

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

April 3, 2012
3:04 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

OTHER LEGISLATORS PRESENT

Representative Steve Thompson

Senator Lesil McGuire

COMMITTEE CALENDAR

HOUSE BILL NO. 357

"An Act establishing the sustainable energy transmission and supply development program in the Alaska Industrial Development and Export Authority."

- MOVED CSHB 357(ENE) OUT OF COMMITTEE

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."

- MOVED CSHB 336(ENE) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 357

SHORT TITLE: AIDEA SUSTAINABLE ENERGY PROGRAM

SPONSOR(s): REPRESENTATIVE(s) PRUITT

02/22/12	(H)	READ THE FIRST TIME - REFERRALS
02/22/12	(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)
03/29/12	(H)	ENE AT 3:00 PM BARNES 124
03/29/12	(H)	Heard & Held
03/29/12	(H)	MINUTE(ENE)
04/03/12	(H)	ENE AT 3:00 PM BARNES 124

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
03/27/12	(H)	Heard & Held
03/27/12	(H)	MINUTE(ENE)
03/29/12	(H)	ENE AT 3:00 PM BARNES 124
03/29/12	(H)	Heard & Held
03/29/12	(H)	MINUTE(ENE)
04/03/12	(H)	ENE AT 3:00 PM BARNES 124

WITNESS REGISTER

DIRK CRAFT, Staff
Representative Lance Pruitt
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of Representative Pruitt, sponsor, presented the changes to HB 357 Version M that were encompassed in Version B.

PAUL LABOLLE, Staff
Representative Neal Foster
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of Representative Neal Foster, Co-Chair, House Special Committee on Energy, presented changes in the proposed committee substitute identified as Version E for HB 336.

ACTION NARRATIVE

[3:04:25 PM](#)

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

HB 357-AIDEA SUSTAINABLE ENERGY PROGRAM

[3:05:09 PM](#)

CO-CHAIR PRUITT announced that the first order of business would be HOUSE BILL NO. 357, "An Act establishing the sustainable energy transmission and supply development program in the Alaska Industrial Development and Export Authority."

[3:05:18 PM](#)

REPRESENTATIVE OLSON moved the proposed committee substitute (CS) for HB 357, Version 27-LS1402\B, Kirsch, 4/2/12, as the working document. There being no objection, Version B was before the committee.

[3:06:19 PM](#)

DIRK CRAFT, Staff to Representative Lance Pruitt, Alaska State Legislature, presented the changes to HB 357 Version M that were encompassed in Version B. In Version M of the bill, section 5 was deleted and subsequent sections were renumbered because the Department of Law (DOL) confirmed that this section could be construed to create a liability for the legislature. The new section 5 retains the same language from section 6 in Version M, except for the following change: "an energy project" was replaced with "qualified energy development" on page 4, line 6, and page 5, line 1, in order to satisfy the Alaska Industrial Development & Export Authority (AIDEA), Department of Commerce, Community & Economic Development. The new section 6 retains the same language from section 7 in Version M, except for the

following change: "an energy project" was replaced with "qualified energy development" on page 5, line 29. The new section 7 retains the same language from section 8 in Version M. The new section 8 retains the same language from section 9 in Version M. The new section 9 retains the same language from section 10 in Version M, except for the following change: deletion of the word "energy" proceeding "loan" on page 6, line 26. The new section 10 retains the same language from section 11 in Version M, except for the following changes: deletion of the word "energy" proceeding "loan" on page 6, line 28, and on page 7, lines 6 and 11. The new section 11 retains the same language from section 12 in Version M, except for the following change: deletion of the word "energy" proceeding "loan" on page 7, line 20. The new section 13 retains the same language from section 14 in Version M, except for the following changes: "energy projects" was replaced with "qualified energy development" on page 8, lines 18-19, on page 9, lines 11-14, 22-23 and 26, and on page 10, lines 5, 12-13, 15-16, and 18-19. The new section 14 retains the same language from section 15 in Version M, except for the following changes: "an energy project" was replaced with "qualified energy development" on page 10, line 23; inserted "conservation" proceeding "storage" on page 10, line 25; replaced "conversion of natural gas, coal, or biomass to liquids" with "the chemical, catalytic, or biological upgrade or conversion of natural gas, coal or biomass to hydrocarbon liquids" on page 10, lines 29-30; inserted "gasification of coal or biomass into synthesis gas" on page 11, line 3; inserted "the chemical, catalytic, or biological upgrade of synthesis gas into methane" on page 11, lines 4-5; inserted "the manufacture of hydrogen from any feedstock, excluding the mechanical separation from air" on page 11, lines 6-7. The new section 15 retains the same language from section 16 in Version M, except for the following change: the reference is changed from section 14 to section 13 to reflect the number of sections.

[3:13:08 PM](#)

REPRESENTATIVE SADDLER asked for clarification on the change from "an energy project" to "qualified energy development."

MR. CRAFT explained AIDEA has a specific definition of "projects" in its statutes. He read from AS 44.88.900:

"project" means a plant or facility used or intended for use in connection with making, processing, preparing, transporting, or producing, in any manner goods, products, or substances of any kind or nature

in connection with developing or utilizing a natural resource for extracting, smelting, transporting, converting, assembling, or producing in any manner minerals, raw minerals, chemicals, compounds, alloys, fibers, commodities, and materials, products, or substances of any kind or nature.

REPRESENTATIVE SADDLER said, "So this is a separate fund for purposes other than what's defined in 'project.'"

MR. CRAFT said correct.

[3:15:06 PM](#)

REPRESENTATIVE TUCK directed attention to the addition of "conservation" on page 10, line 25 of the bill and asked for what type of conservation projects these loans would be used.

MR. CRAFT said the sponsor's intent was to be all-encompassing and include any type of energy project that involves conservation. He deferred to a representative of AIDEA for more details. In further response to Representative Tuck, he said the sponsor worked closely with AIDEA on crafting the new language in the bill.

REPRESENTATIVE TUCK expressed his understanding that the bill originally addressed power generation and transmission, but has expanded to include any type of manufacturing from liquid gasses and value-added industries.

MR. CRAFT said, "Again, I think it was, the intent was to create a fund that could be used for energy projects, ... any type of energy project that is currently in use by utilities statewide That can include any kind of project we discussed in this committee."

[3:16:46 PM](#)

REPRESENTATIVE PRUITT opined the intent is not necessarily for a value-added product for export, but there are opportunities for manufacturing within the state. He referred to the new language, "the chemical, catalytic, or biological upgrade or conversion of natural gas, coal or biomass" and stressed that an electrical utility or a small company could get funding to use these processes within the state. Representative Pruitt said, "It's not intended for export."

REPRESENTATIVE TUCK asked where to find the applicable language in the bill.

MR. CRAFT returned attention to sections 13 and 14 of Version B. Section 13 begins on page 8, line 14, and establishes a new separate fund within AIDEA. He restated the intent of the bill, which is to stop utilities from obtaining financing for projects from out-of-state sources, and to keep the financing process in the state. Page 9, lines 12-35, outlines the powers and duties. Mr. Craft explained that a new fund is created to protect the existing credit rating of AIDEA, and to offer expanded powers and limitations when it comes to energy financing. He deferred to AIDEA for more details.

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REPRESENTATIVE TUCK stated he liked the intent of the bill, as it is a good example of how to offer low interest loans for value-added industry, manufacturing, and a local petrochemical industry in the future. He understood that the state needs to help industry by reducing the cost of energy; however, there needs to be a return on investment after providing "seed money." Furthermore, the bill provides planning for the future. Representative Tuck said he appreciated the idea of the bill.

[3:22:09 PM](#)

REPRESENTATIVE OLSON moved to report the proposed CS for HB 357, Version 27-LS1402\B, Kirsch, 4/2/12, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 357(ENE) was reported from the House Special Committee on Energy.

[3:22:55 PM](#)

The committee took an at-ease from 3:22 p.m. to 3:23 p.m.

[3:23:05 PM](#)

CO-CHAIR PRUITT clarified that CSHB 357(ENE) was not amended.

HB 336-ENERGY ASSISTANCE PROGRAM & VOUCHERS

[3:25:15 PM](#)

CO-CHAIR PRUITT announced that the final 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."

3:25:32 PM

PAUL LABOLLE, Staff to Representative Neal Foster, Alaska State Legislature, presented the new proposed committee substitute (CS) for HB 336, Version 27-LS1403\E, Nauman, 4/2/12, by explaining the changes between Version I and Version E. The language added during the previous House Special Committee on Energy hearing "other identifying information" is now found on page 3, line 14, of Version E and he read:

the address or other identifying information requested by the corporation listed on the heating oil, natural gas, or electricity account that the voucher will credit

MR. LABOLLE referred to three of the other changes adopted during the previous hearing and said the drafter recommended incorporating those changes in "a more complex language section" beginning with the following new language on page 4, line 1, which read:

(g) If a recipient of an energy voucher certifies on a form provided by the corporation, bearing notice that false statements made on the form are punishable by law, that the recipient

MR. LABOLLE advised that the drafter replicated the language in section 1, subsection (g) of Version I and divided it into subsections thus on page 4, line 1 of Version E, subsection (g) currently only illustrates that the recipient provide a notice that false statements made in this form are punishable by law, whereas Version I subsection (g) cited both access to a distributor and that they did not directly pay for energy or heat costs. The new section 1 in Version E states the requirements of not paying directly for heating oil or not having reasonable access to a qualified distributor. Section 1, subsection (g) paragraph (1) in Version I was replaced by section 1, subsection (g) subparagraph (A) in Version E which read:

for a replacement voucher in the name of the landlord of the primary residence in the state [in] which the

recipient resides, the full value of which shall be deducted by the landlord from the recipient's rent;

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MR. LABOLLE continued to section 1, subsection (g), subparagraph (B) in Version E, which was a replication of what was previously found in subsection (g) paragraph (2) in Version I, "dealing with the \$250 for rent." Section 1, subsection (g), paragraph (2) in Version E, deals with the \$500 payment for a fuel that is not heating oil, natural gas, or electricity. Mr. Labolle reminded the committee there were concerns about the ability of the power cost equalization (PCE) program and condominium associations to respond to the bill. He was advised by the Alaska Housing Finance Corporation (AHFC), Department of Revenue, that these instances can be addressed through regulation rather than statute. Returning attention to page 4, line 10 of Version E, he said "energy or heating costs" was deleted; however, the drafter recommended that language should remain, otherwise those who live off the road system - without access to a qualified distributor - but who do heat with fuel oil, natural gas, or electricity, would be exempted from the bill.

[3:33:00 PM](#)

REPRESENTATIVE OLSON moved to adopt the proposed CS for HB 336, Version 27-LS1403\E, Nauman, 4/2/12, as the working document. There being no objection, Version E was before the committee.

[3:33:34 PM](#)

REPRESENTATIVE OLSON moved to adopt the fiscal note identified as HB336CS(ENE)-DOR-PFD-03-27-12, fiscal note number 1. There being no objection, the fiscal note was adopted.

[3:34:49 PM](#)

REPRESENTATIVE TUCK asked for clarification on which fiscal note was adopted.

The committee took a brief at-ease.

[3:36:32 PM](#)

REPRESENTATIVE OLSON moved to adopt the fiscal note identified as HB336CS(ENE)-DOR-AHFC-04-03-12. There being no objection, the fiscal note was adopted.

[3:37:47 PM](#)

CO-CHAIR FOSTER moved to report the proposed CS for HB 336, Version 27-LS1403\E, Nauman 4/2/12, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 336(ENE) was reported out of the House Special Committee on Energy.

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ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 3:38 p.m.