

**ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ENERGY**

March 9, 2010

3:13 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair
Representative Charisse Millett, Co-Chair
Representative Nancy Dahlstrom
Representative Kyle Johansen
Representative Jay Ramras
Representative Pete Petersen
Representative Chris Tuck

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 305

"An Act relating to energy; relating to the board of directors of the Alaska Energy Authority; amending the size and composition of the board of directors of the Alaska Energy Authority by removing the members of the Alaska Industrial Development and Export Authority as directors of the Alaska Energy Authority and providing for designation or appointment of other members; amending the quorum requirement for the board of directors of the Alaska Energy Authority; and relating to nuclear waste material."

- HEARD & HELD

HOUSE BILL NO. 278

"An Act relating to the administration of the Alaska energy efficient home grant fund by the Alaska Housing Finance Corporation."

- HEARD & HELD

HOUSE BILL NO. 411

"An Act relating to the power project fund; authorizing the Alaska Energy Authority to charge and collect fees relating to the power project fund; authorizing the Alaska Energy Authority to sell and authorizing the Alaska Industrial Development and Export Authority to purchase loans of the power project fund; providing legislative approval for the sale and purchase of

loans of the power project fund under the memorandum of understanding dated February 17, 2010; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 164

"An Act relating to noncompetitive leases of state land and for rights-of-way for oil or natural gas pipelines that originate and terminate within the state and to the regulation and certification of those pipelines; relating to conditional certification for certain new natural gas pipelines; relating to definitions of "common carrier" and "firm transportation service" in the Pipeline Act."

- BILL HEARING CANCELED

PREVIOUS COMMITTEE ACTION

BILL: HB 305

SHORT TITLE: OMNIBUS ENERGY BILL

SPONSOR(s): ENERGY

01/19/10	(H)	READ THE FIRST TIME - REFERRALS
01/19/10	(H)	ENE, RES, FIN
01/26/10	(H)	ENE AT 3:00 PM BARNES 124
01/26/10	(H)	Heard & Held
01/26/10	(H)	MINUTE(ENE)
02/11/10	(H)	ENE AT 3:00 PM BARNES 124
02/11/10	(H)	Heard & Held
02/11/10	(H)	MINUTE(ENE)
03/09/10	(H)	ENE AT 3:00 PM BARNES 124

BILL: HB 278

SHORT TITLE: ENERGY EFFICIENT HOME GRANT FUND

SPONSOR(s): TUCK, MUNOZ, PETERSEN, HERRON, JOULE, N.FOSTER

01/15/10	(H)	PREFILE RELEASED 1/15/10
01/19/10	(H)	READ THE FIRST TIME - REFERRALS
01/19/10	(H)	ENE, FIN
03/09/10	(H)	ENE AT 3:00 PM BARNES 124

BILL: HB 411

SHORT TITLE: POWER PROJECT FUND

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/26/10	(H)	READ THE FIRST TIME - REFERRALS
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02/26/10 (H) ENE, RES, FIN
03/09/10 (H) ENE AT 3:00 PM BARNES 124

WITNESS REGISTER

ADAM BERG, Staff
Representative Bryce Edgmon
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced the Committee Substitute to HB 305, version E, on behalf of the House Special Committee on Energy.

AURAH LANDAU, Staff
Representative Chris Tuck
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 278 on behalf of Representative Tuck, prime co-sponsor.

BRYAN BUTCHER, Director
Governmental Affairs & Public Relations
Alaska Housing Finance Corporation (AHFC)
Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on HB 278.

SARA FISHERGOAD, Deputy Director-Operations
Alaska Industrial Development & Export Authority (AIDEA) and
Alaska Energy Authority (AEA)
Department of Commerce, Community, & Economic Development
(DCCED)
Anchorage, Alaska

POSITION STATEMENT: Presented HB 411 on behalf of the House Rules Committee by request of the governor.

ACTION NARRATIVE

[3:13:58 PM](#)

CO-CHAIR CHARISSE MILLETT called the House Special Committee on Energy meeting to order at 3:13 p.m. Present at the call to order were Representatives Millett, Ramras, Johansen, Petersen, Tuck, Dahlstrom, and Edgmon.

[3:14:15 PM](#)

HB 305-OMNIBUS ENERGY BILL

3:14:16 PM

CO-CHAIR MILLETT announced that the first order of business would be HOUSE BILL NO. 305, "An Act relating to energy; relating to the board of directors of the Alaska Energy Authority; amending the size and composition of the board of directors of the Alaska Energy Authority by removing the members of the Alaska Industrial Development and Export Authority as directors of the Alaska Energy Authority and providing for designation or appointment of other members; amending the quorum requirement for the board of directors of the Alaska Energy Authority; and relating to nuclear waste material."

3:15:07 PM

CO-CHAIR EDGMON moved to adopt the Committee Substitute for HB 305, version E, as the working document. There being no objection, it was so ordered.

3:15:45 PM

ADAM BERG, Staff, Representative Bryce Edgmon, Alaska State Legislature, introduced the committee substitute to HB 305, version E. Mr. Berg said the first major change to HB 305 was to remove sections referring to the energy use index database, audits of public facilities, and any reports or tasks associated with the aforementioned. Also deleted was the section that required agencies requesting a capital project costing over \$1 million to attach energy audits, cost savings analyses, and proposals for energy efficiency improvements. Regarding the Department of Education and Early Development (EDD) and schools, specific codes, such as the International Energy Conservation Code (IECC), were deleted, and new language leaves the selection of codes up to the department of EDD. Mr. Berg opined the original intent of those sections was preserved by adding operations and maintenance cost report language that would enable school districts to take future energy costs into consideration. He turned to the subject of tax credits, and said changes in that section of the bill mirror the language in SB 220, version K. In addition, changes were made to the technical language in the nuclear power section of HB 305 wherein language was clarified, but the intent is unchanged. Also, the name of the alternative energy revolving loan fund was

changed to apply strictly to commercial buildings, and the maximum loan was increased from \$30,000 to \$50,000. He pointed out that technical language changes to the renewable energy fund section do not affect the intent of that section. Finally, there were no changes to the department of energy section, or the emerging technology fund. Mr. Berg advised that amendments to the bill will be offered to the committee for voting when the bill is again before the committee. Items under consideration for amendments include issues related to compressed natural gas for state vehicles, the Low Income Home Energy Assistance Program (LIHEAP), a wood stove program, the bulk fuel revolving loan fund, the bridge loan program, fuel co-operative language, and an energy efficiency public relations campaign.

[3:20:02 PM](#)

CO-CHAIR MILLETT asked committee members to submit amendments prior to the 3/16/10 meeting.

[3:20:30 PM](#)

REPRESENTATIVE RAMRAS appreciated the work of the committee and staff. He expressed his concern regarding the creation of a department of energy. Representative Ramras asked for the theory behind the department of energy, and for its possible effect on all of the present state energy advisors and directors. The availability of a fiscal note concluded his interrogative.

[3:22:28 PM](#)

CO-CHAIR MILLETT asked a representative of the U.S. Department of Energy (DOE) in Washington, D.C., whether Alaska is unique in having DOE funds disbursed to the Alaska Housing Finance Corporation (AHFC). She was told "we are the only state that is so discombobulated that we have a housing corporation in charge of our energy program money." She opined that Gene Therriault is in the cabinet level position for energy, and Steve Haagenson "has direct contact with the third floor;" however, without a formal directive, who manages what program is unknown and frustrating. Although there is a fiscal note attached to HB 305, Co-Chair Millett questioned its accuracy. She acknowledged that there is not a lot of support from the administration for the department of energy, but stressed that the idea is to streamline government, and to have a one-stop shop for all energy issues. She observed that the new administration has not

warmed to the possibility that there is "a fundamental flaw in our administration when it comes to energy."

3:25:20 PM

REPRESENTATIVE JOHANSEN agreed that representatives of the DOE do not know with whom to talk in Alaska; in fact, his impression is that there is no central point for contact.

3:27:18 PM

REPRESENTATIVE RAMRAS suggested the committee should hear testimony from Mr. Therriault, as he is the administration's senior energy policy person. He stated the benefit to the committee from hearing Mr. Therriault articulate the administration's position on the department of energy.

3:29:00 PM

CO-CHAIR EDGMON agreed with Co-Chair Millett and Representative Ramras. He also noted the absence of Mr. Therriault at the Alaska Federation of Natives (AFN) convention, although many other representatives from the administration were there. He pointed out that Mr. Therriault could explain to the committee how the administration plans to consolidate, and align, all of the various elements of energy in a master plan.

3:29:55 PM

CO-CHAIR MILLETT observed that Gene Therriault's title is: Senior Policy Advisor for In-state Energy. She said the co-chairs will extend an invitation to him, and to the Alaska Energy Authority (AEA), to testify on 3/16/10.

3:30:42 PM

REPRESENTATIVE JOHANSEN concurred.

CO-CHAIR EDGMON concurred.

3:30:56 PM

REPRESENTATIVE PETERSEN agreed.

3:31:19 PM

REPRESENTATIVE RAMRAS encouraged the committee to request that Mr. Therriault present an organization chart, and that Jerry Gallagher, Legislative and Communications Director, present a fiscal note illustrating the costs of the fractured department of energy that already exists. He concluded that a reorganization and consolidation of the existing de facto department of energy is the intent of the committee, and of the portion of HB 305 that relates to the establishment of a new department of energy.

[3:33:40 PM](#)

CO-CHAIR EDGMON recalled hearing from constituents and entities that there is no coordination or centralization of energy offices within the state; however, representatives of state agencies maintain that there is no problem. The messages are on two different tracks, and he supported asking Mr. Therriault to provide the answer to why consolidation is not needed.

[3:34:47 PM](#)

REPRESENTATIVE RAMRAS observed that the argument against establishing a new department of energy is the budget increment it creates. He expressed his interest in seeing a "deconstructed organization chart" with the costs of the various energy functions pulled out of different departments, and consolidated. If the resulting consolidation is revenue-neutral, it would demonstrate support for reorganization. For those who are resistant to growing government, it is important to see that the increment for the creation of a new department is equal to the decrements in existing departments. Representative Ramras cautioned that "fiscal notes [can] reflect that degree of resistance."

[3:37:58 PM](#)

CO-CHAIR MILLETT assured the committee that the creation of a new department of energy is an opportunity to streamline government, not to grow government. She said she will work with the administration in order to have information prepared for the 3/16/10 meeting.

[Although not formally stated, HB 305 was held.]

HB 278-ENERGY EFFICIENT HOME GRANT FUND

[3:38:52 PM](#)

CO-CHAIR MILLETT announced that the next order of business would be HOUSE BILL NO. 278, "An Act relating to the administration of the Alaska energy efficient home grant fund by the Alaska Housing Finance Corporation."

3:39:20 PM

REPRESENTATIVE TUCK presented an overview of HB 278, as a prime co-sponsor. He explained that Alaska Housing Finance Corporation's (AHFC) energy rebate and weatherization programs are successfully helping some families by providing energy efficiency improvements to their homes. These programs are also creating and sustaining jobs; in fact, orders for doors, windows, insulation, and other energy saving home improvement projects are keeping builders and suppliers busy. The energy rebate program has a 70 percent completion rate for families that are able to make the initial investment. However, if homeowners do not have sufficient cash, they cannot take advantage of the energy rebate program. Representative Tuck observed that homeowners who may not have cash, or access to a source for credit at a reasonable interest rate, are those who need this program the most. Homeowners in this category do not qualify for low-income weatherization assistance, yet do not have several thousand dollars to pay for energy efficiency upgrades, and then wait to be reimbursed. This is especially true in rural areas, where energy costs are highest, and HB 278 will help solve that problem by putting energy saving opportunities within the reach of more families. Representative Tuck re-stated that HB 278 will allow more Alaskan families to participate in the energy efficiency rebate program and will continue to keep tradesmen working year around. The bill does this by allowing the homeowner to receive a voucher for the same amount of money as the rebate. The voucher can be used by the homeowner to pay contractors and suppliers, so that work on the home can begin. He opined HB 278 is a simple authorization for a voucher concept that can be administered by AHFC to ensure smooth processing by homeowners, contractors, housing authorities, and others involved in voucher-based energy efficiency upgrades. The bill does not change the amount of the payments, or the state's level of participation in the home energy efficiency program.

32:41 PM

AURAH LANDAU, staff, Representative Chris Tuck, Alaska State Legislature, presented additional information about the need for a voucher-type program. She noted that AHFC surveyed applicants

who did not complete the energy rebate program and found that about one-fifth of those enrolled will not do the energy improvements because they do not have the funds. This percentage is estimated to be 1,600 applicants, not including those who did not apply because they do not have the cash on hand. Ms. Landau described HB 278 also as a jobs bill; in fact, the voucher concept was suggested by a contractor who observed that the voucher program could keep more contractors working on energy efficiency projects. She advised that the statute that created the rebate program simply authorizes home energy rebates; similarly, HB 278 is a broad authorization that gives AHFC the discretion to administer a voucher program "however it would work best for those involved." Ms. Landau began a sectional analysis of the bill. Page 1, lines 8-11, codifies the existing home energy rebate program, and the remainder of the bill adds a voucher capability giving AHFC the discretion to develop implementing regulations, and grant the voucher in a manner that assures the energy improvements are completed and the voucher is fulfilled by the correct party. She further explained that a voucher is a document that says "that the state is good for up to a certain amount of money for home energy efficiency work and outlines for the homeowner and any vendors they may work with, contractors, lumberyards ... what work is eligible for payment and it also stipulates the payment is made once the final energy audit is done." For example, AHFC could develop language to guarantee that "the right entity is required to do the right thing at the right time."

[3:46:41 PM](#)

MS. LANDAU continued to explain that the mechanism of the voucher system is nearly identical to the existing rebate system in that the homeowner pays for the as-is audit and is reimbursed. The as-is audit gives the homeowner energy efficiency improvement options, and she referred to sample energy ratings provided in the committee packet. The voucher program differs when, along with the audit report, the homeowner gets a voucher to give to contractors or supply houses that choose to participate. This saves the homeowner from paying a down payment, or payment in full "up front." Afterward, the voucher program works the same as the rebate program as the homeowner gets the work done, completes the post-improvement energy rating that certifies the level of energy efficiency gained, and then the allowable payment is made. Ms. Landau clarified that the homeowner is responsible for all costs above those authorized by the post-improvement audit. Furthermore, the voucher informs contractors that the state will pay for a

certain portion of the cost of improvements. She emphasized that contractors and supply houses can decide whether or not to accept vouchers. Finally, the homeowner and lumberyard, or contractor, will sign off on the reimbursement before AHFC pays the vendors.

3:49:23 PM

REPRESENTATIVE RAMRAS stated that he loved the intent of the bill, but will not support it. He gave an example of a contractor forced into bankruptcy because "dishonest things happened," and pointed out the bill lacks an oversight function that will perform the duties of a disbursement officer, and make sure that the work is done. He described his understanding of how the present program works, and expressed his empathy for the homeowner; however, with a voucher, if either the homeowner or the contractor is not scrupulous, the program will be compromised.

3:53:01 PM

REPRESENTATIVE TUCK explained that currently the rebate program withholds payment until after the second audit is done, all the work is performed, and all of the receipts are turned in to AHFC. HB 278 retains these same conditions in that no payments are made until all work is complete, the second audit is performed, and after the invoices are signed off by the homeowner and contractor, payments are made by AHFC. He pointed out that this program is not a payment of "up-front cash," or progressive payments, but basically lets a contractor know that AHFC will be reimbursing the project as determined by AHFC.

3:54:00 PM

REPRESENTATIVE RAMRAS described the present process and noted that Bryan Butcher, who was in the galley, agreed with his understanding of the program. With the terms of HB 278, if the contractor's work is deficient and does not qualify for reimbursement, the program fails, unlike the present program that requires a fully satisfactory job.

3:55:54 PM

REPRESENTATIVE TUCK advised that the original bill "never spelled out that there would be an energy rebate program." However, AHFC determined the methods and checks and balances to administer the program, and now homeowners could get the needed

energy improvements as the bill intends. He opined that the scenario presented by Representative Ramras was also possible with the current program, because the homeowners are ultimately responsible for the quality of construction. The same standards apply for either the rebate or the voucher program, and AHFC will not make a payment until the second audit is done to its standards. The voucher is simply a document that states for the homeowner, contractor, or lumberyard, that a certain amount of money is approved for home energy efficiency work, and that the payment will be made after the final audit is done to certify the energy savings.

[3:57:44 PM](#)

CO-CHAIR MILLETT expressed her understanding that AHFC could administer grant funds or vouchers under the current statute. She acknowledged that there is a need, but asked whether the bill sponsors determined if AHFC could administer this program through regulation, or if legislation is required.

[3:59:09 PM](#)

REPRESENTATIVE TUCK stated that the bill co-sponsors have been working with AHFC since November [2009]. In fact, AHFC saw that the program was missing the needs of a group of homeowners, and conducted a poll of those who were able to be involved in an original audit. In December, no action was taken, so the bill was pre-filed. Representative Tuck spoke of efforts made by him, and Senator Meyer, to assist a constituent, and pointed out that this program would fill a need for people who want to take advantage of reduced utility costs and who "would love to be part of this program, but just aren't able to come up with that up-front \$10,000."

[4:01:46 PM](#)

CO-CHAIR MILLETT re-stated her question.

[4:01:50 PM](#)

REPRESENTATIVE TUCK expressed his hope for guiding the agency to a simple method to accomplish the intent of this bill.

[4:02:19 PM](#)

REPRESENTATIVE RAMRAS noted that the [energy rebate] program has a zero default rate. He gave an example of how the voucher program could lead to default.

[4:03:51 PM](#)

REPRESENTATIVE TUCK responded that as the program is now, the ultimate responsibility to make up for a shortfall rests with the homeowner. In fact, the audit indicates the cost of each improvement, and homeowners can pick and choose what projects to complete. He assured the committee the intent is for no further liability to AHFC.

[4:05:28 PM](#)

REPRESENTATIVE RAMRAS anticipated that the voucher program will lead to defaults, and problems similar to those that occur when building a custom home. He gave examples of possible problems.

[4:07:57 PM](#)

REPRESENTATIVE TUCK asked the committee to review the sample home energy voucher language pre-work authorization and sample post-work payment authorization. He read [original punctuation provided]:

Alaska Housing and Finance Corporation guarantees up to \$_____ for the home energy efficiency work to be completed at the property located at _____ and owned by _____.

The actual amount of payment by Alaska Housing Finance Corporation is determined by the increase in home energy ratings by comparing the pre- and post-improvement energy audits, and capped at \$10,000.

If the amount of the expenditures for the improvements exceeds the amount of the reimbursement authorized by AHFC, the amount owing shall be the sole responsibility of the homeowner.

In any case, the vendor's sole remedy is to pursue payment from the homeowner.

The homeowner and vendor acknowledge their responsibilities and duties before work is begun by signing below.

REPRESENTATIVE TUCK acknowledged that some contractors will not want to take vouchers; however, the vouchers offer the opportunity to those who wish to provide services.

[4:09:32 PM](#)

REPRESENTATIVE JOHANSEN referred to AS 18.56.410. He said, "[Subsection] (a) says 'the corporation shall administer the energy efficient home grant under the provisions of this section.'" He then said, "[Subsection] (c) says the corporation shall adopt guidelines and procedures ... but in [subsection] (b), where you're amending it, in the current statute, it says the corporation, ... AHFC, may grant funds from the grant fund to agencies, the federal government, individuals, et cetera." Representative Johansen observed the agency has the ability to make decisions about its course of action. He agreed with Representative Ramras about the concept of HB 278; however, he expressed discomfort at the use of the word "shall" that tells AHFC "to do something, when they can, and they're not."

[4:11:14 PM](#)

CO-CHAIR MILLETT asked the co-sponsor about use of the word "shall."

[4:11:38 PM](#)

REPRESENTATIVE TUCK offered to amend the language.

[4:12:20 PM](#)

MS. LANDAU reviewed statements of support for the bill from regional housing authorities and the Association of Village Council Presidents in Bethel. She also found weatherization crews training for work in rural areas. Turning to the question of whether the loan program offered through AHFC solves the problem addressed by HB 278, she advised that securing a loan results in a second mortgage, and only 100 homeowners have applied for a loan with credit ramifications.

[4:14:10 PM](#)

REPRESENTATIVE TUCK noted that AHFC's second mortgage lending program is good and has a low interest rate; however, HB 278 simplifies the process.

4:14:40 PM

CO-CHAIR MILLETT referred to the fiscal note and questioned the need to add seven full-time employees to a program that will help a small portion of residents.

4:15:56 PM

BRYAN BUTCHER, Director, Governmental Affairs & Public Relations, Alaska Housing Finance Corporation (AHFC), Department of Revenue (DOR), provided some background on the bill. He assured the committee AHFC wants to make sure that as many Alaskans as possible can take advantage of the home energy rebate program. In fact, AHFC was interested in the participation rate and why some applicants did not complete the program, but had no data at the end of the last legislative session. Gathering data was further delayed by the shortage of energy raters. Mr. Butcher agreed with Co-Chair Millett that without sufficient information, the agency could spend more money trying to solve a problem than the cost of the group needing help. AHFC has received feedback from only 50 applicants who did not use the program at the end of the 18-month time limit, and the most popular reason for not completing the rebate process is that the home is already rated with a 4-Star Plus energy rate. Another issue is that the second mortgage weatherization loan program would be more popular, but has not been advertised sufficiently. Mr. Butcher explained that the maximum loan amount is \$30,000 for 15 years at a rate of 4.75 percent, and for a loan of \$15,000, loan payments would be about \$115 per month. In fact, if a homeowner paid the loan back with his or her rebate, the resulting energy savings would pay back the interest within a year or two. Currently, the loan information is included in mail-outs and statewide advertising, and a better job of advertising would probably result in more interest in the loan program. Mr. Butcher opined that in most cases applicants can afford taking out a small loan to get the energy efficiency work done, especially if most of the loan was repaid by the rebate within 18 months.

4:20:12 PM

CO-CHAIR MILLETT referred to the fiscal note and questioned the need for seven full-time employees to administer this program.

4:20:30 PM

MR. BUTCHER explained AHFC's biggest concern is about possible fraud investigation. For example, if an applicant receives a voucher for \$10,000 and the post-rater allows only \$6,000, the homeowner may turn to AHFC. Currently, the program is simple in that AHFC does not have to be concerned about whether a homeowner has sufficient assets to cover his/her obligation to the contractor. The fiscal note includes employees to administer this program while minimally affecting the corporation. In further response to Co-Chair Millett, he said there are six full-time employees and some temps presently administering the program. AHFC certifies the energy raters, so all it has to do is look at the pre- and post-ratings and check for receipts.

[4:22:55 PM](#)

CO-CHAIR MILLETT assumed HB 278 would double the size of the organization to help one-fifth of the applicants.

[4:23:24 PM](#)

MR. BUTCHER said AHFC will not have statistics on the number of homeowners who need this program until summer.

[4:23:37 PM](#)

CO-CHAIR EDGMON based his support of the bill on the merits and on AHFC's stance. He asked whether AHFC supports the bill.

[4:24:32 PM](#)

MR. BUTCHER said AHFC is neutral on the bill. He said AHFC agrees with the idea of the bill, and will implement it, but does not have sufficient information to recommend the passage of the bill at this time.

[4:25:15 PM](#)

CO-CHAIR EDGMON further asked about the need for more information and time. The questions that were raised today are not new to AHFC; for example, this program has come up short in rural areas, and he inquired whether AHFC has analyzed the problems, or the remedies attempted by the co-sponsors of the bill. He encouraged a close look at the program, although he said this vehicle does not work.

[4:27:04 PM](#)

MR. BUTCHER re-stated AHFC's concerns: (1) how to define the size of the problem; (2) how to prevent AHFC from becoming a bill collector. He declined to give a definitive answer.

[4:28:08 PM](#)

CO-CHAIR EDGMON assumed moving the bill will get ahead of the corporation's process.

[4:28:25 PM](#)

MR. BUTCHER agreed.

[4:28:31 PM](#)

REPRESENTATIVE PETERSEN pointed out that the number of people who do not apply because they do not have the money to pay for repairs, and wait to be reimbursed, is impossible to know. He gave his personal experience with the program and questioned the need for seven additional staff members.

[4:30:30 PM](#)

MR. BUTCHER explained that AHFC believes if the voucher system is offered, the majority of applicants will choose that system. He described energy performance contracting, in which the contractor is responsible for the improvement in energy efficiency, and for the improvement work that is done. This differs with the home energy rebate program, in which the rater and the contractor may be two separate businesses and are not "tied together." His personal experience is that the work done may not be of the highest level, thus AHFC would be involved in a lot of paperwork regarding the difference between the voucher to the contractor, and the rebate to the homeowner.

[4:32:52 PM](#)

REPRESENTATIVE JOHANSEN asked whether AHFC is authorized to do this under its existing authority.

MR. BUTCHER said yes, and added that he hoped AHFC will be able to make changes for the benefit of Alaskans as the program progresses.

[4:33:31 PM](#)

REPRESENTATIVE JOHANSEN further asked whether the idea of a voucher system had been discussed within AHFC prior to the introduction of HB 278.

MR. BUTCHER indicated that AHFC is always interested in helping Alaskans, but must ensure there is no harm to the corporation.

[4:34:43 PM](#)

REPRESENTATIVE JOHANSEN inquired again as to whether the voucher system idea had been broached.

MR. BUTCHER advised that vouchers were discussed for the first time with Representative Tuck; however, AHFC was aware of the issue.

[4:35:41 PM](#)

CO-CHAIR EDGMON recalled that AHFC indicated it will return to the committee with more data and asked when the data could be expected.

MR. BUTCHER indicated he was unsure, but expected information in April, 2010.

[4:37:14 PM](#)

MR. BUTCHER, in further response to Co-Chair Edgmon, explained that the time limit on the program was expanded from 12 months to 18 months. Most complaints about insufficient time to complete improvements are unfounded, with exceptions for applicants serving in the military, or those with serious health emergencies. He acknowledged that as more rural applicants approach the deadline, the shortage of materials may be more of a factor, and AHFC is willing to consider extensions.

[4:38:21 PM](#)

CO-CHAIR EDGMON further recalled AHFC officials will consider extensions to 24 months.

[4:38:38 PM](#)

REPRESENTATIVE TUCK pointed out that the amount of the fiscal note attached to the bill was a surprise to the co-sponsors.

Initially, the co-sponsors were told to expect the addition of only one position. He opined that the additional positions were added because the program is mistakenly identified as a grant, or loan, program. Representative Tuck said:

There's not going to be any investigations just like there's no investigations now taking place for people getting their rebate.... There is potential fraud, but ... I think everything has been running pretty smooth and pretty clean and ... if there was fraud going on in the program, who's to say that the auditor isn't misrepresenting the work that's being performed now?

REPRESENTATIVE TUCK stressed that there is no expectation for AHFC to become a bill collector; in fact, it is up to the contractor to collect from the homeowner only. He clarified that the statute authorizes AHFC to administer a grant program if it chooses.

[4:41:33 PM](#)

CO-CHAIR MILLETT assumed there is a limited amount of liability to AHFC if the contractor does not get paid.

[4:42:11 PM](#)

REPRESENTATIVE TUCK pointed out that the homeowner makes a decision at the time of the pre-audit whether to get the work done.

[4:42:27 PM](#)

MR. BUTCHER, regarding the fiscal note, said that "grants administrator" is the name of the positions in the energy department. In dealing with potential fraud, no less than 5 percent of the post-audits are done by a different rater than the pre-audit. A few raters have been removed, and he concluded that Alaskans are protected from fraud in this way.

[4:43:22 PM](#)

CO-CHAIR MILLETT expressed her intent to hold HB 278 for further testimony from AHFC.

REPRESENTATIVE TUCK encouraged AHFC to conduct a poll to find out how many people do not participate in the program because of the conditions addressed in the bill.

[4:44:09 PM](#)

HB 411-POWER PROJECT FUND

[4:44:20 PM](#)

CO-CHAIR MILLETT announced that the next order of business would be HOUSE BILL NO. 411, "An Act relating to the power project fund; authorizing the Alaska Energy Authority to charge and collect fees relating to the power project fund; authorizing the Alaska Energy Authority to sell and authorizing the Alaska Industrial Development and Export Authority to purchase loans of the power project fund; providing legislative approval for the sale and purchase of loans of the power project fund under the memorandum of understanding dated February 17, 2010; and providing for an effective date."

[4:44:41 PM](#)

SARA FISHERGOAD, Deputy Director-Operations, Alaska Industrial Development & Export Authority (AIDEA) and Alaska Energy Authority (AEA), Department of Commerce, Community, & Economic Development (DCCED), informed the committee that HB 411 deals with two power project fund issues. The first issue is to authorize the sale of power project fund loans from AEA to AIDEA in order to provide approximately \$20.6 million to the power project fund for new loans. She noted that AEA and AIDEA have executed a memorandum of understanding (MOU) that outlines the terms for the purchase and sale. To address the second issue, the bill allows AEA to adopt regulations to establish a fee structure for the power project fund. Her department recommends the collection of application and loan origination fees in a manner similar to other AEA loan programs. Ms. FisherGoad pointed out that the loans to be sold are current, and AEA will continue to assume the risk for future delinquent loans.

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CO-CHAIR MILLETT asked for a sectional analysis.

MS. FISHERGOAD advised that section 1 of the bill amends AS 42.45.010(a) to allow the proceeds of the sale to be deposited into the power project fund. Section 2 amends AS 42.45.010(d) to repeal and reenact AEA authority to adopt a fee structure. Section 3 adds new subsections that provide that the fees are

deposited into the general fund, and provides AEA authority, with legislative approval, to sell and repurchase the loans. Section 4 amends AS 44.88.080 to allow AIDEA to purchase the loans from AEA as an investment of the revolving fund. Section 5 provides for legislative approval for AEA to sell, and AIDEA to purchase, the power project fund loans, and references the 2/17/10 MOU between AIDEA and AEA. Finally, section 6 provides for an immediate effective date.

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CO-CHAIR MILLETT asked for the current balance of the power project fund.

[4:49:55 PM](#)

MS. FISHERGOAD said that available funds are currently \$5.4 million, with two pending loan applications. She said, "We are short of cash."

[4:50:56 PM](#)

CO-CHAIR MILLETT assumed the sale of existing loans will add \$20.6 million.

MS. FISHERGOAD said that is an approximate amount.

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CO-CHAIR MILLETT asked whether there are other loan applications pending.

[4:51:36 PM](#)

MS. FISHERGOAD explained that there are no other loan applications pending; however, her department expects grantees for the renewable energy fund will be looking for opportunities for match requirements, and there is less money available from the Denali Commission. She anticipated more activity in the loan program for powerhouse upgrades, bulk fuel upgrades, energy efficiency upgrades, and the renewable energy fund. In further response to Co-Chair Millett, she said applicants for matching funds are required to complete a loan application process with due diligence.

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CO-CHAIR EDGMON expressed his interest in learning more about the fund.

[4:53:44 PM](#)

MS. FISHERGOAD called attention to the MOU between AEA and AIDEA that outlines the purpose of the fund. She noted the agreement section specifies the discount rate is 6.02 percent, and outlines the repurchase requirements for AEA in case a loan defaults. Ms. FisherGoad discussed one risk to AIDEA in that there may be a delay in the repurchase if AEA is short of funds. Finally, the last recital outlines some of the details that would need to be followed in case a loan is repurchased by AEA.

[4:57:03 PM](#)

MS. FISHERGOAD, in response to Representative Tuck, pointed out that the last page of the MOU is Exhibit A, that outlines the loans that are to be sold. In further response to Representative Tuck, she explained that after a repurchase, AEA would be the agency collecting on the loan. Furthermore, the purpose of the repurchase agreement is to reduce the risk to AIDEA, thus the purchase price of the loans remains closer to the paramount of the loans outstanding. The intent was to not transfer the risk of a loan defaulting from AEA to AIDEA.

[4:57:49 PM](#)

CO-CHAIR EDGMON referred to the amount of money set aside for the governor's scholarship program, and questioned why an equal amount of money is not set aside for energy projects around the state.

[4:58:46 PM](#)

CO-CHAIR MILLETT observed there is support from the committee for the power project fund.

[4:59:36 PM](#)

[Although not formally stated, HB 411 was held for public testimony.]

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 4:59 p.m.