

SENATE FINANCE COMMITTEE
July 28, 2008
9:09 a.m.

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at [9:09:50 AM](#).

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Charlie Huggins, Vice-Chair
Senator Kim Elton
Senator Joe Thomas
Senator Fred Dyson

MEMBERS ABSENT

Senator Donny Olson

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; Representative John Coghill; Senator Thomas Wagoner; Senator Gary Stevens

PRESENT VIA TELECONFERENCE

None

SUMMARY

PRESENTATION: Alaska Housing Finance Corporation - Energy-Efficiency Programs

[9:11:05 AM](#)

Co-Chair Stedman noted the need to get the word out about how Alaska Housing Finance Corporation (AHFC) would be implementing the Weatherization & Home Energy Rebate Program.

DAN FAUSKE, CEO/EXECUTIVE DIRECTOR, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE, reported on past numbers spent on weatherization programs, as compared to today's numbers.

[9:14:02 AM](#)

CARY BOLLING, ENERGY SPECIALIST, RESEARCH INFORMATION CENTER, ALASKA HOUSING FINANCE CORPORATION, turned to a slide presentation entitled "Energy-Efficiency Programs" (copy on file.) He began by explaining how AHFC is working with existing programs.

Mr. Fauske added that there is a formula that deals with the number of units, heating degree days, and cost of fuel, with a weighted average where the cost of fuel is significantly higher.

Senator Dyson stated that that formula determines how much is allocated to each region, not to each homeowner. Mr. Fauske said that is correct.

[9:15:51 AM](#)

Mr. Bolling detailed the previous weatherization program which was income based. The new \$200 million weatherization program is also income based, but the median income limit was raised from 60 percent to 100 percent. He highlighted the FY 2008 HUD income limits for Alaska. He gave several examples.

Mr. Fauske clarified that accuracy was important. He shared how the numbers were attained by using HUD numbers.

Co-Chair Stedman asked for further information regarding communities that were not included on the list.

BRYAN BUTCHER, LEGISLATIVE LIAISON, ALASKA HOUSING FINANCE CORPORATION, explained that each community is included in the list by borough. He offered to provide information about each city. Co-Chair Stedman noted the absence of information about Sitka. Mr. Butcher assured that that information would be provided.

[9:19:00 AM](#)

Mr. Bolling continued to explain that the service providers were informed that they would have to subcontract in order to continue providing weatherization services. He stressed the importance of not creating an income tax situation.

Mr. Fauske added that training has been provided for the service providers.

Senator Huggins asked for more information about the training program.

JOHN ANDERSON, WEATHERIZATION PROGRAM, ALASKA HOUSING FINANCE CORPORATION, noted that future slides would detail that information.

9:22:00 AM

Mr. Bolling showed a graph which depicted the new weatherization program. He explained about the energy rebate program which has no income requirements. He provided information about the energy raters.

Mr. Fauske related Fairbanks' involvement with the training of energy raters, as well as other training sites across the state such as Bethel and Ketchikan.

Senator Huggins requested a breakdown of the location of the current 83 energy raters.

Co-Chair Stedman asked for information about where the most interest is in having additional energy raters.

9:25:13 AM

Senator Elton asked if there are accommodations for raters going to rural areas.

Mr. Anderson explained the travel arrangements for raters.

Senator Dyson asked how the raters evaluate energy loss.

Mr. Anderson explained that a blower door test is done. Mr. Bolling detailed how the blower door test is accomplished to measure air leakage.

Senator Dyson requested more information. Mr. Bolling related how the raters determine air leaks.

9:28:37 AM

Mr. Bolling explained how the rebate program works. The rating identifies the eligible improvements. AHFC reimburses the homeowner for the rating up to \$325. The homeowner chooses improvements they wish to do from a list and then does them themselves or hires a contractor.

Mr. Bolling showed a sample energy rating certificate and a sample rating. He detailed an Improvement Options Report.

Mr. Fauske gave an example of an improvement made as a result of energy rating - replacing a boiler and adding insulation.

Co-Chair Stedman asked about converting to electricity in boilers. Mr. Anderson reported that that was not included

yet, but planned to be included soon. Conversions are being accepted on a case by case basis currently.

[9:32:56 AM](#)

Co-Chair Stedman suggested that a heat pump may be more viable in some areas of the state when converting from an oil boiler. Mr. Anderson said that AHFC supports that.

Senator Elton asked for the price point for the annual savings. Mr. Anderson said the fuel data is updated quarterly.

Senator Thomas asked about the time frame for improvements to be completed. Mr. Anderson said the time frame has been extended from 12 months to 18 months. Senator Thomas appreciated that change.

Senator Thomas asked how many would be completed in that time. Mr. Anderson said the 83 raters can accomplish two ratings a day.

Senator Thomas asked if the raters are independent contractors supplemented by government funds. He suggested monitoring the range of payment to the raters. Mr. Fauske explained how the raters are paid and audited. The total amount is for \$500 per rating. He said they do not encourage raters to work on the homes of legislators. He listed the possible bottlenecks involved with the process. He mentioned the advantages of the program.

[9:40:36 AM](#)

Senator Thomas commented on the timing of changing out of boilers and the potential savings.

Co-Chair Stedman asked if the cost for the rating is set or if it varies around the state. Mr. Anderson reported that the cost varies across the state. Co-Chair Stedman requested that information.

[9:42:59 AM](#)

Mr. Bolling detailed a chart that shows energy rating points and the ensuing rebates. He gave an example.

Co-Chair Stedman asked for further details about how it would work for those who are renting a drafty apartment or home. Mr. Anderson reported that the energy rebate program targets owner-occupied homes. The weatherization program supports those who have rental units and low to moderate incomes. Mr. Fauske added that there are additional programs for other living situations such as apartments.

Mr. Butcher listed the web site - www.ahfc.us - which contains the information about the weatherization program. He explained the procedure of how to request a rating. He mentioned AHFC's loan program. He gave an example of the auditing process. He detailed what would happen if the homeowner does the work.

[9:48:34 AM](#)

Senator Elton asked what people do to expedite having a rater come sooner, such as paying the rater more. Mr. Butcher gave an example in Fairbanks and said that process will soon be preventable with the addition of more raters.

Mr. Bolling continued to explain how the rebate works. He said the maximum rebate is up to \$10,000. It is for actual expenses. There is also a second mortgage for energy conservation for up to \$30,000. Mr. Fauske added that there is also a \$7,500 rebate for new construction on five-star-plus homes.

Co-Chair Hoffman asked about the terms of the AHFC loan for \$30,000. Mr. Fauske reported that it has a 15-year note based on a taxable fixed rate.

Co-Chair Stedman inquired about the problems involving homes that are too air tight. Mr. Bolling explained that there is a national ventilation standard that must be considered. "Built tight - ventilate right" is the attitude.

[9:53:03 AM](#)

Senator Thomas asked about the improvement steps on the chart. He wondered about the problem of sloppy ratings and what ensures that the raters remain legitimate.

Mr. Anderson reported that there are reviewers at AHFC trained to monitor the ratings, as well as questionnaires that go out to the homeowners.

[9:55:47 AM](#)

Senator Dyson spoke of his experience working with infra red testing. He wondered if that method is still in use. Mr. Bolling said it wasn't, due to expense. The current rating method of blower doors is cost efficient and works well. Senator Dyson maintained that only with thermal testing is heat loss determined. He suggested that was a better method of evaluation. He wondered why it is not cost effective today.

[9:58:55 AM](#)

Mr. Bolling offered to show slides of a weatherization program in Fairbanks.

Mr. Fauske noted problems in the past with energy inspections and spoke of means to prevent them.

Senator Elton asked if the person who does the final rating is the same person that does the initial rating. Mr. Anderson said that is optional. He spoke of the secondary rater and the post improvement rating. He explained about a code of ethics.

Senator Elton asked if raters could lose their license. Mr. Fauske said that has happened.

[10:02:21 AM](#)

Mr. Bolling detailed information about the progress in the rebate program. He related information about training and education for raters. He explained about the numbers and locations of the energy raters and the plan for additional raters.

[10:04:17 AM](#)

Mr. Bolling reported on contractor training and consumer education. He listed the partners involved with the weatherization program: Alaska Building Science Network, Alaska Works, Alaska Craftsmen Home, Northern Building Science, UAF Cooperative Extension, UAS Building Science, Wisdom and Associates, Cold Climate Research Center, the Opportunity Council in Oregon, and the Building Performance Institute.

Mr. Bolling highlighted the emergency regulations. Final regulations were adopted July 17, 2008. Mr. Fauske shared that there was a positive public response regarding regulations.

[10:05:42 AM](#)

Mr. Bolling showed weatherization program examples. He explained home #1 in Fairbanks and the need to insulate the foundation. He pointed out the energy upgrade options for the home and the return on investments.

Mr. Fauske pointed out that it was based on \$100 oil prices. He spoke of paybacks.

[10:08:35 AM](#)

Senator Dyson asked how it is known what the savings will be. Mr. Anderson explained that software tracks that data. It is supported by building science. Senator Dyson

summarized that it is a calculated result, not a measured one. Mr. Anderson said it is both.

Co-Chair Stedman asked if the savings are on an annual basis. Mr. Fauske said yes, based on \$100 oil.

Mr. Bolling added that the payback number is how many years it will have paid for itself in cost savings.

[10:10:34 AM](#)

Senator Huggins asked if the energy upgrade options are all eligible for the rebate. Mr. Anderson said they were.

Mr. Bolling further explained the energy use tests. Mr. Fauske offered to provide information about thermal testing.

Senator Dyson said the explanations were comforting; however, he emphasized that the key is that the work must be done well. He pointed out that thermal energy tests are especially important in older houses.

[10:13:59 AM](#)

Mr. Anderson reported that they are gearing toward standardized training, which would help assure that the work will be done right. Senator Dyson commented that doing it right solves part of the problem, but an accurate diagnosis is just as important.

Senator Thomas asked about the high cost of triple pane windows and the savings related to them. He asked how the raters arrived at the correct options to use. Mr. Anderson said that the data in this example is accurate. The rating is based on energy savings to the house. It is difficult to keep up with energy costs.

[10:17:52 AM](#)

Mr. Bolling gave another example of a rating on a house. House #2 had different circumstances and priorities and required energy upgrade options.

Co-Chair Hoffman asked what the rebate was. Mr. Bolling said it was not a rebate home, but rather a weatherization home.

Senator Elton questioned the inclusion of an item on the upgrade list. Mr. Anderson discussed the savings involved with replacing light bulbs. Senator Elton asked if they are reimbursable. Mr. Anderson said the program does not have that ability now, but an electrical element will be included in the future. Mr. Fauske brought up the savings involved

with energy efficient appliances, which will also be considered in the future.

[10:21:20 AM](#)

Mr. Bolling detailed the energy needs for Home #3 and the energy upgrade options. He showed the percentage of savings for the three examples.

Co-Chair Stedman asked if the return on investment was on the gross rather than the net after rebates. Mr. Bolling said that is correct.

Mr. Fauske added that a lot of the work is the same that is done under the rebate program.

Mr. Bolling highlighted the calculation of the savings on the homes.

[10:23:26 AM](#)

Senator Thomas asked if homeowners have the option to do the work themselves. Mr. Anderson reported that through the Home Choice Program there is cooperation between the partners and the homeowners, should they want to do the work themselves. Mr. Fauske reported that the homeowner is encouraged to do the work.

Senator Thomas asked about the timeframe for work to be done. Mr. Anderson said it is 18 months from when the rating is done.

Co-Chair Stedman inquired if the expectations are clearly communicated. Mr. Fauske gave an example of how an individual must decide what they would like to do to improve the weatherization of their home.

[10:28:22 AM](#)

Senator Dyson asked if there is a provision for insulating garage doors. Mr. Anderson explained how the materials list is determined and approved.

Mr. Fauske pointed out that of the \$300 million, \$200 million is for weatherization and \$100 million is for rebates. It is anticipated that the \$100 million will be totally encumbered by the end of the calendar year. He explained how calculations were done to stretch out the money. It is important to let the people know that the money is available.

[10:30:59 AM](#)

Co-Chair Stedman suggested that information be included in next year's budget.

Mr. Butcher responded that the program may end before that time and be out of money.

Co-Chair Stedman thought there would be an update early in the next session.

Senator Dyson suggested thought that more money should be dedicated to this program. There should be a conversation with the administration about continued funding.

[10:33:34 AM](#)

Co-Chair Hoffman wondered if the subject was appropriate for the special session.

Mr. Butcher expected the funds for the weatherization program to last through 2010.

Senator Thomas asked for a summary of how the money might be encumbered.

[10:35:05 AM](#)

Mr. Anderson asked if he meant weatherization or rebate, or both. Senator Thomas said both. Mr. Anderson explained how the money would be encumbered and the rate at which it was being spent. He detailed how the number of ratings would be extended. He shared statistics about the ratings.

Senator Thomas requested updates on that information.

Mr. Fauske recalled a Cold Climate survey which took place and projected construction and usage allowing for numbers to be tracked.

ADJOURNMENT

The meeting was adjourned at 10:37 AM.