

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

March 20, 2012

3:07 p.m.

**MEMBERS PRESENT**

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

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE BILL NO. 294

"An Act relating to the power cost equalization program."

- MOVED CSHB 294(ENE) OUT OF COMMITTEE

PRESENTATION: RURALCAP ENERGY WISE PROGRAM

- HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 294

SHORT TITLE: POWER COST EQUALIZATION

SPONSOR(S): REPRESENTATIVE(S) EDGMON

01/25/12	(H)	READ THE FIRST TIME - REFERRALS
01/25/12	(H)	ENE, FIN
02/14/12	(H)	ENE AT 3:00 PM BARNES 124
02/14/12	(H)	Heard & Held
02/14/12	(H)	MINUTE(ENE)
03/13/12	(H)	ENE AT 3:00 PM BARNES 124
03/13/12	(H)	Heard & Held
03/13/12	(H)	MINUTE(ENE)
03/20/12	(H)	ENE AT 3:00 PM BARNES 124

**WITNESS REGISTER**

ADAM BERG, Staff  
Representative Bryce Edgmon  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Speaking on behalf of Representative Bryce Edgmon, prime sponsor, reviewed the changes in the proposed committee substitute (CS) for HB 294.

SARA FISHER-GOAD, Executive Director  
Alaska Energy Authority (AEA)  
Department of Commerce, Community & Economic Development (DCCED)  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on HB 294.

RAE BELLE WHITCOMB, Director  
Workforce Development  
Bristol Bay Native Association (BBNA)  
Dillingham, Alaska

**POSITION STATEMENT:** Speaking on behalf of herself and representing Bristol Bay Native Association (BBNA), testified in support of HB 294.

DAVID PELUNIS-MESSIER  
Fairbanks, Alaska

**POSITION STATEMENT:** Speaking on his own behalf, testified in opposition to HB 294.

CHUCK WHEELER  
Nome, Alaska

**POSITION STATEMENT:** Testified in support of the intent of HB 294.

MEERA KOHLER, President and CEO  
Alaska Village Electric Cooperative, Inc., (AVEC)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 294.

MARY ERICKSON  
Hoonah, Alaska

**POSITION STATEMENT:** Speaking as a business owner, testified in support of HB 294.

ELMER SEETOT, JR, Delegate  
Alaska Village Electric Corporation (AVEC)  
Brevig Mission, Alaska

**POSITION STATEMENT:** Testified in support of HB 294.

ED PHILLIPS, Owner  
Icy Strait Lodge  
Hoonah, Alaska

**POSITION STATEMENT:** Testified in support of HB 294.

BRIAN HIRSCH, Alaska Representative  
National Renewable Energy Laboratory  
U.S. Department of Energy  
Homer, Alaska

**POSITION STATEMENT:** Provided comments during the testimony on HB 294. Spoke in support of the Rural Alaska Community Action Program, Inc. (RurAL CAP) Energy Wise Program.

INGEMAR MATHIASSEN, Energy Coordinator  
Northwest Arctic Borough  
Kotzebue, Alaska

**POSITION STATEMENT:** Testified in support of HB 294.

CATHIE CLEMENTS, Division Director  
Community Development  
Rural Alaska Community Action Program, Inc., (RurAL CAP)  
Anchorage, Alaska

**POSITION STATEMENT:** Introduced the Energy Wise Program.

ELLEN KAZARY, Manager  
Community Development  
Rural Alaska Community Action Program, Inc., (RurAL CAP)  
Anchorage, Alaska

**POSITION STATEMENT:** Provided a PowerPoint presentation entitled, "Rural Alaska Community Action Program, Inc.'s Energy Wise Program."

RICARDO WORL, Vice President  
Tlingit-Haida Regional Housing Authority  
Juneau, Alaska

**POSITION STATEMENT:** Provided comments in support of the Energy Wise Program.

LATASHA MCKOY, Tax Credit/HOME Program Assistant  
Tlingit-Haida Regional Housing Authority  
Juneau, Alaska

**POSITION STATEMENT:** Provided statistical data during the hearing on the Energy Wise Program.

ELIZABETH HENSLEY, Corporate and Public Policy Liaison

NANA Regional Corporation, Inc.  
Kotzebue, Alaska

**POSITION STATEMENT:** Provided comments in support of the Energy Wise Program.

ROSS COHEN, Rural Energy Specialist  
Tanana Chiefs Conference  
Fairbanks, Alaska

**POSITION STATEMENT:** Provided comments in support of the Energy Wise Program.

#### **ACTION NARRATIVE**

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**CO-CHAIR LANCE PRUITT** called the House Special Committee on Energy meeting to order at 3:07 p.m. Representatives Pruitt, Foster, Petersen, Olson, and Lynn were present at the call to order. Representatives Saddler and Tuck arrived as the meeting was in progress.

#### **HB 294-POWER COST EQUALIZATION**

CO-CHAIR PRUITT announced that the first order of business would be HOUSE BILL NO. 294, "An Act relating to the power cost equalization program."

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ADAM BERG, Staff to Representative Bryce Edgmon, Alaska State Legislature, prime sponsor, speaking on behalf of Representative Edgmon, reviewed the changes in the committee substitute (CS), identified as Version 27-LS1108\B, for HB 294. Mr. Berg said the first change increases the residential kilowatt hours, to which power cost equalization (PCE) can be applied, from 500 hours to 600 hours. The second change allows PCE to be applied to small businesses up to 600 kilowatt hours per month, although to qualify as a small business, the business may not exceed the ceiling of 2,400 kilowatt hours per month. The CS also removes schools and larger commercial consumers from the list of eligible recipients.

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CO-CHAIR PRUITT agreed with the intent of HB 294, but asked for clarification about the endowment; for example, whether the

endowment can withstand the increases in cost to the program, and its effect on the \$400 million appropriated last year.

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MR. BERG deferred questions on the endowment to the Alaska Energy Authority (AEA).

CO-CHAIR FOSTER asked for a description of the original program and why it was changed.

MR. BERG recalled, prior to 1998, the PCE program had a 700 kilowatt hour maximum for residences, and schools were also eligible. A blue ribbon commission report issued at that time recommended reductions to the program, because PCE was viewed as a subsidy to rural Alaska, and was "under fire from the legislature."

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CO-CHAIR FOSTER understood that at that time the price of oil had dropped to around \$9 per barrel; the point is that now the state is flush with surplus, and the price of oil is about \$120 per barrel.

CO-CHAIR PRUITT added that there was no endowment at that time and the program was funded from general funds (GF).

MR. BERG said yes.

REPRESENTATIVE SADDLER asked whether the bill contains provisions requiring those who receive PCE to be more efficient and conserve energy.

MR. BERG said no.

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REPRESENTATIVE SADDLER then asked whether the sponsor of the bill considered linking the increased amount of PCE per month with improved efficiency.

MR. BERG said many provisions were discussed, including whether the conservation community would support increasing the amount of kilowatt hours that residents can use. As a matter of fact, residents living in areas of high energy costs are not coming close to using the 500 kilowatt hours per month, at least in

summer. He said an increase of 100 kilowatt hours per month would not cause residents to burn more power, because they are already in a conservation mode due to high costs, even with PCE. Mr. Berg noted that the weatherization program works great, but can be slow to reach some areas of the state. He asked, "Why penalize somebody? If they're waiting for work on their house, they're already paying high power bills. If their house is inefficient ... they're paying the price ...."

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CO-CHAIR FOSTER asked for the general qualifications that make a community eligible for PCE.

MR. BERG explained that the base price is determined by power costs in Fairbanks, Anchorage, and Juneau. He deferred to AEA for clarification.

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SARA FISHER-GOAD, Executive Director, AEA, Department of Commerce, Community & Economic Development, advised the qualification for a community to be eligible for PCE is based on whether its utility was using a certain percentage of diesel fuel to generate power in 1985. Utilities that were excluded from eligibility are the Railbelt utilities, the Four Dam Pool communities, and some small "road" communities served by Golden Valley Electric Association and Copper Valley Electric Association. Although Cordova is generating with hydroelectric now, in the '80s it was generating with diesel, and is eligible for PCE. In response to Co-Chair Pruitt, she said Cordova does take advantage of its PCE eligibility.

MS. FISHER-GOAD further explained that if a utility chooses not to use its eligibility, there is a provision for residents to petition the utility to take advantage of the program. She then noted that another way a community is not eligible is if its costs are below the "floor," which is currently 13 cents to 13 and one-half cents per kilowatt hour.

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CO-CHAIR PRUITT restated his earlier question on whether the endowment fund can "handle this," and how the appropriation of \$400 million from last year is affected.

MS. FISHER-GOAD said the power cost equalization endowment fund is a percent of market value (POMV) fund that is invested to earn 7 percent over time and - on an annual basis - 7 percent can be used for the PCE program. This is based upon a three-year, monthly, average market value, so the \$400 million appropriated as of 6/30/11, does not calculate for the PCE cost for fiscal year 2013 (FY 13). The fund balance is based on the three years prior, for FY 12, FY 11, and FY 10. Therefore, one-third of the fund can be incorporated into FY 14, two-thirds by FY 15, and the full \$400 million would be utilized by FY 16. She advised that is the reason there is a delay. Further, she opined the program, without the changes proposed by HB 294, would only need to use 5 percent of the fund, instead of 7 percent. In fact, part of the 7 percent is invested in equities, and she said there were concerns that 7 percent is a very aggressive investment rate in these times.

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CO-CHAIR PRUITT asked for the amount of the principal.

MS. FISHER-GOAD estimated the principal is a little over \$700 million. She pointed out that with the changes to the program in HB 294, Version B, even though there could be \$51 million available from the endowment in FY 16, the fund would still require \$7.3 million from the GF for the total cost of the program, which is estimated at \$58.3 million. The fiscal note indicated a \$21.1 million increment this year would have to be covered by the GF, in addition to what is already in the governor's FY 13 budget.

CO-CHAIR PRUITT concluded that even after the \$400 million is fully utilized in three years, the program would still need \$7 million from the GF to support the changes in HB 294.

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MS. FISHER-GOAD acknowledged it is very difficult to estimate the cost of the PCE program because AEA must predict costs one and one-half years ahead. Also, the floor of the program is unknown because it is based on the cost of fuel for the prior year, after the cost is averaged between Fairbanks, Anchorage, and Juneau. To determine rough cost estimates on commercial facilities, AEA assumed 25 percent of the commercial customers in eligible communities would qualify, bringing the estimate to about \$12.5 million. The additional 100 eligible kilowatt hours added by the bill is estimated to increase the cost to the

program by \$7.5 million. Ms. Fisher-Goad closed, saying her expectation is that there would continue to be a need for GF support, depending on the market performance of the fund, and on other factors, such as fuel costs.

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CO-CHAIR PRUITT estimated an appropriation of \$100 million to \$150 million would be required to prevent the need to pull monies from the GF in FY 16.

MS. FISHER-GOAD offered to provide the committee with additional analysis on this matter.

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REPRESENTATIVE SADDLER recalled the intent of the PCE endowment was to "take a big lump-sum of money, put it aside and have the spin-off from that - the proceeds - pay for PCE so we don't come back for annual GF appropriations. That's not happening in this case." He surmised the additional hours have affected this calculation. Representative Saddler then asked, "Does raising the amount ... of kilowatt hours per month and increasing those who receive it, [does] that put ... the fundamental structure of PCE at risk again?"

MS. FISHER-GOAD responded that is a "policy call" with respect to the endowment as a funding source for the program. She explained the GF dollars have been made available at 100 percent of the formula cost, thus it really depends on whether the intent is for the endowment to fully sustain the program. In 2001, the estimate for full funding of the program was \$15.7 million per year, which is significantly less than now, because fuel prices were lower then.

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REPRESENTATIVE SADDLER asked whether the PCE endowment was ever envisioned as the one, sole source of funding.

MS. FISHER-GOAD said at one time it was necessary to prorate the program for the appropriation. She advised, "There's a couple different ways that you can get there and the legislature has chosen, and ... the governor's budget includes, the assumption [that] the goal is to pay PCE at 100 percent."

REPRESENTATIVE PETERSEN referred to renewable energy projects coming online, and the weatherization and energy rebate programs. He asked whether these programs would reduce the demand for PCE.

MS. FISHER-GOAD expressed her belief that renewable projects leading to significant reductions in PCE is a far-reaching goal; however, there have been reductions in costs where projects have been completed, but some projects - such as wind generation - do not displace all of the diesel fuel needed for a community to run its utilities.

CO-CHAIR PRUITT opened public testimony.

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RAE BELLE WHITCOMB, Director, Workforce Development, Bristol Bay Native Association (BBNA), informed the committee she was speaking on behalf of BBNA and as a small business owner. She said BBNA manages a low-income heating assistance program and is finding that PCE is a significant benefit for rural families towards paying for their household heating needs. Further, because many communities are running out of fuel, and residents are using electric heat, the cost of electricity per kilowatt is increasing; in fact, households are facing electric bills of \$500 to \$700 per month and higher. Ms. Whitcomb confirmed that the weatherization program has not reached all of the communities of her region, and some homes may be on a waiting list for years. As a small business owner, she advised having PCE would make a big difference to rural businesses, and may enable a business in a small community to hire a local employee and provide local supplies at a reasonable cost. Ms. Whitcomb expressed her support for the additional kilowatt hours, and said from the perspective of workforce development, the benefit of PCE to businesses will spur economic business development.

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CO-CHAIR FOSTER observed the Institute of the North recently reported that rural Alaska households are paying 47 percent of their household income for heating and electricity. He asked what the kilowatt rate per hour is - before and after PCE - in Dillingham.

MS. WHITCOMB said the rate in Dillingham is 48 cents, but the rate is closer to one dollar per kilowatt in villages along the river.

CO-CHAIR PRUITT asked whether Ms. Whitcomb could determine what percentage of the cost of milk in Dillingham is attributed to energy.

MS. WHITCOMB gave the example of a small grocery store that pays between \$30,000 and \$40,000 per month for the electricity to run freezers and coolers. This expense is passed along to the customer. Small businesses of all kinds are greatly affected by the cost of power.

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DAVID PELUNIS-MESSIER disclosed that he works for the Yukon River Inter-Tribal Watershed Council and was speaking on his own behalf. Mr. Pelunis-Messier cited his experience working on energy projects in rural Alaska for three years, and expressed his concern that extending the amount of PCE credits to rural businesses will act as a disincentive for businesses to make energy efficient modifications. For example, in certain buildings in PCE communities, there is no incentive to change to high efficiency lighting because with PCE credits, the heat produced by inefficient lighting sources is cheaper than the extra fuel oil burned to make up the heat in the building. However, creating electricity from fuel with village generators is about 30 percent efficient, and creating heat from fuel oil is 80 percent to 90 percent efficient. Also, an Alaska entity was unwilling to spend American Recovery and Reinvestment Act (ARRA) funds on a lighting retrofit, because PCE credits lengthened the payback period on the project to 10 years. Mr. Pelunis-Messier said he supported solutions to the energy crisis in Alaska through the renewable energy grant fund and the emerging energy technology fund, and proposed using a matching grant program for businesses, rather than PCE credits. He provided a personal example of the energy savings for a business in Anaktuvuk Pass, and said he supports the state's efforts to make living in rural Alaska more affordable, and more sustainable, by rewarding innovation, rather than enabling inefficiency.

CO-CHAIR FOSTER stressed the importance of looking at a problem from multiple angles, noting that PCE was intended to be a "bridge" and not to be relied on in the long-term.

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CHUCK WHEELER stated he is a life-long resident of Nome, and uses heating fuel. Mr. Wheeler said he supported the intent of the bill, but the bill does not take care of the problems of the coastal villages, which need to utilize alternate fuels. In the coastal villages, PCE covers the fuel surcharge and nothing more. He urged that the amount of electricity eligible for PCE should be raised to 700 or 800 kilowatt hours, because residents have no choice but to run electric heaters. Power assistance programs are available in other parts of the state, but a northern energy fund is needed for the coastal villages and for the Interior. Mr. Wheeler opined the cost of the PCE program is low when compared to what is spent for other energy projects.

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MEERA KOHLER, President and CEO, Alaska Village Electric Cooperative, Inc., (AVEC), stated AVEC serves 54 villages across the state. She stated her support for HB 294, saying the bill is quite significant, primarily because of the addition of commercial customers to those eligible for PCE. In 2011, AVEC reported the average PCE consumption for a residential user was about 250 kilowatt hours per month. As the average electricity usage was about 400 kilowatt hours per month, only about 60 percent of the residential electricity usage receives PCE benefits. She expected that an increase to 600 eligible kilowatt hours would result in the maximum of a 20 percent to 25 percent increase for residential users. However, the addition of 600 eligible kilowatt hours for commercial users is fairly significant. Ms. Kohler recalled the original PCE legislation included 700 eligible kilowatt hours per month for all users, including commercial consumers. She pointed out that one of the original requirements for a community to be eligible for PCE was that the residential kilowatt per hour sales had to be equal to - or less than - seven and one-half million kilowatt hours, thus all of the larger communities were excluded. Also, 75 percent of the electricity generated in the community in 1984 had to come from diesel fuel. Ms. Kohler advised AVEC and other utilities in rural Alaska are installing renewable energy projects - primarily funded by the Denali Commission and the Rural Utility Services, Rural Development, U.S. Department of Agriculture - resulting in the cost of the fuel for electricity decreasing by five or more cents per kilowatt hour. This reduces the PCE rate, thereby saving the state money. Ms. Kohler opined raising the amount of eligible kilowatt hours to 600 will result in a net PCE cost to the state that will not exceed the 7 percent "spin off" from the existing endowment fund.

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CO-CHAIR FOSTER asked Ms. Kohler to provide to the committee copies of the report issued by Commonwealth of the North entitled, "Energy for a Sustainable Alaska The Rural Conundrum," dated February 2012. He then asked her to respond to Mr. Pelunis-Messier's comments on the effects of PCE on businesses.

MS. KOHLER offered to present the aforementioned report to the committee. In response to Mr. Pelunis-Messier, she said his position that commercial establishments are reluctant to change from incandescent to more energy efficient lighting - because PCE pays for part of the electricity - is part of the conundrum. She acknowledged that would be true in a facility receiving PCE for all of its electricity, such as a community facility that is already receiving PCE in an amount up to 70 kilowatt hours per resident; however, most community facilities are below the maximum, and it is her experience that most community buildings are using fluorescent tubes. Ms. Kohler opined the bill would not have an impact on conservation measures.

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CO-CHAIR PRUITT asked whether incandescent lighting will still be available in two years.

MS. KOHLER advised incandescent 100 watt bulbs are slated to "vanish" in 2014, followed by those of lower wattages, but she cautioned that they are being hoarded by some. She recalled that compact fluorescent (CFL) bulbs were met with resistance originally, but are now available at a reasonable cost. Her utility informs its members about savings in energy from the use of CFL bulbs. In further response to Co-Chair Pruitt, she noted that the collection of CFL bulbs for recycling is taking place at city offices and landfills. Recycling bulbs is a minor issue that can be addressed locally.

CO-CHAIR PRUITT encouraged the proper handling of a hazardous product.

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MARY ERICKSON said she was speaking as a business owner in Hoonah. She, along with the previous testifiers, was concerned about the high cost of diesel fuel needed to generate electricity, which is causing a severe hardship on those with

fixed incomes. Ms. Erickson said her main concern was for local businesses. She noted the cost to weatherize her business by changing lighting, removing fans, and turning off machinery. Ms. Erickson encouraged the use of PCE for businesses, in addition to long-term solutions such as the intertie and hydroelectric power. Hoonah has jobs available, but residents cannot afford to live there due to the cost of energy. She stated her strong support of HB 294 and long-range solutions. In response to Co-Chair Pruitt, she said her business is The Office Bar.

[4:02:19 PM](#)

ELMER SEETOT JR said he is an AVEC delegate in Brevig Mission. Mr. Seetot relayed that the cost of fuel is determined on the day the fuel is loaded on the barge, and local businesses have to choose whether to pay for the fuel in full, or make installments. In communities, customers pay a high price for groceries and retail items due to shipping costs. In Brevig Mission, fuel prices are not as high as those on the river system where the water level is low. There has been a radical shift in rural Alaska to a dependency on electricity, except during subsistence seasons. Mr. Seetot pointed out there is only seasonal employment, and more young people depend on commercial goods instead of a subsistence lifestyle. He stated his support of HB 294.

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REPRESENTATIVE SADDLER asked whether one questions if the shift to electricity is good.

MR. SEETOT said some community members have discussed that issue. In further response to Representative Saddler, he said he lives an outdoor lifestyle and does not need the Internet or a computer.

CO-CHAIR FOSTER asked how much electricity costs per kilowatt hour.

MR. SEETOT said 30 cents to 35 cents.

[4:07:53 PM](#)

ED PHILLIPS said he owns the Icy Strait Lodge in Hoonah and expressed his strong support of HB 294. His business experience indicates that the residents of Hoonah have little discretionary

income due to the high cost of electric heat. He opined more attention should be paid to educating residents on energy efficiency. There are also many homes with defective electrical systems that could be corrected by a program similar to the weatherization program, but that analyzes electric consumption. Mr. Phillips stressed that diesel-electric communities are slowly dying because the high cost of living is causing a loss of businesses and jobs, which are necessary for a healthy society. Mr. Phillips said in the past 12 years, the high cost of energy in Hoonah has caused an increase in the cost of freight and a loss of school population that is eroding the community. As noted in other communities, the high cost makes purchasing groceries at local stores a "last resort." He pointed out that most of the economy left in communities is based on government projects instead of business. Mr. Phillips suggested the mechanism of HB 294 could track electrical consumption and quickly determine the cost of the program. He urged for an understanding of the severity of the problem. Mr. Phillips closed, pointing out that using the consumption of 2,400 kilowatts to determine a small business is not a relevant number.

[4:15:55 PM](#)

BRIAN HIRSCH, Alaska Representative, National Renewable Energy Laboratory, U.S. Department of Energy, commissioned a study by the University of Alaska Anchorage (UAA), Institute for Social and Economic Research (ISER), to look at various aspects of PCE. Some of the conclusions from the study indicate that increasing the amount of eligible kilowatt hours monthly increases the state's liability, yet he agreed with Ms. Kohler that many recipients of PCE do not exceed or reach the limit. He proposed that a solution would be "a seasonal fixed payment," meaning that in summer and winter rates would be a different amount; however, if consumption is reduced, the resident would "keep the difference" as an incentive. Mr. Hirsch agreed there would be an increased cost to extend PCE to commercial customers, although there is a clear need and benefit that would come from supporting businesses. He offered to provide further information on his suggestion.

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INGEMAR MATHIASSEN, Energy Coordinator, Northwest Arctic Borough, said his region has the highest cost of energy in the state and the borough has taken steps to raise awareness, such as installing smart energy meters that tell residents when they

reach the PCE limit. In addition, the energy meters provide useful data. He said the borough strongly supports HB 294, as households and businesses have reached their limits, and communities must have jobs and businesses. Mr. Mathiasson then pointed out that AEA grants do not benefit communities that have no recognized renewable resources. He expressed his support of Mr. Hirsch's proposal.

CO-CHAIR PRUITT observed that the bill sponsors looked at many options - some with varying amounts - that were deemed too complex.

[4:24:02 PM](#)

CO-CHAIR FOSTER related that affordable energy is a concern of all Alaskans, and is becoming more of a problem in Fairbanks and Anchorage. Alaska is an energy-rich state which may build a \$5 billion dam in the Railbelt and a \$7 billion to \$8 billion gas line from the North Slope to Southcentral. In addition, Southeast has hydroelectric to expand via an intertie system. For rural Alaska, PCE was meant to be a bridge to the day when all residents have fully benefitted from all of the energy programs, and perhaps from consolidating utilities. Representative Foster agreed with the governor that the focus should be on the development of sources of energy on a regional level, such as biomass in the Interior and Copper River basin, natural gas in Kotzebue, shipping propane to Western Alaska, and geothermal in Nome and the Bering Strait region. The PCE program is one of many programs across the state.

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CO-CHAIR PRUITT closed public testimony.

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REPRESENTATIVE SADDLER acknowledged that the PCE program is important and urged for a portion of the funds to be dedicated to increased fuel efficiency, energy efficiency, and weatherization.

[4:28:13 PM](#)

REPRESENTATIVE SADDLER moved to report the proposed committee substitute (CS) for HB 294, Version 27-LS1108\B, Nauman, 3/12/12, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB

294(ENE) was reported from the House Special Committee on Energy.

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The committee took an at-ease from 4:28 p.m. to 4:31 p.m.

[4:31:34 PM](#)

**PRESENTATION: RURALCAP ENERGY WISE PROGRAM**

[4:31:38 PM](#)

CO-CHAIR PRUITT announced that the final order of business would be a presentation by Rural CAP on its Energy Wise Program.

[4:33:14 PM](#)

CATHIE CLEMENTS, Division Director, Community Development, Rural Alaska Community Action Program, Inc., (Rural CAP), acknowledged the important strategies the state has undertaken to address the high cost of energy in rural Alaska, such as weatherization, renewable energy investment, and possibly raising the cap on PCE. However, a strategy that should not be overlooked is consumer education, and Rural CAP's Energy Wise program looks at the behaviors and habits of consumers. Rural CAP has decades of experience working with weatherization and energy efficiency, beginning in the 1970s, and now through its for-profit subsidiary, Rural Energy Enterprises. The most effective consumer education and ways of behavior change are part of that experience, which led to the strategies incorporated in the Energy Wise program. New this year is Rural CAP's partnership with NANA Regional Corporation, which has funded Energy Wise programs in six NANA communities, with the goal of upgrading all homes in the NANA region within two years. Ms. Clements said the program has been tested over the last three years with proven results: saving money for residents and the state. Rural CAP has developed the Energy Wise program with guidance from the Alaska Energy Authority (AEA), Alaska Housing Finance Corporation (AHFC), the U.S. Department of Energy (DOE), and other partners. In addition, there is interest in the program from all corners of the state, and these activities warrant Rural CAP's \$20 million Capital Budget Submission and Information System (CAPSIS) funding request. The request funding is intended to have a real impact by using \$4 million each year, for five years, to continue partnerships with NANA and Tlingit and Haida Regional Housing Authority (THRHA), and to

develop new partnerships with the Kawerek, Inc., region, Tanana Chiefs Conference (TCC), Dillingham, and Calista. Ms. Clements advised that with this funding from the state, the Energy Wise program can continue to leverage funding and serve even more homes.

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ELLEN KAZARY, Manager, Community Development, RurAL CAP, provided a PowerPoint presentation entitled, "Rural Alaska Community Action Program, Inc.'s Energy Wise Program." She said RurAL CAP began its study of energy efficiency education about 10 years ago, looking at the "why" behind the high energy bills in rural areas. RurAL CAP developed a model for searching for sources of energy loss from homes that was used and tested for seven years. About three years ago, the model was expanded and used in twelve communities. The expanded model, called Energy Wise, is a comprehensive residential energy efficiency and conservation education program. RurAL CAP now works in partnership with energy providers and local communities to reduce energy consumption, save money, save PCE cost, and create local jobs. Ms. Kazary restated that this model is tested and has proven to get the following great results: 99 percent of households participate; 80 percent of households are maintaining improvements and have lower bills; residents save \$20 per month in electricity; and the state saves \$39 per month in PCE cost. Furthermore, although the cost is about \$2,000 per home, the return on investment in electricity is less than three years. She reviewed aspects of RurAL CAP's CAPSIS request: \$20 million for a tested and proven program with immediate and long-term results; relief is needed immediately; the agency's mission is to build healthy economies; a five-year plan to spend \$4 million per year on 2,000 homes per year; employ 150 rural Alaskans; and use a competitive selection process to evaluate which communities to serve.

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MS. KAZARY presented slide 6 and pointed out Energy Wise is a collaborative effort facilitated in partnership with energy service providers around the state, and which leverages funding through DOE, the Denali Commission, and the Department of Labor & Workforce Development (DLWD). Furthermore, local communities, regional organizations, and utilities contribute services and funding. Energy Wise complements weatherization efforts by prioritizing communities that have not been served by the weatherization program, and by focusing on immediate

improvements to each home, thereby engaging residents and the entire community. Simple key components to making the program effective are community partnership and that the work is done by local crews. Four to ten people are hired and employed for about twelve weeks, and they receive training and professional certifications from DLWD. Ms. Kazary explained that the program model is to help people identify ways to save energy, change their behavior, and use the energy efficiency supplies. The first step is to hold a community energy fair where residents sign up for a home assessment. During the eight-hour home assessment, two crew members teach residents the workings of a home, the basics of utility bills, and about PCE. Using a set of steps, crew members also identify "hot spots," and residents ask questions. Afterward, an individual energy plan shows the resident how to save money. Also, at that time the crew members install \$300 worth of energy efficiency supplies, such as water heater blankets, and door sweeps. Slide 13 pictured crew members looking for hot spots, insulating light switches, installing water heater blankets, and sealing doors and windows.

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MS. KAZARY continued to explain a resident's third contact with an Energy Wise crew member is three months to six months later at a follow-up survey. The survey is intended to gauge the effectiveness of the program, receive comments from residents, and answer questions. In 2010, 120 rural Alaskans were trained and employed with Energy Wise in 12 communities, the crews served 1,000 homes, and 7,500 residents participated in education activities. The following was based on 700 follow-up surveys and observations: 86 percent reported they were still practicing energy efficiency and conservation measures; 82 percent reported decreased home heating costs; and 80 percent reported decreased electric bills.

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MS. KAZARY related the results of a 12-month case study in Kasigluk that indicated the average bill after an Energy Wise assessment reflected about a 25 percent reduction, saving the resident about \$20 per month, and saving the state about \$39 per month in PCE costs. She restated the return on investment is less than three years. Ms. Kazary presented a budget breakdown of the program: 50 percent to local employment and training; 25 percent to supplies and shipping; and 25 percent to management, logistics, and evaluation of the project. Returning to the partnership between NANA and RurAL CAP, she pointed out NANA

contributed \$860,000 in matching funds so that all residents can be assisted, even those of middle income who do not qualify for other programs. Ms. Kazary listed Energy Wise partnerships and the contributions made by each: Energy Wise program 2011-2012 outcomes: 6 communities served; 42 crew members received professional certification; 50 crew members employed; 530 home visits; 99 percent participation rate; over 2,000 people received energy efficiency and conservation education. Sustained change 2011-2012 outcomes: average savings on electric bill was \$35 per month; 82 percent said homes felt warmer and were easier to keep warm.

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CO-CHAIR FOSTER said he was impressed with the impact of jobs in the communities and with the savings to the PCE program.

REPRESENTATIVE SADDLER asked what Energy Wise can accomplish with \$20 million.

MS. KAZARY explained the plan is to improve two thousand households per year for five years.

MS. CLEMENTS added that the program would seek matching funds from regional organizations in order to serve twice as many households.

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RICARDO WORL, Vice President, Tlingit-Haida Regional Housing Authority (THRHA), informed the committee the housing authority serves 14 communities in Southeast Alaska and owns approximately 1,000 units. Mr. Worl advised that THRHA is a recipient of the state weatherization program, utilizing \$3 million to upgrade 230 homes last year, and appreciates the accomplishments of the weatherization program. In past years, the mission of the housing authority has been is to address affordable housing issues, focusing on overcrowding, homelessness, senior housing, and the dilapidated conditions of housing in rural communities. However, its focus recently has been forced toward reducing energy costs; in fact, about one-third of the housing authority's budget is consumed by heating costs. Solving this problem began with weatherization, but weatherization improvements must be supported by the homeowner's behavior and efforts to conserve. Mr. Worl stated that the Energy Wise program from RurAL CAP is an effective program that is "owned by

the community," and which motivates the community by cost savings.

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LATASHA MCKOY, Tax Credit/HOME Program Assistant, Tlingit-Haida Regional Housing Authority, presented statistical data that showed in Angoon, Kake, Hoonah, and Yakutat electricity costs are 275 percent above the national average. Also, she cautioned that funding for the federal low-income home energy assistance program (LIHEAP) has been reduced, but applications are increasing, thus there is a need to find other ways to help residents.

MS. MCKOY, in response to Representative Saddler, said last year THRHA received \$1,000,100 in LIHEAP funds, but this year it received \$851,000 in LIHEAP funds.

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ELIZABETH HENSLEY, Corporate and Public Policy Liaison, NANA Regional Corporation, Inc., said NANA is the Alaska Native Claims Settlement Act (ANCSA) corporation belonging to over 12,900 Inupiat shareholders in Northwest Alaska. Ms. Hensley stated there is an energy crisis in her region; as a matter of fact, NANA president Marie Greene stated that the cost of energy is the single largest barrier to regional economic development. Ms. Hensley then provided examples of the high cost of gas in several locations. She said NANA is happy to team with RurAL CAP, the Northwest Arctic Borough, the Northwest Inupiat Housing Authority, and tribal and municipal governments, to offer the Energy Wise program. In 2011, the NANA board of directors approved \$860,000 to fund the first of three phases of the program, making each household in the six highest-need villages eligible. Upon the completion of phase 1, efficiency upgrades will have been provided to more than 500 homes, education provided to more than 2,000 residents, and jobs provided to 50 local residents. She emphasized the value of the local hire element of the program, and that phase 2 and phase 3 will expand the program's benefits to other communities. Ms. Hensley said NANA is in full support of RurAL CAP's capital funding request, and that the program is enthusiastically supported by its shareholders.

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ROSS COEN, Rural Energy Specialist, Tanana Chiefs Conference (TCC), said TCC is a nonprofit consortium of 42 tribes in the Interior. He expressed his strong support of the RurAL CAP Energy Wise program. At the rural energy department at TCC, a lot of work is done in rural energy development, particularly in alternative and renewable energy sources, and weatherization. There is also a growing interest in behavioral training and how people consume and conserve electricity, thus TCC's interest in partnering with RurAL CAP for programs in the communities of Huslia and Ruby. The first anecdotal information from these communities is that electric bills have decreased. Mr. Coen also spoke in support of RurAL CAP'S funding request that would enable TCC to partner with RurAL CAP in the future.

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BRIAN HIRSCH, Alaska Representative, National Renewable Energy Laboratory, DOE, said he is funding data collection on the RurAL CAP Energy Wise program to dispel any remaining doubts about the effectiveness of the program. The data will be distributed so that people can recognize the value of a proven model. He said his experience working in Alaska for 20 years on energy issues is that RurAL CAP visits every home in a community and completes its mission in an impressive manner. Mr. Hirsch expressed his hope that the state will continue its support on a broad basis.

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#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 5:07 p.m.