

ALASKA STATE LEGISLATURE

Senate Resources Committee

**Senator Bill Wielechowski,
Co-Chair Senate Resources**

State Capitol Building, Room 115
Juneau, Alaska 99801-1182
Phone (907) 465-2435
Fax (907) 465-6615
sen.bill.wielechowski@legis.state.ak.us



**Senator Lesil McGuire, Co-Chair
Senate Resources**

State Capitol Building, Room 125
Juneau, Alaska 99801-1182
Phone (907) 465-2995
Fax (907) 465-6592
sen.lesil.mcguire@legis.state.ak.us

SPONSOR STATEMENT

Senate Bill # 220: Alaska Sustainable Energy Act

During the summer and fall of 2010, the Senate Special Committee on Energy and Senate Resources Committee held hearings across the state on the energy challenges and opportunities facing Alaskans. Starting from the premise that Alaskans want to live and work where energy is available, reliable and affordable; we took testimony and learned firsthand about the impacts high energy costs have had on businesses, communities and families. The diverse range of ideas we received were integrated into a broad *Draft State Energy Policy and Program Recommendations* document that is available on the Alaska Senate Energy Policy Group's website: www.energy.aksenate.org

Working together as chairs of the Senate Resources Committee, we drafted the *Alaska Sustainable Energy Act* (SB 220) as an omnibus bill to address the challenges we heard from Alaskans. In addition to the omnibus energy bill, we also released a detailed list of funding recommendations that are available on the website. Where the *Alaska Sustainable Energy Act* breaks new ground, the funding recommendations are intended to build on previous efforts by the Legislature.

The *Alaska Sustainable Energy Act* starts by establishing a statewide energy policy that recognizes the importance of Alaska's fossil fuel resources but also identifies Alaska's vast renewable energy potential. With largely under-explored wind, wave and geothermal resources, Alaska can become a global leader in renewable energy. The policy also seeks to find ways to use energy more wisely and sets goals for energy efficiency. Finally, the policy states that cost-effective solutions need to be found for every community. Despite our vast distances and unique local challenges, energy is a basic need in Alaska and the foundation of our economy. Finding ways to meet the energy needs of our neighbors will make all of Alaska stronger. Therefore, we drafted the *Alaska Sustainable Energy Act* to provide the tools to move Alaska forward into a sustainable future.

Tools in the Toolbox

The *Alaska Sustainable Energy Act* includes a broad range of policy tools designed to attract investment in Alaska's energy sector and stimulate the economy. The programs in SB 220 fall into three basic categories: near-term, mid-term and long-term solutions.

Near Term Solutions: Plan and Assist

- **Energy Efficiency Revolving Loan Fund:** Senate Bill 220 creates a revolving loan program to fund energy efficiency improvements in public buildings. School districts, municipalities and state government will have access to the funds needed to upgrade their facilities. Based on what we have seen from the State's *Weatherization* and *Home Energy Rebate* programs, this fund will foster 1,500 to 2,000 jobs in the construction industry in Alaska. SB 220 authorizes the Alaska Housing Finance Corporation to issue \$250 million in bonds to capitalize this critical new loan fund.
- **Help for Alaskan Families When Fuel Prices Soar:** SB 220 links benefits from the state's Heating Assistance Program to the price of oil, providing additional assistance to low-income families when fuel prices are high, Alaskans need help the most, and the state enjoys significant surpluses. This program is a supplement to the federal Low-Income Heating Assistance Program (LIHEAP).
- **Retrofit State Buildings:** Just like a person's home, state buildings can be made more energy efficient. Currently, the State of Alaska alone (not counting schools) spends roughly \$55 million per year on heating and lighting its buildings. Energy efficiency improvements can save 20% in energy costs, which could translate to more than \$10 million in savings per year. SB 220 requires the Department of Transportation and Public Facilities to prioritize which buildings to fix first and to construct any new buildings to high efficiency standards. It also mandates that renewable energy systems be considered when constructing new public works projects.
- **Energy Policy for Alaska:** SB 220 adopts an energy policy for Alaska, including the goal to increase energy efficiency by 15% and generate 50% of the state's electricity using renewable energy sources by 2020.
- **Statewide Fuel Cooperative:** Many rural communities struggle with crippling fuel costs. SB 220 directs the Alaska Energy Authority to work with interested communities to establish a fuel coop that will facilitate bulk purchases, lowering costs especially for small communities.
- **Coordinate and Consolidate State Energy Programs:** SB 220 asks the Governor to evaluate how best to coordinate the State's energy departments and programs in order to avoid duplication of efforts. The Governor is directed to provide a plan to the legislature by November of 2010.

- **Purchase Energy Efficient Vehicles and Equipment:** SB 220 mandates that the state consider long-term energy costs when purchasing vehicles for its fleet and equipment for its operations. It also requires the state to study the feasibility of using compressed natural gas to power vehicles in Alaska.
- **Public Education Campaign:** SB 220 tasks the Alaska Energy Authority and the Alaska Housing Finance Corporation (AHFC) with educating Alaskans about low-cost ways they can cut their energy consumption and costs. Using energy more efficiently helps not only individual households, but also assists the state in containing the cost of new power generation facilities. In addition, the bill directs the AHFC to provide technical assistance to municipalities interested in adopting local energy codes.

Medium Term Solutions: Incentivize Investment

- **Renewable Energy Tax Credit:** Several states have passed renewable energy tax credits to encourage investment in renewable energy resources. SB 220 provides a refundable tax credit to investors to encourage private sector investment in Alaska's renewable energy sector.
- **Loans to Businesses for Energy Conservation Improvements:** Alaska already provides loan programs to households for energy improvements. SB 220 includes loans of up to \$50,000 for businesses to enable investments in energy efficiency. This program will help primarily small businesses get access to the capital they need to make investments that will save money and encourage economic development.
- **Nuclear Energy:** SB 220 levels the playing field for nuclear energy projects in Alaska, ensuring that as new technologies are developed, Alaska can consider them alongside other options. It also enables proponents of small-scale nuclear energy projects to apply for funding from the state's Power Project Fund.
- **Southeast Energy Fund:** SB 220 expands the purposes for which this fund may be used, providing an improved mechanism for constructing generation and transmission projects in Southeast Alaska. Many communities in the region are still powered by high-cost diesel systems, despite the region's enormous hydropower potential.

Long Term Solutions: Innovate

- **Emerging Energy Technology Fund (EETF):** With the high cost of energy in many of our communities, Alaska provides a unique opportunity for innovation. The *Alaska Sustainable Energy Act* would create a fund that would provide grants for testing energy technologies in Alaska. The EETF would foster innovation and enable Alaskans to develop solutions to our energy challenges in Alaska; creating high-tech jobs and spurring investment in our economy.