

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

February 18, 2010

3:35 p.m.

**MEMBERS PRESENT**

Senator Bill Wielechowski, Co-Chair  
Senator Hollis French  
Senator Bert Stedman  
Senator Gary Stevens  
Senator Thomas Wagoner

**MEMBERS ABSENT**

Senator Lesil McGuire, Co-Chair  
Senator Charlie Huggins, Vice Chair

**OTHER LEGISLATORS PRESENT**

Senator Fred Dyson

**COMMITTEE CALENDAR**

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
01/20/10	(S)	Heard & Held

01/20/10 (S) MINUTE(RES)  
 01/21/10 (S) RES AT 3:30 PM BUTROVICH 205  
 01/21/10 (S) -- MEETING CANCELED --  
 01/25/10 (S) RES AT 3:30 PM BUTROVICH 205  
 01/25/10 (S) Heard & Held  
 01/25/10 (S) MINUTE(RES)  
 01/27/10 (S) RES AT 3:30 PM BUTROVICH 205  
 01/27/10 (S) Heard & Held  
 01/27/10 (S) MINUTE(RES)  
 02/03/10 (S) RES AT 3:30 PM BUTROVICH 205  
 02/03/10 (S) <Bill Hearing Postponed>  
 02/11/10 (S) RES AT 3:30 PM BUTROVICH 205  
 02/11/10 (S) <Bill Hearing Postponed to 2/15/10>  
 02/15/10 (S) RES AT 3:30 PM BUTROVICH 205  
 02/15/10 (S) Heard & Held  
 02/15/10 (S) MINUTE(RES)  
 02/17/10 (S) RES AT 3:30 PM BUTROVICH 205  
 02/17/10 (S) <Bill Hearing Canceled>  
 02/18/10 (S) RES AT 3:30 PM BUTROVICH 205

**WITNESS REGISTER**

MIKE PAWLOWSKI

Aide to Senator McGuire  
 Alaska State Legislature  
 Juneau, AK

**POSITION STATEMENT:** Explained Amendment K.2 for CSSB 220(RES).

BRIAN BUTCHER, Director

Public Affairs  
 Alaska Housing Finance Corporation (AHFC)  
 Juneau, AK

**POSITION STATEMENT:** Commented on how AHFC would administer Amendment K.2 for CSSB 220(RES) version K.

JAY LIVEY

Staff to Senator Hoffman  
 Alaska State Legislature  
 Juneau, AK

**POSITION STATEMENT:** Explained Amendment K.1 for CSSB 220(RES) version K.

RON KREHER, Chief

Field Operations  
 Division of Public Assistance  
 Alaska Department of Health and Social Services (DHSS)  
 Juneau, AK

**POSITION STATEMENT:** Explained difficulties in administering program in Amendment K.1 for CSSB 220(RES) version K.

SENATOR DYSON  
Alaska State Legislature  
Juneau, AK

**POSITION STATEMENT:** Explained Amendment K.3 for CSSB 220(RES) version K.

MARY SIROKI  
Special Assistant to the Commissioner  
Department of Transportation and Public Facilities (DOTPF)  
Juneau, AK

**POSITION STATEMENT:** Said they could administer Amendment K.3 for CSSB 220(RES) version K if it passed.

SARAH FISHER-GOAD, Deputy Director  
Operations  
Alaska Energy Authority (AEA)  
Alaska

**POSITION STATEMENT:** Answered questions on Amendment K.6 for CSSB 220(RES) version K.

#### **ACTION NARRATIVE**

[3:35:26 PM](#)

**CO-CHAIR BILL WIELECHOWSKI** called the Senate Resources Standing Committee meeting to order at 3:35 p.m. Present at the call to order were Senators Wagoner, Stevens, Stedman, and Wielechowski. Senator Huggins was excused.

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

[3:36:12 PM](#)

**CO-CHAIR WIELECHOWSKI** announced SB 220 to be up for consideration [CSSB 220(RES), labeled 26-LS1197\K, was before the committee]. He asked Mr. Pawlowski to walk them through the first amendment.

**MIKE PAWLOWSKI**, aide to Senator McGuire, explained Amendment K.2, labeled 26-LS1197\K.2.

#### **AMENDMENT K.2**

OFFERED IN THE SENATE, SENATE BY SENATORS WIELECHOWSKI  
AND MCGUIRE TO: CSSB 220(RES), DRAFT VERSION "K"

Page 1, line 3:

Delete the first occurrence of "and"

Page 1, line 5, following the second occurrence of "fund":

Insert "establishing an Alaska energy efficiency revolving loan fund; and authorizing and relating to the issuance of bonds by the Alaska Housing Finance Corporation"

Page 3, line 18:

Delete "sec. 15"

Insert "secs. 6, 17, and 29"

Page 3, following line 20:

Insert a new bill section to read:

"\* **Sec. 4.** AS 14.08.101 is amended to read:

**Sec. 14.08.101. Powers.** A regional school board may

- (1) sue and be sued;
- (2) contract with the department, the Bureau of Indian Affairs, or any other school district, agency, or regional board for the provision of services, facilities, supplies, or utilities;
- (3) determine its own fiscal procedures, including but not limited to policies and procedures for the purchase of supplies and equipment; the regional school boards are exempt from AS 37.05 (Fiscal Procedures Act) and AS 36.30 (State Procurement Code);
- (4) appoint, compensate, and otherwise control all school employees in accordance with this title; these employees are not subject to AS 39.25 (State Personnel Act);
- (5) adopt regulations governing organization, policies, and procedures for the operation of the schools;
- (6) establish, maintain, operate, discontinue, and combine schools subject to the approval of the commissioner;
- (7) recommend to the department projects for construction, rehabilitation, and improvement of schools and education-related facilities as specified in AS 14.11.011(b), and plan, design, and construct the project when the responsibility for it is assumed under AS 14.11.020;

(8) by resolution adopted by a majority of all the members of the board and provided to the commissioner of the department, assume ownership of all land and buildings used in relation to the schools in the regional educational attendance area, as provided for in AS 14.08.151(b);

(9) provide housing for rental to teachers, by leasing existing housing from a local agency or individual, by entering into contractual arrangements with a local agency or individual to lease housing that will be constructed by the local agency or individual for that purpose, or, without using for the purpose that portion of public school funding that consists of state aid provided under AS 14.17, by constructing or otherwise acquiring housing that is owned and managed by the regional educational attendance area for rental to teachers;

(10) employ a chief school administrator;

(11) apply for and use the proceeds of a loan from the Alaska energy efficiency revolving loan fund (AS 18.56.855);

(12) exercise those other functions that may be necessary for the proper performance of its responsibilities."

Renumber the following bill sections accordingly.

Page 3, following line 25:

Insert a new bill section to read:

"\* **Sec. 6.** AS 18.56 is amended by adding a new section to read:

**Sec. 18.56.855. Alaska energy efficiency revolving loan fund.** (a) The Alaska energy efficiency revolving loan fund is established in the corporation to carry out the purposes of this section. The revolving loan fund consists of money or assets appropriated or transferred to the corporation for the revolving loan fund, including money and assets deposited in the revolving loan fund by the corporation and earnings on investments of money held in the revolving loan fund. The corporation may establish separate accounts in the fund. The corporation shall establish the interest rates, security provisions, and other terms of a loan made under this section taking into consideration the corporation's cost of funds and other factors the corporation considers appropriate.

(b) Money and other assets of the Alaska energy efficiency revolving loan

fund may be used to

(1) make loans to regional educational attendance areas or to municipal governments, including subdivisions of municipal governments, or to the state for the purpose of financing energy efficiency improvements to buildings owned by regional educational attendance areas, by the state, or by municipalities in the state;

(2) secure bonds issued by the corporation to finance the loans described in (1) of this subsection;

(3) pay costs of administering the revolving loan fund; and

(4) pay the costs of administering and enforcing the terms of loans made by the corporation from the revolving loan fund.

(c) Before a regional educational attendance area, a municipal government, or a subdivision of a municipal government, may borrow money from the corporation under this section, the regional educational attendance area or the municipal government shall waive any sovereign immunity defense it may have available to it with respect to enforcement of the terms of the loan. A regional educational attendance area or a municipal government may waive sovereign immunity to comply with the requirement of this subsection. The state waives any sovereign immunity defense against enforcement of the terms of a loan made to the state under this section. A person or corporation having a claim under this section shall bring an action in a state court in Alaska that has jurisdiction over the claim.

(d) All regional educational attendance areas and municipal governments in the state are authorized to borrow from the corporation under this section. The corporation shall set out the terms of a loan to a regional educational attendance area in a loan agreement or similar document. At the discretion of the corporation, a borrowing by a regional educational attendance area or a municipal government under this section may be effected by use of a loan agreement or similar document evidencing and setting out the terms of the loan or by issuance of a bond by the municipal government to the corporation. Notwithstanding a charter provision requiring public sale by a regional educational attendance area or a municipality

of its municipal bonds or other indebtedness, a regional educational attendance area or municipality may sell its bonds under this section to the corporation at a negotiated, private sale. At the discretion of the corporation, the bonds or other indebtedness of the municipality may be general obligations of the municipality or may be secured by an identified revenue source or by a combination of the full faith and credit of the municipality and an identified revenue source.

(e) Notwithstanding any other provision of law, to the extent that a department or agency of the state is the custodian of money payable to a regional educational attendance area or to a municipality, at any time after written notice to the department or agency head from the corporation that the regional educational attendance area or municipality is in default on the payment of principal of or interest on municipal bonds or other indebtedness then held or owned by the corporation, or amounts due under an agreement between the corporation and a regional educational attendance area or a municipality, the department or agency shall withhold the payment of that money from that regional educational attendance area or municipality and pay over the money to the corporation for the purpose of paying the principal of and interest on the bonds or indebtedness. The notice must be given in each instance of default. If a notice is given under this subsection and under AS 44.85.170 and the default is continuing under this subsection and under AS 44.85.170, the department or agency shall make payment to the corporation and to the Alaska Municipal Bond Bank Authority on a pro rata basis, taking into consideration the principal amount of the respective default amounts.

(f) An authorized state officer may borrow from the corporation under this section for buildings owned by the state. The superintendent of a regional educational attendance area, at the direction of the regional educational attendance area school board, may borrow from the corporation under this section for buildings owned by the regional educational attendance area.

(g) In addition to other security that may be given with respect to a loan made under this section, the corporation may require a deed of trust on the building that is the subject of the energy efficiency loan and the real estate on

which the building is located. A regional educational attendance area or a municipality may grant a deed of trust to the corporation as needed for this purpose. An authorized state officer may grant a deed of trust to the corporation as needed for this purpose.

(h) The corporation shall administer the Alaska energy efficiency revolving loan fund in accordance with regulations adopted by the corporation. The corporation may adopt regulations under AS 18.56.088 to carry out the purposes of this section.

(i) This section applies to home rule municipalities.

(j) In this section, "authorized state officer" means

(1) the commissioner of the department of the state for a building owned by the state;

(2) the executive director of a public corporation for a building owned by the public corporation;

(3) the legislative council for a building owned by the legislature;

(4) the administrative director of courts for a building owned by the judicial system;

(5) any other person designated in writing by a person listed in (1) - (4) of this subsection."

Renumber the following bill sections accordingly.

Page 13, line 20:

Delete "sec. 15"

Insert "sec. 17"

Page 13, line 21:

Delete "sec. 11"

Insert "sec. 13"

Page 13, lines 21 - 22:

Delete "sec. 12"

Insert "sec. 14"

Page 13, line 27:

Delete "sec. 13"

Insert "sec. 15"

Page 14, following line 10:

Insert new bill sections to read:

"\* **Sec. 29.** The uncodified law of the State of Alaska is amended by adding a new section to read:

**BOND AUTHORIZATION AND PROVISIONS.** (a) In addition to the powers in AS 18.56.090, the Alaska Housing Finance Corporation may issue bonds in an amount not to exceed \$250,000,000 to make loans from the energy efficiency revolving loan fund established by AS 18.56.855, enacted by sec. 6 of this Act, and to finance the purposes permitted by AS 18.56.855, enacted by sec. 6 of this Act. AS 18.56.110 - 18.56.190 and 18.56.855, enacted by sec. 6 of this Act, apply to bonds issued under this section, except that bonds issued under this section are not subject to, and may not be counted against, the bond issuance limitation set out in AS 18.56.110(g).

(b) The Alaska Housing Finance Corporation shall deposit the proceeds of bonds issued under (a) of this section in the Alaska energy efficiency revolving loan fund in accordance with AS 18.56.855, enacted by sec. 6 of this Act.

\* **Sec. 30.** The uncodified law of the State of Alaska is amended by adding a new section to read:

**REVISOR'S INSTRUCTION.** The revisor of statutes is instructed to change the heading of art. 6 of AS 18.56 from "Article 6. Energy Conservation" to "Article 6. Energy Efficiency and Conservation Programs."

MR. PAWLOWSKI explained that this amendment establishes an energy efficiency revolving loan fund within the Alaska Housing Finance Corporation (AHFC). He said the amendment largely reflects SB 223 with a few changes and a copy of the sponsor statement should be in their packets. He said it would be helpful to have Brian Butcher with the Alaska Housing Finance Corporation explain the program.

[3:37:32 PM](#)

BRIAN BUTCHER, Director, Public Affairs, Alaska Housing Finance Corporation (AHFC), Juneau, AK, said this amendment takes \$18 million of the \$28 million that came from the State Energy Program federal stimulus bill (that the Legislature overrode the veto on in the summer) to leverage up to \$250 million in bonds to establish an energy efficiency revolving loan fund in AHFC.

He explained that all public facilities - both state and municipal, and schools would be eligible participants for the revolving loan fund.

He said the way it would work is for instance, a school wants to participate. It would hire an energy performance contractor and he would look at the energy efficiency needs of that school and estimate what it would cost to bring it up to a higher efficiency level - say, \$200,000. The contractor would guarantee a certain savings - say, saving 30 percent of energy costs. The savings after spending the \$200,000 would be used to pay the loan off.

MR. BUTCHER said this had been done in a lot of states; in fact DOTPF had already done it on a handful of buildings in the state. He explained if the school does not get the energy efficient savings promised in the contract, the contractor would pay what it was short. Setting up the program in this way allows everyone to take advantage of it - it's just a matter of time.

[3:40:05 PM](#)

He said the U.S. Department of Energy (USDOE) was pleased with this approach and signed off on the plan three weeks ago.

MR. PAWLOWSKI added that some consternation was heard when the original committee substitute (CS), version K, came out about the deletion of the energy efficiency grant fund. That fund is dependent on a one-time appropriation and this amendment is intended largely to replace that program. This amendment does it through a revolving loan fund as opposed to a purely grant fund.

SENATOR WAGONER asked how many years it would take to complete the work.

MR. BUTCHER replied that he doesn't have an estimate. Parts of the bill discuss trying to put together an index of state buildings in terms of which ones need the most work. He thought the state departments might put together an idea of what it might be on the state level.

[3:41:55 PM](#)

CO-CHAIR WIELECHOWSKI asked if the \$300 million that has already been appropriated for weatherization and the energy rebate created any jobs in Alaska.

MR. BUTCHER replied that he had heard it had created an estimated 2,000 jobs.

CO-CHAIR WIELECHOWSKI asked if he had similar projections about the number of jobs this bonding would create.

MR. BUTCHER said yes; they expect it to create a lot of jobs. Based on DOTPF's testimony, the state has three or four energy performance contractors, but their expertise is just going in and doing the energy efficiency audit and trying to figure out the numbers. Almost all of the actual work done to the buildings is subcontracted to contractors in local communities - a lot of work for small and mid-sized contractors.

SENATOR WAGONER asked what the likelihood is of the number of energy performance contractors growing.

MR. BUTCHER answered that it is good, especially with the passage of this bill. The reason the number of energy contractors is so small is that the private sector had been doing only some energy performance contracting with DOTPF.

SENATOR WAGONER asked how an engineer would become certified to be an energy performance contractor.

MR. BUTCHER replied that he didn't know specifically what that would be, but AHFC has been in charge of training the energy raters as well as the weatherization auditors so far. They are currently updating software that energy raters use on both residential and commercial buildings and public facilities. So, they should have the necessary software soon to do that training.

[3:45:48 PM](#)

MR. PAWLOWSKI said it is important to notice the guarantee by the performance contractor of the savings, which then becomes financeable.

SENATOR WAGONER said he understood that, but he wanted it on record that if they are going to go through with the bond, they better have the people trained to use it.

MR. BUTCHER added that he didn't anticipate doing a large \$250-million bonding, but doing it in stages as people are available to do the work. They would ramp up as more businesses were prepared to do it.

[3:46:52 PM](#)

MR. PAWLOWSKI highlighted a few points in the amendment; the first on page 1, lines 9-11, that points to page 3, line 18 in the CS, the purpose section in uncodified law. Since new sections are being added that deal with energy efficiency they had to add in references to the purpose section on page 3.

Section 4 (page 2, lines 25-26, of the amendment) was added on page 1, lines 15. This language empowers regional education attendance areas (REAA) to apply for these loans. Since their powers are granted by statute, they had to actually modify the powers of a school board within an REAA to allow them to borrow. This was modeled on the teacher housing program authority that was granted through the AHFC program earlier. Including the REAAs is the fundamental change in this amendment.

CO-CHAIR WIELECHOWSKI said this bill was originally proposed by the Governor and he said he would support it if it was included in the Omnibus Energy Bill. He said he thought it was an amazing chance for them to take a small amount of money and leverage it into something that could make a difference all across Alaska.

Finding no further questions on proposed Amendment K.2, he set it aside.

[3:49:10 PM](#)

CO-CHAIR WIELECHOWSKI announced that Amendment K.1 [labeled 26-LS1197\K.1] was up for consideration and asked Mr. Livey to explain it.

26-LS1197\K.1  
Chenoweth/Kane

**AMENDMENT K.1**

OFFERED IN THE SENATE TO: CSSB 220(RES), Draft  
Version "K"

Page 1, line 3, following "**cooperative**,":

Insert "**to the Alaska affordable heating program**,"

Page 13, following line 18:

Insert new bill sections to read:

"\* **Sec. 21.** AS 47.25.621 is amended to read:

**Sec. 47.25.621. Alaska affordable heating [ASSISTANCE] program.** (a) The Alaska affordable heating [ASSISTANCE] program is established in the Department of Health and Social Services to provide expanded eligibility for Alaska residents for home

heating assistance, to the extent funds are available in the Alaska affordable heating fund [APPROPRIATED BY THE LEGISLATURE FOR THAT PURPOSE].

(b) The Alaska affordable heating [ASSISTANCE] program established under this section is in addition to the federal low-income heating and energy assistance provided under 42 U.S.C. 8621 - 8629 (Low-Income Home Energy Assistance Act of 1981), as amended, and implementing regulations.

\* **Sec. 22.** AS 47.25.621 is amended by adding a new subsection to read:

(c) The Alaska affordable heating fund is established as a separate fund to be managed by the Department of Revenue. The fund consists of appropriations made to it. Interest earned by the fund may be appropriated to it. The Department of Health and Social Services shall use money in the fund for Alaska affordable heating payments.

\* **Sec. 23.** AS 47.25.622 is amended to read:

**Sec. 47.25.622. Duties.** The Department of Health and Social Services [DEPARTMENT] shall

(1) administer the Alaska affordable heating [ASSISTANCE] program provided under AS 47.25.621;

(2) adopt regulations under AS 44.62 (Administrative Procedure Act) to carry out the purpose of the program;

(3) coordinate payments among other heating assistance programs to avoid duplication of payments.

\* **Sec. 24.** AS 47.25.623 is amended to read:

**Sec. 47.25.623. Eligibility; payment amount.** An individual is eligible for home heating assistance payments under the Alaska affordable heating [ASSISTANCE] program if the individual

(1) is a resident of the state;

(2) is physically present and resides in a home in the state when the home heating costs are incurred;

(3) for assistance calculated under (b) and (c) of this section, has gross household income not to exceed, as a percentage of the federal poverty guideline for Alaska set by the United States Department of Health and Human Services and revised under 42 U.S.C. 9902(2),

(A) 225 percent for a determination to be made under (c)(1) - (3) of this section; and

(B) 250 percent for a determination to be made under (c)(4) of this section; and [HAS GROSS HOUSEHOLD INCOME ABOVE 150 PERCENT BUT THAT DOES NOT EXCEED 225 PERCENT OF THE FEDERAL POVERTY GUIDELINE FOR ALASKA SET BY THE UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES AND REVISED UNDER 42 U.S.C. 9902(2);]

(4) meets other eligibility requirements specified in regulations adopted under AS 47.25.622.

\* **Sec. 25.** AS 47.25.623 is amended by adding new subsections to read:

(b) The Department of Health and Social Services shall (1) determine the number of points for each eligible individual based on the point formula used under 42 U.S.C. 8621 - 8629 (Low-Income Home Energy Assistance Act of 1981), as amended, and implementing regulations; and (2) add to the determination made under (1) of this subsection one point if the individual has applied during the year for home energy conservation and weatherization assistance under any program of the Alaska Housing Finance Corporation developed to implement AS 18.56.850; the department may add the point authorized by this paragraph only once and may not add the point if an individual has received a benefit under a program developed to implement AS 18.56.850 before the effective date of this section. The amount of the Alaska affordable heating payment for an individual equals the base amount calculated under (c) of this section minus the amount the individual is eligible to receive under the federal low-income home energy assistance program under 42 U.S.C. 8621 - 8629, as amended, and implementing regulations.

(c) The Department of Health and Social Services shall calculate the base amount of the Alaska affordable heating payment for the individual based on points determined under (b) of this section and on the average price a barrel of Alaska North Slope crude oil for sale on the United States West Coast during September through February of the preceding fiscal year as follows:

(1) \$130 a point when the average price is not more than \$75 a barrel;

(2) \$140 a point when the average price is more than \$75 and not more than \$100 a barrel;

(3) \$150 a point when the average price is more than \$100 and not more than \$150 a barrel;

(4) \$165 a point when the average price is more than \$150 a barrel.

(d) Under the program authorized by AS 47.25.621 - 47.25.626, if insufficient money is appropriated to fully fund the Alaska affordable heating payments during the first year taking into consideration the gross household income rates established in (a) of this section and the base amounts to be calculated under (b) and (c) of this section, the department

(1) shall, for the duration of that fiscal year, suspend calculation and payment under (a)(3)(B) of this section and calculate and pay all eligible individuals under (a)(3)(A) of this section; and

(2) may, to the extent there is or may be an appropriation balance surplus to the amount required to make all payments under (1) of this subsection, by regulation, establish at any time during the fiscal year a prospective pro rata reduction of the payment rates that the department will pay to eligible individuals under the program during that fiscal year qualifying under (a)(3)(B) of this section and, thereafter, may provide for prorated payments.

\* **Sec. 26.** AS 47.25.626(a) is amended to read:

(a) The **Department of Health and Social Services** [DEPARTMENT] may develop a regional Alaska heating [ASSISTANCE] program for the administration of AS 47.25.621 - 47.25.626 to provide home heating assistance in a uniform and cost-effective manner in a region of this state if an Alaska Native organization is authorized to implement a federally approved tribal family assistance plan that includes that region and has been awarded a tribal energy assistance grant for a program that includes that region under 42 U.S.C. 8623(d).

\* **Sec. 27.** AS 47.25.626(b) is amended to read:

(b) The department may award contracts to implement a program developed under (a) of this section. A contract authorized for delivery of home heating assistance under a regional Alaska heating [ASSISTANCE] program under this section is exempt from the competitive bid requirements of AS 36.30 (State Procurement Code). Subject to appropriation, a contract under this section must be in an amount that represents a fair and equitable share of the money appropriated for the Alaska **affordable** heating [ASSISTANCE] program under AS 47.25.621 - 47.25.626 to

serve the state residents specified in (a) of this section. The authority provided under this section to contract is in addition to the authority to contract in AS 47.05.015 or other law.

\* **Sec. 28.** AS 47.25.626(f) is amended to read:

(f) If the department establishes a regional Alaska heating [ASSISTANCE] program and awards a contract to provide home heating assistance under this section, a person applying for home heating assistance under AS 47.25.621 - 47.25.626 in the region of the state covered by the regional Alaska heating [ASSISTANCE] program may obtain home heating assistance from the department only through the organization designated by the department to serve the region."

Renumber the following bill sections accordingly.

JAY LIVEY, staff to Senator Hoffman, explained that they have been involved in a lot of conversations about energy prices and the ability that Alaskan families, particularly in western Alaska, have to pay their heating bills, particularly last year when oil was peaking at \$140/barrel. As a result they began looking at Alaska's two heating assistance programs in the context of how responsive the programs are to the actual price of fuel and if they were responsive to when fuel prices change for individuals. That is what led them to these amendments.

[3:50:14 PM](#)

SENATOR FRENCH joined the committee.

[3:51:40 PM](#)

MR. LIVEY provided a document called "Alaska's Current Heating Assistance Programs" and explained that this amendment is a departure from the rest of the bill as these heating programs deal with individual assistance and the rest of the bill deals with institutional changes.

He said that Alaska has two heating assistance programs. One is a federal program that has been around a long time and is called "Low Income Heating and Energy Assistance Program" (LIHEAP). It serves individuals at 150 percent or less of poverty; the eligibility limit is about \$41,000/year/family of four. The current federal appropriation is \$27 million (as per the department).

SENATOR FRENCH asked if the state contributes to LIHEAP.

MR. LIVEY replied that it is a purely federal program.

He said the second program is the "Alaska Heating Assistance Program" and it was instituted two years ago to serve people at 150-220 percent of poverty; the eligibility limit is \$63,000/family of four. The current appropriation is \$5 million. This amendment focuses on these two programs.

[3:54:41 PM](#)

As they went through this process, Mr. Livey said, they had several objectives in mind: to make Alaska's heating assistance programs more responsive to a family's actual heating costs by increasing the amount of the assistance and to do a better job of acknowledging actual heating costs.

They wanted to adhere to several principles, the first being a statewide approach; he provided a document listing all the communities in Alaska that received money through Alaska heating assistance programs. It had every community in Alaska; the largest users were along the Railbelt. The second principle was that they wanted to use the existing administrative structure as much as possible. LIHEAP has a structure that uses a point system for families based on income, fuel, where they live, how cold it is there, size of their house, and others that make the program fairly responsive to an individual's situation. Their administrative structure is very efficient. It operates with some part time help and a few full time employees.

[3:57:25 PM](#)

The third principle was making the program responsive to fuel costs. This was found to be a serious problem last year with many consumers. People could not pay their fuel bills and had to make serious choices about what they wanted to pay.

The fourth principle was to establish an incentive for weatherization. Everyone knows that one of the better energy programs is conservation; so they tried to work that into this proposal.

[3:58:21 PM](#)

MR. LIVEY said the way the current program operates, an individual must apply to the program each year. The applications that come in contain the information that the department uses to assign points for each applicant. Generally, the department estimates the cumulative number of points that they will receive in a given year. It divides the available appropriation by the

total number of points to get a dollar value. This year it's \$113 per point. The assistance is not paid directly to the applicant; they must designate a vendor (their fuel distributor) on their application. The department simply sets up a credit account in that person's name with the vendor.

[3:59:54 PM](#)

He said the information for determining points is based on an individual's application as well as some other information. The points a family has depends on some variables like household income, heating degree days, the type and the cost of fuel used, the type of house in which the applicant lives, the size of the house and if the family has children, elderly or disabled individuals. Taken together, the number of points a household gets is a pretty fair representation of their heating situation.

[4:01:34 PM](#)

He prepared two sample calculations of how it might work and reviewed them for the committee. The first example was a household in Toksook Bay that got 21 points. Because they live in a two-bedroom house there was no adjustment; a larger home or a mobile home would have an adjustment. This family had a poverty level of 75-100 percent of the poverty level, so they got a 4.2 point deduction or 80 percent of their 21 points. Had they been under 50 percent of poverty there would be no deduction. The household contains children so they got 1 point. As a result their total points were 18.

He did the same basic calculation for Fairbanks, but changed the poverty level a little bit. This family had slightly more income; consequently 50 percent of the point total was taken away as opposed to 80 percent in the first example. Their result was 6 points. The current program pays \$115 per point; so the family from Toksook Bay would get \$2070 and the Fairbanks family would get \$690.

CO-CHAIR WIELECHOWSKI reminded people that this is the way the current system works and asked what months this is typically available.

MR. LIVEY answered that applications begin in November and they have to be completed by April 15, but the money goes on the books and can be used any time of the year.

SENATOR FRENCH asked what mechanism exists to keep the point total and appropriation per family from exceeding what they have to distribute statewide.

MR. LIVEY answered that the department divides the available appropriation by the estimated number of points. He also prepared a current heating cost estimate and assumed, conservatively, that a family would use 600 gallons of fuel: Toksook Bay @ \$6.08/gallon = fuel bill of \$3648; Fairbanks @ \$3.07/gallon = fuel bill of \$1842. In Toksook Bay they were paying 58 percent of the household's need; in Fairbanks, 37 percent.

SENATOR FRENCH asked how the relative poverty of an individual influences the number of points they get.

MR. LIVEY said the department regulations explain how the points are affected by a household's poverty. If a household's income is 50 percent of the poverty level or less, then they get 100 percent of the points and they get no deduction. He went back to the examples and showed him how the progression worked.

[4:07:27 PM](#)

MR. LIVEY said Section 21 [of Amendment K.1] changes the name of the Alaska Heating Assistance Program to the Alaska Affordable Heating Program, because it does a better job of trying to explain their version of the program, which is to make heating more affordable for residents of the state and not just be assistance. Section 22 on page 1, line 17, establishes the Alaska Affordable Heating Fund in the Department of Revenue (DOR), but doesn't put money into it. Section 23 conforms existing law to the name change.

Sections 24 and 25 contain more significant changes to the program. He reminded them that they wanted to make these programs linked more closely to the price of oil. So, Section 24 says if the price of a barrel of crude oil as measured by the DOR exceeds \$150, eligibility is extended for the highest income group from 225 percent of poverty to 250 percent of poverty (raising the \$62,000 for a family of four to \$68,000).

[4:10:15 PM](#)

MR. LIVEY said they are also trying to correspond the price of oil to an individual's affordability. So they raised the dollars per point based on how much a barrel of crude oil costs. Before the points were simply calculated as a division of the available appropriation divided by the number of points. Here they are actually saying that the dollar value of a point depends on what a barrel of oil is. For example, it says if oil is less than \$75/barrel, then the dollars per point is \$130. If crude oil is

\$75-100/barrel, then the price of a point goes to \$140 and so on. The idea is to have some link between the amount of assistance an individual family is getting and the price of a barrel of oil.

Third, he explained, because they have said that a point is \$130 when crude is less than \$75, that means they have automatically raised the floor per point for this program to \$130. It is currently \$115.

Next, he said they added one point as an incentive to families who apply for the weatherization program. This section might be problematic for the department because of difficulties in getting this information from the weatherization providers.

Last, Mr. Livey explained, because they didn't want this to become an entitlement program, they have given the department the ability to prorate the assistance amounts if sufficient money has not been appropriated to the Legislature to meet the dollar per points they are putting in statute.

SENATOR WAGONER said it looks to him like it becomes an entitlement program once it's initiated, much like the former longevity bonus program.

MR. LIVEY said that it is set up to be a way of providing an indication of how much should be appropriated based on the level of affordability, but legally it doesn't have to be appropriated that way.

SENATOR FRENCH said the comparison between this and the longevity bonus is good, but it is also misleading in that the longevity bonus was paid whether the state had a surplus or a deficit. This is designed so that the money is available only when oil prices are very high. When the oil prices are very low, the need for assistance is far lower because home heating costs are far lower. At the same time the state treasury doesn't have any extra money in it.

[4:17:16 PM](#)

RON KREHER, Chief, Field Operations, Division of Public Assistance, Department of Health and Social Services (DHSS), said he oversees the heating assistance programs for the state.

CO-CHAIR WIELECHOWSKI asked if the department had any comments on the proposed amendment.

MR. KREHER answered yes; essentially he said this is the Alaska Heating Assistance Program with variations, which Mr. Livey pointed out. It fixes the funding levels to the average price of a barrel of crude oil, but then it also fixes the dollar value for community heating points. It also potentially pushes eligibility up to 250 percent of the federal poverty guidelines.

Some provisions cause them administrative challenges, Mr. Kreher said. The methodology for calculating the average price of North Slope crude for the prior fiscal year makes forward funding planning a little more of a challenge. For example, if this amendment was adopted effective July 1, they would look back at the prior fiscal year for the average price of a barrel of North Slope crude between February and September. So, they wouldn't have the window they would need to calculate the funding level.

[4:19:54 PM](#)

MR. KREHER said there is also concern that oil could have a low value in that prior fiscal year, but a very high value in the program year causing them to come up short. He said they are also always uncertain about federal funding levels and he mentioned that the current administration is using a similar model for triggering payments for LIHEAP. What would happen if they didn't get sufficient federal funding to pay LIHEAP in excess of \$130 per point?

Another area of concern is that it's difficult to estimate the size of the population they would be serving in Section 24 (page 2, lines 21-22) where eligibility limits are bumped up when the price of a barrel of oil gets above \$150. Also if it's a significant increase, the department would probably have to find additional staff resources - and probably look at the possibility of long-term non-permanent positions they could bring in as the demand came up.

Overall, he also thought, some of the provisions would be very challenging for their 11 tribal grantees across the state that operate tribal LIHEAP programs and the 8 tribes that operate regional programs. "Administrative demands on those organizations are very very challenging," he said. They all have different plans that are all approved by the federal government. Currently their regional programs mirror their federal plans; so many of them don't use a point system to issue benefits. Different methodologies are used that may create a challenge for those folks to continue to run regional heating assistance programs, which may mean that work would come back to the division.

The weatherization incentive can create some problems, as well, Mr. Kreher agreed. Many providers for weatherization assistance are out there and tracking them would be challenging. Someone from AHFC might be able to say if it is even practical to do. Also, many people are ineligible. You can get one only every 15 years; if you change dwellings you may apply for another one. Renters have to get the cooperation of their landlord to approve them.

Section 25 that talks about the proration needs more clarification. It's uncertain what would happen after the first year finances were provided. To some extent this proration language conflicts with setting statutory points and then having a way of overriding that. He would like to see set funding for the heating assistance programs and have that level tied to the price of oil, because it makes sense. It recognizes the additional demand on people that are receiving the assistance and it provides a fixed basis from which to operate the program. Overall, the general administration would be the same; the only additional demand might be trying to address the possibility of having slow growth in pushing into the 225 percent limit.

CO-CHAIR WIELECHOWSKI found no further testimony on this amendment and set it aside. He said it was an excellent attempt at trying to solve a problem and looking at the key issues of extremely high costs in rural and other parts of Alaska, taking into account peoples' relative abilities to pay, and the price of oil.

CO-CHAIR WIELECHOWSKI said they had one last amendment [K.3] for the day by Senator Dyson.

26-LS1197\K.3  
Kane

**AMENDMENT K.3**

OFFERED IN THE SENATE TO: CSSB 220(RES), Draft  
Version "K"

Page 1, line 3:  
Delete the first occurrence of "**and**"

Page 1, line 5, following the second occurrence of  
"**fund**":

Insert "; and directing the Department of Transportation and Public Facilities to prepare a report on the feasibility of using compressed natural gas to power vehicles in the state, including vehicles owned or operated by the state, and including in that study, if warranted, a pilot program proposal for powering some vehicles owned or operated by the state with compressed natural gas"

Page 14, following line 10:

Insert a new bill section to read:

"\* **Sec. 27.** The uncodified law of the State of Alaska is amended by adding a new section to read:

USE OF COMPRESSED NATURAL GAS TO POWER VEHICLES; PILOT PROGRAM; STUDY; PROPOSAL; REPORT. (a) The Department of Transportation and Public Facilities shall, under the authority of AS 44.42.020(a)(3), study the feasibility of using compressed natural gas to power vehicles in the state. The study must

(1) review existing government programs and incentives offered in Utah and other North American jurisdictions that promote the use of compressed natural gas to power vehicles;

(2) review and summarize relevant studies and investigations on existing public policy incentives that encourage the use of compressed natural gas to power vehicles;

(3) evaluate the environmental benefits and technical merits of using compressed natural gas to power vehicles;

(4) consider the economic, environmental, and technological advantages and disadvantages of using and promoting the use of compressed natural gas to power vehicles in the state; and

(5) if warranted by the findings of the study, set out a proposal for a pilot program in the state to test the use of compressed natural gas to power vehicles owned or operated by the state; the proposal must

(A) recommend the most cost-effective and appropriate departments and geographic locations for a pilot program;

(B) detail how the pilot program, if successful, could be expanded to provide for increased use of compressed natural gas to power vehicles owned or operated by the state, as well as privately owned or operated vehicles;

(C) estimate the costs to the state of a pilot program in which the state would purchase vehicles powered by compressed natural gas or convert existing vehicles to be powered by compressed natural gas, including

(i) the costs of maintaining vehicles powered by compressed natural gas and training maintenance personnel;

(ii) the costs of adapting, or encouraging the adapting of, state vehicle fueling locations to provide compressed natural gas;

(iii) the costs of using compressed natural gas instead of diesel fuel or gasoline;

(iv) the costs of expanding the pilot program or developing additional pilot programs under (B) of this paragraph;

(v) other costs or savings that can be reasonably expected to accompany the pilot program.

(b) The Department of Transportation and Public Facilities shall prepare a report containing the results of the study under (a) of this section not later than December 1, 2010. The department shall notify the legislature when the report is available."

[4:25:18 PM](#)

SENATOR DYSON said this Amendment K.3 [labeled 26-LS1197\K.3] inserts a section that has the Department of Transportation and Public Facilities (DOTPF) evaluating the use of compressed natural gas in the transportation sector (vehicles). He said of all the things they are trying to do with more efficient and cleaner fuels, very few of them apply well in vehicles, but compressed natural gas and propane do. According to USDOE 2006 figures, there is somewhere over 8 million vehicles in the world that are powered by compressed by natural gas. Some vehicles have dual fuel capacity. A number of folks where he and the chair live have generators sitting at home that are run by natural gas; and a number of neighbors have a slow-fill compressor in their house from which they can pump natural gas into their vehicles overnight while they are parked.

SENATOR DYSON said making the compressed natural gas work is a chicken and egg sort of thing. The fast-fill compressors are a bit expensive, so a network of users is needed to make their use feasible. Portland, Oregon's, school buses are all run on compressed natural gas and transport 12,000 students a day and most of Utah's fleet vehicles are running on compressed natural gas. The emissions from compressed natural gas are 20 percent

less than from gasoline. This amendment asked the DOTPF to evaluate its feasibility, but he suspected that their answer would be that many in the world are using it and if the public sector would get some fast-fill compressors set up, the private sector would very quickly follow. His research included talking to two different national manufacturer of school buses who said ordering buses set up at the get-go to run on compressed natural gas comes very close to the original price; one said maybe \$10K more per copy.

SENATOR DYSON said municipal landfills are producing methane approximately equivalent to 5,000 gallons in gasoline per day - enough to run all the fleet vehicles, private and government, in the entire city of Anchorage. Cleaner and cheaper fuel - he had talked to people who go 9000 miles between oil changes and the oil is perfectly clean. Light commercial vehicles, pickups with one million miles running on compressed natural gas. This amendment would get Alaska started on that which much of the world is already doing.

CO-CHAIR WIELECHOWSKI thanked him and said it's a very intriguing idea that is definitely worth pursuing.

SENATOR FRENCH asked if any compressed natural gas stations are operating in Alaska now.

SENATOR DYSON answered the Alaska Railroad had one that they are doing "kind of a pilot project" with.

SENATOR FRENCH said apparently running a bus on compressed natural gas isn't that complicated because he sees them on the road and he asked what's holding us up.

SENATOR DYSON said it's just the chicken and the egg. You just have to get going or they will start having to answer why they haven't done this yet.

[4:31:38 PM](#)

MARY SIROKI, Special Assistant to the Commissioner, Department of Transportation and Public Facilities (DOTPF), said they have analyzed this bill and have a very small fiscal note associated with the study that they will go forward with if it is adopted.

SENATOR DYSON said Congress has bills pending that will give very significant tax incentives or rebates for using compressed natural gas vehicles.

4:33:13 PM

SENATOR WAGONER offered Amendment K.6.

26-LS1197\K.6  
Kane

**AMENDMENT K.6**

OFFERED IN THE SENATE BY SENATOR WAGONER  
TO: CSSB 220(RES), Draft Version "K"

Page 1, line 4, following "**plan**,":

Insert "**to a light bulb exchange program**,"

Page 12, following line 2:

Insert a new bill section to read:

"\* **Sec. 17.** AS 44.83 is amended by adding a new section to read:

**Sec. 44.83.965. Light bulb exchange program.** (a) To provide fluorescent light bulbs to rural electric cooperatives organized under AS 10.25 and to those municipal electric utilities, regional electric authorities, and joint action agencies that have annual sales of at least 800 megawatt-hours, the authority shall initiate and maintain a voluntary light bulb exchange program that conforms to the requirements of this section.

(b) An entity described in (a) of this section may participate in the exchange program under this section. An entity that elects to participate in the program shall allow a customer to exchange an incandescent light bulb for a fluorescent light bulb of the same number and wattage at no cost to the customer. A customer may not exchange more than 15 light bulbs for each transaction.

(c) Subject to appropriation, the authority shall purchase the amount of fluorescent light bulbs necessary to provide each entity participating in the program with enough light bulbs to sustain the exchange program.

(d) The authority shall adopt regulations to implement the program and prescribe a form for an entity to request fluorescent light bulbs from the authority and to report to the authority the number of light bulbs exchanged."

Renumber the following bill sections accordingly.

SENATOR WAGONER explained that his amendment takes fluorescent bulbs and distributes them at state expense for three years until people can see for themselves how much energy they have saved. The one problem he has is that fluorescent bulbs are high in mercury and they need to know what kind of collection process rural areas have.

SENATOR FRENCH asked who the cost falls on.

SENATOR WAGONER answered the State of Alaska would subsidize it for three years.

[4:34:41 PM](#)

SARAH FISHER-GOAD, Deputy Director, Operations, Alaska Energy Authority (AEA), commented that she hadn't seen the latest version of the amendment, but she would need to get an estimated cost for AEA to implement a light bulb exchange program.

CO-CHAIR WIELECHOWSKI said it would be helpful if she could get more detailed comments and any fiscal implications.

[4:36:14 PM](#)

SENATOR WAGONER asked if she knew of a rural collections system for fluorescent bulbs.

MS. FISHER-GOAD replied that she thought Chugach Electric would take light bulbs as well as a private company called "Total Reclaim." She didn't know if rural Alaska had any coordinated effort to turn in those light bulbs.

[4:37:40 PM](#)

CO-CHAIR WIELECHOWSKI asked the administration to provide appropriate fiscal notes by next Monday afternoon. Finding no further business to come before the committee, he adjourned the meeting at 4:37 p.m.