

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

March 9, 2009

3:37 p.m.

MEMBERS PRESENT

Senator Lesil McGuire, Co-Chair
Senator Bill Wielechowski, Co-Chair
Senator Charlie Huggins, Vice Chair
Senator Hollis French
Senator Bert Stedman
Senator Gary Stevens

MEMBERS ABSENT

Senator Thomas Wagoner

COMMITTEE CALENDAR

SENATE BILL NO. 31

"An Act relating to a geothermal electricity production tax credit under the Alaska Net Income Tax Act."

HEARD AND HELD

SENATE BILL NO. 121

"An Act relating to energy efficiency for public facilities with the intent of reducing state operating costs."

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 31

SHORT TITLE: GEOTHERMAL ELEC. PROD. TAX CREDIT

SPONSOR(S): SENATOR(S) MCGUIRE

01/21/09	(S)	PREFILE RELEASED 1/9/09
01/21/09	(S)	READ THE FIRST TIME - REFERRALS
01/21/09	(S)	ENE, RES, FIN
02/12/09	(S)	ENE AT 11:00 AM BUTROVICH 205
02/12/09	(S)	Heard & Held
02/12/09	(S)	MINUTE(ENE)
02/27/09	(S)	ENE AT 11:00 AM BELTZ 211
02/27/09	(S)	Moved CSSB 31(ENE) Out of Committee
02/27/09	(S)	MINUTE(ENE)
03/02/09	(S)	ENE RPT CS 1DP 2AM NEW TITLE
03/02/09	(S)	DP: MCGUIRE

03/02/09 (S) AM: WIELECHOWSKI, STEDMAN
03/09/09 (S) RES AT 3:30 PM BUTROVICH 205

BILL: SB 121

SHORT TITLE: ENERGY EFFICIENCY BLDGS/PUBLIC WORKS

SPONSOR(S): RESOURCES

02/20/09 (S) READ THE FIRST TIME - REFERRALS
02/20/09 (S) RES, FIN
03/09/09 (S) RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

TREVOR FULTON, Staff
to Senator Lesil McGuire
Alaska State Legislature
POSITION STATEMENT: Presented SB 31.

DAN STICKEL, Economist
Tax Division
Department of Revenue
Juneau AK
POSITION STATEMENT: Answered questions on SB 31.

TOM LAKOSH
Anchorage AK
POSITION STATEMENT: Spoke in support of SB 31 and SB 121.

CHRIS ROSE, Executive Director
Renewable Energy Alaska Project
Anchorage AK
POSITION STATEMENT: Spoke in support of SB 31 and SB 121.

SHELLY MORGAN, Staff
to Senator Bill Wielechowski
Alaska State Legislature
POSITION STATEMENT: Presented SB 121.

JOHN DAVIES, Research Director
Cold Climate Housing Research Center (CCHRC)
Fairbanks AK
POSITION STATEMENT: Spoke in support of SB 121.

STEVE HAAGENSON, Executive Director
Alaska Energy Authority (AEA)
Anchorage AK
POSITION STATEMENT: Spoke in support of SB 121.

RANDY VIRGIN, Director
Sustainability and Efficiency Projects
Municipality of Anchorage
POSITION STATEMENT: Spoke in support of SB 121.

CHRIS HODGIN, Project Manager
Department of Transportation and Public Facilities (DOTPF)
Anchorage AK
POSITION STATEMENT: Spoke in support of SB 121.

CAITLIN HIGGINS, Outreach Organizer
Alaska Conservation Alliance (ACA)
Anchorage AK
POSITION STATEMENT: Spoke in support of SB 121.

STEVE ASH
Sitka Climate Action Plan Task Force
Sitka AK
POSITION STATEMENT: Spoke in support of SB 121.

MARCUS WALKER, Student
University of Alaska Anchorage
Anchorage AK
POSITION STATEMENT: Spoke in support of SB 121.

KEN BAUER, Performance Contract Salesman
Siemens Building Technologies, Inc.
Issaquah WA
POSITION STATEMENT: Spoke in support of SB 121.

ACTION NARRATIVE

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CO-CHAIR LESIL MCGUIRE called the Senate Resources Standing Committee meeting to order at 3:37 p.m. Present at the call to order were Senators Stevens, Huggins, French, and Wielechowski. Senator McGuire was on line. Senator Stedman arrived later.

SB 31-GEOTHERMAL ELEC. PROD. TAX CREDIT

CHAIR WIELECHOWSKI announced the consideration of SB 31.

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SENATOR MCGUIRE said SB 31 is a production tax credit bill; it mirrors many other tax credits like the recent one for film production. It will offer a 2.1-cent per kilowatt hour incentive

to invest in hydro, wave, biomass, in-river, solar, wind, geothermal, and tidal energy projects. The bill allows public utilities and co-ops to earn tax credit certificates that can be traded on the open market. Many utilities are publicly owned, and Senator McGuire wants to incentivize their investments as well. The bill has received widespread support in Alaska and even outside of Alaska. Energy producers from as far away as Israel are looking to use this tax credit to reduce the risks of investing. Wind can be costly and isn't predictable. One company said this is one of the more costly areas in the world. Alaska doesn't have a lot of the geological data that other jurisdictions have. She is hoping the tax credit will attract new projects to Alaska and provide an incentive for current utility companies.

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SENATOR HUGGINS moved to adopt the committee substitute (CS) to SB 31, labeled 26-LS0217\N [Version N].

CHAIR WIELECHOWSKI objected for the purpose of discussion.

TREVOR FULTON, Staff to Senator Lesil McGuire, Alaska State Legislature, said the biggest difference in the CS from the bill that passed out of the Senate Energy Committee is to limit the tax credit to projects or expansions that come on line after January 1, 2010. Senator Stedman was concerned that expansion projects were excluded from the tax credit, and they are important "so we changed the language that would accommodate expansion projects while excluding existing projects that are already on line." The CS also changes the definition of an energy producer to require independent power producers to hold an RCA [Regulatory Commission of Alaska] certification. "We wanted to make sure that the bill applied to not just anybody who sticks a windmill or wind generator on their house. We want there to be a certain level of power production involved."

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MR. FULTON said the third set of changes in the CS are based on suggestions from the reviser and are not substantive.

SENATOR STEVENS asked if an electric association that puts up wind turbines before 2010 will be excluded from this tax credit.

MR. FULTON said yes. The bill is to incentivize taking a harder look at the resources that are available in Alaska to determine if there can be a viable project. In Senator Stevens' example,

the association has already decided it is a viable project, and the project won't need an incentive.

CHAIR WIELECHOWSKI asked what the tax credit would cost if it were made retroactive.

MR. FULTON said he doesn't know.

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DAN STICKEL, Economist, Tax Division, Department of Revenue, Juneau, said according to the U.S. Department of Energy there are 1.3 billion kilowatt hours of alternative energy used annually in Alaska. If it all qualified for the credit it would cost \$27 million per year for four years.

MR. FULTON said the director of the Alaska Energy Authority (AEA) said if the bill had no exclusions it would cost \$133 million in credits just for the Bradley Lake hydro project.

SENATOR HUGGINS noted the mention of unused tax credits on both page 2 and 3. "Are those two correlated to one another?"

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SENATOR HUGGINS said the bill mentions carrying the credits forward for 20 years.

MR. FULTON said that is correct, and he asked if Senator Huggins was seeing a redundancy.

SENATOR HUGGINS said he doesn't know what sum of money is being considered "when you start carrying tax credits forward for 20 years potentially."

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MR. FULTON said there is an indeterminate fiscal note because it is difficult to predict. He doesn't think anyone would stockpile the tax credits for 20 years and then cash them in all at once. The vast majority of tax credits issued through this program would be sold or traded on an open market at a lower cost than their face value.

SENATOR HUGGINS said it seems like a long time until 2028. It appears to be a pretty dark hole.

MR. FULTON said that date was chosen because the bill sunsets in 2025, which is the governor's goal of when to have 50 percent renewable energy. Then there are four years to use the credit.

SENATOR FRENCH wanted clarification that the credit given to expansions of existing systems would be applied only to the expansion and not to the whole system that it is part of.

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MR. FULTON said that is correct.

SENATOR FRENCH said Fire Island is noted in the fiscal note. The state will participate in that, so will the state provide a tax credit against investments that are funded by the state? The bill may be over-stimulating certain projects.

MR. FULTON said that was just brought to the sponsor's attention and she may need to revisit that.

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TOM LAKOSH, Anchorage, said he recognized the problem with double funding, and he submitted language to preclude projects with a subsidy of more than 50 percent of prior funding. Other amendments he suggested is applying the subsidy to conservation and to make the subsidy applicable to anyone who produces alternative fuel, instead of just limiting it to those who get the RCA certificate. It is important to encourage all folks to provide alternatives. He suggested the following change: on page 2, line 1, after "for each kilowatt-hour" add "or per each 15,000 BTUs of heat value".

MR. LAKOSH suggested a change in the definition on page 3, line 6, by adding "conservation". Rural Alaska is having issues with sustaining cultures and communities because of heating fuel costs - not just electricity costs. If they could produce biogas or liquid biofuels, "then we should be encouraging that type of sustainable community instead of them having to pay out for imported fuel." And they should be encouraged to conserve.

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MR. LAKOSH said it is important that the subsidy is applied to all alternative energy producers. It discounts Alaska ingenuity to limit it to those who get an RCA certificate. He suggested a two-tiered system that takes environmental impacts into account. There is an air quality problem in Fairbanks and in Juneau's Mendenhall Valley. He suggested a base subsidy and a supplemental subsidy. The supplemental subsidy could be adjusted depending on adverse impacts to the environment, such as particulate pollution or wildlife impacts, so that unclean biomass or wood burning could have the subsidy cut off in

specific places. There could be an adjustment for locally produced fuels that lead to a sustainable community. If you're going through this process of social engineering, this bill could ... provide for those things that we know are beneficial, like improved air quality and sustainability. He encouraged the committee members to look at his prior recommendations.

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SENATOR HUGGINS asked about the certificate of public convenience on Page 3, line 9.

MR. LAKOSH said that should be stricken because all independent power producers who are producing alternative energy or conserving should be allowed to collect that 2.1 cents based on kilowatt hours or BTUs. It would help bring down energy use and produce alternative energy.

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SENATOR HUGGINS asked if a small energy producer would not be eligible for the credit without the certificate.

MR. LAKOSH said that is the way he sees it. It is gross discrimination and cuts out Alaskans with ingenuity who can help us get down this road.

SENATOR HUGGINS asked Mr. Fulton if this was discussed in the Senate Energy Committee.

MR. FULTON said that wasn't discussed in the committee, but it came up later. The sponsor is trying to target projects that will generate substantial amounts of energy. "We certainly understand the value of smaller projects ... but we think there needs to be some sort of threshold there so this program doesn't get too unwieldy." He doesn't want to put too much burden on the tax division. He didn't look into how the program would be structured for a person who sells power to a neighbor. "We didn't explore that route."

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SENATOR HUGGINS said a certificate of need in health care is rather burdensome. It may be the right answer, but he hates to get into the same challenge as is in the health field "and suits and all those sorts of things over who can and who cannot." He would like to discuss it with the sponsor.

SENATOR MCGUIRE said she would be happy to consider that.

CHRIS ROSE, Executive Director, Renewable Energy Alaska Project, Anchorage, said his group includes 61 Alaska organizations, including small and large utility companies, consumer groups, environmental groups, Native organizations, government agencies, and businesses. There is a policy committee that meets regularly and it supports the bill. At the federal level the production tax has been probably the most important incentive to get renewable energy projects built around the country. It has made a huge difference, despite its shortcomings, to incentivize industry to build these projects. He has potential amendments.

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MR. ROSE said the credit should be a tiered system based on the population the project serves. In the Railbelt it may cost 7 cents to produce a kilowatt hour, so a 2.1-cent incentive is huge - almost 32 percent of the cost of producing that energy. The cost of producing energy in a village may be 30 cents, even without the overhead, so the 2.1-cent credit is small. A four-tiered system would incentivize projects across the state. Projects serving communities under 1,200 people should get a 10-cent per kilowatt hour credit. The co-op would probably sell the tax credits at a discount. This tax credit won't add up to a lot of lost revenue because it won't include that many total people.

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MR. ROSE said the second tier would be for projects that serve 1,500 to 7,000 people, such as hub villages and communities with a smaller population than Sitka. The credit could be 7 cents per kilowatt hour. The third tier would include projects that serve communities between 7,000 and 40,000 people. That will capture the rest of Alaska except for the Railbelt. The credit could be 4 cents. The last tier would include the grid that serves all of the Railbelt communities, from Homer to Fairbanks. The tiered system will provide incentives to all the different communities. He also suggested extending the credit for more than four years. The federal production tax credit is ten years. There is a concern of what this may cost the state in lost revenues, and he said estimates can be done, but ten years gives more certainty to the folks who are taking the risk to build these projects.

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MR. ROSE said his group is not quite sure about the provision that allows for the tax credit to be given to producers whether they are using the power or selling it. The sponsor's intention is to incentivize the production of power for industrial and other uses. "We see the merit in that; we're concerned about actually tracking the kilowatt hours produced." It may be

difficult to track the kilowatt hours of a company within its own system. One way around that is to have the producer obtain a certificate from the RCA and sell the power back to themselves. He is not sure that the RCA will allow that. The committee will have to wrestle with the idea of the tax credit going to projects that get other forms of state funding. The last suggestion is to call it renewable energy, not alternative energy. That definition is consistent with the Renewable Energy Grant Fund that was passed last year. The definition in the bill does relate to renewable energy, but it is good to make a distinction between the two. So the title will need to change.

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SENATOR HUGGINS said the Legislative Budget and Audit committee approved \$100 million worth of projects. He asked how many of those would be eligible.

MR. ROSE said they would all be eligible unless they are in before 2010. The CS may give some incentive to wait. The credits are tradable - which is a very good thing because most of these entities don't pay taxes. By setting a period of time, like ten years, the bill could say that every project gets that many years. The Bradley Lake project has been in existence for over ten years and would not benefit because its ten years are up.

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SENATOR HUGGINS said the RCA is made up good people and some are his friends. He asked about "their task management and efficiency and ultimately being able to satisfy the public."

MR. ROSE said it is the same with other agencies that deal with energy in the state. This is big and Alaska needs to get more people, and perhaps the RCA needs more resources.

SENATOR STEDMAN asked what tax credit Sitka projects would get.

MR. ROSE said his group came up with the tier idea this morning. The intent was to include Sitka in the second tier at 7 cents.

SENATOR STEDMAN said Sitka, Ketchikan, Wrangell, Petersburg, and Juneau are all in the 10 or 11-cent range in kilowatts, so he is curious why Mr. Rose is using a population category.

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MR. ROSE said different ideas were discussed, and everyone wanted to use a percentage of the cost of energy, but that might be politically and administratively difficult. His group also

talked about the size of projects, but a small project could be built in Anchorage. He is not wedded to the idea of population parameters. The cost of energy is really the issue, and he wants incentives for communities where costs are high.

SENATOR STEVENS asked how tax credits are traded.

MR. ROSE said there are big corporations in Alaska that have high tax bills, and they would be able to buy the credits. The nature of the market may create competition that would bring down the price. The federal tax credit doesn't have the same provision, and that has hurt the co-ops in Alaska.

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SENATOR STEVENS asked if there would be a clearinghouse.

MR. ROSE said there are already provisions for trading tax credits, but he isn't that familiar with them himself.

SENATOR HUGGINS said oil and gas production tax credits were debated for hours. He believes the legislature put in a provision where the state could buy them so that smaller companies wouldn't get gouged by larger ones. The state would then be a leveling mechanism.

MR. ROSE said he needs to look into it, but there may be a disadvantage to smaller, less sophisticated entities trying to sell their credits to larger, more sophisticated ones.

SENATOR HUGGINS asked about the RCA certificate.

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MR. ROSE said there is a lot of concern about net metering in Alaska. "If you don't require the certificate, then you're doing backdoor net metering because you're giving some kind of credit back to producers." It is not true net metering where someone gets paid the retail price, but it will open up that whole debate about it. "We felt it was a good idea to have either a minimum amount of production ... or go to an independent power producer level and have the RCA regulate it." He doesn't have a huge preference one way or the other, whether it is a limit like 400 kilowatts or if it's an IPP [independent power producer]. "If it looks like it's going to be very difficult for all these folks to apply for IPPs, maybe that's too much. If you allow it to everybody, then essentially you're getting all the way into that other issue of net metering."

CHAIR WIELECHOWSKI set SB 31 aside.

SB 121-ENERGY EFFICIENCY BLDGS/PUBLIC WORKS

[4:21:57 PM](#)

CHAIR WIELECHOWSKI announced the consideration of SB 121, which requires the Alaska Department of Transportation and Public Facilities (DOTPF) to assess and retrofit heated and lighted buildings. It encourages performance-based contracting, which has guaranteed savings. Representatives Gara and Thomas have a similar bill in the House, and Senator Joe Thomas also has one. The bill could save hundreds of millions of dollars over the years in fuel costs. The state has done similar work on 24 buildings and saved \$365,000 at 2006 energy rates and \$557,000 at 2008 rates. They have cut natural gas use by 15 percent; electricity by 22 percent; fuel oil by 36 percent; and they have cut back on water usage. If the state had done 25 similar contracts the savings would be about \$13 million per year at 2008 rates. SB 121 is a job creation bill because of the retrofiting jobs. It is a win-win bill.

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SHELLY MORGAN, Staff to Senator Bill Wielechowski, Alaska State Legislature, said SB 121 will lower the cost of state buildings by reducing energy use. It requires the Alaska Energy Authority (AEA) to establish a database to identify energy consumption, and it will use that to prioritize retrofit schedules. The buildings that consume the most energy can be first. The bill requires DOTPF to retrofit buildings when it will be cost effective. Where there are no funds, this bill allows DOTPF to use performance contracting with a qualified energy service company so the state can achieve energy audits and efficiency upgrades through a pay-as-you-save system. No money will be spent out of pocket. Within 15 years or less all paybacks will be made, and then the state will be saving large sums of money. Beginning in 2004, DOTPF executed a performance contract for 8 facilities with Siemens Building Technologies. Siemens has completed 16 facilities under two contracts. Each contract took about two years to complete, and energy performance reports were provided for the first three years. The report on the first contract showed that the state saved \$365,991.

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SENATOR HUGGINS asked about the cost of the retrofits.

MS. MORGAN said that because of the performance contracting, there are no upfront costs. The only costs in the fiscal note

are for staffing and the database. She said DOTPF provided two fiscal notes that were based on the original bill, not the CS. They were based on a 10-year [pay back]. With it being 15 years, there will be less costs per year. If the state did not use performance contracting, it would cost about \$17 million. The fiscal note is about \$363,000 for DOTPF and \$100,000 for the AEA to put together the energy index database.

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SENATOR HUGGINS asked if there is an updated code for new construction.

MS. MORGAN said any new construction built to the most recent international energy conservation code would be less costly than retrofitting. The costs of retrofitting are paid by the savings.

SENATOR HUGGINS asked if new buildings have to be built under new energy codes.

MS. MORGAN said, "If you build a new building under the guidelines of SB 121, that new building would be required to be built to the most recently published version of the international energy conservation code standards, which would bring it to what we're trying to bring these other buildings to through retrofitting." This bill also allows for updates to be made through utility bills. Currently it says every ten years, but DOTPF is more interested in doing it every year. Updates can be made every ten years or every year using utility bills. That allows for observation of any substantial inefficiencies. When the conservation code is updated, new buildings may not need any retrofitting for a longer time.

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JOHN DAVIES, Research Director, Cold Climate Housing Research Center, Fairbanks, supports SB 121. It addresses two key recommendations that were in his group's report entitled: Alaska Energy Efficiency Program and Policy Recommendations. The report recommended establishing an energy-use index, which the committee has just been discussing. It also recommended that the governor require state agencies to reduce their energy consumption. SB 121 addresses both recommendations.

MR. DAVIES noted that the CS has "cross talk" between the index and the database in Section 4, subsections 1 and 2. It should be clear that the index is the method for calculating the efficiency of a building, and the database just collects the information to make that calculation and report the index. The

report helps prioritize what is needed; state agencies have an enormous number of buildings.

MR. DAVIES said that new construction goes to the international energy conservation code, but he suggested that the standards be made stronger. People trying to save energy would try to achieve a higher target, or about 50 percent of the energy specified in that standard. He supports the bill but it could be more aggressive and save more energy.

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SENATOR HUGGINS said Mr. Davies made a comment about the governor directing the AEA. He asked Mr. Davies if he has had "any conversations with Mr. Haagenson or any of his subordinates about the governor directing."

MR. DAVIES said not in recent weeks, but Mr. Haagenson is very supportive "of this general idea." The specific recommendation in the report was to have the governor do the directing, but as long as it gets done it doesn't matter who does it.

SENATOR HUGGINS asked if the energy index is a major new task for the AEA.

MR. DAVIES said it is neither major nor trivial. It would cost about \$50,000 to hire a consultant to get the database up and running with an easy way to enter data. The basic information that will be entered into the index is fuel bills and square footage of the building. The database needs to be maintained, and that may require a quarter of a person's time.

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STEVE HAAGENSON, Executive Director, Alaska Energy Authority (AEA), Anchorage, said the AEA will measure the total energy going into buildings on a BTU basis, and then it will divide by occupancy or square footage to get an index. There will be a database that will do a lot of the math and be a repository. Once the data is there, there won't be a need to redo the math until the buildings have been modified. AEA will then work with DOTPF to put regulations in place.

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SENATOR HUGGINS asked if AEA had the time to do this.

MR. HAAGENSON said he hired someone three weeks ago who is all charged up, and that person will do the work.

SENATOR HUGGINS said, "We continue to get way ahead of ourselves as far as having a state energy policy, and we're cramming square pegs in square holes and sometimes round pegs in square holes. Does that make you uncomfortable?"

MR. HAAGENSON said not at all. There are energy policies and plans, but a large component is conservation and efficiency. Retention of heat in a building is one of the smartest things to do, and this is a great step in that direction.

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RANDY VIRGIN, Director, Sustainability and Efficiency Projects, Municipality of Anchorage, said SB 121 is a win-win bill. Alaska is one of two states in the country without an efficiency policy. It is high time. Buildings account for 39 percent of total energy use and 72 percent of electricity use in the United States. Efficiency programs can achieve measurable results. California has the nation's leading efficiency effort and has kept its per capita energy use flat since 1974, and the rest of the nation has gone up around 50 percent. Anchorage has had success in outdoor lighting by installing over 4,000 high-efficiency LED fixtures that led to a 56 percent reduction in energy use. The payback on the capital investment is six years, and that assumes today's prices. The bulbs last five times as long, so they reduce the labor to change bulbs. This investment in efficiency is beating the market. It is a guaranteed return. If that money had been put into the market, it would be doing a lot worse. The bill sets out a goal of reducing energy use in buildings by 20 percent, but that could be easily doubled to 40 percent without trying. Mr. Virgin said the facility managers could reach a little, and the bar could be set at 60 percent.

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MR. VIRGIN said the bill allows the department to determine that a retrofit is not cost effective. He urged the committee to set an objective standard to determine if a retrofit is feasible, and that could be done by setting a timeframe for the return on investment. If the return is 15 years or less, then the facility must do it. That will set the proper balance with the expenditures on the front end. Thirdly, the bill allows the department to not comply fully with ASHRAE [Heating, Refrigeration, Air Conditioning Engineering] standards if there are specific climate [issues], and he thinks that language could be made into a more objective standard.

[4:46:10 PM](#)

CHRIS HODGIN, Project Manager, Department of Transportation and Public Facilities (DOTPF), Anchorage, said DOTPF supports the bill but has concerns with the 20 percent goal. It is a goal, not a mandate, but he wants it to be clear that it doesn't mean that 20 percent can be attained. Some buildings can save more and some less. Rather than updating the energy use index in only specific circumstances, he suggested continuous updates annually to allow managers to evaluate their buildings "using the same average of annual periods". That gives an apples-to-apples comparison that won't miss inefficiencies. Even though the capital costs are paid for through the realized energy savings, there will be increased work for managers and administrators.

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CAITLIN HIGGINS, Outreach Organizer, Alaska Conservation Alliance (ACA), Anchorage, said ACA is a coalition of 40 Alaska conservation organizations with over 38,000 Alaskans. The bill is critical because it addresses the demand side of energy; it will result in instant savings for public facilities; and it will better position Alaska to receive federal stimulus money for efficiency. ACA has been very pleased with the legislature's work on supply-side renewable energy, but it is equally important to address the demand for energy. The cheapest energy is the energy we don't have to use. SB 121 will result in real savings for the state and a reduction in the impacts of greenhouse gases. Public dollars will no longer be wasted by inefficient lighting and drafty windows. The federal stimulus package has \$3.2 billion to help local governments implement energy efficiency programs in a block grant program that seeks to decrease energy consumption and fossil fuel emissions. It can be used for energy audits; loan, rebate, and incentive programs; grants for retrofits by nonprofits; and developing programs to conserve energy and transportation. There is another \$4 billion for bonds that states and municipalities can issue to finance renewable energy and efficiency projects. The bonds carry a low interest rate and the bond holder receives federal credits in lieu of interest. The bill appropriates \$3.1 billion for the state energy program, which provides grants and other funding to state energy offices for energy efficiency and renewable energy. "The normal matching requirements under the program do not apply to the funding provided by the bill." Alaska should receive some of these funds. States with an energy efficiency plan in place will be higher on the list for receiving federal funds. This bill will send a clear signal that Alaska is ready to use federal dollars for efficiency upgrades.

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STEVE ASH, Sitka Climate Action Plan Task Force, Sitka, said Sitka has already begun a process very similar to SB 121. It joined the International Council for Local Environmental Issues about one year ago. The first thing the task force did was established an energy use index, and it is called a carbon emissions inventory. It includes transportation, public and private buildings, boats, and everything that consumes energy. The task force focused on transportation and municipal buildings. The group set a goal of a 25 percent reduction in carbon emissions by 2020. There was a 2003 inventory, and in 2008 there was already a 10 percent reduction in emissions. This was achieved by updating an oil burning furnace in Sitka's middle school. This job will be easier than they thought. Another school furnace can be upgraded. At \$3.00 per gallon for heating fuel, it will save over \$250,000 per year for Sitka. By 2020, fuel will likely be more than \$3.00 a gallon.

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MARCUS WALKER, Student, University of Alaska, Anchorage, said he is a member of the Alaska Conservation Alliance and Alaska Conservation Voters. He supports SB 121. He has been studying how much energy Anchorage is using. He is working for Randy Virgin on an energy index. Anchorage buildings are using immense amounts of energy, and simple measures can significantly reduce this. SB 121 can save an enormous amount of money for Alaska. Some cities have been doing this work from the ground up, so it is time to help push everyone in the right direction. There are retrofitting programs in the villages, and just by replacing light bulbs brought a 60-percent savings, which is important since diesel costs so much.

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SENATOR HUGGINS said the Dena'ina Center is wonderful, but he has heard people say they would hate to heat that place.

MR. WALKER said "Unfortunately with no standards that building was built incredibly inefficient ... and Anchorage has to pay for the electricity for a long time." This bill could help retrofit it to save money.

CHRIS ROSE, Executive Director, Renewable Energy Alaska Project, Anchorage, thanked the committee for the bill and said it will stimulate the economy by creating jobs. Performance contracting is proven, and more contractors might come into the state. The nine recommendations from the Cold Climate Research Center report included state leadership, and this is important state

leadership by focusing on state buildings. "Hopefully that will lead to more public awareness of this issue."

SENATOR HUGGINS asked about expanding this bill to qualify for more federal grants.

MR. ROSE said that if Alaska has this program, "we are least in line." Without any program it is difficult for Alaska to apply.

5:00:55 PM

KEN BAUER, Performance Contract Salesman, Siemens Building Technologies, Inc., Issaquah WA, said he doesn't have a lot to add because other testifiers pointed out the benefits of the bill. The best use of state funds is for projects that can be done without using millions of dollars. There are some upfront costs, but it is a very good investment and a way to reduce energy without incurring huge expenses. The upgrades create efficient buildings that are likely healthier buildings, and the workforce will be more productive. It will also increase jobs in designing, engineering, and building.

TOM LAKOSH, Anchorage, said he supports the bill, and it should be combined with SB 119: efficiency standards for new construction. There is overlap and conflict with SB 119. Moreover, in order to get in line for the state's energy block grants, Alaska needs to comply with section 4.10 of the stimulus bill. It requires commercial and residential building codes that Alaska doesn't have. "We need a real comprehensive conservation bill for retrofit, new construction, commercial and residential building codes." The residential building code has to meet the international energy conservation code, and commercial codes need to meet the ASHRAE standard. He would support the bill on its own, but in order to get the stimulus money, "you need to sit down, combine this with 119 and add the residential and commercial building codes." Everyone in the state is so touchy about building codes...

CHAIR WIELECHOWSKI said [the legislature] is working on building codes so Alaska will be eligible for the stimulus funds.

MR. LAKOSH suggested putting that with SB 121 and SB 119. There are conflicts between SB 121 and SB 119 that need to be worked out. He supports having a 15-year payback period as the standard for what will be done. That is critical because it goes far beyond any of the standards and makes the most economical sense. It is somewhat addressed in SB 119, but it is not clearly spelled out. "Randy's language is the best on that." Get the

governor to sign one combined bill so Alaska can get the funds and pay for all these energy savings that it really needs.

SB 121 was held over.

[5:06:43 PM](#)

The meeting was adjourned at 5:06 p.m.