

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

February 10, 2011  
3:04 p.m.

**MEMBERS PRESENT**

Representative Lance Pruitt, Co-Chair  
Representative Bob Lynn  
Representative Dan Saddler  
Representative Pete Petersen  
Representative Chris Tuck  
Representative Kurt Olson

**MEMBERS ABSENT**

Representative Neal Foster, Co-Chair

**COMMITTEE CALENDAR**

- PRESENTATION(S) ASSESSMENTS OF THE ALASKA SUSTAINABLE ENERGY ACT OF 2010 BY:

-ALASKA POWER ASSOCIATION -ALASKA CENTER FOR ENERGY & POWER - RENEWABLE ENERGY ALASKA PROJECT -COLD CLIMATE HOUSING RESEARCH CENTER -ALASKA DIVISION OF PUBLIC ASSISTANCE

- HEARD

HOUSE BILL NO. 39

"An Act requiring a utility applying to the Regulatory Commission of Alaska for a new or revised rate to have a refund procedure in place."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 39

SHORT TITLE: RCA UTILITY RATES; REFUND PROCEDURES

SPONSOR(S): REPRESENTATIVE(S) PETERSEN

01/18/11	(H)	PREFILE RELEASED 1/7/11
01/18/11	(H)	READ THE FIRST TIME - REFERRALS
01/18/11	(H)	ENE, L&C
02/10/11	(H)	ENE AT 3:00 PM BARNES 124

**WITNESS REGISTER**

JOHN DAVIES, PhD, Senior Researcher-Energy Policy  
Cold Climate Housing Research Center (CCHRC)  
Fairbanks, Alaska

**POSITION STATEMENT:** Provided a PowerPoint presentation titled, "Alaska Energy Efficiency Policy."

SUSAN MARSHALL, Program Coordinator  
Alaska Heating Assistance Program (AKAHP)  
Division of Public Assistance  
Department of Health and Social Services (DHSS)  
Juneau, Alaska

**POSITION STATEMENT:** Provided information on the Alaska Affordable Heating Program (AKAHP) during the hearing on assessments of the Alaska Sustainable Energy Act of 2010.

GWEN HOLDMANN, Director  
Alaska Center for Energy and Power (ACEP)  
University of Alaska Fairbanks (UAF)  
Fairbanks, Alaska

**POSITION STATEMENT:** Provided information on the Alaska Center for Energy and Power (ACEP) during the hearing on assessments of the Alaska Sustainable Energy Act of 2010.

CRYSTAL ENKVIST, Director  
Member and Public Relations  
Alaska Power Association (APA)  
Anchorage, Alaska

**POSITION STATEMENT:** Presented a report prepared by the Alaska Power Association Managers Forum titled, "Initiatives for Alaska's Energy Security."

HANNAH GUSTAFSON, Deputy Director  
Renewable Energy Alaska Project (REAP)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified during the hearing on assessments of the Alaska Sustainable Energy Act of 2010.

DAVID DUNSMORE, Staff  
Representative Pete Petersen  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Provided a sectional analysis of the proposed committee substitute (CS) for HB 39 on behalf of Representative Petersen, sponsor.

STUART GOERING, Assistant Attorney General  
Commercial/Fair Business Section  
Civil Division (Anchorage)  
Department of Law (DOL)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified on behalf of the Regulatory Commission of Alaska (RCA) during the hearing on HB 39.

**ACTION NARRATIVE**

[3:04:19 PM](#)

**CO-CHAIR LANCE PRUITT** called the House Special Committee on Energy meeting to order at 3:04 p.m. Representatives Pruitt, Petersen, Saddler, Tuck, and Olson were present at the call to order. Representative Lynn arrived as the meeting was in progress.

**PRESENTATION(S) ASSESSMENTS OF THE ALASKA SUSTAINABLE ENERGY ACT OF 2010**

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CO-CHAIR PRUITT announced that the first order of business would be assessments of the Alaska Sustainable Energy Act of 2010 by the following: the Alaska Cold Climate Housing Center (CCHRC); the Alaska Division of Public Assistance; the Alaska Center for Energy & Power (ACEP); the Alaska Power Association (APA); the Renewable Energy Alaska Project (REAP).

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JOHN DAVIES, PhD, Senior Researcher-Energy Policy, Cold Climate Housing Research Center (CCHRC), began his presentation on how the Alaska Sustainable Energy Act of 2010 fits into the state's energy efficiency policy. In 2008, CCHRC was funded by the Alaska Energy Authority (AEA) and the Alaska Housing Finance Corporation (AHFC) to complete a review of the state's energy efficiency policy. Dr. Davies said that he would restate highlights of that review for use as a baseline, compare the state's progress since that time, and present the current recommendations made by the research center. He advised that energy efficiency is action that can be taken immediately - not conservation - but getting the same output for less input by relying on new technologies. Energy efficiency work usually saves money and reduces pollution and CO2 emissions. The 2008 project was a major body of work that included a literature review and contributions from professionals and stakeholders.

From the policy side, CCHRC studied energy building codes, appliance standards, energy efficiency funding, energy efficiency in state facilities, financing programs, utility issues, and the funding of energy efficiency projects. The educational issues that were studied included those of consumer education, contractor, architect, and professional training, and school curricula. The final recommendations were presented in nine categories, one of which was state leadership. Dr. Davies opined the state leadership issue was addressed last session by House Bill 306, which pointed the state in the right direction, but without a state-level, single point of focus. The second category was funding for energy efficiency programs, which have taken a giant leap forward through the funding of successful programs such as the weatherization and energy efficiency rebate programs. Dr. Davies noted that CCHRC also made recommendations to the Regulatory Commission of Alaska (RCA) that have not been implemented; however, his understanding is that the RCA has opened a docket to consider the state's end-use energy efficiency issues from the RCA's perspective. He suggested that funding for education and outreach should be at \$1 million per year, although he acknowledged that a lot of consumer education is reaching residents through the energy rebate program. As a matter of fact, Senate Bill 220, which was enacted last year, specifies that AEA should take the lead on an outreach program, and the agency has organized a working group to explore available grant funds to leverage the state's investment. He continued to the category of baseline data and CCHRC's recommendation that energy use data on the residential and commercial use of energy is needed. The Office of Management & Budget (OMB) has begun the task of establishing an energy use index of information from public buildings, and he stressed the need for the same information on existing and new residential and commercial buildings.

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DR. DAVIES said CCHRC also recommended that the legislature adopt the Building Energy Efficiency Standard (BEES) that AHFC requires for any project it funds, including the retrofit of a public building. He advised that the Alaska Building Energy Efficiency Standard is merely a standard internal to AHFC, and is not a statewide standard adopted by the fire marshal. Dr. Davies restated that CCHRC recommends the adoption of statewide standards, although he acknowledged this is a complicated issue. Generally, there is support from the building industry for standards and he advised the state has a direct interest on how buildings are built because it subsidizes much of the cost of

energy. Dr. Davies said the next recommendation was that there should be a focus on existing commercial buildings; in fact, AHFC now has a revolving loan fund for that purpose. He restated the recommendation for changes by the RCA. Turning to recommendations regarding new commercial construction, he advised AEA now has a program in place to assist with a process to develop a commercial energy efficiency building code for new construction. Regarding public buildings, he pointed out that the revolving loan fund also supports Department of Transportation & Public Facilities (DOTPF) as well as University of Alaska (UA) and school buildings. Dr. Davies then reviewed the status of energy efficiency programs in the state in 2009: weatherization funding in the amount \$200 million; rebate funding in the amount of \$160 million; renewable energy bill funding in the amount of \$100 million; market-driven conservation issues; a developing awareness of energy issues across the state; supply-side solutions such as reducing demand; federal funding provided by the American Recovery and Reinvestment Act (ARRA) funds. He then reviewed the recommendations made by CCHRC in 2009, the first of which was the recommendation to adopt a statewide building code. He stressed that the absence of a code puts AHFC at a slight disadvantage because AHFC mortgage requirements conform to meet Alaska BEES standards, but federal lending agencies do not.

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REPRESENTATIVE SADDLER surmised the absence of a statewide code causes problems for AHFC.

DR. DAVIES agreed because an applicant for a home loan chooses the lender, and if he or she chooses AHFC, building energy efficiency standards must be met; however, federally-backed mortgage programs do not have to meet standards. Therefore, a substandard house could be built due to the lack of statewide standards. In further response to Representative Saddler, he said it is not more expensive to use AHFC because the homeowner may qualify for a mortgage rate reduction and will save on energy costs. Dr. Davies repeated his point that home energy efficiency saves the state money because it would spend less supporting the Low Income Home Energy Assistance Program (LIHEAP) and the Power Cost Equalization (PCE) program. Although not a direct recommendation from the original report, he noted that CCHRC has founded the Sustainable Northern Communities program which uses current oil wealth to transition to an economy based more on renewable energy. In addition, great benefits would stem from designing power plants and

buildings in rural Alaska using a "Whole Village Retrofit" concept which looks at all of the aspects of energy use in a community. In fact, CCHRC is currently undertaking a number of projects in villages around the state using this approach. He opined the enactment of HB 306 established a vision and legislative intent - although it is not a mandate - and can provide guidance for future legislation to continue the support of energy efficiency and conservation, the encouragement of economic development, the support of energy research, education, and workforce development, and calls for increased coordination of governmental functions. Additionally, he summarized the following facets of the Sustainable Energy Act: establishes a variety of funds such as the Alaska Energy Efficiency Revolving Loan Fund, the Southeast Energy Fund, the Emerging Energy Technology Fund, the Alternative Energy Conservation Revolving Loan Fund, and the Alaska Affordable Heating Program; creates a database; converts public vehicles to increase fuel efficiency; provides enabling clauses related to nuclear power; provides public education; addresses issues of state land leases; addresses energy codes and standards; addresses municipal taxation exemptions. Dr. Davies then relayed CCHRC's goals for 2011, the first and foremost being the creation of a statewide building energy efficiency code. Next was the RCA work that could lead to legislation necessary for utilities-based end-use electrical efficiency programs. The reduction of statewide transportation energy was a subject included in the original recommendations; however, CCHRC will consider energy use for transportation and industrial use in its final reporting. Issues on workforce development for energy efficiency will still be under consideration, in fact, the UA program on training energy efficiency workers is noteworthy on a national level.

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DR. DAVIES concluded that CCHRC is sufficiently funded to continue to brainstorm with other experts and agencies, and to issue an interim report to the legislature in March or April with an expanded scope including transportation, utilities, and industrial energy efficiency topics. The research center will issue its final report in December, prior to the next session.

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REPRESENTATIVE TUCK asked for an explanation of the RCA's implementation of a systems benefit charge.

DR. DAVIES explained that a systems' benefit charge is a small, mandatory charge intended to generate a fund to support energy efficiency programs. This recommendation was made prior to enactment of the current legislation, but may be needed in the future to fund end-use electrical efficiency programs at the utility level. For example, Golden Valley Electric Association (GVEA) has a consumer education program supported by its electrical rates.

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REPRESENTATIVE TUCK asked how an endowment for end-use efficiency programs would work.

DR. DAVIES said it is an alternative mechanism for funding these programs - like a permanent fund - that would provide funding for a long period of time.

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CO-CHAIR PRUITT asked how a statewide construction code could serve the wide variety of housing that is found in different regions of the state.

DR. DAVIES agreed the state includes many different kinds of territory. Nonetheless, AHFC has implemented BEES by following the international protocol of established climate zones. For Alaska AHFC redefined the zones into Southeast, Southcentral and the Aleutians, Interior, and North Slope. The zones are determined by heating degree days and have different climate requirements for insulation and so forth. Additionally, there could be two compliance approaches; a prescriptive approach, or a more flexible performance approach using AkWARM predicting models. Both of these approaches would allow the state to create a set of standards that is sufficiently flexible.

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SUSAN MARSHALL, Program Coordinator, Alaska Heating Assistance Program (AKAHP), Division of Public Assistance, Department of Health and Social Services (DHSS), informed the committee that since the Sustainable Energy Act became law in June 2010, the Division of Public Assistance has been able to update its regulations, applications, and grants with tribal partners, in order to have AKAHP "up and running" by October 2010. This program is designed to mirror the Low Income Home Energy Assistance Program (LIHEAP), except that LIHEAP provides funds

to households with income up to 150 percent of federal poverty income guidelines, whereas AKAHP provides funds to households with income of 151-225 percent of the poverty income guidelines. Another difference is that AKAHP is directed to base the dollar value of benefits on the average price of a barrel of North Slope Crude Oil between the previous September through October. Benefits are determined and paid for both LIHEAP and AKAHP using this formula. Both programs also use a point system to determine benefits based on the location of the home and community, heating degree days, price of fuel, size of the dwelling, family size and income, and whether the household includes an Elder, a disabled person, or a young child. The final benefit per household is determined by multiplying points by the benefit dollar amount thus, for federal fiscal year 2011, the agency is paying benefits of \$140 per point. Ms. Marshall explained that the program is administered by the state and seven tribal organizations. So far this year the program has served about 1,200 families, an increase of 30 percent over last year, which is attributed to the division's outreach efforts and increased awareness of the program.

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REPRESENTATIVE SADDLER asked how the money is distributed.

MS. MARSHALL explained that after the division receives funds from the legislature, it processes one application from each client for both programs, and determines the amount of the benefit. The client is then notified of the action, and the money is sent directly to the vendor. In further response to Representative Saddler, she said the vendor could be ENSTAR Natural Gas Company, an oil company, or an electric company. At the client's direction, the benefit can be divided between two vendors. Ms. Marshall said three-fourths of the households served by AKAHP have included an elder, a disabled person, or a young child, and one-half of the households fall within the income level of 151-175 percent of the poverty income guidelines. She concluded that the program serves many who are just barely over the income guidelines for LIHEAP; in fact, during fiscal year 2010 (FY 10), LIHEAP and AKAHP - which was formerly known as the Alaska Heating Assistance Program (AKHAP) - served 19,000 households, including those administered by tribal organizations, and met the division's mission by serving vulnerable households, and keeping people safe in their homes.

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CO-CHAIR PRUITT asked whether AKAHP and LIHEAP differ, in addition to the differences in income levels.

MS. MARSHALL indicated there is no difference, except for the point factors. For example, a one-room dwelling garners lower points. The income factor is based on a sliding scale, with a multiplier of 1.0 for a household with income between 0-25 percent of the poverty income guideline and a multiplier of .20 for households with income between 201-225 percent of the poverty income guideline. Therefore, LIHEAP clients with lower income receive a higher benefit, but the real difference is only the source of the funds.

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REPRESENTATIVE SADDLER asked for the sources of the funding.

MS. MARSHALL responded that LIHEAP is funded by the federal government, and AKAHP is funded from the Alaska general fund. She clarified that the division has the authority to supplement federal funds with state funds, if necessary.

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REPRESENTATIVE TUCK asked if LIHEAP is not fully funded, whether state funds would be directed to applicants that qualify with income up to 150 percent of poverty level, before those with income between 151-225 percent.

MS. MARSHALL expressed the division's belief that there is sufficient funding at this time. In further response to Representative Tuck, she confirmed that the intention of the program is to fund those with the lowest income first.

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REPRESENTATIVE PETERSEN asked whether the tribal organizations that administer the program receive funding through the division and the federal government.

MS. MARSHALL explained that LIHEAP funds from the federal government are paid directly to the tribes. The state program, AKAHP, is funded through the division by grants to tribal organizations.

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REPRESENTATIVE PETERSEN surmised the funding amount is determined by projections from the previous year.

MS. MARSHALL clarified that federal and state governments base their funding on percentages served, the number of applicants in a community, and a comparable benefit. Census data for this purpose has proven incomplete in the past.

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GWEN HOLDMANN, Director, Alaska Center for Energy and Power (ACEP), University of Alaska Fairbanks (UAF), stated that ACEP is a University of Alaska (UA) applied research program housed at UAF with staff, faculty, and students working on projects located statewide. The center was organized in 2008 to meet the immediate energy research needs of Alaska residents, industry, and businesses. Ms. Holdmann explained that the center is focused on providing information for decision makers so that good decisions about energy will be made, and experience for students who wish to work with energy-related projects in the energy industry of Alaska. The center has about \$15 million, primarily from competitive grants and contracts, and about 30 active projects ranging from low-cost specific projects in communities to a \$6 million study of geothermal exploration techniques.

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REPRESENTATIVE SADDLER asked for background information on ACEP staff.

MS. HOLDMANN responded that ACEP is located within the College of Engineering and Mines, thus the core of the staff is research engineers; however, the center also partners closely with the Institute of Social and Economic Research (ISER), University of Alaska Anchorage (UAA), and with geologists, biologists, chemists, and others who are required to conduct research for its clients. She returned to her presentation and recalled that ACEP was involved in the development of HB 306 last year. She opined that writers of that legislation are to be commended as it set on paper the direction of the future of the state and its overarching energy policy. She acknowledged that legislators have many large issues before them in addition to the implementation of the Alaska Sustainable Energy Act, and noted that her remarks today will be directed on two tasks directly related to the act. The first is the Emerging Energy Technology Grant Fund (EETGF) that was funded by the state at \$2.4 million.

Although this is a small amount of funding, it is an important first step. The manager of the program, the Alaska Energy Authority (AEA) has released a request for application (RFA) and has begun with implementation. However, before enactment of the sustainable energy act, ACEP and the Denali Commission funded \$8 million for a pilot program that resulted in 11 statewide projects ranging from fossil fuel energy efficiency technologies to all facets of energy generation, such as the wood pellet-fired boiler at Sealaska Corporation in Juneau. Furthermore, ACEP's role is also to collect data from these projects to analyze performance and help decide which projects to fund in the future. Ms. Holdmann pointed out that the second task directed ACEP to lead the state in renewable energy technology and to continue to lead in the development of petroleum resources; for example, Alaska should be a leader in the integration of wind power into diesel systems because this is an issue that is not common in other states, but which is needed in Alaska and in other parts of the world. Therefore, ACEP has formed the Wind-Diesel Applications Center that is compiling research from all over the world. Similarly, the best source of oil revenue is the extraction of resources on state land, and the research taking place at the university will ensure that the state owns the technology it needs to maximize the extraction of difficult-to-reach resources.

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MS. HOLDMANN again referred to aspects of the sustainable energy act, which included changes to the restrictions that were placed on the consideration of nuclear energy in Alaska. These changes caused ACEP to study the nuclear powered small modular reactor (SMR) that was proposed for the Galena Nuclear Power Plant; in fact, ACEP's draft report on nuclear energy will be issued in late February. She opined the report is a comprehensive document that explores SMR nuclear technology which will be available sometime in 2020-2025, and the economics thereof. For example, if the technology were available today, the communities of Fairbanks and Bethel have a viable potential to benefit from reduced energy cost by nuclear generation. Ms. Holdmann then turned to the subject of future work for ACEP and suggested that additional funding for research is needed to study emerging technologies, an overhaul of the Power Cost Equalization (PCE) program, and the restructuring of the Alaska Renewable Energy Fund. In response to Representative Saddler, she clarified that a study of PCE would determine whether it is serving its purpose which is to equalize the cost of power between rural regions of the state and the Railbelt. Regarding funding for energy

research, she informed the committee that ACEP has a \$250,000 FY 12 budget request in the UA Board of Regent's budget that would provide funding for critical energy initiatives such as the Wind-Diesel Center.

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CO-CHAIR PRUITT returned to the discussion of nuclear SMRs and asked whether nuclear technology is advancing for units small enough for small villages and the regions around them.

MS. HOLDMANN advised that ACEP studied many small scale options such as radioisotope thermoelectric generators (RTGs) and nuclear research reactors, and found that these smaller systems are extremely expensive. In addition, the smallest unit that is expected to be permitted by the Nuclear Regulatory Commission (NRC) is the Toshiba 4S; however, neither this company nor any other SMR manufacturer has submitted an application to the NRC.

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CO-CHAIR PRUITT surmised there is potential for nuclear energy.

MS. HOLDMANN recommended that Alaska watches for new technology, but makes no decision at this time.

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CRYSTAL ENKVIST, Director, Member and Public Relations, Alaska Power Association (APA), said she was testifying in the place of the executive director of APA. Ms. Enkvist said APA is a statewide trade association representing the electric utilities that supply power to about 500,000 Alaskans. The association supported the sustainable energy act, and she addressed the sections that relate to electric utilities. The association supports section 1 that contains language removing barriers to the development of nuclear energy as it is an important technology that needs to be considered. The association also supports section 14 that creates the Emerging Energy Technology Grant Fund (EETGF) and advisory committee populated by experts in the science and engineering fields. One concern raised by APA about EETGF's advisory committee is that the bill prohibits a business or organization represented by a member of the advisory committee from receiving a grant, and APA urges the removal of this restriction. The association also supports section 42 that allows the Alaska Housing Finance Corporation (AHFC) to issue bonds for the Alaska Energy Efficiency Revolving

Loan Fund. Ms. Enkvist advised that the legislature should now focus on the following initiatives: develop an implementation plan for Alaska's energy policy; develop large-scale hydroelectricity (hydro) for the Railbelt, and develop renewable energy resources - hydro, geothermal, and wind - for other regions of the state; encourage the development of a Cook Inlet Gas Management Plan for continued gas delivery to Southcentral; fund \$15 million to the Renewable Energy Fund and fully fund the Power Project Loan Fund; continue to fully fund the PCE; develop policy and legislation that expands funding for energy efficiency and conservation activities.

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MS. ENKVIST then noted several successful projects and initiatives: Kotzebue Electric Association Wind Farm; Kodiak Electric Pillar Mountain Wind Farm and Terror Lake Hydroelectric Facility; Alaska Village Electric wind generators; Cordova Electric Cooperative Power Creek Hydro; Alaska Electric Light & Power Company's Snettisham and Lake Dorothy hydro projects; AEA's Bradley Lake Hydroelectric Project. She concluded that the Greater Railbelt Energy and Transmission Corporation is "poised to do great things in Southcentral Alaska," and complimented the legislature on the creation of the sustainable energy act.

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REPRESENTATIVE PETERSEN heard plans to close ConocoPhillip's liquefied natural gas export facility on the Kenai Peninsula. He asked how the plant closure will affect natural gas projections for Cook Inlet.

MS. ENKVIST said she will provide an answer as soon as possible. In response to Co-Chair Pruitt, she said she would also provide a list of successful projects.

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REPRESENTATIVE SADDLER asked whether the village electrical cooperatives are availing themselves of the plethora of grants and programs.

MS. ENKVIST deferred to Meera Kohler, President and CEO, Alaska Village Electric Cooperative (AVEC).

[4:18:09 PM](#)

HANNAH GUSTAFSON, Deputy Director, Renewable Energy Alaska Project (REAP), stated that REAP is a coalition of over 70 Alaska electric utilities, businesses, consumer groups, conservation groups, Alaska Native organizations, and local, state, and federal entities that share the goals of increasing the production of renewable energy and promoting energy efficiency in Alaska. Ms. Gustafson said the enactment of the sustainable energy act provided a landmark for Alaska with its bounty of renewable and nonrenewable energy resources. In fact, the availability of renewable energy "provides a hedge against the inevitable rise in fossil fuel prices." She said her testimony would address two areas: specific provisions contained in the legislation and issues for future consideration by the legislature. She recalled REAP's strong support of the creation of the Emerging Energy Technology Grant Fund (EETGF) and noted that this program will help demonstration projects for energy generation technologies such as biomass, river current, and tidal and wave resources, leverage private and federal monies to accelerate innovation in Alaska. Ms. Gustafson expressed her organization's support for the continued funding of EETGF and pointed out that the legislature, through its recent funding of energy measures and programs, has recognized that efficiency measures result in a quicker payback than investment in generation resources. Furthermore, sections 9 and 42 of the sustainable energy act created a revolving loan fund for retrofitting public buildings, which is another step toward the state's mandate, although she expressed concern that no funds have been appropriated to address the energy efficiency of commercial buildings at this time. Lastly, Ms. Gustafson expressed her support for the sections of the legislation directing the collection and storage of energy consumption data, reporting, and providing technical assistance to municipalities on energy matters. Turning to the governor's report on energy programs, she said REAP supports adding the position of an energy policy coordinator (EPC) to the governor's office, however, the structure of this position should "be institutionalized so it outlives individual administrations." Furthermore, there is a need for the House Special Committee on Energy to hold informational hearings on "administrative approaches that are successfully being applied in other states." Ms. Gustafson then addressed REAP's recommendations on issues that the legislature should consider in the future and encouraged adequate funding and personnel for all of the energy programs and initiatives that have been established. As a matter of fact, in order to meet the state's goals, a long-term administrative structure is important so that energy programs

can function efficiently and without duplication. Additionally, designing and building a sustainable energy infrastructure is necessary to allow Alaska to be competitive. Next, the state should develop a strategic energy focus so that programs like the Renewable Energy Grant Fund may be more fully utilized to drive technology, innovation, and to build improvements.

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MS. GUSTAFSON continued, saying the state should develop a production-based tax credit for renewable energy. The last recommendation was to urge the state to increase its investment in energy efficiency programs because with energy efficiency, Alaska increases its attractiveness to new business. She noted that savings in fuel cost are being made by investments in the weatherization and rebate programs, and the Renewable Energy Grant Fund, and opined loans, grants, and other financing mechanisms should also be made available to large Railbelt utilities for the development of large scale hydro and other renewable energy projects. Alaska must also continue the funding of energy innovation programs such as EETGF in order to compete with the rest of the world in the search to find more sustainable energy solutions and systems. Ms. Gustafson concluded that although Alaska has abundant natural resources, in order for its communities to diversify their energy portfolios, they will need assistance from the state.

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REPRESENTATIVE PETERSEN referred to EETGF and asked whether \$2.4 million is sufficient funding.

MS. GUSTAFSON was unsure about the total of the applications for this year, and expressed REAP's hope that the program will continue to be funded in the future.

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CO-CHAIR PRUITT observed that the governor's budget, without responding to the many requests for additional funding, may dip into the state's savings. He asked whether REAP's member organizations would contribute funds to energy programs along with the state.

MS. GUSTAFSON pointed out that last year the Denali Commission contributed \$3.1 million to EETGF and has offered to contribute again this year. In further response to Co-Chair Pruitt, she

expressed her belief that the Denali Commission has \$2.4 million in matching funds budgeted for this year.

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CO-CHAIR PRUITT requested her written testimony.

[4:33:58 PM](#)

The committee took an at-ease from 4:34 p.m. to 4:38 p.m.

**HB 39-RCA UTILITY RATES; REFUND PROCEDURES**

[4:38:50 PM](#)

CO-CHAIR PRUITT made a motion to adopt proposed committee substitute (CS) for HB 39, Version 27-LS0228\D, Kane, 2/9/11, as the working draft.

[4:39:21 PM](#)

REPRESENTATIVE PETERSEN objected. As the sponsor, he introduced HB 39, which requires that before a utility can collect a refundable rate, it must have an approved refund plan in place. The bill also directs the Regulatory Commission of Alaska (RCA) to devise a standard refund procedure available for all utilities to use in their rate filings. Representative Petersen explained that this issue came to his attention when his constituents questioned the delay in receiving refunds due after litigating against a utility. Although the decision was not appealed by the utility, the refund procedure took over nine months to complete. He opined the bill would allow consumers to receive refunds faster, utilities would save legal costs and interest, and the RCA would not have to adjudicate refund procedures.

[4:41:20 PM](#)

DAVID DUNSMORE, Staff, Representative Pete Petersen, Alaska State Legislature, informed the committee the bill would only apply to refundable rate cases. Beginning a sectional analysis, he said section 1 explicitly creates the option of having a plan preapproved by the RCA. Section 2 incorporates implementation language, Section 3 directs that the bill, if enacted, would take effect on 7/1/13, and Section 4 directs that the implementation section would take effect immediately. Mr. Dunsmore recognized Anchorage Water and Wastewater Utility

(AWWU) and Chugach Electric Association, Inc. for their contributions to the bill.

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REPRESENTATIVE SADDLER asked whether there are cases in which a rate refund may not be possible.

MR. DUNSMORE explained the general procedure is for a utility to request a tariff filing to modify its tariff to a new rate. The RCA has 45 days to accept the change or to open a docket and schedule a hearing for testimony from the attorney general. Utilities can request a nonrefundable option, but if the RCA opens a docket, the utility will usually wish to charge the new rate on an interim basis while awaiting the RCA's decision, but that is not required.

[4:45:14 PM](#)

REPRESENTATIVE SADDLER clarified that in every request for a rate change, there is the possibility of a refund.

MR. DUNSMORE indicated no, because the utility "could choose not to ask for the option of refundable rates." He opined that in most cases the utility will request the contingency that if the rates are not accepted at first, customers will be charged on an interim basis. In further response to Representative Saddler, he confirmed that if the rate is denied, there will be a refund due, although the approved rate is often "somewhere in the middle."

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CO-CHAIR PRUITT asked whether there is support for the bill from utilities or others.

REPRESENTATIVE LYNN inquired as to any opposition.

[4:47:04 PM](#)

REPRESENTATIVE PETERSEN said he was not aware of any opposition at this time.

[4:47:18 PM](#)

CO-CHAIR PRUITT referred to the additional staff required by the RCA as indicated on the accompanying fiscal note. He asked for the purpose of this staff.

[4:47:51 PM](#)

REPRESENTATIVE PETERSEN said that according to the chairman of the RCA, the commission is very short-handed right now.

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REPRESENTATIVE TUCK reviewed the circumstances of a refund. He observed that the bill would require that a refund plan is in place before the refund process begins, "so everybody knows what is to be expected, and the plan is in place, and that way the ratepayers can be paid sooner."

REPRESENTATIVE PETERSEN indicated yes.

[4:49:57 PM](#)

REPRESENTATIVE SADDLER recalled that the ENSTAR Natural Gas Company (ENSTAR) litigation on a rate refund [RCA docket U-08-142 ENSTAR] took about two years to resolve. He asked how ratepayers who move out-of-state are reached.

MR. DUNSMORE advised that ENSTAR sent notices to its customers' last known addresses.

[4:51:13 PM](#)

CO-CHAIR PRUITT asked whether the utilities have indicated that enactment of the bill would cause additional cost that they would pass on to their customers.

REPRESENTATIVE PETERSEN said the intent of the bill is to lower cost by making refunds simpler and easier for everyone.

[4:51:54 PM](#)

MR. DUNSMORE added that this issue is addressed by a committee substitute (CS). Chugach Electric Association, Inc. suggested adding language to the bill that specifically states the option that the utility does not have to create a refund plan "from scratch, [but] the RCA will have a preapproved plan in place that utilities can take advantage of when they file their rates."

4:52:43 PM

STUART GOERING, Assistant Attorney General, Commercial/Fair Business Section, Civil Division (Anchorage), Department of Law (DOL), disclosed the various functions of the attorney general related to the Regulatory Commission of Alaska (RCA). He clarified that he was now representing the RCA and his duties are to advise the RCA during adjudication processes, and to represent it on appeal. Mr. Goering stated that his testimony was at the request of the RCA's chairman, and that he was primarily available for questions, but advised that the scope of his comments would be limited to technical and procedural matters. If the committee desires testimony from the commission on policy matters, an issue must be raised in a public meeting with the commissioners as a whole to establish the RCA's position. Calling attention to the bill, Mr. Goering noted Section 2 addresses the "procedures and guidelines for an acceptable utility refund plan." He stated that the only way for the RCA, or any state agency, to set policy and to establish enforceable guidelines and procedures is through the regulations process governed by the Alaska Administrative Procedures Act, and that the act "is not actually a, something that's designed for rapid action." These procedures are outside the control of the RCA, and it would be unlikely that the RCA could adopt regulations implementing the concept of the bill by 1/1/2012. He described the regulation procedure. In addition, he pointed out that RCA docket U-08-142 ENSTAR, seems to be the basis for the proposed bill; however, that was a truly unique case involving not a normal rate, but a rate under a special provision in the commission's regulations relating to adjustment clauses. As those rates become effective in a different manner, he stressed that the abovementioned docket was "a really extraordinary situation and it is very unlikely that any refund plan ... in advance could have taken, could have anticipated, there being a refund ...." Mr. Goering opined that refunds in general have to be viewed on a case-by-case basis, and often it is unknown what will be appropriate for the refund procedure. He then addressed an earlier question of when there could be a situation in which a utility would never face a refund obligation. He answered that a utility may file for a rate that is lower than its existing rate thus there would be no refund. Returning to the language in proposed HB 39, he said there are two ways a utility can handle the way money is collected under an interim rate. The first is that the money can be used by the utility for operations, with allowances for the possibility that it may be needed to meet a refund obligation.

5:01:49 PM

MR. GOERING continued to explain that the other option is for the utility to put the difference between the previous and interim rates in escrow, thereby preventing a situation where there is a potential refund in the tens of millions of dollars that the utility cannot pay. On the other hand, the administrative costs of issuing a refund could far exceed the amount of a very small refund. He concluded that each refund case is unique and designing a refund plan "that will cover all possible situations would be a lot more difficult than adjudicating them case-by-case."

5:03:37 PM

REPRESENTATIVE SADDLER asked the RCA to explain its fiscal note.

MR. GOERING deferred to RCA Commissioner Patch.

5:05:04 PM

CO-CHAIR PRUITT announced that HB 39 was heard and held.

**ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 5:05 p.m.