



March 24, 2015

Representative Cathy Tilton
House Community and Regional Affairs Committee
State Capitol, Room 424
Juneau, Alaska 99801

Re: HCS HB 118(ENE)

Dear Representative Tilton:

Thank you for placing HCS HB 118(ENE)-Muni Energy Improvement Assessments/Bonds- on the House Community and Regional Affairs Committee for consideration this week.

The legislation would provide the opportunity for local governments to create a Property Assessed Clean Energy (PACE) financing mechanism. PACE would incentivize energy efficiency improvements to commercial buildings by allowing a local government financing option as part of property tax assessments.

Thirty-two other states have created similar financing structures. Under a PACE program, interested business owners first have their buildings audited to determine potential energy savings. They then apply to traditional lending sources (loan programs, local lenders, etc.) for financing that is repaid through an addition to their property tax assessment that may be in place for up to 20 years. In the Interior, the PACE financing mechanism can incentivize conversion to natural gas.

HCS HB 118(ENE) would allow local governments and businesses to opt-in on a voluntary basis to adopt PACE financing mechanisms. Lenders are provided with additional certainty of repayment while business owners are traditionally supportive because it allows them to finance improvements over an extended period of time with low-cost capital.

The House Energy Committee amended the bill during its meeting on March 17 and adopted HCS HB 118 today, March 24. AEA supports the CS as it clarifies that PACE financing could be considered by home rule and general law municipalities in Alaska that exercise property tax powers.

In addition the CS streamlines the local process to create a PACE program by requiring passage of a government resolution followed by the regular municipal ordinance process, thereby maintaining ample public notification. HCS HB 118 (ENE) also makes numerous stylistic alterations to conform to the Manual of Legislative Drafting. After conferring with the Department of Law, AEA agrees with these conforming modifications.

Finally, Legislative Legal recommends further clarification of three municipal issues that the House Energy Committee left for consideration by the House Community and Regional Affairs Committee.

These issues are:

1. is the language on Page 4, Lines 20 – 21 necessary since municipal powers adopted by ordinance can only be amended by a subsequent ordinance process with required public notice and opportunity for public input;
2. do AS 29.35.200, AS 29.35.210 and AS 29.35.220 need to be amended to clarify that all boroughs that exercise property tax powers can create PACE programs under HB 118; and
3. should the language on Page 3, Lines 16 – 17 be deleted to clarify that municipalities are not allowed to initiate PACE programs outside of their territorial jurisdiction.

AEA stands ready to work with you and your staff to address these items in the House Community and Regional Affairs Committee.

If you have any questions regarding this bill, please feel free to contact me at 771-3012, or AEA's Energy Policy and Outreach Manager, Emily Ford at 771-3961 or cell 360-2131.

Sincerely,



Sara Fisher-Goad
Executive Director