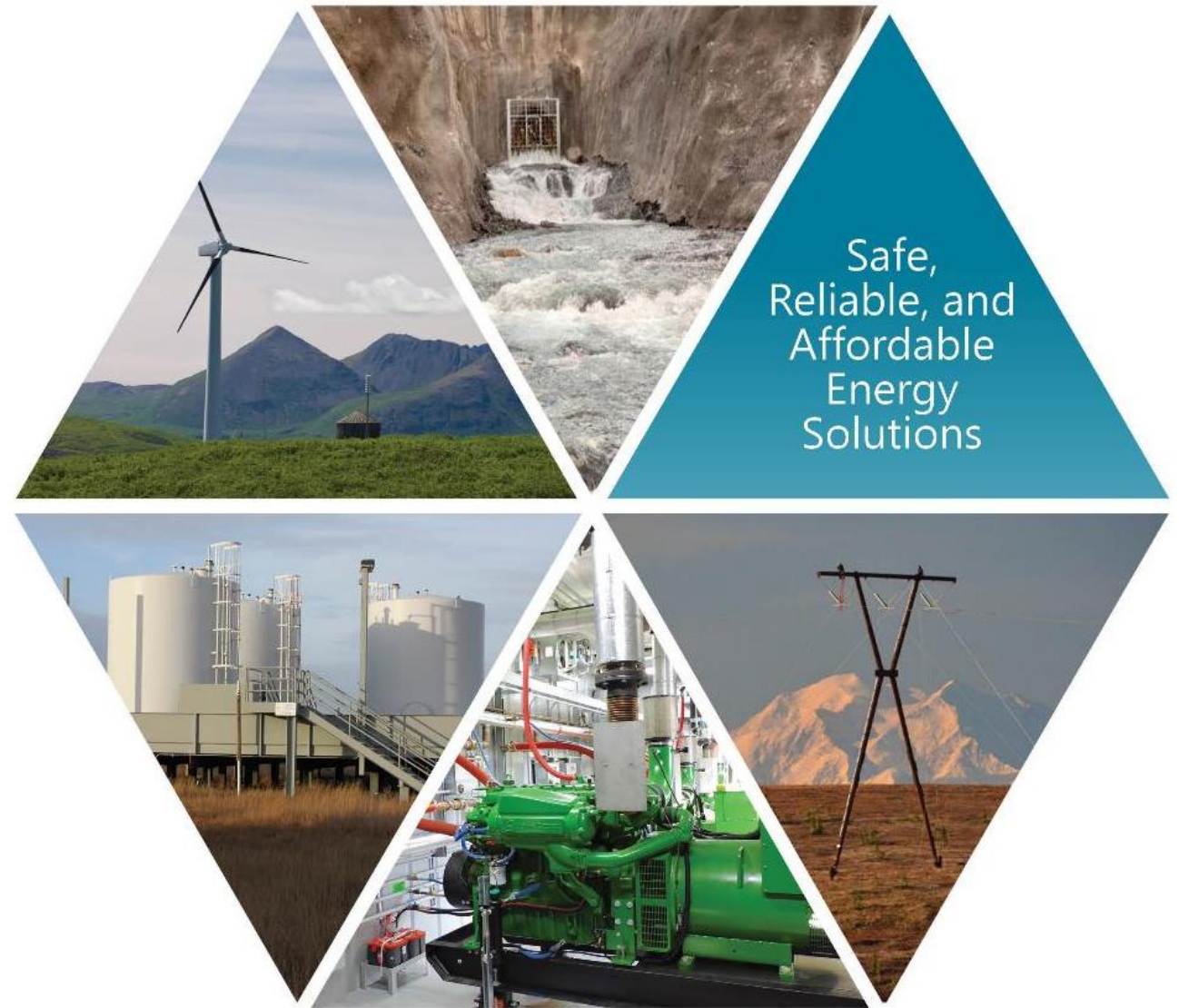


ALASKA ENERGY AUTHORITY

Renewable Energy Fund

Curtis W. Thayer
Executive Director

December 2, 2021





RENEWABLE ENERGY FUND

Renewable Energy Fund (REF)



- REF program helps Alaskans reduce and stabilize the cost of energy
- \$270 million invested in REF by the State
- 99 projects in operation, 27 in development
- Legislature approved all 11 AEA-recommended projects as submitted for Round 13, for a total of \$4.75 million in available grant funds
- REF program sunsets on June 30, 2023

PCE Endowment Earnings Calculation

Fiscal Year 2023 Appropriations (SLA2022)

Calculation of Excess PCE Earnings Available for Appropriation

Fiscal Year 2021 Earnings (AS 42.45.080(c)(2))		\$150,299,205
Fiscal Year 2022 PCE Appropriations		
AEA — Rural Energy Assistance (AS 42.45.085(a)(3))	\$381,800	
AEA — PCE (AS 42.45.085(a)(1) and (a)(3))	32,355,000	
Revenue — Treasury (AS 42.45.085(a)(2))	1,029,800	
Less: Total Fiscal Year 2022 PCE Appropriations		33,766,600
Unobligated Fiscal Year 2021 Earnings		116,532,605
70% of Unobligated Fiscal Year 2021 Earnings per AS 42.45.085(d) (max \$55 million per AS 42.45.085(d)(2))		55,000,000
Fiscal Year 2023 Appropriations per AS 42.45.085 (d)(2)		
Community Assistance Program (AS 42.45.085(d)(2)(A))	30,000,000	
Renewable Energy Grant Fund (AS 42.45.085(d)(2)(B))	15,000,000	
Rural Power Systems Upgrades (AS 42.45.085(d)(2)(B))	10,000,000	
Less: Fiscal Year 2023 Appropriations		55,000,000
Additional Earnings (Appropriate to REF)		\$25,000,000
		\$30,000,000

Fiscal Year 2023 REF Excess Earnings

\$15 Million

- Funding Source
– PCE
Endowment
Earnings
- 20 estimated
projects

+

\$25 Million

- Funding Source
– Fiscal Year
2023 (Additional
PCE Endowment
Earnings)
- 30 estimated
projects

=

\$40 Million

- Potential funding
for 50 renewable
energy projects

REF Evaluation Process: Stage 1 – Eligibility and Completeness

The REF evaluation process is comprised of four stages. Stage one is an evaluation of applicant and project eligibility and application completeness, as per 3 AAC 107.635. This portion of the evaluation process is conducted by AEA staff.

- Applicant eligibility is defined as per AS 42.45.045 (l).
 - *"electric utility holding a certificate of public convenience and necessity under AS 42.05, independent power producer, local government, or other governmental utility, including a tribal council and housing authority;"*
- Project eligibility is defined as per AS 42.45.045 (f)-(h) and is provided on the preceding page.
- Project completeness
 - An application is complete in that the information provided is sufficiently responsive to the RFA to allow AEA to consider the application in the next stage (stage two) of the evaluation.
 - The application must provide a detail description of the phase(s) of project proposed.

STAGE 1 CRITERIA	PASS/FAIL
Applicant eligibility, including formal authorization and ownership, site control, and operation	PASS/FAIL
Project Eligibility	PASS/FAIL
Complete application, including Phase description(s)	PASS/FAIL

Applications which fail to meet the requirements of stage one will be rejected by the authority, and will notify each applicant whose application is rejected of the authority's decision.

REF Evaluation Process: Stage 2 – Technical and Economic Feasibility

Stage two is an evaluation concerning technical and economic feasibility. This portion of the evaluation process is conducted by AEA staff, Alaska Department of Natural Resources, and contracted third-party vendors.

The following items are evaluated as part of the stage two evaluation, as required per 3 AAC 107.645:

- Project management, development, and operations
- Qualifications and experience of project management team, including on-going maintenance and operation
- Technical feasibility – including but not limited to sustainable current and future availability of renewable resource, site availability and suitability, technical and environmental risks, and reasonableness of proposed energy system
- Economic feasibility and benefits – including but not limited to project benefit-cost ratio, project financing plan, and other public benefits owing to the project

All stage 2 criteria are weighted as follows as part of the evaluation process. Those applications that score below 40 points in this stage will be automatically rejected by the authority, however, those projects scoring above 40 can also be rejected as under 3 AAC 107.645(b) has the authority to reject applications that it determines to be not technically and economically feasible, or do not provide sufficient public benefit.

CRITERIA	CRITERIA DESCRIPTION	WEIGHT
1	Project management, development, and operation	25%
2	Qualifications and experience	20%
3	Technical feasibility	20%
4.a	Economic benefit-cost ratio	25%
4.b	Financing plan	5%
4.c	Other public benefit	5%

REF Evaluation Process: Stage 3 – Project Ranking

Stage three is an evaluation concerning the ranking of eligible projects. This portion of the evaluation process is conducted by AEA staff in conjunction with solicitation from the Renewable Energy Fund Advisory Committee (REFAC).

The following items are evaluated as part of the stage three evaluation, as required per 3 AAC 107.655-660:

- Cost of energy
- Applicant matching funds
- Project feasibility (levelized score from stage 2)
- Project readiness
- Public benefits (evaluated through stage 2 benefits)
- Sustainability
- Local Support
- Regional Balance
- Compliance

All stage 3 criteria are weighted as follows as part of the evaluation process. The stage 3 scoring is used to determine the ranking score.

CRITERIA	CRITERIA DESCRIPTION	WEIGHT
1	Cost of Energy	30%
2	Matching Funds	15%
3	Project Feasibility (levelized score from stage 2)	25%
4	Project Readiness	5%
5	Public Benefits	10%
6	Sustainability	10%
7	Local Support	5%
8	Regional Balance	Pass/Fail
9	Compliance	Pass/Fail

REF Evaluation Process: Stage 4 – Regional Spreading

Stage four is a final ranking of eligible projects, as required per 3 AAC 107.660, which gives “significant weight to providing a statewide balance of grant money, taking into consideration the amount of money available, number and types of projects within each region, regional rank, and statewide rank.” This portion of the evaluation process is conducted by AEA staff in conjunction with solicitation from the Renewable Energy Fund Advisory Committee (REFAC) .

The following items are evaluated as part of the stage four evaluation, as required per 3 AAC 107.660:

- Cost of energy burden = [HH cost of electric + HH heat cost] ÷ [HH income] – this is used to determine target funding allocation by region – for regional spreading

Stage 4 cost of energy burden given below. The below table indicates target funding, as has been allocated, by region, this will be applied to stage 3 statewide ranking to determine the regionally-spread rank.

Cumulative through Round 9									
Energy Region	Total Round 1-9 Funding		Cost of Power Allocation				Population		Even Split
	Grant Funding	% Total	Cost burden (HH cost/HH income)	Allocation cost of energy basis	Additional funding needed to reach 50%	% of target allocation	% Total	Allocation per capita basis	Allocation per region basis
Aleutians	\$17,426,348	7%	9.39%	\$17,935,444	(\$8,458,626)	97%	1%	\$2,851,862	\$21,991,472
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Northwest Arctic	\$23,119,029	10%	15.99%	\$30,540,928	(\$7,848,564)	76%	1%	\$2,512,949	\$21,991,472
Railbelt	\$22,059,938	9%	5.05%	\$9,636,377	(\$17,241,750)	229%	78%	\$188,445,503	\$21,991,472
Southeast	\$54,193,791	22%	5.48%	\$10,469,004	(\$48,959,289)	518%	9%	\$22,566,950	\$21,991,472
Yukon-Koyukuk/Upper Tanana	\$14,377,031	6%	26.49%	\$50,579,402	\$10,912,670	28%	1%	\$2,222,940	\$21,991,472
Statewide	\$563,101	0%	0.00%						
TOTAL	\$241,906,195	100%		\$241,906,195			100%	\$241,906,195	\$241,906,195

REF Round 14 Funding Limits

Phase	Grant Limits by Location	
	Low Energy Cost Areas*	High Energy Cost Areas**
Total project grant limit	\$1M	\$2M
Phase I, Reconnaissance	The <u>per project</u> total of Phase I and II is limited to 20% of anticipated construction cost (Phase IV), not to exceed \$1M.	
Phase II, Feasibility and Conceptual Design		
Phase III, Final Design and Permitting	20% of anticipated construction cost (Phase IV), and counting against the total construction grant limit below.	
Phase IV, Construction and Commissioning	\$1M per <u>project</u> , including final design and permitting (Phase III) costs, above.	\$2M per <u>project</u> , including final design and permitting (Phase III) costs, above.
Exceptions		
Biofuel projects	Biofuel projects where the applicant does not intend to generate electricity or heat for sale to the public are limited to reconnaissance and feasibility phases only at the limits expressed above. Biofuel is a solid, liquid or gaseous fuel produced from biomass, excluding fossil fuels.	
Geothermal projects	The per-project total of Phase I and II for geothermal projects is limited to 20% of anticipated construction costs (Phase IV), not to exceed \$1M/\$2M (low/high cost areas). Any amount above the usual \$1M cap spent on these two phases combined shall reduce the total Phase III and IV grant limit by the same amount, thereby keeping the same total grant dollar cap as all other projects. This exception recognizes the typically increased cost of the feasibility stage due to test well drilling.	

REF Round 14 funding limits are governed by the requested phase(s) in the application and the technology type applied.

Low vs High Cost Energy Areas:

- *Low Energy Cost Areas* are defined as communities with a residential retail electric rate of below \$0.20 per kWh, before Power Cost Equalization (PCE) reimbursement is applied. For heat projects, low energy cost areas are communities with natural gas available as a heating fuel to at least 50% of residences, or availability expected by the time the proposed project is constructed.
- *High Energy Cost Areas* are defined as communities with a residential retail electric rate of \$0.20 per kWh or higher, before PCE funding is applied. For heat projects, high energy cost areas are communities that do not have natural gas available as a heating fuel

Request for Applications Schedule – REF Round 14

EVENT	DATE	DEPENDENCIES
Announcement of Opening: REF Round #14	November 16, 2021	RFA, Supplementary materials completed, REF Website updated, Economic Models
Application Due Date	January 18, 2022	REVAL updated, Interested applicants
AEA's Evaluation of Applications Complete	Mid March, 2022	Qualified review personnel (internal, contracted economists, DNR)
AEA confer with Renewable Energy Fund Advisory Committee (REFAC) to solicit recommendations for all grants	Late March, 2022	REFAC appointments
AEA provides recommendations and summary of all applications to Legislature	Early April, 2022	Timely submittal by AEA
Capital Funds Appropriated by Legislature	June - July, 2022	Contingent on legislative action
Finalized Grant Award Documents	July - August 2022	Contingent upon grantees providing documentation

Round 13 Funding 2021

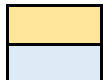
Round 13 REF Recommended Projects

Approved Projects

Legislative Info

No.	Energy Region	Project Name	Applicant	Tech	Rec Phase(s)	Approved Funding	House District	Senate District
1	Copper River/Chugach	Cordova Hydro Storage Assessment Project	Cordova Electric Cooperative, Inc.	Hydro	Recon; Feas	\$ 294,642	32	P
2	Southeast	Water Supply Creek Hydro Final Design - Hoonah, AK	Inside Passage Electric Cooperative	Hydro	Design	\$ 461,474	35	R
3	Yukon-Koyukuk/Upper Tanana	Walter Northway School Wood Chip Heating System	Alaska Gateway School District	Biomass Heat	Const	\$ 650,000	6	C
4	Lower Yukon-Kuskokwim	Improved airfoil for wind turbines in Kongiganak	Puvurnaq Power Company	Wind	Const	\$ 108,000	38	S
5	Northwest Arctic	Shungnak Heat Recovery Expansion	City of Shungnak	Heat Recovery	Design; Const	\$ 1,303,607	40	T
6	Lower Yukon-Kuskokwim	Goodnews Bay Wind Energy Feasibility and Conceptual Design Project	Alaska Village Electric Cooperative, Inc.	Wind	Feas	\$ 128,250	38	S
7	Bristol Bay	Nuyakuk River Hydroelectric Project (Run of River Project)	Nushagak Electric & Telephone Cooperative	Hydro	Feas	\$ 1,000,000	37	S
8	Lower Yukon-Kuskokwim	Kotlik Wind Energy Feasibility and Conceptual Design Project	Alaska Village Electric Cooperative, Inc.	Wind	Feas	\$ 237,500	39	T
9	Bristol Bay	Naknek Service Area Wind and Solar Power Feasibility and Conceptual Design	Naknek Electric Association, Inc.	Wind	Feas	\$ 103,500	37	S
10	Northwest Arctic	Kotzebue Community-Scale Energy Storage System	Kotzebue Electric Association	Storage	Design	\$ 325,000	40	T
11	Aleutians	City of Unalaska Wind Power Feasibility and Final Design	City of Unalaska - Department of Public Utilities	Wind	Feas	\$ 139,000	37	S
TOTAL						\$ 4,750,973		

Note:



orange cells indicate heat project applications

blue cells indicate standard electric project applications

PCE Endowment Fund (AS 42.45.085)

Sec. 42.45.085. Use of the power cost equalization endowment fund.

(a) Five percent of the amount determined by the commissioner of revenue on July 1 of each year under AS 42.45.080(c)(1) may be appropriated for the following purposes:

- (1) funding the power cost equalization and rural electric capitalization fund (AS 42.45.100);
- (2) reimbursement to the Department of Revenue for the costs of establishing and managing the fund; and
- (3) reimbursement of other costs of administration of the fund.

(b) Nothing in this section creates a dedicated fund.

(c) If the amount appropriated under (a) of this section is insufficient to achieve the purposes of (a)(1) - (3) of this section, the amount shall be prorated among the purposes listed in (a)(1) and (2) of this section.

(d) If the earnings of the fund for the previous closed fiscal year, as calculated under AS 42.45.080(c)(2), exceed the appropriation under (a) of this section for the current fiscal year, the legislature may appropriate 70 percent of the difference between the earnings of the fund for the previous closed fiscal year, as calculated under AS 42.45.080(c)(2), and the appropriation made under (a) of this section for the current fiscal year as follows:

- (1) if the amount calculated under this subsection is less than \$30,000,000, that amount to a community revenue sharing or community assistance fund; or
- (2) if the amount calculated under this subsection is \$30,000,000 or more,
 - (A) \$30,000,000 to a community revenue sharing or community assistance fund; and
 - (B) the remaining amount, not to exceed \$25,000,000, to the renewable energy grant fund established under AS 42.45.045, to the bulk fuel revolving loan fund established under AS 42.45.250, or for rural power system upgrades or to a combination of the funds or purposes listed in this subparagraph.

REFAC Roles

Statutes (AS 42.45.045)

- AEA “in consultation with the advisory committee...develop a methodology for determining the order of projects that may receive assistance....”
- AEA “shall, at least once each year, solicit from the advisory committee funding recommendations for all grants.”

Regulations (3 AAC 107.660)

(a) To establish a statewide balance of recommended projects, the authority will provide to the advisory committee established in [AS 42.45.045](#) (i) a statewide and regional ranking of all applications recommended for grants.

(b) In consultation with the advisory committee established in [AS 42.45.045](#) (i), the authority will

(1) make a final prioritized list of all recommended projects, giving significant weight to providing a statewide balance of grant money, and taking into consideration the amount of money that may be available, number and types of projects within each region, regional rank, and statewide rank

REF Statutory Guidance (AS 42.45.045)

Eligible projects must:

Be a new project not in operation in 2008, and

- be a hydroelectric facility;
- direct use* of renewable energy resources;
- a facility that generates electricity from fuel cells that use hydrogen from renewable energy sources or natural gas** (subject to additional conditions); or
- be a facility that generates electricity using renewable energy.
- natural gas** applications must also benefit a community that
 - Has a population of 10,000 or less, and
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*3 AAC 107.615 a project is a "direct use" of RE resources if it uses renewable energy resources to generate or to make a fuel used to generate energy

Evaluation process

Develop a methodology for determining the order of projects that may receive assistance,

- 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,
- significant weight given to a *statewide balance of grant funds* and to the *amount of matching funds an applicant is able to make available*
- The REF evaluation process is comprised of four stages.

Solicitation of Advice from REFAC

As statutorily required per AS 42.45.045 and set forth in 3 AAC 107.660, the authority is to solicit advice from the REFAC concerning making a final list / ranking of eligible projects, which gives *“significant weight to providing a statewide balance of grant money, taking into consideration the amount of money available, number and types of projects within each region, regional rank, and statewide rank.”* This finalized list will be provided to the legislature for recommendation in accordance with AS 42.45.045(d)(3). Any grant awards are subject to legislative appropriation.

The right-hand table is provided to assess the “regional spreading” of REF funding. As indicated, both the Railbelt and the Southeast energy regions currently exceed 200% of their target allocation based on their cost of energy burden. Bristol Bay, Yukon-Koyukuk/Upper Tanana, and the North Slope energy regions are the remaining regions where the allocation, based on the cost of energy burden, has not met 50% of their potential allocation, categorizing these regions as “under-served”.

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Lower Yukon-Kuskokwim	\$37,237,089	15%	17.83%	\$34,039,114	(\$20,217,531)	109%	4%	\$8,971,788	\$21,991,472
North Slope	\$1,251,859	1%	3.87%	\$7,393,706	\$2,444,994	17%	1%	\$2,491,403	\$21,991,472
Northwest Arctic	\$23,119,029	10%	15.99%	\$30,540,928	(\$7,848,564)	76%	1%	\$2,512,949	\$21,991,472
Railbelt	\$22,059,938	9%	5.05%	\$9,636,377	(\$17,241,750)	229%	78%	\$188,445,503	\$21,991,472
Southeast	\$54,193,791	22%	5.48%	\$10,469,004	(\$48,959,289)	518%	9%	\$22,566,950	\$21,991,472
Yukon-Koyukuk/Upper Tanana	\$14,377,031	6%	26.49%	\$50,579,402	\$10,912,670	28%	1%	\$2,222,940	\$21,991,472
Statewide	\$563,101	0%	0.00%						
TOTAL	\$241,906,195	100%		\$241,906,195			100%	\$241,906,195	\$241,906,195

Solicitation of Advice from REFAC

- As statutorily required per AS 42.45.045 and set forth in 3 AAC 107.660, the authority is to solicit advice from the REFAC concerning making a final list / ranking of eligible projects, which gives *"significant weight to providing a statewide balance of grant money, taking into consideration the amount of money available, number and types of projects within each region, regional rank, and statewide rank."* This finalized list will be provided to the legislature for recommendation in accordance with AS 42.45.045(d)(3). Any grant awards are subject to legislative appropriation.
- Both the Railbelt and the Southeast energy regions currently exceed 200% of their target allocation based on their cost of energy burden. Bristol Bay, Yukon-Koyukuk/Upper Tanana, and the North Slope energy regions are the remaining regions where the allocation, based on the cost of energy burden, has not met 50% of their potential allocation, categorizing these regions as "under-served".