

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ENERGY

March 27, 2012

3:08 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. 336

"An Act establishing an energy assistance program in the Department of Revenue to issue an energy voucher to Alaska permanent fund dividend recipients; and relating to the analysis and recommendation of an energy assistance program by the governor."

- HEARD & HELD

HOUSE BILL NO. 323

"An Act relating to the Alaska energy efficient home grant fund; and creating a grant program for converting homes in regions designated as particulate matter nonattainment areas to efficient home heating systems."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 336

SHORT TITLE: ENERGY ASSISTANCE PROGRAM & VOUCHERS

SPONSOR(S): REPRESENTATIVE(S) THOMPSON

02/22/12	(H)	READ THE FIRST TIME - REFERRALS
02/22/12	(H)	ENE, L&C, FIN
03/06/12	(H)	ENE AT 3:00 PM BARNES 124

03/06/12 (H) <Bill Hearing Postponed to 3/13/12>
03/13/12 (H) ENE AT 3:00 PM BARNES 124
03/13/12 (H) Heard & Held
03/13/12 (H) MINUTE(ENE)
03/27/12 (H) ENE AT 3:00 PM BARNES 124

BILL: HB 323

SHORT TITLE: NONATTAIN AREA HOME HEATING SYSTEM GRANTS

SPONSOR(s): REPRESENTATIVE(s) T.WILSON

02/17/12 (H) READ THE FIRST TIME - REFERRALS
02/17/12 (H) ENE, FIN
03/06/12 (H) ENE AT 3:00 PM BARNES 124
03/06/12 (H) <Bill Hearing Postponed to 3/13/12>
03/13/12 (H) ENE AT 3:00 PM BARNES 124
03/13/12 (H) Heard & Held
03/13/12 (H) MINUTE(ENE)
03/22/12 (H) ENE AT 3:00 PM BARNES 124
03/22/12 (H) Heard & Held
03/22/12 (H) MINUTE(ENE)
03/27/12 (H) ENE AT 3:00 PM BARNES 124

WITNESS REGISTER

REPRESENTATIVE STEVE THOMPSON

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Speaking as the prime sponsor, explained one of the differences between the proposed committee substitute (CS) for HB 336 and the original bill.

TOM STUDLER, Staff

Representative Steve Thompson

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: On behalf of Representative Steve Thompson, prime sponsor, described the changes to HB 336 made by the committee substitute.

JOHN ANDERSON, Project Officer

Weatherization

Alaska Housing Finance Corporation (AHFC)

Department of Revenue (DOR)

Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearings on HB 336 and HB 323.

STACY SCHUBERT, Director
Governmental Relations & Public Affairs
Alaska Housing Finance Corporation (AHFC)
Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearings on
HB 336 and HB 323.

MARIE DARLIN, Representative
AARP
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 336.

ANDRIA AGLI, Manager
Shareholder & Corporate Relations
Bristol Bay Native Corporation (BBNC)
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 336.

CHRIS STORHOK, Specialist
Economic Development Division and Alaska Regional Development
Organization (ARDOR)
Fairbanks North Star Borough (FNSB)
Fairbanks, Alaska

POSITION STATEMENT: Speaking on behalf of the Fairbanks North
Star Borough mayor's office and himself, testified in support of
HB 336.

JOY HUNTINGTON, Legislative Liaison
Tanana Chiefs Conference (TCC)
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 336.

WALTER ROSE, Energy Specialist
Kawerak, Inc. ("Kawerak")
Nome, Alaska

POSITION STATEMENT: Testified in support of HB 336.

JOMO STEWART, Program Manager
Fairbanks Economic Development Corporation (FEDC)
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 336.

REPRESENTATIVE TAMMIE WILSON
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Speaking as the sponsor, explained the changes between the proposed CS to HB 323 and the original bill, and answered questions.

ACTION NARRATIVE

[3:08:19 PM](#)

CO-CHAIR NEAL FOSTER called the House Special Committee on Energy meeting to order at 3:08 p.m. Representatives Foster, Pruitt, Saddler, Olson, Tuck, and Petersen were present at the call to order. Representative Lynn arrived as the meeting was in progress.

HB 336-ENERGY ASSISTANCE PROGRAM & VOUCHERS

[3:09:04 PM](#)

CO-CHAIR FOSTER announced that the first order of business would be HOUSE BILL NO. 336, "An Act establishing an energy assistance program in the Department of Revenue to issue an energy voucher to Alaska permanent fund dividend recipients; and relating to the analysis and recommendation of an energy assistance program by the governor."

[3:09:12 PM](#)

REPRESENTATIVE SADDLER moved to adopt the proposed committee substitute (CS) for HB 336, Version 27-LS1403\I, Nauman, 3/26/12, as the working document.

[3:09:24 PM](#)

REPRESENTATIVE SADDLER objected for the purpose of discussion.

[3:09:36 PM](#)

REPRESENTATIVE STEVE THOMPSON, Alaska State Legislature, gave a short history of the origins of the bill, explaining that in the Interior, rural areas of Alaska, and Fairbanks, the costs of home heating and electricity are higher than house payments. This situation is unsustainable and residents have been forced to move away. Representative Thompson said the bill authorizes a voucher that can be used for 250 gallons of fuel oil or for 1,600 kilowatts (kW) of electrical power. The proposed CS adds to the bill a qualification that a recipient must be eligible for the 2012 permanent fund dividend (PFD) in order to qualify

for a voucher. He then compared the cost of energy in Fairbanks with that of other areas of the state: residents along the northern coast and in Barrow have access to natural gas for \$0.08 to \$0.10 per kW hour; residents in Southeast have hydroelectric power; in Fairbanks, residents pay over \$0.23 cents per kW hour and \$4.15 per gallon for fuel oil. Representative Thompson said, "People are just not able to survive with that kind of billing." In rural areas, electricity can be as high as \$0.50 cents per kilowatt hour and fuel oil is higher also, causing an exodus from villages to Anchorage. He pointed out that there is cheap energy "up north," in Southeast, in the Cook Inlet-Kenai area, and in the Matanuska-Susitna (Mat-Su) region and concluded that Fairbanks needs help now. Although Fairbanks would prefer a large project to provide sustainable energy into the long-range future, the voucher will show that the state is concerned, and this relief is welcome in the interim. Furthermore, the bill requires that after this year the administration will decide what to do in the next few years so that the remote areas of the state can survive, especially in areas that do not qualify for power cost equalization (PCE).

[3:15:38 PM](#)

TOM STUDLER, staff to Representative Steve Thompson, Alaska State Legislature, said the proposed CS retains all of the major elements of the original bill while incorporating changes that will ease the administration of the energy voucher program for fuel distributors and state agencies. He described the procedure followed by a fuel distributor to redeem the energy voucher and to determine the amount of the state payment. This procedure prevents manipulation of the retail price of energy, makes the cost of the program more predictable, reduces the administrative challenges, allows the credit to be used to pay debts to the distributors, assists the distributors with cash flow, and encourages energy conservation. Mr. Studler explained section 1 of the bill directs that the state send a voucher to every adult PFD recipient - in the fall of 2012 - which can be redeemed at a fuel distributor or utility for the value of 250 gallons of heating oil, 350 hundreds of cubic feet (CCF) of natural gas, or 1,500 kW hours of electricity. The recipient decides how to use the voucher and gives it to the distributor of their choice. The distributor then sends the voucher to the state with claims for payment. Upon receipt of the voucher and claim, the state sends the payment to the distributor to be credited to the voucher recipient's account. The amount of the state payment will be calculated by multiplying the quantity of

fuel provided by the voucher, by the distributor's retail price for that type of energy on a specific date in 2012. The credit can be used only for energy at the recipient's primary residence in Alaska and is not transferrable or payable in cash, although it can be used to pay a debt to the distributor. Distributors can decide whether to deliver fuel immediately after they receive a voucher, or wait until they receive payment from the state. The credit remains in the account until it is spent on energy delivered to the recipient's home. If the account is closed before all the credit is used, then the distributor sends the balance back to the state. Vouchers may not be sold or transferred, and require the signature of the recipient and the distributor. Recipients may request a replacement voucher in the name of their landlord or a check for \$250. Individuals may also qualify for a cash payment of \$250 if they do not have a qualified distributor in their community. Participation by distributors is voluntary and the program will be administered by the Alaska Housing and Finance Corporation (AHFC), Department of Revenue (DOR). Section 2 of the bill provides that the governor must hear public testimony, evaluate options, and make a recommendation for the best energy relief program that can be instituted in 2013 and beyond. Prior to 10/1/12, the governor must analyze a fuel price reduction program, an individual account program, and alternative options, and make a recommendation to the legislature for an efficient and equitable program. Section 3 of the bill provides that AHFC may adopt emergency regulations and is exempt from procurement law for the purposes of implementing the energy voucher program rapidly. Section 4 of the bill provides for an immediate effective date. Finally, Mr. Studler pointed out that the proposed CS designates that AHFC - instead of DOR - administer the program.

[3:21:22 PM](#)

CO-CHAIR FOSTER recalled in Glennallen biomass and wood are used for generating energy. He asked whether the program would address how to provide for the equivalent cost for cords of wood for heating.

MR. STUDLER responded that there is no way to address all of the alternative sources of fuel on an equitable basis; however, almost everyone uses electricity and residents who use wood or biomass for heating could apply the voucher to electricity.

REPRESENTATIVE THOMPSON added that the administration for suppliers of cordwood would be difficult, for instance, most

people gather their own wood and do not purchase it through a distributor.

REPRESENTATIVE FOSTER suggested adjusting the \$250 amount.

[3:24:16 PM](#)

REPRESENTATIVE SADDLER asked how to justify the fact that every dividend recipient would get a voucher regardless of the rates they pay for energy, or their means.

REPRESENTATIVE THOMPSON advised everyone should benefit equally statewide. To ask for benefits for one community and not others is a difficult problem. The difference is that 250 gallons of heating oil may have a lesser value in another location in the state, and each area will get a different amount for heating oil, or for 1,500 kW per hour of electricity.

REPRESENTATIVE SADDLER surmised section 1 of the bill appears to begin a PCE program for urban areas.

REPRESENTATIVE THOMPSON agreed "there could be a better answer out there," but relief is needed for the next five years to keep families in Fairbanks until a solution is found.

[3:28:07 PM](#)

CO-CHAIR PRUITT asked for explanations of a "fuel price reduction program" and an "individual account program."

REPRESENTATIVE THOMPSON said the intent of section 2 of the bill is that beginning in 2013, the governor and his staff will look at programs that will reduce the cost of fuel oil by reducing taxes or other options. There are many ideas that must be researched besides "giving a check out" that could result in meaningful relief.

[3:31:06 PM](#)

REPRESENTATIVE OLSON assumed there is a companion bill.

MR. STUDLER said SB 203 is a very similar bill.

[3:31:46 PM](#)

REPRESENTATIVE PETERSEN called attention to page 3, lines 30 and 31 of the bill, and asked whether the voucher would be viewed as

income by the Internal Revenue Service (IRS), U.S. Department of the Treasury.

REPRESENTATIVE THOMPSON answered yes, and added that the value of the voucher would be considered as revenue and income by federal programs, and could affect recipients of federal aid.

REPRESENTATIVE TUCK asked how the state will verify if a balance is left in a closed account, and whether AHFC would need to verify that a voucher was not used in more than one location.

REPRESENTATIVE THOMPSON said each voucher would be numbered and identified with a name. He added that AHFC will develop details on the administration of the program. In further response to Representative Tuck, he confirmed that two vouchers with different names could be used on one account.

[3:35:05 PM](#)

REPRESENTATIVE PETERSEN asked whether members of one household could use vouchers at different distributors.

REPRESENTATIVE THOMPSON indicated yes.

REPRESENTATIVE TUCK asked whether \$250 may be more than an Anchorage utility bill.

MR. STUDLER said he was unsure.

CO-CHAIR FOSTER restated his questions about the low value of the voucher to those who heat with biomass, wood, and coal, and about the pre-qualification of a distributor. Also, he asked whether the Alaska Energy Authority (AEA), Department of Commerce, Community & Economic Development, could provide AHFC with the British thermal unit (Btu) equivalencies for biomass, wood, and coal.

[3:38:05 PM](#)

JOHN ANDERSON, Project Officer, Weatherization, AHFC, said AHFC can provide the Btu equivalencies for alternate energy sources. Furthermore, AHFC intends to follow the Low Income Home Energy Assistance Program (LIHEAP), Administration for Children & Families, U.S. Department of Health and Human Services, process for the administration of the program, which does accept wood vendors.

CO-CHAIR PRUITT asked whether there would be "struggles" administering vouchers that are issued in the names of tenants.

MR. ANDERSON estimated there are 100,000 renters and 6,000 landlords across the state. He said this could be a complicated issue.

[3:39:49 PM](#)

STACY SCHUBERT, Director, Governmental Relations & Public Affairs, AHFC, in response to Co-Chair Pruitt, said AHFC currently does not have the means to implement this program. With an appropriate legislative appropriation, administration of the program could be "contracted out," and she was unable to provide a specific cost at this time.

CO-CHAIR FOSTER asked whether adding wood, biomass, and coal to the bill would create an issue for AHFC.

MR. ANDERSON opined adding additional energy sources complicate the program, but it is not impossible to do so.

REPRESENTATIVE TUCK asked how to ensure that vouchers are not sold or traded.

MR. ANDERSON observed there would have to be a random audit of the distributors.

REPRESENTATIVE TUCK suggested the use of information from PFD applications.

REPRESENTATIVE PETERSEN asked whether AHFC will get a list of residents who have qualified for a PFD to determine who is eligible for the program.

MS. SCHUBERT understood that the bill directs the Permanent Fund Dividend Division, DOR to provide AHFC with a list for the distribution of the vouchers.

[3:43:14 PM](#)

REPRESENTATIVE PETERSEN asked whether a landlord has a choice to apply their voucher to their personal residence or to other properties they own.

[3:44:00 PM](#)

MS. SCHUBERT advised that the bill provides for negotiations between a landlord and a tenant leading to a contractual agreement. Also, a signature is required both from the landlord and tenant. She deferred to the bill sponsor for further details.

REPRESENTATIVE PETERSEN observed a landlord may pay a portion of the utilities on behalf of a tenant.

MS. SCHUBERT said she was unsure; however, AHFC, as a landlord itself, is studying this issue.

[3:45:06 PM](#)

REPRESENTATIVE SADDLER removed his objection. There being no further objection, the proposed CS for HB 336, identified as Version I, was adopted as the working document.

[3:45:40 PM](#)

REPRESENTATIVE SADDLER moved to adopt the fiscal note identified as HB336-DOR-TAX-03-02-12.

REPRESENTATIVE PETERSEN objected for the purpose of discussion. He advised that the aforementioned fiscal note is indeterminate, pointing out that the fiscal note is zero on the front page, but costs range from \$115 million to \$430 million on page 2.

REPRESENTATIVE TUCK asked whether there is no longer a fiscal note from the Department of Administration (DOA), identified as HB336-DOA-OAH-3-8-12.

MR. STUDLER expressed his belief that the previous fiscal notes submitted with the original bill will be resubmitted with the proposed CS. In further response to Representative Tuck, he said he would inquire as to whether DOA will resubmit a fiscal note.

REPRESENTATIVE TUCK cautioned that more fiscal notes may be added to the bill.

[3:48:20 PM](#)

REPRESENTATIVE PETERSEN removed his objection. There being no further objection, fiscal note HB336-DOR-TAX-03-02-12 was adopted.

CO-CHAIR FOSTER opened public testimony.

3:48:58 PM

MARIE DARLIN, Representative, AARP, referred to written comments previously submitted in support of HB 336. Although this program is not the final answer to high energy costs, AARP is in support of the bill because it will help Alaskans pay their utility bills and the cost of energy is one of AARP's members' main concerns.

3:50:20 PM

ANDRIA AGLI, Manager, Shareholder & Corporate Relations, Bristol Bay Native Corporation (BBNC), read from the following written testimony as follows [original punctuation provided]:

I am a shareholder of Bristol Bay Native Corporation (BBNC) and the manager for shareholder and corporate relations for BBNC. Thank you for inviting BBNC to testify in support of HB 336 today. We support this bi-partisan legislation.

I grew up in the village of South Naknek on the Alaska Peninsula and return every summer to commercial and subsistence fish. I have family that still live and work there year round. The high cost of heating fuel and electricity is a challenge not only for my family back in Bristol Bay, but all across Alaska. Currently, the cost of heating fuel in South Naknek is \$ 5.25 per gallon. The cost of electricity is more than \$.50 per kWh. These prices hit everyone hard. Legislative efforts to provide financial relief for these high prices are necessary and certainly have BBNC's support.

We are an economic cornerstone for Bristol Bay take the responsibilities that come with that position very seriously. We've got more than 9,000 shareholders and since 1978 we've paid more than \$100 million in dividends to our shareholders. In 2012 alone, BBNC will distribute another \$13 million to shareholders in dividends. We've also established an education foundation that provides scholarships for higher education and vocational training, we've created internships and job opportunities; we've established an Elder benefit program, and also in 40 years of

business have advocated on behalf of the economic, cultural and subsistence rights of our shareholders. We continue this work today to ensure our corporate mission of "Enriching our Native way of life."

While BBNC is pursuing new responsible economic and investment opportunities in the Bristol Bay region that will help better the lives of our shareholders and residents, we support renewable energy programs and both renewable and non-renewable resource development that responsibly allows for our shareholders to continue to sustain their way of life.

The BBNC Board recently directed the corporation to invest \$30 million over the next 5 years within the region. Our shareholders have told us they need help with the high cost of heating fuel and electricity. BBNC's investment efforts will identify and evaluate projects that could help provide some energy cost relief. BBNC supports the legislature's efforts to do the same with this particular legislation.

High energy costs represent the greatest challenge to the economic success of villages in the Bristol Bay region, where average families pay more for their home energy bills than they do for rent or for mortgage payments. It is for this reason the BBNC advocates for energy programs that provide current and long-term solutions to this growing crisis.

House Bill 336 is a very good complement to BBNC's strategy to invest in the Bristol Bay region, and has BBNC's full support. This will not change the price of heating oil or the cost of electricity in the short-term; however, it will provide some relief to rural residents.

Section 1 of the bill will provide an energy voucher to every adult PFD recipient. For many households this will provide immediate energy relief but for households that include extended families with multiple adults living under the same roof, the total voucher amount received by this legislation will be significantly greater. While this is not a permanent fix, again, it will help the current economic hardships that are felt in our rural communities.

Section 2 of the legislation is also helpful because it will prompt ideas for longer-term assistance strategies for dealing with the recurring problem of high energy costs. BBNC applauds the legislature's effort to get such strategies on the table as long-term energy solutions are needed statewide.

In closing, BBNC supports HB 336 because it will provide short-term energy assistance to those who are impacted the most and provide a mechanism to consider more permanent energy solutions to this ongoing crisis. Both are needed to bring energy costs to an affordable level to the benefit of all Alaskans.

Thank you for the Committee's time this afternoon. I would be happy to answer any questions that you may have.

[3:56:18 PM](#)

CHRIS STORHOK, Specialist, Economic Development Division and Alaska Regional Development Organization (ARDOR), Fairbanks North Star Borough (FNSB), said the FNSB mayor's office and he personally support the bill. Mr. Storhok related that families in the Fairbanks region are struggling to pay their heating and power bills and need short-term relief until a long-term solution is found. Because of this strain on the economy, businesses are suffering and people are leaving the community.

REPRESENTATIVE SADDLER asked what residents in the Interior have done in the past in response to fluctuations in energy prices and periods of extremely cold weather.

MR. STORHOK recalled when oil prices were \$125 per barrel in 2007, "there was considerable belt-tightening," and the governor provided energy relief which helped significantly. Personally, he installed a more efficient furnace, but many residents switched to outdoor wood boilers which caused an air pollution problem. Many hard choices were made.

[4:00:10 PM](#)

REPRESENTATIVE SADDLER asked whether local residents expected the energy dividend by the previous governor to continue, or did they recognize it as a "one-time-only deal."

MR. STORHOK recalled the program was recognized as one-time-only, and was followed by lower energy prices. Also, there was optimism that a gas pipeline or a coal-to-liquids plant would come to Fairbanks. In further response to Representative Saddler, he said the voucher is the solution because FNSB worked with the Cold Climate Housing Research Center, University of Alaska Fairbanks, AHFC, and federal programs to weatherize many homes; however, some homeowners in the middle-income level are now prevented from completing energy efficiency upgrades by the "credit crunch." He opined Fairbanks has taken advantage of existing energy efficiency programs, "but we still have a way to go."

[4:03:56 PM](#)

JOY HUNTINGTON, Legislative Liaison, Tanana Chiefs Conference (TCC), stated the TCC organization is the Native nonprofit for the Interior that represents 42 federally recognized tribes and about 40 villages. Ms. Huntington stated the highest price for fuel in the state is in Arctic Village, where it costs \$10 per gallon. She stated her support of HB 336, noting that TCC anticipates a long-term solution is coming; in fact, TCC has received over \$1 million through AEA's renewable energy fund for future biomass heat facilities. Although this bill provides for a short-term solution, at this time there is a great need in the Interior region where it has been extremely cold. Ms. Huntington expressed TCC's intent to continue working with AHFC and other agencies on weatherization and other long-term projects such as wood heating, clean diesel, pre-paid electric metering, and Organic Rankine cycle (ORC) projects.

[4:09:03 PM](#)

REPRESENTATIVE SADDLER asked for more information on ORC projects.

MS. HUNTINGTON said an ORC project has been funded by AEA and the Denali Commission and is being tested at the University of Alaska on improving the fuel efficiency of a diesel generator. She offered to provide more information.

[4:10:39 PM](#)

WALTER ROSE, Energy Specialist, Kawerak, Inc. ("Kawerak"), informed the committee Kawerak is the regional Native nonprofit serving 20 tribes in the Bering Strait. Kawerak supports HB 336 because expensive heating fuel has been hurting the region for

years; for example, fuel oil costs an average of \$6.33 per gallon. The average home in the region consumes 800 gallons to 1,000 gallons of heating fuel per year, and last January was the coldest on record, thus heating fuel consumption was 23 percent above normal. Although the future is unknown, the passage of HB 336 will leave the region better prepared for next year. Mr. Rose opined the best way to use state funds for energy relief - during times when oil prices are high - is unclear, and HB 336 requires investigations and makes recommendations to the governor. Kawerak also supports the bill because it provides fuel in the short run, while searching for a sensible way to provide relief in the future. In addition, by the use of vouchers, HB 336 minimizes the potential for fraud and abuse without added bureaucracy, and it quickly and effectively provides energy security for next winter.

[4:13:24 PM](#)

JOMO STEWART, Program Manager, Fairbanks Economic Development Corporation (FEDC), stated HB 336 is not the kind of bill FEDC normally supports, but does. He explained that FEDC is dedicated to building a system across the state that more equitably distributes energy and creates a basis for economic development, growth, and prosperity, as modeled by the ENSTAR gas system in Anchorage. However, in Alaska during times of high energy costs, it is difficult for residents who use oil for space heating or to generate electricity. Unlike the previous resource rebate, which was not equitable in the value of the energy used, HB 336 is an equitable distribution of energy: giving the most value to those who need it most. Mr. Stewart also stated FEDC's and his personal support of the reporting required by the bill which will enable the state and the legislature to gain an understanding of the impact of the oil economy on Alaska residents.

[4:16:40 PM](#)

CO-CHAIR FOSTER held over HB 336.

HB 323-NONATTAIN AREA HOME HEATING SYSTEM GRANTS

[4:17:08 PM](#)

CO-CHAIR FOSTER announced that the final order of business would be HOUSE BILL NO. 323, "An Act relating to the Alaska energy efficient home grant fund; and creating a grant program for

converting homes in regions designated as particulate matter nonattainment areas to efficient home heating systems."

[4:17:24 PM](#)

REPRESENTATIVE SADDLER moved to adopt the proposed committee substitute (CS) for HB 323, Version 27-LS1275\I, as the working document.

REPRESENTATIVE SADDLER objected for the purpose of discussion.

[4:17:32 PM](#)

The committee took an at-ease from 4:17 p.m. to 4:22 p.m.

[Although not formally stated, Representative Saddler's objection was treated as removed.]

[4:22:13 PM](#)

CO-CHAIR FOSTER announced the proposed CS for HB 323, Version 27-LS1275\I, was adopted as the working document.

[4:22:23 PM](#)

REPRESENTATIVE TAMMIE WILSON, Alaska State Legislature, speaking as the sponsor of the bill, explained the first change by the proposed CS specifies the grant amount for a furnace is \$7,500 and requires the furnace to be installed. Also, the grant amount for an Environmental Protection Agency (EPA) certified wood stove is \$5,000. She said, "It should be reflected also in the fiscal note: \$1 million, not \$100 million." The source of the aforementioned estimate is the Fairbanks North Star Borough (FNSB) wood stove change out program, which replaced 385 wood stoves for \$441,000. Representative T. Wilson stated the program authorized by the bill is not a free giveaway but is modeled after the AHFC weatherization and rebate programs, and from funding that is currently being used for this type of activity.

[4:23:48 PM](#)

CO-CHAIR PRUITT called attention page 1, lines 6 and 7 of the bill that specified the funds come from the Alaska energy efficient home grant fund. He asked whether this is the same fund given to AHFC for the weatherization program.

[4:24:15 PM](#)

REPRESENTATIVE T. WILSON said, "There is nothing in that fund. It is a separate fund. We took it away from the rebate one so it would not be confused, ... [a] brand-new fund." In further response to Co-Chair Pruitt she said the bill does not create a fund but makes changes to a fund that was not being utilized.

CO-CHAIR PRUITT expressed his understanding that an EPA-certified wood stove will produce little particulate matter and will be O.K. to use.

REPRESENTATIVE T. WILSON responded that most non-EPA certified stoves do not have catalytic converters, thus pollute more. As guidelines become stricter, stoves will be cleaner.

CO-CHAIR PRUITT asked about the possibility that EPA may change its regulations after people invest in new stoves.

[4:25:55 PM](#)

REPRESENTATIVE T. WILSON recalled that the air quality in Fairbanks did not change, but EPA reduced the "numbers" from 65 parts per billion to 35 parts per billion. In fact, stoves are not tested in cold climates, "so some of the numbers sometimes are skewed." She pointed out that if Fairbanks was able to use the previous guidelines it would not be out of attainment.

CO-CHAIR PRUITT expressed his concern that EPA could change its certification on stoves.

REPRESENTATIVE T. WILSON pointed out that EPA is not likely to change its certification on stoves, but can change the number on emissions, and she described how a concentration of homes in a neighborhood affects air quality.

REPRESENTATIVE SADDLER gave an example of everyone in Fairbanks getting an EPA-certified stove, and asked whether that would automatically meet attainment.

REPRESENTATIVE T. WILSON said, "Gas is probably the only thing that gets us there." She added that Fairbanks does not want its residents who have gas or district heat to convert to wood stoves, but seeks to replace existing non-certified wood stoves. In further response to Representative Saddler, she said her frustration is that EPA does not provide a model for the

community or the Department of Environmental Conservation (DEC) to follow, but simply sets levels for attainment.

[4:30:06 PM](#)

REPRESENTATIVE SADDLER asked whether the new standards from EPA came with any funding to achieve them.

REPRESENTATIVE T. WILSON said yes. Two years ago there was a \$1 million grant from the Congestion Mitigation and Air Quality (CMAQ) Improvement Program for testing and study, but the funds are now gone. In further response to Representative Saddler, she said Libby, Montana, had funding from EPA to provide a program similar to that proposed by the bill.

REPRESENTATIVE PETERSEN noted to qualify for a grant, an existing oil furnace would have a rating of less than 80 percent efficiency. He asked if 80 percent efficiency is the highest available for fuel oil.

REPRESENTATIVE T. WILSON explained that in a cold climate a percentage from 82 to 90 does not greatly affect air quality.

CO-CHAIR PRUITT questioned whether EPA would acknowledge a good-faith effort if Fairbanks does not reach attainment by 2014.

REPRESENTATIVE T. WILSON indicated yes, explaining that there must be a state implementation plan, and this program would count as one of the ways to cure the problem; in fact, the intent of HB 323 is to show EPA the state's interest and to prevent a ban on burning wood stoves during times of an air inversion.

[4:34:11 PM](#)

REPRESENTATIVE SADDLER asked whether there is an impediment to the reuse of a replaced stove.

REPRESENTATIVE T. WILSON said the FNSB program destroys the replaced stoves.

REPRESENTATIVE SADDLER encouraged the reuse of stoves.

REPRESENTATIVE T. WILSON pointed out FNSB has an ordinance to prevent the sale of non-EPA certified wood stoves in the nonattainment area.

4:36:16 PM

REPRESENTATIVE SADDLER removed his objection. There being no further objection, Version I was adopted as the working document.

4:36:45 PM

STACY SCHUBERT, Director, Governmental Relations & Public Affairs, AHFC, informed the committee that the zero fiscal note submitted by AHFC [HB323-DOR-AHFC-03-01-12] attached analysis that included 10,000 homes participating in the program at an average cost of \$10,000 per grant. Also, additional operating expenses to AHFC were estimated at \$1.8 million. Alaska Housing Finance Corporation now recognizes that the intent of the bill is for the legislature to appropriate \$1 million to the fund and reduce the amount of the grant thus the corporation will revise its estimate and provide an amended fiscal note to the committee. She also clarified that on page 1, lines 6 and 7, the bill identifies the Alaska energy efficient home grant fund, which is an inactive grant fund within AHFC that presently has zero funds. Testimony by AHFC on 3/22/12 referred to a balance of \$64 million in the home energy rebate fund; this entire fund is encumbered or obligated.

4:39:20 PM

CO-CHAIR PRUITT asked whether the lower grant amounts in the proposed CS are adequate to complete the change outs in the Fairbanks area.

4:39:57 PM

JOHN ANDERSON, Project Officer, Weatherization, AHFC, said AHFC is completing its weatherization outcomes report which will provide details on every weatherization project; however, a recent sample of 10 "boiler swap-outs" in the Fairbanks area indicated that they cost an average of \$8,900.

REPRESENTATIVE TUCK observed that a homeowner cannot participate in the energy rebate program if they participate in the proposed wood stove or furnace program. He asked whether the sponsor considered allowing a homeowner to participate in both programs if the two grant amounts do not exceed \$10,000.

MS. SCHUBERT deferred to the sponsor.

REPRESENTATIVE SADDLER asked whether the change outs averaging \$8,900 were for gas furnaces or wood stoves.

MR. ANDERSON answered that the change outs were from low-efficiency oil furnaces to high-efficiency oil furnaces. In further response to Representative Saddler, said the weatherization and rebate programs do not recognize wood stoves as primary sources in the rating process, so there is no analysis on wood stoves.

[4:42:39 PM](#)

CO-CHAIR FOSTER opened public testimony on the proposed CS for HB 323. After determining no one wished to testify, public testimony was closed.

CO-CHAIR PRUITT noted that the present bill is for homeowners. He asked whether AHFC's cost estimates included only owner-occupied homes.

MR. ANDERSON understood that AHFC's estimate of 42,000 included rentals and owner-occupied units. In further response to Co-Chair Pruitt, he said including only owner-occupied units would change the estimate, as will the changes in the proposed CS. He offered to provide further estimates.

[4:44:54 PM](#)

CO-CHAIR FOSTER held over HB 323.

[4:45:42 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 4:45 p.m.