

HOUSE FINANCE COMMITTEE  
July 28, 2008  
1:15 p.m.

CALL TO ORDER

Vice-Chair Bill Stoltze called the House Finance Committee meeting to order at [1:15:56 PM](#).

MEMBERS PRESENT

Representative Bill Stoltze, Vice-Chair  
Representative Les Gara  
Representative Mike Hawker  
Representative Mike Kelly  
Representative Bill Thomas Jr.

MEMBERS ABSENT

Representative Mike Chenault, Co-Chair  
Representative Harry Crawford  
Representative Kevin Meyer, Co-Chair  
Representative Richard Foster  
Representative Reggie Joule  
Representative Mike Kelly  
Representative Mary Nelson

ALSO PRESENT

Dan Fauske, CEO/Executive Director, Alaska Housing Finance Corporation, Department of Revenue; Cary Bolling, Energy Specialist, Research Information Center, Alaska Housing Finance Corporation; Bryan Butcher, Legislative Liaison, Alaska Housing Finance Corporation; John Anderson, Weatherization Program, Alaska Housing Finance Corporation; Sarah FisherGoad, Deputy Director of Operations, Alaska Industrial Development and Export Authority and Alaska Energy Authority, Department of Commerce, Community and Economic Development.

PRESENT VIA TELECONFERENCE

Steve Haagenon, Executive Director, Alaska Energy Authority.

SUMMARY

**PRESENTATION: Alaska Housing Finance Corporation - Energy-Efficiency Programs**

[1:17:37 PM](#)

DAN FAUSKE, CEO/EXECUTIVE DIRECTOR, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE, reported that the

program was proceeding well despite late funding. Staff training is underway. The Alaska Housing Finance Corporation (AHFC) has implemented the program since 1978 in conjunction with the United States Department of Energy. The budget includes \$6 million in corporate receipts with \$2 million in federal receipts, for a total of \$8 million. He stated that the message to the fifteen housing authorities was that "this program exceeds your ability under current status without subcontracting and the formation of partnerships." He elaborated that the slow housing market left some home builders time to take on other projects. He explained that the six day certification training is simple.

[1:21:06 PM](#)

CARY BOLLING, ENERGY SPECIALIST, RESEARCH INFORMATION CENTER, ALASKA HOUSING FINANCE CORPORATION, commented that when the \$300 million was received, the plan was to work with existing programs, including \$200 million for weatherization and \$100 million for rebates. He realized that additional training would be required. He gave a rough breakdown of the weatherization allocations by region based on heating degree days, number of units, population, and fuel costs.

Mr. Bolling pointed out the complexity of the formula. Consideration was taken for areas with longer winters and colder days. The previous weatherization program had been in existence for about thirty years. The five original agencies covered over thirty thousand homes. The new weatherization funding allowed AHFC to keep an income-based program while raising the median income limit from 60 percent to 100 percent, which qualified many more people. The Department of Housing and Urban Development (HUD) income limits for Alaska vary by region. The limit for a three person family in Anchorage is \$70,800 per year; in the Juneau area the limit is \$78,300. The original five providers have been increasing weatherization services because of the increased number of people who qualify. Fifteen state designated housing authorities were added as service providers, with statewide training included.

Mr. Bolling added that the previous program weatherized about 600 homes per year; the expectation is to weatherize about 4000 homes next year and 7500 homes the following year.

Mr. Bolling informed the committee that allocations for the rebate program were \$100 million. A formula is used to divide the money. There are no requirements except year-round owner occupancy, and any Alaskan resident can qualify. The program has existed since the mid-1990s, although it has been unfunded. Energy raters are a key part of the program and must be in place before improvements can be implemented.

Currently AHFC has 83 energy raters trained, and more are being trained statewide.

Mr. Bolling described the process for obtaining a home energy rating. The resident must call an energy rater, who analyzes the home and identifies the eligible improvements using energy rating software. The corporation then reimburses the homeowner up to \$325. The homeowner receives an improvement options report informs the homeowner about the most cost effective methods of weatherizing, and the number of points achieved per item on the list. The resident can either perform the improvements themselves or hire a contractor.

Mr. Bolling presented a sample energy certificate. The certificate lists improvements for a home. He pointed out the importance of the improvement description as well as the gained rating points. The resident can view the certificate and determine how many points they needed to reach the next rating level. There are ten levels.

[1:27:06 PM](#)

Mr. Bolling reviewed an example of a three-star rating level (Copy on File). He explained the progression of steps. A three-step improvement translated to a rebate of up to \$7000, although only the actual cost of the work will be rebated. Once the work is completed, the rater is called back to the home to verify the work and give a new rating. The follow-up appointment is less expensive. The homeowner can apply for the rebate. The rebate amount is based on the improved efficiency. The maximum rebate amount is \$10,000. If a person does not possess the money up front, AHFC has a program called the Second Mortgage for Energy Conservation including a loan of up to \$30,000 to help finance the improvements. The interest rate on this loan is fixed with a fifteen-year term.

Mr. Fauske pointed out that the weatherization is non-taxable and provided by the government to remedy a situation affecting all residents in Alaska. The Internal Revenue Service does tax the rebate. He opined that despite the tax, the program provided an intelligent option based on the savings that can be generated.

[1:30:50 PM](#)

Representative Gara asked if the rebate side included the hiring of a rater. Mr. Fauske responded that the main difference is income restrictions. On the weatherization side there is an income restriction because of federal guidelines. With the rebate, the homeowner is communicating directly with the rater.

Representative Gara observed that the entire \$100 million program is taxable. He wanted to know more about the weatherization and rebate programs. He had the impression that people qualifying for the rebate only received a portion of the cost in rebate money and he wondered if the state pays the entire amount of the first \$10,000.

Mr. Fauske clarified that the minimum rebate with invoices is \$4,000 and the maximum is \$10,000. The qualification includes improvements to the home and the increased star rating achieved. He cited an example of a resident spending \$12,000; the improvements achieved three steps for a rebate of \$7000 and the remaining \$5000 would be the homeowner's responsibility.

Representative Gara asked about the likelihood that a resident might say that the state will pay \$10,000 for the first \$10,000 worth of expenses and continue to perform the needed upgrades that cost the resident \$10,000 and then receive the full rebate from the state.

[1:33:21 PM](#)

JOHN ANDERSON, WEATHERIZATION PROGRAM, ALASKA HOUSING FINANCE CORPORATION, answered that the rebate received is based on receipts. The program is not a dollar per dollar program. The step and point systems that are used are based on ten different steps used to achieve the five levels of rebate. He cited an example of a boiler replacement. The cost is typically eight to ten thousand dollars depending on location. The particular improvement would achieve one step and earn a rebate of \$4000.

BRYAN BUTCHER, LEGISLATIVE LIAISON, ALASKA HOUSING FINANCE CORPORATION, described a potential situation where a homeowner would pay \$10,000 for improvements and have the entire \$10,000 rebated. In most cases taking an improvement up the five necessary steps would exceed \$10,000. He reported a lack of information due to the infancy of the program concerning the amount of money Alaskan residents involved in this program receive. He agreed to report back to the legislature once more data has been gathered.

[1:36:06 PM](#)

Representative Gara agreed with encouraging residents to weatherize their homes. He proposed a rule that homeowners qualify for up to fifty percent of their expenses, encouraging residents to spend twice as much in order to receive the entire potential rebate. Mr. Butcher replied that AHFC had considered that approach. He opined that within a few months time, the information about how the program works will have been gathered, including the percent of rebate residents are achieving.

Mr. Fauske stressed eliminating the idea of spending \$2000 and getting \$8000 in return.

[1:37:08 PM](#)

Representative Thomas hypothesized that he was going to replace his boiler. He asked if the boiler would be rated. He wondered if the boiler merchants would be angry if a certain boiler was favored over another. He questioned whether or not this might cause trouble for the state.

Mr. Bolling explained that the most efficient appliance or boiler is always favored despite the cost. The energy rating software looks at the annual fuel utilization efficiency. This includes a number verified by a third party. Research done by AHFC shows a number of systems or boilers that meet the required efficiency. The target is not a specific brand.

[1:40:04 PM](#)

Mr. Bolling informed that the rebate program has completed 887 ratings, 500 applications have been processed, and 200 are in progress. Nine million dollars has been committed. The program receives between 50 and 100 applications per day in addition to three to five inquiries per day about the program.

He spoke about training. He explained that training exists for weatherization service providers, existing and new energy raters, and contractors. He described the effort to inform the general public about the training programs. For weatherization providers, 144 hours of training has been completed. The expectation is to double the training efforts in the next month. He calculated that 100 energy raters are needed. The program began with 40 existing raters who all received new training. An additional 43 raters were hired. He explained the prerequisites for becoming a rater including two years of construction experience. The current focus is on communities without raters.

[1:42:29 PM](#)

Mr. Fauske stated that small communities in rural Alaska will have an established rater travel to rate homes. He disclosed the memorandum of agreement with North Star Fairbanks Borough who contributed financing toward expediting the service.

[1:44:46 PM](#)

Representative Gara expressed concerns about doubling the number of raters but not keeping up with applications. He stated that his constituents have been complaining about the

length of time it takes to have their homes rated. He suggested doubling the number of raters in order to control the situation.

Mr. Fauske explained that the scheduled training will run through October. He expressed concern that while the program is "ramping up" various regional allocations may run out of money.

[1:47:22 PM](#)

Representative Gara noted difficulty in receiving ratings and suggested that funding might not be available.

Mr. Butcher anticipated that money would remain available through the end of the calendar year. He agreed that without additional funds, the need for public announcements would prove necessary. He informed that the number of raters in Anchorage and Fairbanks will triple with in the next week.

Mr. Bolling estimated that the weatherization money would exist until 2010. The rebate program included fewer funds and is progressing more quickly because of the direct relationship between the resident and the raters.

[1:51:47 PM](#)

Representative Thomas clarified that the funds were allocated by region.

Mr. Bolling informed that AHFC was very careful to inform regions that weatherization money exists. He explained that the programs would not encompass every need.

Representative Thomas asked about the replaced boilers. He wanted to know what became of them. He supposed that a person might sell the old furnace for profit.

Mr. Bolling explained that under the rebate program, the responsibility rests with the homeowner to dispose of the old boiler. With the weatherization program, AHFC takes responsibility for disposing of the inefficient boiler. He stated that the majority of the time, the inefficiency of the boiler negates any resale value.

[1:53:23 PM](#)

Representative Kelly clarified that the old boiler might be placed in another home only to be subsidized again. He proposed a mechanism insuring that the inefficient boiler is not reused.

He asked about a quality inspection with regard to the new appliance.

[1:58:04 PM](#)

Mr. Anderson shared updates to the program including a quality control manual for AHFC. He maintained that the post rating will enable the tools to determine whether or not the work was done properly. Regarding the weatherization program, an administrator performs a five to ten percent oversight. He revealed the application for national contractor certification. He reported that the hope is that certification classes can begin as early as November or December.

Representative Kelly informed that the five star program began 25 years ago. He asked for a comparison of the five star programs. Mr. Fauske answered that a manual estimation would be possible for past ratings.

[2:01:46 PM](#)

Mr. Bolling continued his training review. He stressed the importance of contractor training. He informed that there were 18 scheduled training sessions through October. Also provided are Home Choice classes for program orientation. He listed the partners as Alaska Building Science Network, Alaska Works, Alaska Craftsman Home, Northern Building Science, UAS, Wisdom and Assoc., Cold Climate Housing Research Center, and the Opportunity Council. The Building Performance Center provides the accreditation.

He explained that the program began operation under emergency regulations. This included a public comment period and public hearing, with final regulations adopted on July 17, 2008.

He displayed slides from the weatherization program (Copy on File.) The initial presentation was done by Jim Lee, director of the Interior Weatherization Agency in Fairbanks. The presentation was given before the inception of the program, for the board of directors. He continued with an "example home" that had an estimated heating cost of \$7,092 per year (2200 gallons of heating oil plus electric.) A savings of \$2000 per year was seen simply by insulating the foundation. He explained that a priority list is created with each home. Examples of possible priorities are insulation, furnace upgrade, and reduction of blower doors.

He continued to cite examples of homes with various weatherization needs and the possible priorities.

[2:06:02 PM](#)

Mr. Bolling explained the blower test. He elaborated that the test includes opening an exterior door of the house and

installing a temporary door, which has a fan and computer at the base. This blower door simulates a 20 mile an hour wind blowing on the house. This simulates air being pulled out of the house. The process adds up all the cracks and leaks in the house and establishes the hole that would exist if you were to combine all of the empty space.

He elaborated that a smoke pencil can also be used to find leaky areas, but many raters are experienced and can easily feel leaks. He noted that the typical house in the United States has an air leakage rate of about four air changes per hour. That means that the air in the house is heated and replaced four times in an hour. He explained that older homes often have even greater air leakages.

[2:08:38 PM](#)

Representative Kelly asked about AHFC's goal in regard to air changes. Mr. Bolling answered that they are aiming for maximum efficiency. He pointed out that the entire home must be viewed as a system versus analyzing certain areas or aspects alone. He elucidated that this was one of the newer breakthroughs in weatherization building science. He expressed the importance of "building tight, but ventilating right."

Representative Kelly asked if one air exchange per hour would constitute a "tight house." Mr. Bolling replied that yes that would be a very unique rating. Representative Kelly inquired about the boiler data. He was concerned that maintenance of the boiler was not taken into consideration when evaluating efficiency. He asked if boilers were first tuned and then evaluated, or were they given an "as found" evaluation.

[2:10:38 PM](#)

Mr. Bolling believed that the weatherization program performed a combustion efficiency test. This would test the efficiency of the heating system as found. He explained that a data base of old furnaces existed to help determine the potential efficiency.

Mr. Anderson added that any boiler over 20 years old is automatically replaced.

[2:11:58 PM](#)

Representative Crawford asked about crawl space ventilation and the diametric opposition of this practice to that of insulating the crawlspace. He wondered about the use of polycarbonate storm windows, which apparently tripled the efficiency.

Mr. Bolling explained that AHFC uses engineering data to determine the R value of windows. The information is put into the energy rating software, which acquires knowledge of the return on the investment for a potential improvement. Additionally the area surrounding the window is also evaluated.

Mr. Bolling spoke to the question regarding the crawl space. He elucidated that the idea behind crawl spaces was that moist air could exit the crawl space during the summer when in actuality, this practice increases moisture in the crawlspace. He informed about the current recommendation, which is in building code and includes sealing the crawlspace while providing mechanical ventilation when necessary.

[2:15:19 PM](#)

Co-Chair Meyer expressed concern about the difficulty of obtaining a rating. He himself made an attempt to call and place himself on the list following calls from frustrated constituents. He recalled phoning every Anchorage rater and receiving a recording encouraging him "not to call back until October."

Mr. Fauske stressed that raters are instructed to be cordial and to recognize constituent frustration. He stated that the raters have been asked to refrain from telling people to call their legislators. He admitted to receiving many calls of the same nature. He anticipated some improvement due to public service announcements asking people to have patience. He appreciated that the program instilled hope in people who were in need of help.

Mr. Fauske pointed out that this program also supplies jobs. His conservative estimate was that 1500-2000 new jobs were the result of this program. He stated that this was also a plus in the colder communities because these jobs help families get through the tougher months. He encouraged local hiring practices. He appreciated any comments, help, or criticism because the program is a "work in progress."

[2:19:38 PM](#)

Mr. Butcher observed that the training only became available last month on June 3<sup>rd</sup>. There were six raters in Matsu when the money became available and now there are 17 in South Central. Training for raters is ongoing. There is clear communication regarding the raters who are booked versus those who are newly trained.

[2:20:17 PM](#)

Representative Hawker expressed gratitude for the program. He stated that the feedback from his constituents was that the service was courteous and responsive. He understood that the situation was not easy, yet the implementation was good in his opinion.

Representative Buch reported a recent complaint from a constituent regarding capacity. The constituent was under the impression that the program was already at capacity. He echoed the thankful sentiments and understood the complexity. He encouraged better efforts at public relations. He admitted that the legislators operate mostly through complaints. He hoped instead to help accomplish the goal for the residents of the state.

Mr. Fauske explained that raters are independent contractors, as opposed to employees of the corporation. He stated that this sometimes leads to difficulty in sending a common message to the public. He asked for more information regarding the comment about the program operating at capacity.

Representative Stoltze expressed gratitude to Mr. Butcher for assembling a primer that in his opinion staved off many questions. He opined that the distribution of the information helped considerably in his area.

[2:2-4:34 PM](#)

Representative Gara questioned what legislators should tell their constituents. Mr. Fauske noted that AHFC had not created a public announcement proposing a corporate policy communicating to residents that they may be on a list for a while. He stressed that it was unsound to tell people that the program is out of money. He continued to anticipate the availability of weatherization money through 2010, but the rebate program was different. He stated that AHFC would take responsibility for notifying the public when the money is gone. He hoped that a solution would arrive before that happens.

He encouraged constituent communication stating that this meeting had occurred and that a better message and scheduling apparatus were in progress.

[2:27:12 PM](#)

Mr. Butcher acknowledged that some raters had encouraged constituents to lobby their legislators. He maintained that AHFC contacted these raters informing them not to communicate this as it might cause fear in the constituents. He explained that he communicated to the contractors that if there is a lack of money, they will be the first to know. He stressed that it is not in the best interest of AHFC to

advertise a program that is without funding. He stated that the rebate money may indeed be used by the end of the calendar year.

He thought that the best message for constituents was to have patience and not refrain from placing their names on the list due to long wait times.

Representative Gara asked about the popularity of the program in regard to the legislators. He wanted to see some long term energy solutions come out of special session. He opined that weatherizing homes this year versus next is best because it saves everyone money. He requested an estimate to bring the rebate program in operation through June.

Mr. Fauske estimated that the program will go through \$100 million each year, based on demand and the speed of the ratings. He supposed that \$50 million would last until June 2009. He estimated that by January of this year the entire \$100 million will have been spent.

[2:32:25 PM](#)

Co-Chair Meyer clarified that \$50 million are needed to get through June 2009.

Representative Gara encouraged more discussion and possibly agreement to fund the \$50 million to prevent the program from running out of money in January.

[2:34:51 PM](#)

Mr. Fauske pointed out that properties without certain energy standards are not financed. In reference to retrofitting homes, much can be done with today's technology.

[2:37:53 PM](#)

Representative Thomas questioned if his furnace would qualify and how the process would work. He was concerned that the extra time it took to have the rating done would mean that winter will come and it might be too late to see any of the anticipated efficiency.

Mr. Anderson explained that while the wait is inconvenient, it is important to have the before and after view and opinion for both the public and the legislature.

Representative Thomas asked if the furnace could be ordered prior to the rating if there was clear cause to replace it. He explained that with the new furnace, he could save \$300 per month.

Mr. Anderson explained that the first step is to call the energy rater and have the rating done as opposed to completing the online application.

[2:40:48 PM](#)

Mr. Anderson informed that the program was established to run year round. Replacing boilers in the winter is difficult, yet possible. He observed that a new energy rater exists in Haines.

Representative Kelly spoke to the complexity of the task given to AHFC. He opined that it is difficult to make all of the residents happy. He indicated that it was better to truthfully inform people that there might be a long wait, than to mislead them into believing that the process was smooth and easy.

Representative Thomas opined that it might be better to take a second mortgage than to wait for the rater's availability.

[2:46:04 PM](#)

In response to the comment by Representative Thomas, Mr. Fauske observed that the home energy loan program has been available for a long time.

Vice-Chair Stoltze asked if a faith based organization might be allowed to perform some of the necessary tasks as long as the rating was done.

Mr. Fauske answered yes; the volunteer work was not different than the sweat equity of owners performing their own tasks.

[2:47:56 PM](#)

Representative Kelly noted that there may be an opportunity for individuals that are not trained raters to make a "first pass."

Mr. Anderson stated that this was possible as long as the "as is" rating and the "post rating" supports the data, then those receipts will be accepted as part of the rebate.

The presentation from AHFC was concluded.

[2:51:50 PM](#)

Representative Hawker spoke about prior testimony regarding the bulk fuel revolving loan fund. The prospect was raised that the amount of equity in that fund is not adequate to deal with inflated prices. He questioned if the amount of equity needed to be increased.

SARAH FISHERGOAD, DEPUTY DIRECTOR OF OPERATIONS, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY AND ALASKA ENERGY AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, provided information to the committee. She felt that there were sufficient funds to cover the current applications with the allowance to borrow money from the power project fund. There have not been many applications for the full \$500 thousand. She noted that the Alaska Village Electric Cooperative's (AVEC) request was close to \$20 million. She did not know of an existing program that would provide a loan of that size. In the past, the larger utilities had a private line of credit. She anticipated a possible cash flow issue, although so far that had not been the case.

She continued that the bulk fuel revolving loan fund has been a source of credit for short term loans for the annual purchase of fuel to entities without a private line of credit. She explained that they were meeting the need of a niche. She elaborated that the Bridge Loan Program was run through the Department of Commerce, as opposed to the Alaska Energy Authority.

Representative Hawker revealed that Ms. Fisher-Goad's testimony was in direct conflict with the testimony of AVEC. He remembered that AVEC had stated that the equity for the Bulk Fuel Revolving Loan Fund was \$35 million short.

Ms. Goad further explained that AVEC needs a \$20 million line of credit. She stated that the Bulk Fuel Revolving Loan Fund was not capable of addressing a \$20 million line of credit. She admitted hearing from AVEC regarding the line of credit issue, but even a capitalization of the Bulk Fuel Revolving Loan Fund would not address their need.

[2:56:52 PM](#)

Representative Hawker wished for clarification from AVEC.

Representative Crawford noted that the use of a pellet stove can cut a fuel bill in half. He asked if AEA had looked at the possibility of converting to this type of heating method, which used fuel that has been produced locally as opposed to diesel.

[3:00:04 PM](#)

Steve Haagenson, Executive Director, Alaska Energy Authority, testified via teleconference. He explained that pellet stoves were indeed a focus of research for the AEA. He stated that the benefit of pellets was that they reduce the use of heating oil.

Representative Crawford requested the potential savings that the switch to pellet stoves might provide, as well as a timeframe for the implementation of such a program.

Representative Kelly responded to the issue with AVEC. He stated that there is a \$500 thousand per community limit and a \$1.5 million ceiling for any particular utility. He mentioned meeting with Meera Kohler and stating that she did understand that a change in the current program would be necessary to meet the needs of AVEC. He understood that AVEC's problem was with the cap.

Ms. Sarah Fisher-Goad agreed that the cap was the issue for AVEC although it had been raised to \$1.8 million. She supposed that AVEC's need would be a "one time" situation due to the rising cost of fuel.

[3:03:41 PM](#)

Representative Kelly observed that the current program was not meant to address AVEC. He supposed that if AVEC's problem was accommodated, it would not happen with the existing program. He understood that AVEC was concerned about the interest rate for the current price of the fuel. He proposed that the committee devise a method of aiding AVEC with a special program. He thought it a simple problem to fix if AVEC cannot find alternative financing for their fuel.

Representative Hawker addressed AVEC's need for financial funding. He stated that fuel inventories make great collateral. He asked for information concerning AVEC's lending institution and constraints. He did not believe that there would be time in the next few days to address these questions.

[3:06:57 PM](#)

Co-Chair Meyer spoke to alternative energy in the Rail Belt. He understood that a study was in progress with input and feedback collected. He requested updates on studies for the Susitna Dam, the wind farm at Fire Island, and the Healy Clean Burning Coal plant in Fairbanks.

Mr. Haagenson responded that money had been appropriated for Susitna. Another study identified the amount of need in the Railbelt called the integrated resource plan. He stated that Fire Island was also appropriated \$25 million, which was managed by AEA. The money cannot be spent until there are power sales agreements in place with utilities to purchase that power. Regarding Healy Clean Coal, he admitted that he was limited in his ability to discuss them. He expressed these limits were due to Healy Clean Coal's litigation with Golden Valley.

He explained that the issue with the railbelt was in providing fuel that could be used in the existing infrastructure. He elaborated that for Anchorage, this would mean bringing gas or synthetic gas into a pipeline, enabling Anchorage to continue to operate. Fairbanks requires a liquid fuel solution.

Representative Meyer requested the cost per kWh for the Healy Clean Burning Coal Plant. Mr. Haagenson was not aware of an estimate for fuel cost. He clarified that Golden Valley Electric Company would be purchasing the energy.

[3:12:08 PM](#)

Representative Gara reported questions about the Renewable Energy Fund. The proposal was \$50 million per year of renewable energy grant funds made available for each of the next five years. He understood the rules for reviewing the applications have yet to be adopted. He requested the status of the advisory committee.

Mr. Haagenson responded that HB 152 contained two portions. One portion for this year and another for next. He stated that a request for proposal (RFP) would be available from AEA by the end of August. He stated that a committee would be advisory to the RFP. The next step is for AEA to evaluate the projects.

[3:15:46 PM](#)

Representative Gara noted that additional staff would be needed to properly evaluate projects. He requested comment regarding staffing.

Mr. Haagenson stated that the AEA had begun evaluating staff. He stated that following the RFP, the evaluation can occur quite quickly. He stated that there also existed the option of seeking supplemental budget if required.

Representative Gara asked if Mr. Haagenson had the ability to hire people without an appropriation from the legislature. He questioned whether more money from the legislature was necessary to hire additional staff. Mr. Haagenson responded that he did believe that there was adequate funding for staff.

Representative Gara replied that he had received comments stating that the "folks within AEA do not believe that evaluations can be conducted without additional staff." Mr. Haagenson understood that those comments were being cycled. His goal was to streamline the process. He felt that there were options and opportunities to make this happen.

[3:19:01 PM](#)

Representative Gara stressed his concern that too much time was taken to evaluate \$5 million worth of projects. He worried that the first \$50 million would not be reviewed effectively. He supposed that some of the projects could have been evaluated with the time given.

Mr. Haagenson repeated that the delay is for the RFP which includes necessary information for rapid evaluation. He disagreed with sacrificing quality, but he explained that he was working hard on the "front end." He expressed his intent to provide good quality results in a timely manner. His concern was that adequate staff was present to actively manage awarded grants.

Representative Nelson referenced a letter that she passed out from the city of Napaskiak. She explained that the village was advocating for prepaid power meters. She asked for AEA's position on the investment of public funds for communities that are struggling. The community stated that the prepaid meters contribute to energy conservation and to the sustainability of electric utilities.

Mr. Haagenson stated that he had read the letter, but a decision of support had not been made. He supposed that eligibility would exist. He was aware of several utilities in Alaska using the system successfully.

[3:24:01 PM](#)

Representative Nelson requested an immediate forthcoming opinion because the committee would soon present a Committee Substitute (CS). She wished for support to be expressed immediately. Mr. Haagenson stated that he would attempt to have a letter written and sent to Representative Nelson's office.

Representative Stoltze referred to Mr. Haagenson as the energy czar. He expressed concern about his city's inability to address immediate concerns. He requested the interfacing of Mr. Haagenson with the largest local government.

Mr. Haagenson expressed a commitment to work with any entity in Alaska to "turn that around."

[3:27:23 PM](#)

Representative Thomas clarified that AEA would make the recommendation to the Office of Management and Budget (OMB). He opined that allowing OMB to manage would be "micromanaging." He asked who had made the decision to allow OMB to manage.

Mr. Haagenson explained that he was told that it would be proper to have OMB manage. He did not think that the change would present any delays.

Ms. Goad explained that it is standard to have OMB coordinate meeting times. This would not include evaluations of the lists.

[3:31:39 PM](#)

Representative Thomas asked if Mr. Haagenson had viewed the Power Cost Equalization (PCE) bill reviewed in committee. He asked for a view or opinion of the bill. He requested that time be spent reviewing the bill versus "piecing it together."

Mr. Haagenson denied having any opinion about the bill. He stated that Ms. Fisher Goad was doing a great job in providing the necessary data regarding the cost of the different alternatives.

[3:34:56 PM](#)

Representative Crawford requested information regarding conservation. He realized that many people would appreciate the ability to carpool via a "park and ride" in the confluence of the Parks and Glen Highway. This would allow public transportation from Anchorage to enable drivers to conserve. He also discussed expanding the share-a-ride program. He stated that he was receiving calls from constituents concerned about the loss of bus routes in Anchorage. He was also curious about the process of evaluating the larger Railbelt projects.

Mr. Haagenson responded that he was not sure about an available bus service for the park and ride idea. He opined that it would be a city function. With regards to evaluating Railbelt methods, he stated that fuel costs, debt service and the cost of delivery data will be made available. He stated that the data will be available in the December time frame.

[3:38:15 PM](#)

Mr. Haagenson acknowledged that a solution must be found and then deployed to address the needs of the Railbelt. He stressed that the projects were long term and he was looking for the best answer.

Co-Chair Meyer requested knowledge of any immediate projects that the legislature might help with. He realized that the gas pipeline was the long term solution for most of the state, but certainly the other energy relief projects will help for the short term.

Mr. Haagenson understood the pressure and realized that a solution must come within a one to two year time frame. He felt concern about the winter. He was interested in short term solutions such as wood pellet stoves because benefits would be apparent immediately.

[3:40:11 PM](#)

Representative Gara discussed prior testimony from AVEC. He recalled that the Renewable Energy Fund could reach economies of scale with larger power generation projects connecting communities through tie-ins. He remembered that AVEC had \$50 million worth of projects. He expressed pleasure regarding the \$50 million in the renewable energy fund, but he felt that addressing the projects earlier was best.

Representative Gara stated that he did not see AEA administering more than \$50 million this year. He questioned the potential of administering additional money for the Renewable Energy Fund if it could be secured in the fourth, fifth, and sixth year. He suggested an additional \$100 million dollars each for three years, with appropriation pending legislative approval.

Mr. Haagenson answered that he would like to "see how it goes with the first \$50 million before he volunteers for more." He explained that the issue of staffing the program was the first goal. Representative Gara stated that the moment was historic in that the state had ample funds, which might not exist in the same capacity in two or three years. He stressed that this was an opportunity.

Mr. Haagenson asserted that the Alaska Energy Plan must also be discussed. He believed that was another area in need of additional funding.

[3:44:35 PM](#)

Representative Hawker asked about internal resources available for management and allocation of the HB152 money. He remembered Mr. Haagenson stating that he could receive extra funds if needed through the OMB process. He asked about the OMB process and how it might make funding available to AEA. Mr. Haagenson deferred to Ms. Fisher-Goad.

Ms. Fisher-Goad responded that one aspect addressed with OMB was the project management cost. She stated that as a state corporation, AEA works with OMB to address staffing needs. She explained that there are available positions that she is attempting to fill. Many of these positions ensure that the process can move forward.

Representative Hawker asked if she was planning to tap the appropriation for HB152 through an RPL for the purposes of administrative costs. She answered yes.

[3:48:47 PM](#)

Representative Kelly presented a situation of ramping from \$5 million to \$50 million. He asked what the ratio on the increase will be for state employees versus consultants. He asked about how "deep the consultant pool was."

Mr. Haagenson preferred in-house expertise, unless the quality would suffer. He stated that the consulting pool was fairly large and could extend nationally. He expressed the importance of quality work.

Representative Kelly asked about the ratio of in-house versus consultants. Mr. Haagenson answered that he could not easily identify that number. He stated that he would look for the person with the expertise beginning in state first and proceed to a national pool if needed. He wished to achieve good quality in a timely manner.

[3:53:04 PM](#)

Representative Gara suggested that insufficient thought has gone into staffing. He said that he had been asking about staffing issues for weeks now. He indicated that the work had not been done regarding the Renewable Energy Fund. He asked if he was wrong to expect that some of the projects might have been reviewed allowing construction to begin this summer.

Mr. Haagenson disagreed that Representative Gara's statement was accurate. He felt that Ms. Goad provided an accurate answer regarding staffing and funding. Representative Gara expressed concern because the money was not appropriated for staff, but instead for grants.

Ms. Goad stated that the opportunity has not existed to discuss AEA's internal processes regarding the manner in which projects are performed. She stated that the building of energy infrastructure projects in rural Alaska occurred with Denali Commission Funds. She stated that many small projects were deficient in required staffing and have thus been managed by AEA. She stated that there are two different project models in existence. There is the grant portion, and also the portion that gets the project finished.

[3:58:24 PM](#)

Representative Gara misunderstood the method for charging a project when it was undergoing evaluation. He did not understand where the funding would come from.

Ms. Goad explained that the second RFP ensures that there is funding available whether with contract or state employees. She stated that HB152 has a five year \$250 million promise. She acknowledged that \$50 million had been appropriated. The legislature can either increase or decrease this money. She reported that the goal was to have good processes in place for the evaluation of projects and to provide managing staff.

#  
ADJOURNMENT

The meeting was adjourned at [4:02:15 PM](#).