

HOUSE BILL NO. 335

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVES BERKOWITZ, Cissna, Crawford, Ramras, Kerttula, Kapsner, Gara

Introduced: 1/9/06

Referred: Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act creating the Alaska energy research and development program in the Alaska**
2 **Energy Authority and providing for a Committee on Alaska Energy Research and**
3 **Development to assist in the development of that program; and providing for an**
4 **effective date."**

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

6 * **Section 1.** AS 44.83 is amended by adding new sections to read:

7 **Article 3A. Alaska Energy Research and Development Program.**

8 **Sec. 44.83.201. Energy research and development.** The authority shall
9 conduct a program of energy research, development, demonstration, and application.
10 The program shall be known as the Alaska energy research and development program.
11 The objectives of the program are to

12 (1) improve the development and application of reliable and cost-
13 efficient alternative energy sources in the state to reduce the cost of energy paid by
14 Alaska communities and make them less dependent on nonrenewable fuels and costly

1 energy supplies;

2 (2) attract advanced technology development companies for research,
3 development, testing, and deployment of alternative energy sources; and

4 (3) advance Alaska's competitiveness in the developing field of
5 alternative energy research and development.

6 **Sec. 44.83.203. Administration and regulations.** The authority shall
7 administer the Alaska energy research and development program. The authority shall
8 adopt regulations necessary to carry out the provisions of AS 44.83.201 - 44.83.229.

9 **Sec. 44.83.205. Statewide surveys and report.** The authority shall

10 (1) determine statewide by community and region the viability of
11 alternative energy sources and shall do so by assessing existing surveys and studies
12 and providing for the conduct of surveys and studies as needed, including a statewide
13 reconnaissance of available wind resource data; and

14 (2) produce a timely and periodical statewide report identifying by
15 individual community and region alternative energy resources that have the highest
16 likelihood of providing a long-term, cost-effective energy supply.

17 **Sec. 44.83.207. Community meetings.** The authority shall, at the request of a
18 community or region, conduct a public meeting in that community or region to discuss
19 the report published under AS 44.83.205, to help communities or regions understand
20 possible alternative energy options and decide whether to invest in one or more of
21 those options.

22 **Sec. 44.83.209. Wind resource site visiting and monitoring.** (a) For
23 communities or regions that decide to invest in development of a local wind-powered
24 energy supply, the authority shall provide, as needed, for

25 (1) site visits by experts to assess the wind power potential, if any, in
26 the interested community or region; and

27 (2) the installation of equipment to monitor wind resources for a time
28 determined by the authority as necessary to accurately assess the wind-powered
29 energy potential in the interested community or region.

30 (b) On completion of the on-site wind resource assessment and a preliminary
31 finding of significant wind power energy potential by the authority, the authority shall

1 provide for a preliminary design based on the wind resource assessment, real and
2 potential energy consumption, and other energy resources, real and potential. The
3 completed preliminary design must include an analysis of its feasibility.

4 (c) To the greatest extent practicable, site visits, deployment of monitoring
5 equipment, preliminary designs, and all other matters related to the Alaska energy
6 research and development program shall be managed to avoid redundancies and
7 unnecessary costs.

8 **Sec. 44.83.211. Energy loan fund.** (a) The energy loan fund is established.
9 The fund consists of

- 10 (1) appropriations made to the fund;
11 (2) repayment of principal of and interest on loans made under this
12 section; and
13 (3) funds acquired through the state sale of alternative energy and
14 carbon credits.

15 (b) The authority may make loans from the energy loan fund to energy
16 providers to pay the costs of

- 17 (1) license and permit applications, preconstruction engineering, and
18 design of alternative energy facilities;
19 (2) constructing and equipping alternative energy facilities; and
20 (3) training local residents to operate and maintain the local alternative
21 energy facility.

22 (c) A loan from the energy loan fund shall bear an annual rate of interest of
23 two percent of the unpaid balance of the loan.

24 (d) Money in the energy loan fund may be used by the legislature to make
25 appropriations for costs of administering the fund.

26 **Sec. 44.83.213. Energy production incentive credits and debt reduction.** (a)
27 An energy production incentive credit for power produced from an alternative energy
28 source is available to energy providers to reduce the principal of loans from the energy
29 loan fund.

30 (b) The authority may approve energy production incentive credits on receipt
31 of an application that establishes that the applicant is eligible to receive a credit. The

1 application shall be presented in a manner the authority establishes by regulation.

2 (c) Energy production incentive credits shall be applied annually to reduce the
3 principal of a loan from the energy loan fund.

4 (d) The energy production incentive credit is 1.5 cents a kilowatt hour
5 generated from an alternative energy facility that is subject to debt under the energy
6 loan fund.

7 (e) Application of energy production incentive credits to loans under this
8 section may not exceed 15 years for each loan.

9 **Sec. 44.83.215. Energy portfolio standard; energy credits.** (a) The authority
10 shall design

11 (1) a proposed energy portfolio standard requiring that energy
12 providers derive a portion of produced electricity through alternative energy sources;
13 and

14 (2) a system of tradable energy credits to meet the energy portfolio
15 standard requirement.

16 (b) The authority's proposed energy portfolio standard and its system of
17 tradable energy credits shall be presented by the authority to the legislature in the form
18 of draft legislation for consideration in January 2007 and may be submitted to the
19 legislature every January thereafter as needed to satisfy the requirements of (a) of this
20 section.

21 (c) In developing the energy portfolio standard and system of tradable energy
22 credits, the authority shall consider and give equal weight to the following goals:

23 (1) increase the use of alternative energy in communities and regions
24 statewide so all citizens and businesses may benefit;

25 (2) maintain or reduce the rate costs of electricity and lessen their
26 volatility;

27 (3) create jobs in Alaska and attract investors and investments to
28 Alaska.

29 **Sec. 44.83.217. Direction to seek grant funds.** The authority shall seek and
30 apply for assistance and grant funding from appropriate federal and private sources to
31 avoid, offset, or pay the financial costs of the Alaska energy research and development

1 program.

2 **Sec. 44.83.221. Committee on Alaska Energy Research and Development.**

3 (a) The Committee on Alaska Energy Research and Development is created in the
4 Department of Commerce, Community, and Economic Development.

5 (b) The committee consists of nine members appointed under AS 39.05.080 as
6 follows:

- 7 (1) two members who represent for-profit energy providers;
8 (2) two members who represent nonprofit energy cooperatives;
9 (3) one member who represents municipally owned electric utilities;
10 (4) two members who represent consumers;
11 (5) one member who represents a relevant academic field; and
12 (6) one member who represents energy investors.

13 (c) The committee shall elect a chair and, as needed, other officers from
14 among its members.

15 (d) Members of the committee serve staggered terms of four years and, on
16 expiration of their terms, continue to serve until their successors are appointed.

17 (e) A member of the committee may serve not more than two consecutive
18 terms.

19 **Sec. 44.83.223. Powers and duties of the committee.** The Committee on
20 Alaska Energy Research and Development shall

21 (1) assist the authority in designing and implementing the energy
22 portfolio standards and the system of tradable energy credits;

23 (2) provide oversight of the Alaska energy research and development
24 program;

25 (3) provide oversight of the bidding and awarding of contracts to
26 encourage the use of the most appropriate, cost-effective, and efficient technology in
27 alternative energy projects; and

28 (4) recommend to the legislature, the governor, state agencies, and
29 private entities the most appropriate policy and action to enhance the development of
30 alternative energy projects.

31 **Sec. 44.83.229. Definitions.** In AS 44.83.201 - 44.83.229,

1 (1) "alternative energy" means energy or fuel that is used for the
2 production of electricity, heat, or mechanical power and that is derived from
3 renewable or local sources other than liquid petroleum and includes

4 (A) wind, solar, geothermal, hydrogen, wave and tidal, and
5 biomass power sources;

6 (B) hydroelectric power sources first developed after the
7 effective date of this Act; and

8 (C) local sources of natural gas;

9 (2) "carbon credits" means tradable credits issued, if applicable, under
10 AS 44.37.200(b), or otherwise according to the amount of absorption of carbon and
11 then sold to emission sources to offset their emissions;

12 (3) "energy providers" means electric utilities, regional electric
13 authorities, municipalities, regional and village corporations, village councils,
14 independent power producers, and nonprofit marketing cooperatives.

15 * **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to
16 read:

17 APPOINTMENT OF INITIAL MEMBERS OF THE COMMITTEE ON ALASKA
18 ENERGY RESEARCH AND DEVELOPMENT. Notwithstanding AS 44.83.221(d), added
19 by sec. 1 of this Act, the persons first appointed as the members of the Committee on Alaska
20 Energy Research and Development shall serve terms as follows:

21 (1) three members serve for two years;

22 (2) three members serve for three years;

23 (3) three members serve for four years.

24 * **Sec. 3.** This Act takes effect July 1, 2006.