

**ALASKA STATE LEGISLATURE**  
**SENATE RESOURCES STANDING COMMITTEE**

January 20, 2010

3:33 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  
Senator Thomas Wagoner

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

OVERVIEW: OMNIBUS ENERGY POLICY RECOMMENDATIONS ALASKA  
SUSTAINABLE ENERGY ACT

- HEARD

SENATE BILL NO. 220

"An Act declaring a state energy policy; relating to energy efficiency and alternative energy; establishing the energy efficiency grant fund, an emerging energy technology fund, a renewable energy production tax credit, and an energy use index; and relating to a fuel purchasing cooperative, to energy codes and efficiency standards, to energy conservation targets in public buildings, to a state agency energy use reduction plan, to the alternative energy revolving loan fund, and to the renewable energy grant fund."

- HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 220

SHORT TITLE: ENERGY EFFICIENCY/ ALTERNATIVE ENERGY

SPONSOR(s): RESOURCES

01/19/10 (S) READ THE FIRST TIME - REFERRALS  
01/19/10 (S) RES, FIN

01/20/10

(S)

RES AT 3:30 PM BUTROVICH 205

**WITNESS REGISTER**

MICHELLE SYDEMAN

Staff to Senator Wielechowski  
State Capitol  
Juneau, AK

**POSITION STATEMENT:** Commented on SB 220.

MIKE PALOWSKI

Staff to Senator McGuire  
State Capitol  
Juneau, AK

**POSITION STATEMENT:** Commented on SB 220.

**ACTION NARRATIVE**

[3:33:04 PM](#)

**CO-CHAIR LESIL MCGUIRE** called the Senate Resources Standing Committee meeting to order at 3:20 p.m. All members were present at the call to order.

**Overview: Omnibus Energy Policy Recommendations Alaska  
Sustainable Energy Act**

[3:35:14 PM](#)

**CO-CHAIR WIELECHOWSKI** introduced and thanked Michelle Sydeman, Shelly Morgan, Mike Pawlowski, and Trevor Fulton as well as all the people who worked on this issue over the summer. They traveled every corner of the state and heard the people of Alaska as well as experts in this field; and they had researched what other states and countries are doing. He hoped they could come up with a good long-lasting energy policy for the state.

**CO-CHAIR MCGUIRE** added that every person on the Resources Committee and their staff had been involved and contributed to the process.

**SB 220-ENERGY EFFICIENCY/ ALTERNATIVE ENERGY**

[3:36:53 PM](#)

**CO-CHAIR MCGUIRE** announced the consideration of SB 220 and asked Ms. Sydeman to lead the committee through the draft of SB 220.

MICHELLE SYDEMAN, Staff to Senator Wielechowski, said she helped support the work of the combined Resources and Energy committees

as they sought to find ways to lower energy costs and provide more reliable and sustainable sources of energy to Alaskans.

MS. SYDEMAN paid tribute to all the members of this committee who played a key role in developing the proposed Alaska Sustainable Energy Act. She said that Senator Stedman expressed his desire to see the full range of energy bills before moving any one bill. Senator McGuire heard his call and committed to holding field hearings around the state to collect Alaskans best ideas about how it can move towards greater energy independence. She said her energy in coming up with and fleshing out new ideas was unparalleled; many of the ideas in this bill came from her and her staff.

MS. SYDEMAN said that Senator Stevens hosted the joint committee in Kodiak and Ousinkie where they saw new wind turbines reducing reliance on high-cost diesel, heard from fish processors who were turning fish waste into biodiesel, and learned just how much rural energy costs can be reduced when community generators are made to be more efficient. He made sure the committee had the funds to do a credible job in the Interim.

She said that Senators French and Wagoner each participated in the field hearings. Senator Wagoner brought his extensive knowledge of energy issues and interest in finding practical solutions to Alaska's energy challenges. Senator French brought an eagerness to learn more, critical analysis of the ideas they heard, and openness to the broad range of recommendations they received. Senator Huggins' schedule precluded him from attending many of the field hearings, but his focus on developing long term reliable sources of energy for Alaskans is clear to everyone. "He is a rock on which resource policies can be debated in a cool, thoughtful and informed manner."

Lastly, she said, Senator Wielechowski's interest in developing an energy plan forced them to look critically at Alaska's energy challenges and identifying changes in statute or program funding levels that would make life better for Alaskan families and businesses. "He was resolute in his desire that we look broadly and methodically at what the legislature could do to help the average Alaskan."

[3:40:29 PM](#)

MS. SYDEMAN said this plan is the product of his insistence and Senator McGuire's passion and persistence. She recognized that the House Energy Committee, co-chaired by Representatives Edgmon and Millet, has been engaged in a similar effort over the

Interim, and their excellent work is seen in their draft state energy policy, which they are all proposing be adopted into statute. She thanked Adam Berg and Jeff Turner, staff to the House Energy Committee, for sharing that with Senate staff. She hoped to continue sharing ideas and collaborate as House and Senate bills move through the legislative process.

She said the bill before them today is a starting point for discussion. SB 220 is a compilation of bills that were heard last year as well as new ideas from the Interim; she knew that additional concepts would be added before it leaves the Resources Committee. She then presented an overview of its components.

CO-CHAIR MCGUIRE thanked Ms. Sydeman for devoting a year of her life to this project.

[3:43:26 PM](#)

MS. SYDEMAN said this bill drew from at least eight other bills. Intent language is included stipulating that Alaska will achieve a 15-percent increase in energy efficiency per capita by 2020 and meet 50 percent of its electrical needs through renewable energy by 2025.

SB 121 was included; it was introduced by Senator Wielechowski and calls for the state to focus more attention on insuring that its own facilities are energy efficient and that it is spending as little money as it can on energy. The state owns about 1,800 public facilities and eight buildings have been retrofitted by the Department of Transportation (DOTPF). In these buildings electrical use was cut by 22 percent, natural gas use by 15 percent and fuel oil by 36 percent. So, retrofitting buildings makes sense and that is called for in SB 220.

[3:44:43 PM](#)

The second part of SB 220 is SB 31, a renewable energy production tax credit that was introduced by Senator McGuire last year. Across the nation, production incentives were being introduced last year to encourage more development of renewable energy resources and 25 states have some sort of renewable energy corporate tax credit. So Alaska would be joining that list.

Another bill, SB 150, is included and that was also introduced by Senator McGuire. It would create an Emerging Technology Fund. Ms. Sydeman mentioned that Gwen Holdman, Alaska Center for Energy and Power, is a "spark plug" for new energy innovations

in the state. Currently, little or no state funds are available for research and development of new energy technologies, and this fund would provide a place to put them in the future so that they could go to the University and others that are pushing the envelopes and not just getting off-the-shelf technologies, which is what the Renewable Energy Fund is directed to do.

[3:46:18 PM](#)

She said that SB 186 is about the Renewable Energy Fund, and it requires that projects funded through it have a verifiable financial benefit that exceeds the amount of grant monies received to make sure of "getting a good bang for out buck." HB 196 revives and amends some terms in the Alternative Energy Loan Fund that was enacted in the 1980s to purchase, construct and install small-scale alternative energy systems.

[3:47:17 PM](#)

SB 71 was introduced by Senator Therriault last year; it asks the state to incorporate viable renewable energy systems into any new public works projects if it makes economic sense to do so. And SB 220 directs the administration to always look at renewables when building new public facilities. Finally, one section of the bill has to do with the State of Alaska leading by example, and it would require the executive branch to set energy efficiency targets for all state agencies, to use energy efficient equipment and vehicles when it's cost effective to do so, and for the Alaska Energy Authority (AEA) to establish a statewide fuel-buying cooperative.

She elaborated that plenty of evidence indicates that energy star appliances conserve upwards of 60 percent, and vehicles that are even 10 percent more efficient than the current state fleet could save the state nearly a half million dollars annually.

MS. SYDEMAN explained that a fuel-buying cooperative is good especially for rural Alaska because it would allow rural residents to buy fuel in greater quantities and get a better price; schools, local governments and the public would all benefit.

[3:49:15 PM](#)

MS. SYDEMAN said a proposed amendment includes a bill introduced by Senator Stedman to expand the purposes of the Southeast Energy Fund.

Finding no questions or comments, Ms. Sydeman continued with a sectional analysis as follows:

[3:50:09 PM](#)

Page 1 sets the short title which is the "Alaska Sustainable Energy Act". It also sets out the legislative intent that she referred to earlier. It also states that the state will attempt to generate 50 percent of its electricity from renewable energy sources.

[3:51:06 PM](#)

MIKE PALOWSKI, staff to Senator McGuire, added that the third bullet point also says "work to ensure reliable instate gas supply to residents of the state."

[3:51:27 PM](#)

MS. SYDEMAN said section 4 provides the Alaska Housing Finance Corporation (AHFC) with the power to provide technical assistance to municipalities regarding their adoption - if they are interested - in energy codes and efficiency standards. She explained that last year the state had a board that would have adopted a state energy standard, but their position has moved back to simply providing the AHFC with the power to help interested communities to adopt standards.

Section 5 on page 2 creates an Energy Efficiency Grant Fund for providing grants to municipalities, unincorporated communities, school districts, and the University of Alaska.

[3:52:35 PM](#)

She said that section 6 on page 3 tasks the DOTPF with reviewing the option of using alternative energy when adopting plans and specifications for public works (from SB 21).

Section 7 on page 4 provides that the state shall give preference in procurement for equipment and appliances that have received an energy star under the Energy Star Program of the U.S. Environmental Agency (EPA) in the U.S. Department of Energy (DOE). This effort is leading by example and cutting state operating costs.

[3:53:20 PM](#)

Section 8 on page 4 amends a provision of the Renewable Energy Grant Fund regarding the methodology for determining the order of projects to receive funding and requiring activity reports to be filed by grant recipients. The AEA may already be evolving this.

Section 9 on page 5 amends the Renewable Energy Fund statute by requiring the AEA to hire an economist to prepare a written evaluation of each grant proposal.

She said that section 10 on page 5 tasks the AEA with organizing, or providing for, the organization of a statewide fuel buying cooperative.

[3:54:18 PM](#)

MR. PAWLOWSKI continued that Section 11 on pages 5-7 incorporates bills that have already moved past the Resources Committee, but do well in the omnibus policy. He began with changes that were made to the Emerging Energy Technology Fund. He explained that over the Interim, the Denali Commission, working with the stakeholder groups identified the fund using purely federal dollars. Last year they found a lot of federal money for innovation in the stimulus bill and so some of it was directed towards identifying problems in the process contained in section 11. One of the fundamental changes was to repeal the phrase "or loans". The original bill was passed as "grants or loans", but they found the University's capacity to actually make a loan did not exist.

In the next few weeks, Mr. Pawlowski said, they will hear about some best practices oversight issues related to the grant fund, but the root goal is still the same - to find mechanisms to fund the next generation of energy technologies in Alaska.

Sections 12 and 13 pick up on page 7 and go through page 10 and is the former SB 31 - the alternative energy tax credit, which became the renewable energy production tax credit. This provides a transferable tax credit with some limitations to renewable energy projects within the State of Alaska. This is an incentive that several states already offer and it has been found to spur development of these projects. No changes were made to this section.

[3:56:52 PM](#)

MS. SYDEMAN said section 14 on page 10 tasks the DOTPF with updating the energy use index database and conducting an energy audit of public facilities that are determined to have substantial energy inefficiency.

Section 15 on page 11 tasks the DOTPF with retrofitting all public facilities listed in the energy use index and allows for the department to enter into performance contracting for energy

efficiency - the basic concept being that these companies do the construction retrofits and don't ask for any money up front. They are simply paid back by the state as it saves money on energy consumption. Once the contracts are paid, the state just keeps those savings.

Section 16 on page 11 requires the DOTPF to annually determine an appropriate energy conservation target for each public building and report the energy conservation targets for all buildings to the relevant state agency - so that agencies really buy into the fact that they are to do their best to cut their costs. The idea here, again, is to lead by example.

[3:58:35 PM](#)

Section 17 on page 12 requires the AEA to annually plan and conduct in cooperation with AHFC a public education campaign to promote energy efficiency and conservation. Based on what other states have done, the average household can cut its energy costs substantially and that information needs to get out to the public, and AEA is committed to doing this work, but they don't have clear statutory authority to do so.

[3:59:19 PM](#)

CO-CHAIR MCGUIRE thanked Senators Hoffman and Stedman for instituting the weatherization program. They got the idea from this program that indicated that Alaskans would improve energy efficiency if they simply knew what to do.

MS. SYDEMAN continued saying that section 18 on page 12 requires the AEA to establish an energy use index for all public facilities.

[4:00:14 PM](#)

Section 19 on page 13 declares a state energy policy. She explained that the House established a fairly large stakeholder group that was really committed to sustainable energy development and efficiency and that group developed this policy.

[4:01:02 PM](#)

Section 20 on page 14 amends the Alternative Energy Revolving Loan Fund by changing the funding sources for the loan.

Section 21 on page 14 states that loans from the Alternative Energy Revolving Loan Fund may only be made for alternative energy systems located within the state.

Section 22 on page 15 amends the loan terms of the Alternative Energy Revolving Loan Fund to add a security requirement and resets the interest rate.

Section 23 on page 15 amends the definition of "alternative energy system" as it relates to the Alternative Energy Revolving Loan Fund.

Section 24 on page 16 repeals outdated Revolving Loan Fund statutes.

Section 25 on page 16 repeals January 1, 2025 as the renewable energy production tax credit deadline established in section 13 of SB 220.

[4:02:47 PM](#)

MR. PALOWSKI explained that both sections 25 and 26 deal with ending the incentive program. The will was to not provide an incentive that lasts forever; this stops it at 2025.

[4:03:11 PM](#)

MS. SYDEMAN said section 27 on page 16 simply directs the AEA to establish the energy use index database no later than six months after the effective date of this act.

Section 28 on page 16 requires DOTPF to submit an energy performance report to the legislature regarding its energy efficiency achievements in the measures it has taken.

Section 29 on page 16 requires the Department of Administration (DOA) to submit a plan to the legislature to reduce state energy use by 10 percent by 2015 and provide interim progress reports - building in accountability on carrying through on the legislative intent.

[4:04:14 PM](#)

CO-CHAIR WIELECHOWSKI commented that they would have additional financial recommendations as well, because a lot of their recommendations are financial.

[4:05:17 PM](#)

CO-CHAIR MCGUIRE announced that they would release the list of capital infrastructure investment at their news conference tomorrow.

MR. PALOWSKI said they should be getting updated fiscal notes for SB 220.

SENATOR HUGGINS focused on page 2, line 6, that says "work to ensure reliable instate gas supply for residents of the state." However, he said some people talk about importing LNG and other kinds of items, and he questioned whether it would be appropriate to have a provision that addresses a preference for using Alaska's energy sources rather than importing others.

CO-CHAIR MCGUIRE agreed that that language could be made stronger on page 2, line 6.

[4:07:36 PM](#)

MR. PALOWSKI said their suggestions should go into section 19 on page 13 that has provisions related to domestic natural resources, particularly in subsections (a) and (b).

SENATOR FRENCH asked her to "sketch out" how "alternative energy" is different from or the same as "emerging" and "renewable energy."

MS. SYDEMAN acknowledged the passion behind the issue of which term is used and said she wasn't ready to go into that at this point. Many of the statutes in this omnibus have their own definitions. So, renewable energy in one statutory section may mean something a little different in another.

SENATOR FRENCH said that he wanted that "ironed out" so that it is "crystal clear."

[4:09:45 PM](#)

SENATOR STEDMAN said he would check on the funding location because the Finance Committee is in the process of closing down a lot of specialty funds and merging them into the general fund.

[4:10:38 PM](#)

SENATOR FRENCH went to page 4, lines 25-27, regarding the placement of projects in a priority list - the idea being to find projects that are likely to have a financial benefit that exceeds the amount of the grant funds received. He asked for some background on that language and how realistic it is, because they all recognize that some sort of investment is necessary to get these technologies launched, and it's probably likely that they will not exceed the financial benefits at first. Start up costs might not allow them to exceed their limited supply of money.

MS. SYDEMAN agreed that that language needed more discussion.

CO-CHAIR MCGUIRE thanked everyone for their comments and held SB 220 in committee.

4:13:24 PM

CO-CHAIR MCGUIRE, finding no further business to come before the committee, adjourned the meeting at 4:13 p.m.