

ALASKA STATE LEGISLATURE  
HOUSE SPECIAL COMMITTEE ON ENERGY

February 11, 2013  
7:01 p.m.

**MEMBERS PRESENT**

Representative Doug Isaacson, Co-Chair  
Representative Charisse Millett, Co-Chair  
Representative Neal Foster  
Representative Pete Higgins  
Representative Shelley Hughes  
Representative Andy Josephson

**MEMBERS ABSENT**

Representative Benjamin Nageak

**COMMITTEE CALENDAR**

HOUSE BILL NO. 35

"An Act creating a low-interest loan program for homeowners who improve or replace their home heating systems; and providing for an effective date."

- MOVED HB 35 OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 35

SHORT TITLE: HOME HEATING CONVERSION LOANS

SPONSOR(S): REPRESENTATIVE(S) T.WILSON, THOMPSON, HIGGINS,  
ISAACSON, KREISS-TOMKINS

01/16/13	(H)	PREFILE RELEASED 1/7/13
01/16/13	(H)	READ THE FIRST TIME - REFERRALS
01/16/13	(H)	ENE, FIN
02/11/13	(H)	ENE AT 7:00 PM CAPITOL 106

**WITNESS REGISTER**

REPRESENTATIVE TAMMIE WILSON  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Speaking as a joint prime sponsor,  
introduced HB 35.

BRANDON BREFCZYNSKI, Staff  
Representative Tammie Wilson  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Answered a question during the hearing on HB 35.

DAN FAUSKE, CEO/Executive Director  
Alaska Housing Finance Corporation (AHFC)  
Department of Revenue (DOR)  
Anchorage, Alaska

**POSITION STATEMENT:** Answered a question during the hearing on HB 35.

#### **ACTION NARRATIVE**

[7:01:01 PM](#)

**CO-CHAIR DOUG ISAACSON** called the House Special Committee on Energy meeting to order at 7:01 p.m. Representatives Higgins, Josephson, Millett, and Isaacson were present at the call to order. Representatives Foster and Hughes arrived as the meeting was in progress.

#### **HB 35-HOME HEATING CONVERSION LOANS**

[7:01:42 PM](#)

**CO-CHAIR ISAACSON** announced that the only order of business would be HOUSE BILL NO. 35, "An Act creating a low-interest loan program for homeowners who improve or replace their home heating systems; and providing for an effective date."

[7:02:01 PM](#)

**REPRESENTATIVE TAMMIE WILSON**, Alaska State Legislature, informed the committee HB 35 authorizes a loan program for loans up to \$15,000 through the Alaska Housing Finance Corporation (AHFC) to upgrade to a more efficient "heating system." A heating system includes the system, labor, and the charge for the required inspection of the existing heating system by an energy rater or a mechanical contractor. The inspector will write a report to the homeowner stating what savings may be expected with a new heating system. A qualified home is an owner-occupied home - single family dwelling or duplex. If qualified for this program, the homeowner can still participate in AHFC's home energy rebate or weatherization program. Representative T. Wilson expressed her hope that natural gas will soon be

available in Fairbanks, but other residents of the state have a variety of heating systems that can be more energy efficient. There is a zero fiscal note attached to the bill as there is no funding authorized at this time.

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CO-CHAIR MILLETT advised that Representative T. Wilson has letters of support from the Fairbanks North Star Borough (FNSB), Aurora Energy Services LLC, the City of Fairbanks, and Southeast Conference. Furthermore, AHFC has no problem with this legislation.

REPRESENTATIVE T. WILSON confirmed that the sponsors of the bill worked very closely with AHFC to put "all the right pieces in all the right places."

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REPRESENTATIVE JOSEPHSON expressed his concern that a homeowner may convert from a fuel-oil system to a more efficient fuel-oil system and still not be in a better position to utilize natural gas.

REPRESENTATIVE T. WILSON agreed that a loan can be used to convert to a more efficient oil furnace; in fact, converting from a furnace installed before 1990 may save 25 percent to 50 percent of oil consumption, and this would be helpful in many areas of FNSB until gas is available. The energy rater will advise the homeowner about the expected savings. Furthermore, she has been advised that newer oil furnaces can easily be converted to gas.

CO-CHAIR ISAACSON understood this loan is only available once.

REPRESENTATIVE T. WILSON agreed, and added that through the rebate program a homeowner can also apply for a loan up to \$30,000 at 3.5 percent interest. She opined this program was not being used to change out furnaces because "most of it was not paid back and it ended up being a pretty major cost and we saw a great need in this."

REPRESENTATIVE JOSEPHSON asked about the funding and how many loans are anticipated to be issued.

REPRESENTATIVE T. WILSON explained that the number of loans would depend on the amount of funding secured; following that,

the funds will revolve as loans are repaid. She pointed out that some homeowners may apply for loans under the maximum of \$15,000.

REPRESENTATIVE JOSEPHSON observed the bill repeals AS 46.11.050 (b), which applies to the financing of energy efficient homes and buildings and the requirement of estimated heating and lighting costs by an audit.

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BRANDON BREFCZYNSKI, Staff, Representative Tammie Wilson, Alaska State Legislature, explained that the repeal of AS 46.11.050(b) exempts applicants from the requirement of an energy audit because the loan program proposed by HB 35 only requires a brief inspection of the heating unit.

REPRESENTATIVE HUGHES referred to the existing \$30,000 loan at 3 percent available through the rebate program. She asked why the proposed loan program is needed in addition to the existing one.

REPRESENTATIVE T. WILSON responded that the existing loan program requires a full [energy audit] inspection. The energy audit may not identify a heating system improvement - for example, converting a heating system from oil to gas - as a qualified cost, but that improvement would qualify under the proposed loan program. Also, the proposed program is available to those who have already used the rebate program, but did not improve their heating system because the change in efficiency was not sufficient to qualify.

REPRESENTATIVE HUGHES asked whether an applicant could qualify for the \$30,000 loan and the proposed \$15,000 loan concurrently. In addition, she asked how an applicant qualifies for the loan.

REPRESENTATIVE T. WILSON deferred to AHFC.

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DAN FAUSKE, CEO/Executive Director, AHFC, Department of Revenue (DOR), advised that an applicant must apply through an AHFC approved lender. The proposed loan program is funded by a general fund (GF) contribution and is a 1 percent loan to qualified individuals.

CO-CHAIR MILLETT clarified that this is a revolving loan fund that is replenished by the repayment of loans once it is funded through the GF.

REPRESENTATIVE T. WILSON said yes.

CO-CHAIR ISAACSON asked for the purpose of the \$15,000 limit as some clean-burning coal systems cost up to \$45,000.

REPRESENTATIVE T. WILSON stated that a variety of providers estimated that \$15,000 would take care of most needs.

REPRESENTATIVE HIGGINS relayed that the price of furnaces range from about \$7,000 to \$12,000. He expressed his support of the program.

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CO-CHAIR ISAACSON opened public testimony. Seeing or hearing none, public testimony was closed.

[7:15:43 PM](#)

REPRESENTATIVE JOSEPHSON referred to the statistics on [the cost of] thermal heating in the Interior and urged for remedies to the high rates.

[7:16:27 PM](#)

CO-CHAIR MILLETT moved to report HB 35 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 35 was reported out of the House Special Committee on Energy with individual recommendations and the accompanying fiscal notes.

[7:16:58 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 7:16 p.m.