

**ALASKA STATE LEGISLATURE
JOINT MEETING
HOUSE SPECIAL COMMITTEE ON ENERGY
SENATE SPECIAL COMMITTEE ON ENERGY**

Anchorage, Alaska

July 27, 2009

11:36 a.m.

MEMBERS PRESENT

HOUSE SPECIAL COMMITTEE ON ENERGY

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

SENATE SPECIAL COMMITTEE ON ENERGY

Senator Lesil McGuire, Chair
Senator Lyman Hoffman
Senator Albert Kookesh (via teleconference)
Senator Bert Stedman (via teleconference)
Senator Bill Wielechowski

MEMBERS ABSENT

HOUSE SPECIAL COMMITTEE ON ENERGY

All members present

SENATE SPECIAL COMMITTEE ON ENERGY

All members present

OTHER LEGISLATORS PRESENT

Representative Paul Seaton (via teleconference)
Representative Carl Gatto
Representative Bob Buch
Representative Kurt Olson (via teleconference)
Representative Peggy Wilson (via teleconference)
Representative Mike Hawker

Representative Bill Stoltze
Representative Anna Fairclough
Senator Charlie Huggins

COMMITTEE CALENDAR

OVERVIEW(S): PRESENTATION REGARDING STATUS OF FEDERAL STIMULUS
ENERGY FUNDS
HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

LARRY PERSILY

Staff to Representative Hawker
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Delineated stimulus funding issues.

DAN FAUSKE, CEO

Alaska Housing Finance Corporation (AHFC)
Department of Revenue

POSITION STATEMENT: Commented on how AHFC would use and report
on stimulus funding.

BRIAN BUTCHER, Director

Public Affairs
Alaska Housing Finance Corporation (AHFC)
Department of Revenue

POSITION STATEMENT: Explained current Energy Rebate Program
policies and how stimulus funds would affect it.

JOSEPH BALASH

Office of the Governor
Juneau, AK

POSITION STATEMENT: Commented on how the new governor would view
a veto override or concurrent resolution regarding receiving
stimulus funds.

SARAH FISHER-GOAD

Alaska Energy Authority (AEA)

POSITION STATEMENT: Commented on AEA's uses for funding and the
how the stimulus funds would affect them.

ACTION NARRATIVE

[11:36:12 AM](#)

CO-CHAIR CHARISSE MILLETT called the joint meeting of the House and Senate Special Committees on Energy to order at 11:36 a.m. Present at the call to order from the House Special Committee on Energy were Representatives Millett, Edgmon, Dahlstrom, and Johansen (via teleconference); Representatives Ramras, Petersen, and Tuck arrived as the meeting was in progress. Present at the call to order from the Senate Special Committee on Energy was Senator Wielechowski; Senators McGuire, Hoffman, Kookesh (via teleconference), and Stedman (via teleconference) arrived as the meeting was in progress. Representatives Seaton (via teleconference), Hawker, Olson (via teleconference), Fairclough, Wilson (via teleconference), Gatto, Stoltze, and Buch, and Senator Huggins were also in attendance.

Overview(s)

Status of Federal Stimulus Energy Funds

[11:36:35 AM](#)

CO-CHAIR MILLETT announced that the only order of business would be the presentation regarding the status of the \$28.6 million in federal stimulus energy funds that the State of Alaska received.

[11:36:49 AM](#)

LARRY PERSILY, Staff, Representative Hawker, Alaska State Legislature, Juneau, Alaska, said that he would review the stimulus funding that is related to energy efficiency improvements in Alaska to clear up what pots of money the state has accepted and what is left in dispute. He explained that the governor approved, in the budget, and the legislature has appropriated stimulus funds for a couple of energy efficiency programs: \$18 million has been channeled into the home weatherization program, which the Alaska Housing Finance Corporation (AHFC) has successfully run for years, another \$9.6 million came to the state for energy efficiency and conservation block grants, which can be utilized for retrofits of commercial, public, and residential structures as well as for heating systems, energy efficiency audits, lighting upgrades, and most anything that is intended to reduce energy costs. Of that \$9.6 million, the state can spend 40 percent while 60 percent must be distributed to communities that didn't receive a direct federal allocation. Additionally, the top 10 cities and top 10 boroughs, by population, received direct federal allocations that totaled \$4.5 million.

He related that he has been told that AHFC and the Alaska Energy Authority (AEA) are working to develop criteria for grants and the selection process for the 60 percent that will be going out to communities. An additional \$12 million of energy efficiency and conservation block grants went directly to 241 tribal governments in Alaska, which is separate from the state's appropriation process.

MR. PERSILY explained that when the legislature goes into special session August 10th, the State Energy Program is at stake in the amount of \$28 million. It isn't a new program, but it is the extension of the existing program that began in 1976. The state has received funds in the past. In fact, in fiscal year (FY) 2007, the state received \$392,000 while in FY 2008 it received \$258,000. Therefore, the program has been small in past years.

He explained that the State Energy Program funds go to the officially designated state energy office in each state, which in the case of Alaska is AHFC. A 1996 memorandum of understanding (MOU) between AHFC and AEA was amended in 2001 to share State Energy Program funds fifty-fifty.

The U.S. Department of Energy's (DOE) objectives for the stimulus funds are to increase energy efficiency and reduce costs for consumers, businesses and government; to reduce reliance on imported energy; to improve the reliability of energy sources; and to reduce the effects of energy production and use on the environment. The funds can be spent on almost anything that will be used to create energy efficiency - retrofits, weatherization's, loans or grants for energy efficiency projects. It can be distributed to municipalities or used for promotion and public education of energy efficiency standards, street lighting upgrades, but it cannot go to land purchases or pure research.

In the past the State Energy Program had a 20 percent local match, which was waived for the \$28 million in stimulus funds. He said the legislature appropriated the \$28 million in HB 199 and Governor Palin vetoed that item. If the legislature does not override the veto, the money would revert to the U.S. Treasury; it does not go to other states. The application deadline for the State Energy Program funds was May 12, and AHFC did meet the deadline by turning in an application on May 12, but the Governor did not provide the required certification, the

assurances that are required under the program to complete the application. However, that can be amended.

The DOE said it knew Alaska had the deadline coming up and the legislature had already adjourned. So, they gave the state more time to resolve the issue, but said it couldn't have until January 2010, which then forced the issue of a special session. Alaska was given a deadline of September 30 to provide the required assurances to complete the application for the \$28 million.

One thing they need to understand is they can override the veto, but they can't direct the funding. Overriding the veto would allow the line item appropriation of \$28 million for state energy programs to AHFC to go through, but then the executive branch would then have to implement it.

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MR. PERSILY explained that in keeping with the MOU, the AHFC and AEA submitted proposals to the Governor's Office of Management and Budget (OMB) as to how they would spend their respective 50 percent shares in March. The Governor's Office never adopted those proposals or presented them to the legislature, because back then the Governor was arguing against accepting the money. But to give them an idea, he said AHFC proposed spending \$4.5 million on community-building weatherization, \$2 million for weatherization and rebate support that would expand the energy audit program, \$4 million for a home-based renewable energy program, \$1.8 million for consumer education, and \$2 million to write and promote statewide energy efficiency standards. The AEA proposed adding \$7 million to its renewable energy fund, assigning \$2.5 to research and development of renewable energy, \$3.9 million for energy efficient equipment rebates and incentives, \$.75 million for energy efficiency training and education, and \$100,000 for commercial facility energy audits. The DOE would accept an amended application if the legislature overrides the veto, he said, and the executive branch wants to amend the spending plan for the \$28 million.

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REPRESENTATIVE HAWKER offered his understanding of Mr. Persily's last discussion that the spending pattern proposed by AHFC and AEA is not how the funding must be spent, and now that a new governor is in office, he would review and decide how he would choose to allocate the money.

MR. PERSILY responded that his discussions with the director of OMB and the new Governor's Office are such that if the legislature would override the veto, they would be reviewing this and probably be coming up with a new spending plan for the \$28 million.

An email from Gill Sperling, Program Manager, Weatherization and Intergovernmental Programs, Office of Energy Efficiency and Renewable Energy, Department of Energy, in Washington, D.C. the DOE indicates that each governor is required to certify that the state will promote and encourage improved energy efficiency for residential and commercial buildings, but is not required to establish a statewide energy efficiency building code. The DOE is merely looking for those cities with building code authority to work toward adopting, promoting, and encouraging higher energy efficiency standards for new and renovated buildings with the state's assistance and encouragement as appropriate under state law. He said he would provide that email for the committee.

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He said the DOE realized that not all states impose statewide energy efficiency building codes, but those states that have taken over that authority should be treated differently than states that have not taken on that responsibility, and Alaska is one of those states. The state is allowing state law to be the controlling factor and would provide information for municipalities that want to improve energy efficiency standards.

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CO-CHAIR EDGMON said he hoped AHFC would be able to join them to talk about building codes, but it was his understanding that in rural Alaska a lot of homes are built by housing and urban development - homes that go through USDA and the Denali Commission or some other housing program that has building code requirements built into the loan package; maybe a conventional lender like Wells Fargo would already have some of those codes in place. He asked whether Mr. Persily had researched that issue.

MR. PERSILY surmised that if one is seeking AHFC financing, one has to meet standards which meet or exceed what the DOE is looking for. His research has shown that no one would finance building of a commercial structure that leaks energy and is going to have high operating costs. Therefore, if one is already seeking financing through the AHFC, then one is already meeting those standards.

[11:51:31 AM](#)

REPRESENTATIVE HAWKER asked whether the target of meeting energy efficiency standards by 90 percent in the original stimulus bill applies to new and remodeled construction under 2009 standards rather than nebulous 2017 standards, and that the 90 percent is applied on an aggregate statewide basis to both residential and commercial properties. Realistically they are looking at commercial construction only because it would presumably meet the full 90 percent.

MR. PERSILY replied that a literal reading of the section for the state energy program funds was interpreted by many to mean that states have to show and be able to prove that 90 percent of the total square footage of new and renovated construction between 2009 and 2017 met energy-efficiency standards. That worried several states besides Alaska. The DOE realized that no one was going out with tape measurers for the next eight years and measure new and renovated buildings and keep track of it, and explained it instead as a compliance goal. It is simply a worthy goal that many states will reach by virtue of commercial structures.

They have issued a contract to something called the Pacific Northwest National Laboratory, which is developing voluntary guidelines for states that want to track their improvements between 2009 and 2017. For instance, each state could select a random sampling of 44 residential buildings and 44 commercial buildings and track upgrades to them over the years.

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SENATOR WIELECHOWSKI offered his understanding that Alaska is already close to the 90 percent already taking into consideration local codes and the fact that structures built in the villages typically are built with energy efficiency codes.

MR. PERSILY replied his understanding is that the Denina Center, for instance, exceeds these standards, and Alaska will come pretty close by the year 2017 in terms of having total square footage that is new or remodeled. This doesn't require anybody to do anything to their property, he said. The intent of Congress and the DOE is for states to use the money to reduce energy costs and energy consumption. It was simply setting a goal and having voluntary ways to measure it (that are being developed by the Pacific Northwest Lab).

CO-CHAIR MILLETT asked if there are any ramifications if the state doesn't meet the goal by 2017. Would the state have to reimburse the money to the federal government?

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MR. PERSILY answered no; there is no penalty or payback provision. DOE officials bluntly say by 2017 they will be gone; the energy secretary, congress and the president will all be new. This is not to say that the federal government never follows through on its word; it does, but not on this one.

SENATOR WIELECHOWSKI said they have heard over and over again that strings are attached to this money. Has he been able to find any strings attached?

MR. PERSILY offered that the stimulus funds have reporting requirements - more so than for other federal grants. The federal government wants to know what is being done with the stimulus funds. They want to know how many jobs are created with it, for instance. Specific to the state energy programs, they want assurances from each governor that they will work with the legislature and communities toward the goal of improved energy efficiency. Different states respond to that in different ways. Some say they will ask the legislature to consider improved energy efficiency standards; others say they will work hard to convince the legislature to pass them. Alaska is the only state that has not provided the certification to receive the state energy program funds. He thought they might want to consider the Missouri case that doesn't have a statewide building code enforcement authority either. Missouri's letter says:

The state is committed to working with communities to create model energy efficiency standards that if local units of government choose to implement, should reduce energy costs for Missourians. I and my staff will also work with the Missouri General Assembly to provide incentives to assist communities in promoting energy efficiency consistent with the goals of the stimulus act.

The DOE accepted that wording as a certification, he said. One state, Wyoming, was initially rejected because the governor's letter was somewhat hostile toward federal authority. But then the authors of the letter had further discussions with their supervisors and had a change of heart. Wyoming, then, revised its letter and was ultimately accepted by the DOE.

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REPRESENTATIVE HAWKER remarked that it's important for the legislature to realize that "the strings" attached to this money are really accountability and reporting requirements. Recognizing that and being concerned about the accountability, two full time positions in the Department of Administration that would last only as long as the accountability requirements were unmet to do that were put into the bill. Those positions were also vetoed by the Governor in addition to the \$28 million in energy funding. The legislature needs to make certain the state meets the compliance requirements.

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MR. PERSILY relayed that he had asked the DOE if the legislature chose to override the veto and the Governor decided not to provide the required certification, would the DOE accept a legislative resolution in lieu of the gubernatorial certification. The letter he received Friday from the DOE did confirm that they would accept a resolution in lieu of the assurance from the Governor. Discussions he has had with Governor Parnell's office indicate that if the legislature overrides the veto, the Governor would be inclined to provide the least-restrictive assurances that he could get away with and still meet the requirements to get the \$28 million. So, they don't need a resolution at this time.

SENATOR WIELECHOWSKI asked if he recommended a concur resolution at the special session to make sure they are in compliance with the DOE requirements.

MR. PERSILY said he was a little hesitant to speak for the new governor, but indications were if the legislature overrode the veto, he would work with lawmakers to obtain the funds. The new governor would be looking for the least-restrictive assurances that the DOE would accept. He would take them at their word rather than putting a resolution on the special session agenda.

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CHAIR MCGUIRE questioned whether he had recommendations for the legislature in going forward post-September 30 to work with the new administration to implement the money. If they don't do a resolution, she thought the state should preserve all of its choices and a resolution would bind them to their word. Another part of her was concerned that having a resolution would be a recipe for 30-40 more days of debate and she didn't know if people were up to that right now. But there needs to be some path to look at those dollars and to interface with AHFC and

AEA, particularly for the rebate program. She asked Mr. Persily to comment on what kind of path the legislature could take.

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MR. PERSILY offered his belief that it would be advisable to take the governor's staff at their word that a resolution isn't needed to meet DOE certification. In terms of how the \$28 million gets spent, maybe members could put that in the form of a joint letter, like a letter of intent, from presiding officers to the administration. He sensed the administration is open to how the \$28 million should be spent, but that it should be spent on quantifiable things so the public can see where the long term savings are from spending that much money on energy efficiency. Someone suggested a weatherization fund for public buildings and to concentrate it on a smaller number of programs rather than disbursing it out to many. They had not had that discussion yet.

SENATOR HOFFMAN noted that as early as last week Governor Parnell said he felt there were strings attached and he suggested that the committee should ask the Governor if he still supported not overriding the governor's veto at this point.

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MR. PERSILY replied that he sent copies of what he gave them today to Karen Rehfeld, director of OMB, John Katz, the director of the Governor's Washington, D.C. office, and Jerry Gallagher, the Governor's legislative director.

SENATOR HOFFMAN said this committee could make that suggestion to him.

CO-CHAIR MILLETT said they would absolutely do that. Also, Representative Gatto asked if the funds would be reappropriated to another state if they didn't override the veto or would they be used to reduce the tax burden.

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MR. PERSILY replied that they would not be put in a pool to be given to other states. The law actually says if one state doesn't take the money, it gets prorated to other states. For example, transportation money would just go back to the U.S. Treasury. "If you're an optimist you would say it would reduce the federal deficit. If you're a pessimist, you would say Congress would then find something else to reappropriate it to of equal or lesser value."

CO-CHAIR MILLETT said earlier that Representative Hawker was talking about the two positions they had appropriated in HB 199 for reporting requirements and asked whether the home weatherization stimulus and energy efficiency monies had the same requirements.

MR. PERSILY explained that strict reporting requirements apply to all stimulus funds. State agencies are going to be required to post to a federal website the number of full-time equivalent jobs that are created with stimulus money on a quarterly basis.

CO-CHAIR MILLETT asked if AHFC was doing this reporting requirement at this time.

MR. PERSILY said he didn't know if that had started yet.

SENATOR WIELECHOWSKI expressed a preference for doing a concurrent resolution, because it only requires a 50-plus-1 percent vote whereas a veto override requires 75 percent.

MR. PERSILY said that although he's had conversations with the Governor's staff about whether a resolution is needed, it might make sense for legislative leaders to pose the questions directly to him in advance so they know whether they need one or not. It would not be appropriate for a staff member to contact the Governor about it.

He noted that he had discussions with Faith Lambert, the DOE official who is head of the state energy program office, and she pointed out that in addition to the DOE wanting each state to work with municipalities if they haven't already taken over building enforcement for structures, that it wants from each state - not at the time of application, but later on - a general plan spelling out the outreach, the education efforts, and what they are doing among home owners, commercial property owners, builders, lenders, others in the industry, municipalities to promote energy efficiency and savings. He would not characterize that as a string, but as something the state is already involved in.

He said the question has come up several times of a national standard rule of thumb on returns for every dollar spent upgrading a home, but he couldn't find one. It depends on climate, how old the house is, how poor it was before, how good of a job was done afterwards, the size of the house, and building costs. He did find several pieces of information - a study in Austin, Texas, some work in Florida, a home energy

saving calculator put out by the DOE Department of Housing and Urban Development, work done in Phoenix, and work done by Puget Sound Energy - to anecdotally give them some ideas of the cost benefit of doing energy efficiency, but he is unable to predict savings with any certainty.

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CO-CHAIR EDGMON asked if spending this money has a timeline attached.

MR. PERSILY said it has to be spent generally by December 2011.

REPRESENTATIVE PETERSON asked if money would just be added to the current state weatherization program, to a different program or a combination of the two.

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MR. PERSILY replied that it could be all or none of the above; it cannot be used to purchase land or for pure research, but those decisions would be an executive branch function.

CO-CHAIR MILLETT said Representative Fairclough wanted to know whether the DOE can refuse the state's outreach to them - in reference to Mr. Persily's bullet 3.

MR. PERSILY said he doesn't believe so, but he acknowledged that if a state were to put together a poor plan, someone from the DOE could call up and say it's not acceptable, but given the work that AHFC and AEA have done on this in the past, he thought their plans would be welcomed. No other states have been rejected.

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DAN FAUSKE, CEO, Alaska Housing Finance Corporation (AHFC), Department of Revenue, explained that AHFC has always had reporting requirements, but it has been for smaller amounts of money. Their history has been to go fifty/fifty with AEA as per an MOU. Demand side items are AHFC functions and supply side items are AEA's; this has worked well in the past. He surmised that the same philosophy would probably hold with the \$28 million. He stressed that they already have stringent reporting requirements. The best way to look at the "strings" issue is simply that DOE has to approve whatever they do now anyhow.

MR. FAUSKE said that other states are just trying to catch up with Alaska in terms of energy efficiency plans. A bill is moving forward in Congress now that has realtors scared because

some want to require that all houses being sold in the future to be retrofitted to certain energy standards. Realtors feel it's tough to go back in time, because people simply can't afford to do improvements whatever the intent is.

He said they are still working on the guidelines for reporting. They have not yet heard an update from the federal government, but will get one soon and then adhere to that.

MR. FAUSKE said that the issue of calculating a return for energy efficiency expenditures comes down to how long it takes to recoup the investment. For instance, many times people want to replace their windows, but the payback on them, unless its extreme, doesn't match what one would get by adding more insulation in the attic, caulking windows, or putting in new weather stripping on doors. He likes the rebate program, because the homeowner gets to decide what to do based on the payback, and tools are available to help calculate it.

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CO-CHAIR EDGMON offered his understanding that \$160 million was appropriated to the weatherization program and asked if that money is all spent or encumbered and whether AHFC internally might argue that the whole \$26 million should go towards some type of weatherization program.

MR. FAUSKE answered, "At the danger of appearing greedy with \$360 million, I would hate to come in and say I need another \$28 [million] and leave my friends at AEA out in the cold."

He said the current program is going very well, and they will start regularly emailing reports that show its status. Over 14,000 ratings have been done at the rate of about 300-400 per week. The weatherization program is getting out more to rural areas and the feedback is excellent in terms of what is getting done and how many people it's putting to work. However, they are thinking that the 18-months is too long.

MR. FAUSKE said Alaska has lead the way for many years in building efficient houses, but they have to be affordable, too. Some federal "green ideas" are good, but it hasn't reached the point that the average homeowner will make use of them because of their cost.

[12:27:12 PM](#)

BRIAN BUTCHER, Director, Public Affairs, Alaska Housing Finance Corporation (AHFC), Department of Revenue, explained in terms of

the Home Energy Rebate Program, they obligate the maximum amount a person could get, so it is available for the full 18 months. Approximately \$124 million of the \$160 million has been encumbered; the average rebate has been \$6,100. So, in trying to figure out how long the funds will last the big variable is what percent of applicants are actually going to take advantage of the program, and this November will be the end of the 18-month period for the first month worth of people who got ratings once the program started. They estimate it will be under 50 percent. Once the rebate paperwork has been submitted a person can't amend it; so there is no incentive to rush.

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CO-CHAIR EDGMON asked where the energy raters are in terms of catching up with the money.

MR. BUTCHER replied that new raters are being trained as needed, but the problem right now isn't having enough. The raters in the urban areas are caught up, so getting them out to some of the smaller communities that couldn't afford a rater is their priority now.

MR. FAUSKE said they have 120 raters at this time. In areas of the state that have building codes most buildings meet a four star-plus energy standard. Outside lenders are held to building codes, but not to the state energy plan. This leads to situations where outside lenders lend money, that money leaves the state, then the person who borrowed that money applies to the rebate program to weatherize their house. "I think that is a poor way to run a parade."

If anything is done on the energy code, the playing field should be level, because he thought further more stringent directives would come from the federal government sooner or later. It's important to keep business at home, and now the program is subsidizing outside lenders. AHFC uses its arbitrage earnings from the interest rate reduction for energy efficiency, and that is a limited resource. He hoped to get the IRS to somehow recognize energy efficiency.

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CO-CHAIR MILLETT asked how he anticipates the \$28 million would be split.

MR. FAUSKE answered that they have had preliminary discussions with AEA, but nothing has been etched in stone.

MR. BUTCHER added that they were asked to put the draft plan together, but it will certainly look different than the existing one. As an example AHFC and AEA have always split it 50/50, but that has been for small amounts like \$250,000. They need funds to work on the code and the reporting. The new governor has said he supported Governor Palin's veto; however he also said should the legislature override it, he respected its power and would apply for the funds in the least restrictive way possible.

MR. FAUSKE offered his interpretation that the aforementioned DOE letter means adopting an energy code is no longer a requirement as long as they are working in that direction. They are getting a great deal of comments from the commercial side to see monies made available for commercial enterprises.

SENATOR MCGUIRE said she hoped they considered keeping the \$1.5 million for consumer educational opportunities - workshops for consumers, auditors, contractors and other housing professionals in energy efficiency education.

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MR. BUTCHER added that from a policy standpoint part of the letter, letters from each state include language stating the governor will say he will promote energy efficiency and he imagined consumer education would be included.

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MR. FAUSKE added that word of mouth from people who have used the program works best for promoting use of it.

MR. BUTCHER said they plan on doing that with the energy rebate program. They will be able to tell which communities have taken the most advantage of it and they will "get out there" to encourage people to take more advantage of the program. A lot of that won't cost money; it will be radio shows and community meetings.

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REPRESENTATIVE DAHLSTROM asked if the energy rating classes are on line.

MR. FAUSKE indicated yes.

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REPRESENTATIVE RAMRAS expressed his hoped that energy funds could be used for public buildings, so municipalities could benefit. He said he was troubled that Alaska was distinguishing

itself not only through the former governor but potentially through the current one in "wanting to go a different route" than the 49 other states.

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MR. FAUSKE said he had a great meeting with Governor Parnell and it was very obvious that he had great concern with the Alaskan projects.

SENATOR WIELECHOWSKI asked if AHFC receives any other federal funds.

MR. FAUSKE replied yes.

MR. BUTCHER added that the weatherization program receives approximately \$2 - \$2.5 million per year from the federal government that they administer along with the state's funds.

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SENATOR WIELECHOWSKI said he was getting to the "strings" question and asked if that \$2.5 million is treated any differently than the \$28.6 million the state will get.

MR. BUTCHER replied that because they hadn't received the funds yet and gone through the process, he couldn't speak directly to the difference. He knew that Congress was concerned about misappropriation of funds because of the focus on getting it out as quickly as possible. He would get back to him with more information.

MR. FAUSKE said that they audit themselves internally on tax credit programs on a regular basis, so they have a system set up to catch compliance issues.

SENATOR WIELECHOWSKI asked if they received other federal funds outside of energy.

MR. BUTCHER replied that they receive tens of millions of dollars a year from the federal government, most of it in public housing. They also received stimulus funds in five or six different programs that were all approved in the first appropriation bill.

SENATOR WIELECHOWSKI asked if strings were attached to any federal funding they got.

MR. BUTCHER replied that they instruct what needs to happen with the funds, but there hasn't been anything like the SEP where they say one must be at a certain percent by a certain year in order to qualify for the funds. He said they all believed that significant strings were attached because of the way the law was written, but then the DOE realized that states needed more flexibility.

SENATOR MCGUIRE said the idea behind an energy authority concept is to streamline all the places that state government already has to deal with energy along with the stimulus dollars. She asked that they discuss compliance issues if the governor decides to go with AHFC and AEA receiving stimulus money. She felt that promoting energy efficiency is good and felt comforted that the latitude exists to work with the government, but those understandings should have a written record behind them. AHFC and AEA should also have a method by which they both comply and report back to the federal government that is consistent.

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MR. FAUSKE repeated that strings are attached to everything and they already do this all the time. His concern is that changes could occur. For example Hurricane Katrina had stringent guidelines, but as they got into the process with their governors and representatives, they learned that some things had to be done differently. He said the state has 3 years to spend the money, but 8 years to comply and he didn't know how that would work, but he vowed to stay focused on compliance. That is why it's critical to get a good plan going in. He said Alaska is one of 50 states and the federal government will be inundated.

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JOSEPH BALASH, Office of the Governor, offered his understanding that the new governor respected the previous governor's veto of the funds, but in recognizing the co-equal and separate branches of government he would develop the application and submit the state energy plan and certifications to the DOE should the legislature override the veto.

REPRESENTATIVE DAHLSTROM asked Mr. Balash whether he would be willing to relay information to the governor on this issue.

MR. BALASH indicated that he would do so.

[12:56:30 PM](#)

SENATOR WIELECHOWSKI said that the legislature had already adopted a resolution in support of accepting all the stimulus

funding. DOE said it would accept a concurrent resolution or equivalent action from the legislature providing assurances required under Section 410 in its July 24 letter. "Isn't that enough of a voice from the legislature to you? I think the vote was 55 to 4 or something like that."

MR. BALASH indicated that it is not and some form of separate action that will occur at the upcoming special session will be necessary. In terms of the resolution that was passed, the question really is what is good enough for DOE. They will be submitting a SEP and the necessary assurances, but there is no guarantee that they will be accepted. There might be some sort of back and forth to make the words in the resolution accomplish what it is the DOE is looking for.

SENATOR WIELECHOWSKI said the legislature has spoken very clearly, and it has already voted on the budgetary issue. He didn't understand why the governor didn't just send a letter saying he'll comply with the requirements of the stimulus fund, and to tell him why he still wants them to override the veto.

MR. BALASH replied that he thought it was the Governor's commitment to and the respect for the separate branches of government. The executive branch vetoed the specific funds identified and if the legislature acts within its constitutional powers to override that veto, he would fully comply with that action and administer and execute the policy direction expressed by the legislature.

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REPRESENTATIVE RAMRAS said it was very constructive that he is here and it's refreshing to hear him talk about the coequal branches of government. Yesterday the Governor in his inaugural speech wanted to extend the eight-cent gas tax holiday, which he will vote against because it his belief that "it was raked off by refineries and jobbers and the retailers" and very little of it found its way into the pockets of Alaskan consumers. However, he looked forward to having a more conciliatory relationship.

REPRESENTATIVE HAWKER explained that the \$28 million was vetoed by a previous governor and this governor does not have the authority to revoke that veto. To move the ball forward, they must override the veto. He has been assured by the Governor and believes him that he will do what is necessary to secure these funds.

MR. BALASH concurred with that assessment.

SENATOR MCGUIRE mentioned that what Senator Wielechowski pointed out is interesting. When you read the specific July 24 letter, it says, "If funds are provided to any state and are not accepted by the governor, then acceptance by the state legislature by means of adopting a concurrent resolution shall be sufficient to provide that funding." Politically, she understands the new governor's desire to have the legislature weigh in to override that veto, but in terms of accomplishing the goal of accepting the energy money, the legislature has spoken in its resolution. It could speak again in the form of a concurrent resolution. But should the legislature fail to override the veto either because there aren't enough members present or if the members present don't equal the two-thirds requirement, would this governor accept the fact that the legislature has spoken by virtue of a resolution already passed or would a new concurrent resolution be required?

MR. BALASH said he is not sure how the Governor would view that, but surmised that much like the appropriations process the legislature goes through, there is a vote on passing the budget and then a vote on the individual amendments brought up either in committee or on the floor, and how one votes on the entire budget does not necessarily reflect the wishes of one or any or all of the legislators on a specific line item. The resolution that was adopted earlier this year in much the same way was very broad and the question about these specific programmatic dollars has not been addressed directly by the legislature to date. So what sort of gradations or distinctions there might be between passage or adoption of a concurrent resolution versus a veto override is one he was willing to relay to the Governor and provide some feedback to members.

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CO-CHAIR MILLETT stated that the resolution did not include the \$28.6 million language, but rather it referred to all stimulus monies. They wanted to accept it all.

MR. BALASH remarked that the question is, "Who is going to hold the hot potato?"

REPRESENTATIVE STOLTZE offered his opinion that Representative Hawker had pretty well outlined the procedure, and that the Governor would support a veto override because he said so. If he didn't follow through, that would also send a clear message to the legislature.

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CO-CHAIR MILLETT noted that she received a phone call from Governor Parnell and he was open to discussing energy issues; so she doesn't see an adversarial relationship forming at all.

[1:12:03 PM](#)

SENATOR MCGUIRE said that Governor Parnell has a particular interest in energy and nothing about this conversation is meant to be confrontational, but it is important for the legislature to interpret things clearly. This letter is the first formal communication they have had about what steps could be deemed by the federal government to meet the letter of the law of compliance. So, her question was really more of now that they have received the letter from the Governor, would he also deem that a concurrent resolution would meet the guidelines under Section 410. She is merely asking if the new governor is interpreting that letter in a similar fashion.

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MR. BALASH said he didn't talk about the specific scenario of a concurrent resolution and no override. So he can't commit the Governor to a particular course of action, but he would be able to provide an indication before action on August 10.

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SENATOR HOFFMAN noted that he didn't plan on having a confrontation with the Governor. He already met with him and has an excellent working relationship with him. Last week he made statements that he supported the governor's position because of the strings that are attached, but Mr. Persily has indicated that there are no strings attached. The people of Alaska are really interested in receiving those funds. His question to the committee is in light of this new information that no strings are attached and the fact that Alaska is the coldest state in the country and the only state that did not accept those funds, will the Governor review that information and support an override so that Alaskans can become more energy efficient.

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MR. BALASH surmised that the new governor will be investigating that issue further very soon.

CO-CHAIR MILLETT said both energy committees would be willing to talk to Governor Parnell about some of the things Mr. Persily has talked about.

REPRESENTATIVE HAWKER indicated that Mr. Persily would be available in Juneau should the governor need to talk to him at any time.

[1:17:23 PM](#)

SARAH FISHER-GOAD, Alaska Energy Authority (AEA), said if the funding is accepted, then AEA would have a discussion with the new governor regarding priorities and allowable uses - uses such as end use efficiency programs for commercial and industrial use, renewable energy efforts through the Renewable Energy Fund Program, emerging energy efficiency technologies, and energy efficient equipment rebates and incentives. AHFC is the residential expert and AEA is on the commercial and public facilities and the renewable energy program side.

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CO-CHAIR EDGMON questioned whether the playing field had shifted based in terms of where AEA might allocate the funding.

MS. GOAD offered that their cornerstone has been the energy efficiency program and it supports the program policy recommendations done by Cold Climate Research Center for AHFC, but they might need some adjustments. Those will be open to discussion and debate.

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CO-CHAIR MILLETT thanked everyone for their comments and wished Representative Buch a happy birthday. Finding no further business before the committee, she adjourned the meeting between the House Special Committee on Energy and the Senate Special Committee on Energy at 1:21 p.m.