

CS FOR HOUSE BILL NO. 335(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Offered: 2/8/06

Referred: Finance

Sponsor(s): REPRESENTATIVES BERKOWITZ, Cissna, Crawford, Ramras, Kerttula, Kapsner, Gara

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 local alternative energy sources in the state to reduce the cost of energy paid
14 by Alaska communities and make them less dependent on nonrenewable fuels and

1 costly 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.** (a) The authority shall
7 administer the Alaska energy research and development program.

8 (b) The authority shall adopt regulations developed by the Committee on
9 Alaska Energy Research and Development necessary to carry out the provisions of
10 AS 44.83.201 - 44.83.229.

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

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

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

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

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

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

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

1 (b) On completion of the on-site wind resource assessment and a preliminary
 2 finding of significant wind power energy potential by the authority, the authority shall
 3 provide for a preliminary design based on the wind resource assessment, real and
 4 potential energy consumption, and other energy resources, real and potential. The
 5 completed preliminary design must include an analysis of its feasibility.

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

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

12 (1) appropriations made to the fund;

13 (2) repayment of principal of and interest on loans made under this
 14 section; and

15 (3) funds acquired through the state sale of carbon credits.

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

18 (1) license and permit applications, preconstruction engineering, and
 19 design of alternative energy facilities;

20 (2) constructing and equipping alternative energy facilities; and

21 (3) training local residents to operate and maintain the local alternative
 22 energy facility.

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

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

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

31 (b) The authority may approve energy production incentive credits on receipt

1 of an application that establishes that the applicant is eligible to receive a credit. The
2 application shall be presented in a manner the authority establishes by regulation.

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

5 (d) The energy production incentive credit is equal to 1.9 cents a kilowatt hour
6 generated from an alternative energy facility that is subject to debt under the energy
7 loan fund. The amount of payment made to an energy provider shall be annually
8 adjusted for inflation for each fiscal year. Inflation shall be calculated under this
9 subsection as reflected by the United States Department of Labor, Bureau of Labor
10 Statistics, Consumer Price Index for Anchorage, Alaska.

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

13 (f) The receipt of a federal energy credit does not preclude receipt of a
14 qualified production incentive credit under this section.

15 **Sec. 44.83.215. Direction to seek grant funds.** The authority shall seek and
16 apply for assistance and grant funding from appropriate federal and private sources to
17 avoid, offset, or pay the financial costs of the Alaska energy research and development
18 program.

19 **Sec. 44.83.217. Committee on Alaska Energy Research and Development.**
20 (a) The Committee on Alaska Energy Research and Development is created in the
21 Department of Commerce, Community, and Economic Development.

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

- 24 (1) one member who represents for-profit energy providers;
25 (2) three members who represent nonprofit energy cooperatives;
26 (3) one member who represents municipally owned electric utilities;
27 (4) two members who represent consumers;
28 (5) one member who represents a relevant academic field; and
29 (6) one member who represents the executive branch of state
30 government.

31 (c) The committee shall elect a chair and, as needed, other officers from

1 among its members.

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

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

6 **Sec. 44.83.219. Powers and duties of the committee.** (a) The Committee on
7 Alaska Energy Research and Development shall

8 (1) develop regulations necessary to carry out the provisions of
9 AS 44.83.201 - 44.83.229;

10 (2) provide oversight of the Alaska energy research and development
11 program; and

12 (3) provide oversight of the bidding and awarding of state contracts to
13 encourage the use of the most appropriate, cost-effective, and efficient technology in
14 alternative energy projects.

15 (b) The committee shall develop strategies and recommendations to enhance
16 alternative energy research and the development of alternative energy projects. The
17 strategies and recommendations may address

18 (1) the design of an energy portfolio standard requiring that energy
19 providers derive a portion of produced electricity through alternative energy sources;

20 (2) development of a system of tradable energy credits to meet an
21 energy portfolio standard;

22 (3) policies to promote federal and private investment in alternative
23 energy research and development; and

24 (4) policies to promote efficient use of energy by state citizens,
25 governments, and business.

26 (c) In carrying out the duties under (b) of this section, the committee shall
27 consider the following goals:

28 (1) reduce the rate costs of electricity and lessen their volatility;

29 (2) create jobs in the state;

30 (3) increase investment in the state; and

31 (4) increase the use of alternative energy in communities and regions

1 statewide.

2 (d) Before December 1 of each year, the committee shall prepare and
3 distribute to the legislature committee findings and recommendations and the
4 committee's recommendations for any legislative action.

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

6 (1) "alternative energy" means energy or fuel that is used for the
7 production of electricity, heat, or mechanical power and that is derived from
8 renewable or local sources other than liquid petroleum; "alternative energy" includes
9 wind, solar, geothermal, hydrogen, hydroelectric, landfill methane, wave and tidal
10 sources, river turbines, and biomass power sources;

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

14 (3) "energy providers" means electric utilities, regional electric
15 authorities, municipalities, regional and village corporations, village councils,
16 independent power producers, nonprofit marketing cooperatives, and joint action
17 agencies formed under AS 42.45.300.

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

20 APPOINTMENT OF INITIAL MEMBERS OF THE COMMITTEE ON ALASKA
21 ENERGY RESEARCH AND DEVELOPMENT. Notwithstanding AS 44.83.217(d), added
22 by sec. 1 of this Act, the persons first appointed as the members of the Committee on Alaska
23 Energy Research and Development shall serve terms as follows:

24 (1) three members serve for two years;

25 (2) three members serve for three years;

26 (3) three members serve for four years.

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