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CS FOR HOUSE BILL NO. 305(ENE)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE HOUSE SPECIAL COMMITTEE ON ENERGY

Offered:

Referred:

Sponsor(s): HOUSE SPECIAL COMMITTEE ON ENERGY

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to energy; relating to construction plans, operating costs, and energy
2 efficiency standards for school construction and major maintenance by the Department
3 of Education and Early Development, to energy efficiency, energy conservation, and
4 alternative energy, to the renewable energy grant fund, to an emerging energy
5 technology fund, to a renewable energy refundable tax credit, and to the board of
6 directors of the Alaska Energy Authority; creating a Department of Energy; amending
7 the size and composition of the board of directors of the Alaska Energy Authority by
8 removing the members of the Alaska Industrial Development and Export Authority as
9 directors of the Alaska Energy Authority and providing for designation or appointment
10 of other members; amending the quorum requirement for the board of directors of the
11 Alaska Energy Authority; relating to the alternative energy revolving loan fund; and
12 relating to nuclear energy production and facilities and nuclear waste material."

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

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

(a) The department shall

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

(2) study the conditions and needs of the public schools of the state, adopt or recommend plans, administer and evaluate grants to improve school performance awarded under AS 14.03.125, and adopt regulations for the improvement of the public schools;

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

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

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

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

(7) prescribe by regulation, after consultation with the state fire marshal and the state sanitarian, standards that will assure healthful and safe conditions in the public and private schools of the state, including a requirement of physical examinations and immunizations in pre-elementary schools; the standards for private schools may not be more stringent than those for public schools;

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

(9) exercise general supervision over elementary and secondary

correspondence study programs offered by municipal school districts or regional educational attendance areas; the department may also offer and make available to any Alaskan through a centralized office a correspondence study program;

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

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

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

(13) administer the grants awarded under AS 14.11;

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

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

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

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

(B) an end date for departmental intervention, as described in AS 14.07.030(14)(A) and (B) and (15), after the district demonstrates three consecutive years of improvement consisting of not less than two percent

increases in student proficiency on standards-based assessments in math, reading, and writing as provided in AS 14.03.123(f)(2)(A); and

(C) a process for districts to petition the department for 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);

(18) adopt regulations that set standards for energy efficiency for school construction and major maintenance to provide energy efficiency benefits for all school locations in the state and that address energy efficiency in design and energy systems that minimize long-term energy and operating costs.

* **Sec. 2.** AS 14.11.135(6) is amended to read:

(6) "major maintenance" means a project described in AS 14.11.013(a)(1)(C), [OR] (D), **or (E)**;

* **Sec. 3.** AS 14.11.135(7) is amended to read:

(7) "school construction" means a project described in AS 14.11.013(a)(1)(A), (B), **[(E),] (F), or (G).**

* **Sec. 4.** 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, by-product material, **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. 5.** 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, utilization facility, nuclear reprocessing facility, or nuclear waste disposal facility may be located. In designating the land in the state on which

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

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

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

[(1) REPEALED

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

(3) REPEALED

(4) THE GOVERNOR HAS APPROVED THE PERMIT].

* **Sec. 6.** AS 18.56.090(c) is amended to read:

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

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

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

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

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

* **Sec. 7.** 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. 8.** 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. 9.** 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) For each public work subject to AS 35.10.010 - 35.10.080, the construction of which begins on or after January 1, 2011, the department shall consider using a nonfossil fuel fired alternative energy system for heat or electrical power if the department reasonably believes that an alternative energy system to supply heat or power is available that

(1) is comparably reliable to a fossil fuel fired system; and

(2) if used over the course of the life of the facility will not cost more than a fossil fuel fired system to purchase, install, maintain, and operate.

(b) If the department determines that an alternative energy system described in (a) of this section is available and can be used as a primary or secondary source of heat or electrical power, as to a public work the construction of which under this chapter begins on or after January 1, 2011, the department shall construct the public work to accommodate or be compatible with the alternative energy system.

(c) In this section, "construction" does not include reconstruction, alteration, improvement, or major repair.

* **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 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) for each project funded, require activity reports 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 experts to assist in conducting an independent economic or financial analysis for each recommended application. The information shall be included in the report to the legislature required by (d) of this section.

* **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

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

(B) improve an existing energy technology; and

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

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

- (1) Alaska residents, associations, organizations, or institutions;
- (2) projects that demonstrate partnership with the University of Alaska or another Alaska postsecondary institution; and
- (3) projects supported by matching funds or in-kind partnerships.

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

- (1) a business or organization engaged in the renewable energy sector;
- (2) a business or organization engaged in the fossil fuel energy sector;
- (3) the Alaska Power Association or an Alaska electric utility;
- (4) the Denali Commission established under P.L. 105-277 and mentioned in a note at 42 U.S.C. 3121;
- (5) a department or agency of the state.

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

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

(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 is amended by adding a new section to article 1 to read:

Sec. 43.20.046. Renewable energy credit. For purposes of calculating the tax payable under this chapter, a taxpayer shall apply as a credit against tax liability any renewable energy refundable tax credits earned under AS 43.98.040.

* **Sec. 17.** AS 43.98 is amended by adding a new section to read:

Sec. 43.98.040. Renewable energy refundable tax credit. (a) A person that produces renewable energy may claim a renewable energy refundable tax credit in the amount of 15 percent of the retail rate charged by the person, as determined by the Regulatory Commission of Alaska for each kilowatt-hour of electricity produced from renewable energy.

(b) A person may claim a credit under this section in the first year the capital investment used to produce electricity from renewable energy is placed into service

and for the four years following that year.

(c) A person may claim a credit under this section only for a capital investment

(1) to produce electricity from renewable energy that is placed into service on or after the effective date of this Act; or

(2) to expand production of electricity from renewable energy if the investment for production expansion is made on or after the effective date of this Act.

(d) A person

(1) shall use a credit under this section to offset taxes imposed under AS 43.20 (Alaska Net Income Tax Act); and

(2) may not calculate and apply the credit against the alternative minimum tax levied under the authority of AS 43.20.021(f).

(e) The department shall provide a form and adopt procedures to allow a person to claim a refundable credit under this section. The commissioner shall pay the amount of a tax credit under this section to a person who submits a form and follows procedures adopted under this subsection. A credit under this section shall be paid in the manner provided in AS 43.20.030(e) for the payment of refunds. Payments may not be made under the authority of this subsection without an appropriation for that purpose.

(f) A credit claimed under this section may not exceed 10 percent of the person's capital investment for the production of electricity from renewable energy. In calculating a person's capital investment, a person may not include any state or federal grant the person received for the capital investment.

(g) In this section,

(1) "capital investment" means an expenditure made

(A) for real property or tangible personal property used in this state in the production of electricity from renewable energy; and

(B) for an asset first placed in service for the production of electricity from renewable energy in the state during or before the tax year in which the credit is claimed; in this subparagraph, "placed in service for the production of electricity from renewable energy in the state" means that the

first use of the capital investment is in this state; if the property on which the claim of the credit is based has been used outside the state 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) "credit" means the renewable energy refundable tax credit authorized by this section;

(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.

Sec. 44.38.010. Commissioner of energy. The principal executive officer of

the Department of Energy is the commissioner of energy.

Sec. 44.38.020. Duties. The Department of Energy shall

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

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

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

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

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

Sec. 44.38.030. Home energy conservation and weatherization program.

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

(1) a home energy loan program;

(2) a rural capital retrofit program; and

(3) an energy efficiency and weatherization program.

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

* **Sec. 20.** AS 44.42 is amended by adding a new section to read:

Sec. 44.42.067. Retrofits for energy efficiency and energy efficiency report.

(a) Not later than January 1, 2020, the department shall retrofit at least 25 percent of all public facilities, starting with those it determines are the least energy efficient, if

the department determines that retrofitting the public facilities will result in a net savings in energy costs to the state within 15 years after completion of the retrofits for a public facility and if funding for the retrofits is available.

(b) A retrofit, new construction, or deferred maintenance of a public facility performed under this section shall, to the extent feasible, meet or exceed the most recently published edition of the ASHRAE/IESNA Standard 90.1, Energy Standard for Buildings Except for Low-Rise Residential Buildings, as published by the American Society of Heating, Refrigerating and Air-Conditioning Engineers.

(c) Not later than January 1 of each year, the department, in consultation with the Department of Administration, shall submit a report to the legislature detailing the department's progress in meeting the requirements of this section to reduce state energy consumption and costs and carrying out the duties listed in AS 44.42.020 related to energy use.

(d) In this section, "public facility" means a facility owned and controlled by the state for government or public use that is 10,000 square feet or more and that is not a legislative building or court building.

* **Sec. 21.** AS 44.83.020 is amended to read:

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

* **Sec. 22.** AS 44.83.030 is amended to read:

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

- (1) the commissioner of revenue to serve as an ex officio member;
- (2) the commissioner of energy to serve as an ex officio member;
- (3) one other person appointed by the governor who serves as the head of a principal department of the executive branch to serve as an ex officio member; and
- (4) four public members appointed by the governor to serve overlapping terms of two years [MEMBERS OF THE ALASKA INDUSTRIAL

DEVELOPMENT AND EXPORT AUTHORITY].

* **Sec. 23.** AS 44.83.040(a) is amended to read:

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

* **Sec. 24.** AS 44.83.990(6) is amended to read:

(6) "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. 25.** AS 45.88.010(a) is amended to read:

(a) There is established in the Department of Commerce, Community, and Economic Development the alternative energy conservation revolving loan fund to carry out the purposes of AS 45.88.010 - 45.88.090. Loans made under AS 45.88.010 - 45.88.090 are to be used

(1) to develop means of energy production utilizing one or more alternative energy systems; and

(2) to purchase, construct, and install energy conservation

improvements in commercial buildings [ENERGY SOURCES OTHER THAN FOSSIL OR NUCLEAR FUEL, INCLUDING, BUT NOT LIMITED TO, WINDMILLS, WATER AND SOLAR ENERGY DEVICES].

* **Sec. 26.** AS 45.88.010 is amended by adding a new subsection to read:

- (e) The alternative energy conservation revolving loan fund consists of
- (1) money appropriated to the fund by the legislature;
 - (2) gifts, bequests, or contributions from other sources;
 - (3) principal and interest payments or other income earned on loans or investments in the fund and appropriated to the fund; and
 - (4) money chargeable to principal or interest that is collected through liquidation by foreclosure or other processes on loans made under AS 45.88.010 - 45.88.090 and appropriated to the fund.

* **Sec. 27.** AS 45.88.020(a) is amended to read:

- (a) The department may
- (1) make loans for the purchase, construction, and installation, **in commercial buildings that are located in the state,** of
 - (A) alternative energy systems; and**
 - (B) energy conservation improvements;**
 - (2) adopt regulations necessary to carry out the provisions of AS 45.88.010 - 45.88.090, including regulations to establish reasonable fees for services provided and charges for collecting the fees;
 - (3) collect the fees and collection charges established under this subsection.

* **Sec. 28.** AS 45.88.025 is amended by adding a new section to read:

Sec. 45.88.025. Eligibility. To be eligible for a loan under AS 45.88.010 - 45.88.090, an applicant must

- (1) be an individual and physically reside in the state and maintain a domicile in the state during 12 consecutive months prior to the date of application for a loan and may not have
 - (A) declared or established residency in another state; or
 - (B) received residency or a benefit based on residency from

another state;

(2) be at least 51 percent owned by individuals described in (1) of this section if the applicant is a corporation, joint venture, or partnership; or

(3) be a nonprofit organization under AS 10.20.

* **Sec. 29.** AS 45.88.030(a) is repealed and reenacted to read:

(a) A loan made under AS 45.88.010 - 45.88.090 may not exceed \$50,000. If the requested loan amount exceeds \$30,000, the applicant must deliver to the department a document from a financial institution stating that

(1) the applicant has been denied a loan for the same purpose; or

(2) the loan from the financial institution is contingent on the applicant also receiving a loan from the fund.

* **Sec. 30.** AS 45.88.030(e) is amended to read:

(e) The rate of interest for a loan under AS 45.88.010 - 45.88.090 is the prime rate, as defined by AS 44.88.599, plus one percentage point, but may not be less than five percent a year [FOR AN ALTERNATIVE ENERGY SYSTEM IS FIVE PERCENT FOR THE FIRST \$15,000 OF THE LOAN AND 15 PERCENT FOR THE AMOUNT OF THE LOAN THAT EXCEEDS \$15,000].

* **Sec. 31.** AS 45.88.030 is amended by adding a new subsection to read:

(f) A loan under AS 45.88.010 - 45.88.090 must be secured by a mortgage or other security instrument in the real property to be improved and a lien on the improvements financed with the loan.

* **Sec. 32.** AS 45.88.090(a) is amended to read:

(a) In AS 45.88.010 - 45.88.090,

(1) "alternative energy system"

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

(B) [(2)] includes

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

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

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

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

(v) a high efficiency wood pellet stove;

(C) [(3)] does not include

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

(ii) [(B)] a fireplace or fireplace insert;

(2) "commercial building"

(A) means a building that is intended to be used for commercial purposes;

(B) does not include

(i) a residential structure or mobile home that contains one to four family housing units; or

(ii) individual units of condominiums or cooperatives;

(3) "energy conservation improvement" means

(A) structural insulation;

(B) thermal windows and doors;

(C) a furnace replacement burner designed to achieve a reduction in the amount of fuel consumed as a result of increased combustion efficiency;

(D) a device for modifying flue openings designed to increase the efficiency of operation of the heating system;

(E) an electrical or mechanical furnace ignition system that replaces a gas pilot light;

(F) an automatic energy-saving setback thermostat;

(G) a meter that displays the cost of energy usage;

(H) caulking and weather stripping of doors and windows;

(I) insulating shades and shutters;

(J) air and water recuperators.

* **Sec. 33.** AS 46.11.900(1) is amended to read:

(1) "alternative energy system"

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

(B) includes

(i) an alternative energy property as defined by 26 U.S.C. 48(a)(3)(A); and

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

* **Sec. 34.** AS 18.45.027; AS 18.56.850; AS 45.88.010(c), 45.88.030(c), 45.88.030(d), and 45.88.040(a) are repealed.

* **Sec. 35.** AS 43.20.046, enacted by sec. 16 of this Act, and AS 43.98.040, enacted by sec. 17 of this Act, are repealed January 1, 2025.

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

INITIAL APPOINTMENT OF DIRECTORS. Notwithstanding the terms set in AS 44.83.030(4), enacted by sec. 22 of this Act, the governor shall make initial appointments so that two public directors of the Alaska Energy Authority shall be appointed to one-year terms and two shall be appointed to two-year terms.

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

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES. Not later than one year after the effective date of this Act, the Department of Transportation and Public Facilities, in consultation with the Alaska Energy Authority, shall adopt and implement a

1 systematic process for prioritizing the retrofitting of state facilities for a long-term increase in
2 energy efficiency and reduction of energy costs.

3 * **Sec. 38.** The uncoded law of the State of Alaska is amended by adding a new section to
4 read:

5 REVISOR'S INSTRUCTION. The revisor of statutes shall change the heading of art.
6 1 of AS 45.88 from "Alternative Energy Revolving Loan Fund" to "Alternative Energy
7 Conservation Revolving Loan Fund."