry out the provisions of
 20 AS 45.88.010 - 45.88.090, including regulations to establish reasonable fees for
 21 services provided and charges for collecting the fees;

22 (3) collect the fees and collection charges established under this
 23 subsection.

24 * **Sec. 30.** AS 45.88.030 is amended by adding new subsections to read:

25 (f) A loan must be secured by a mortgage or other security instrument in the
 26 real property to be improved, and a lien on the improvements financed under
 27 AS 45.88.010.

28 (g) The interest rate

29 (1) may not exceed the maximum rate of eight percent a year and may
 30 not be less than five percent a year;

31 (2) shall be established by the department based on the bank prime rate

1 listed in the Wall Street Journal or its successor during the previous quarter plus one
2 percentage point, set to the nearest one-half point for loans made; and

3 (3) set for a quarter remains in effect until the department changes the
4 rate.

5 * **Sec. 31.** AS 45.88.090(a) is amended to read:

6 (a) In AS 45.88.010 - 45.88.090, "alternative energy system"

7 (1) means a source of thermal, mechanical, or electrical energy **that**
8 [WHICH] is not dependent on oil or gas or a nuclear fuel for the supply of energy for
9 space heating and cooling, refrigeration and cold storage, electrical power, mechanical
10 power, or the heating of water;

11 (2) includes

12 (A) an alternative energy property as defined by 26 U.S.C.
13 48(a)(3)(A) (Sec. 301, P.L. 95-618, Internal Revenue Code);

14 (B) a method of architectural design and construction which
15 provides for the collection, storage, and use of direct radiation from the sun;

16 (C) a woodstove with a catalytic converter or a catalytic
17 converter for a wood stove; [AND]

18 (D) a steam, hot water, or ducted hot air central heating system
19 that uses wood or coal for fuel; **and**

20 **(E) a high efficiency wood pellet stove;**

21 (3) does not include

22 (A) a stove that uses only [WOOD,] coal [,] or oil for fuel; or

23 (B) a fireplace or fireplace insert.

24 * **Sec. 32.** AS 46.11.900(1) is amended to read:

25 (1) "alternative energy system"

26 (A) means a source of thermal, mechanical, or electrical energy
27 that is not dependent on oil or gas [OR A NUCLEAR FUEL] for the supply of
28 energy for space heating and cooling, refrigeration and cold storage, electrical
29 power, mechanical power, or the heating of water;

30 (B) includes

31 (i) an alternative energy property as defined by 26

1 U.S.C. 48(a)(3)(A); and

2 (ii) a method of architectural design and construction
3 that provides for the collection, storage, and use of direct radiation from
4 the sun;

5 * **Sec. 33.** AS 18.45.027; AS 18.56.850; AS 45.88.010(c), 45.88.030(e), and 45.88.040(a)
6 are repealed.

7 * **Sec. 34.** AS 43.20.046 is repealed January 1, 2025.

8 * **Sec. 35.** The uncodified law of the State of Alaska is amended by adding a new section to
9 read:

10 EXHAUSTION OF UNUSED RENEWABLE ENERGY PRODUCTION TAX
11 CREDITS. Notwithstanding the repeal of AS 43.20.046 by sec. 34 of this Act, an unused
12 portion of a tax credit acquired under AS 43.20.046(a) or (e), enacted by sec. 17 of this Act,
13 may be carried forward until exhausted, except that the unused portion of the tax credit may
14 not be carried forward to tax years beginning after December 31, 2025.

15 * **Sec. 36.** The uncodified law of the State of Alaska is amended by adding a new section to
16 read:

17 ENERGY USE INDEX DATABASE. The Alaska Energy Authority shall establish
18 the energy use index database described in AS 44.83.955, added by sec. 26 of this Act, not
19 later than six months after the effective date of this Act.

20 * **Sec. 37.** The uncodified law of the State of Alaska is amended by adding a new section to
21 read:

22 ENERGY AUDIT REPORT. Not later than January 31, 2011, the Department of
23 Transportation and Public Facilities shall submit to the legislature a report summarizing the
24 information gathered and recommendations made by the department related to the
25 department's most recent energy audit conducted under AS 44.42.065, as amended by secs. 20
26 and 21 of this Act.

27 * **Sec. 38.** The uncodified law of the State of Alaska is amended by adding a new section to
28 read:

29 INITIAL APPOINTMENT OF DIRECTORS. Notwithstanding the terms set in
30 AS 44.83.030(4), enacted by sec. 24 of this Act, the governor shall make initial appointments
31 so that two public directors of the Alaska Energy Authority shall be appointed to one-year

1 terms and two shall be appointed to two-year terms.