

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ENERGY

March 20, 2013

8:04 a.m.

MEMBERS PRESENT

Representative Doug Isaacson, Co-Chair
Representative Neal Foster
Representative Pete Higgins
Representative Shelley Hughes
Representative Benjamin Nageak
Representative Andy Josephson

MEMBERS ABSENT

Representative Charisse Millett, Co-Chair

COMMITTEE CALENDAR

OVERVIEW(S): ENERGY WISE PROGRAM

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

SARAH SCANLAN, Deputy Director
Rural Alaska Community Action Program, Inc. (RurAL CAP)
Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation entitled, "Rural Alaska Community Action Program, Inc. Energy Programs: Designed to Meet the Needs of Alaskans."

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

POSITION STATEMENT: Participated in the PowerPoint presentation entitled, "Rural Alaska Community Action Program, Inc. Energy Programs: Designed to Meet the Needs of Alaskans."

TOMMY BALLOT SR.
Selawik, Alaska

POSITION STATEMENT: Testified in support of the Energy Wise Program during the presentation by Rural Alaska Community Action Program, Inc.

KIRK OVIOK JR.
Selawik, Alaska

POSITION STATEMENT: Testified in support of the weatherization program during the presentation by Rural Alaska Community Action Program, Inc.

ACTION NARRATIVE

[8:04:46 AM](#)

CO-CHAIR DOUG ISAACSON called the House Special Committee on Energy meeting to order at 8:04 a.m. Representatives Foster, Higgins, Hughes, Nageak, Josephson, and Isaacson were present at the call to order.

OVERVIEW(S): ENERGY WISE PROGRAM

[8:05:49 AM](#)

CO-CHAIR ISAACSON announced that the only order of business would be an overview of energy programs presented by Rural Alaska Community Action Program, Inc. (RurAL CAP).

[8:06:03 AM](#)

SARAH SCANLAN, Deputy Director, Rural Alaska Community Action Program, Inc. (RurAL CAP), informed the committee RurAL CAP is working statewide to reduce the burden of energy issues for residents of the state and seeks capital funds in the amount of \$1.6 million which will be matched by private and other sources of funds. RurAL CAP is involved in many areas such as childhood development and education, self-help, weatherization, affordable housing, energy programs, and solid-waste management programs and employs over 1,000 residents in 81 communities [slides 2 and 3]. The economic impact of RurAL CAP is further enhanced by its energy programs that are designed to be sustainable over time at low cost to the state.

[8:09:35 AM](#)

ELLEN KAZARY, Development Director, Rural Alaska Community Action Program, Inc. (RurAL CAP), informed the committee a survey of participants at the 2012 Alaska Federation of Natives

(AFN) convention showed that energy is the top need in rural and urban Alaska and has been for a long time [slides 4 and 5]. The Alaska Housing Finance Corporation (AHFC), Department of Revenue, estimates annual average household fuel and electric costs are a huge portion of income in every region [slide 6]. She advised the question remains as to whether residents "heat or eat" even though Alaska has the resources to address this problem. In fact, for the low income population, energy costs can be 40 percent to 50 percent of their household income [slides 6 and 7]. RurAL CAP is the largest weatherization service provider in the state and will serve about 830 homes in the coming year [slides 8 and 9]. The weatherization program looks at the whole home including insulation, windows, and construction work [slide 10]. The application is a simple four-step process beginning with a home assessment and weatherization work by local crews. Typical weatherization work includes ventilation, safety, windows, insulation, completion, and follow-up visits for quality control [slides 11-17]. During the past four to five years, about 8,500 homes have been weatherized; however, this year's governor's budget request of \$60 million for the weatherization program and home rebate program will result in a reduction to about one-half of the current level.

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MS. KAZARY, in response to Representative Hughes, said the governor's budget request was about \$60 million for the weatherization and home rebate programs and AHFC requested \$101.5 million.

CO-CHAIR ISAACSON said many homes have been weatherized, but many remain to be done and surmised that new homes are not being built to proper standards. Not providing economic opportunities by developing roads and resources is perpetuating poverty.

MS. KAZARY agreed there is an ongoing energy need throughout the state and weatherization is part of the solution. Since 2008, about 8,500 homes have been weatherized and she estimated that there are about 29,000 households in rural Alaska in addition to income-eligible households in Fairbanks, Juneau, and Anchorage. Communities are eligible for weatherization services every 10 years because it is an ongoing need, and that is one of the reasons that the Energy Wise Program works with residents on how to maintain and preserve their home and its weatherization improvements.

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MS. SCANLAN said it is hard to provide equity and to balance the benefits from large energy projects - such as the Susitna-Watana Hydro project - with benefits for Alaskans who choose to live in rural areas. All are Alaskans and are doing their part for economic and resource development, including Alaska Native Claims Settlement Act (ANCSA) shareholders. Ms. Scanlan urged the committee to think deeply about how to work together for the benefit of everyone. As a provider, RurAL CAP will share resources and leverage funds for programs that contain elements of self-sufficiency and education for its beneficiaries.

REPRESENTATIVE HUGHES asked how many homes the proposed funding amounts could weatherize, and whether federal or other funds are available.

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MS. KAZARY advised that U.S. Department of Energy (USDOE) funding to RurAL CAP is very low for weatherization, and past state participation in weatherization has been added to American Recovery and Reinvestment Act of 2009 (AARA) funds. This year is the first year that all of the AARA funds have been spent. Overall, about \$100 million has been invested in weatherization and rebate programs over the last few years.

REPRESENTATIVE NAGEAK disclosed he is a past president of RurAL CAP and currently serves on the board of directors. RurAL CAP works hard to ease life in the villages through several programs and its subsidiary, Rural Energy Enterprises. He urged the state to partner with tribes because more projects would be completed using the tribes' access to federal funds. The tribal village government in the North Slope has been working on weatherization projects for many years, and other tribal governments are willing to help solve problems.

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REPRESENTATIVE HIGGINS understood that AHFC awards grants to RurAL CAP so that it can provide weatherization services. He asked how RurAL CAP will utilize its capital request of \$1.6 million.

MS. KAZARY explained that RurAL CAP administers two different energy programs, one of which is the weatherization program funded through AHFC. The Energy Wise Program is more about

education, efficiency, and conservation within the home, and is supported by the \$1.6 million request for funds.

REPRESENTATIVE FOSTER asked how much was received for weatherization last year.

MS. KAZARY estimated over 1,000 homes were completed with \$15 million.

REPRESENTATIVE FOSTER surmised the grant money from AHFC must comply with federal income eligibility guidelines, which allow different levels of income for rural and urban communities. He asked for suggestions on what the legislature might do to adjust for the difference in the cost of living in rural and urban areas.

[8:32:14 AM](#)

MS. KAZARY confirmed that urban and rural residents are constrained to follow income eligibility guidelines to receive and use funding for weatherization. She observed there are many middle income homeowners who are not eligible for weatherization, but still struggle to pay for home improvements. This is more common in rural Alaska where building costs are very high. Alaska Housing Finance Corporation has a very popular rebate program for homeowners who can pay for improvements and wait for a refund; however, in rural Alaska, shipping supplies adds to the cost and the rebate program fails middle income residents who live there.

CO-CHAIR ISAACSON suggested the use of a voucher for the upfront expenses and then the portion paid by the state would be paid directly to the vendor.

MS. KAZARY said Rural CAP considered this option in its partnership with NANA Regional Corporation Inc. (NANA) to bring the Energy Wise Program to their region. She pointed out that Rural CAP does not manage the rebate program, but this change could make the program more accessible.

CO-CHAIR ISAACSON asked whether the legislature or the agency would make this change.

MS. KAZARY was unsure.

CO-CHAIR ISAACSON requested Rural CAP submit a written response on this option.

[8:36:03 AM](#)

MS. SCANLAN spoke in support of a change to enable more participation in the rebate program.

MS. KAZARY turned attention to the Energy Wise Program. In order to stretch resources and meet the needs of more people, RurAL CAP developed its Energy Wise Program about 10 years ago. The program seeks to provide energy efficiency and conservation education, and energy improvements in homes. The goal of the program is to work with local communities and help relieve the burden of high energy costs [slide 19]. To develop the program RurAL CAP employees first asked residents what would be most helpful. Time was spent in homes with a kilowatt meter to test appliances and identify the areas of high energy consumption. From these experiences, the program was developed to make individualized assessments and lower individuals' energy costs. In 2009, RurAL CAP piloted the program which was designed to reduce energy consumption and use local labor to do the work [slide 20]. Since 2010, the Energy Wise Program served 22 communities, benefitted 2,000 households with lasting results, and trained and employed 240 rural Alaskans [slide 21]. Program performance has been proven by the Alaska Energy Authority (AEA), Department of Commerce, Community & Economic Development, energy efficiency working group; in fact, AEA identified the Energy Wise project as a program that should be replicated around the state. Many other organizations around the state have recognized that this program is working, and also that it is a collaborative effort with state and federal partners and with local community organizations and utilities [slides 21-23]. Ms. Kazary advised that the program does not replace weatherization, but complements weatherization by educating residents on how to maintain the improvements to their homes and how to access other programs [slide 24]. The program is also effective because it hires, trains, and certifies local crew members; in fact, crews can receive technical certification through the Department of Labor & Workforce Development for future employment in weatherization, construction work, and first aid training [slides 25 and 26]. The program has three parts, beginning with an energy fair in the community where residents sign up for a home visit [slide 28]. During the home visit and assessment, crews spend a day in the home with the residents looking at electric bills, electronics and appliances, and installing \$300 of energy efficiency supplies such as compact fluorescent lights and water heater blankets [slides 29-32]. The final part of the program is that after three to six

months crews return to the home for follow up education, to answer questions, and take a survey [slide 33].

8:45:01 AM

MS. KAZARY provided a budget breakdown, estimating a cost of \$2,000 per household for the Energy Wise Program. About 50 percent of that cost is attributed to local employment and training, 25 percent is for supplies, and about 27 percent for management of the program [slide 34]. In 2010, 120 rural Alaskans were trained and employed and sustained a 90 percent rate of retention.

CO-CHAIR ISAACSON asked about the procurement procedures that determine the suppliers of the products used.

MS. KAZARY explained that RurAL CAP's total budget is about \$40 million per year thus it must follow very strict procurement policies. There is a bid process for all of the supplies that are purchased to ensure the best prices and availability. For the Energy Wise Program, the lowest cost bid is chosen for every item.

CO-CHAIR ISAACSON asked how RurAL CAP advertises for bids.

MS. KAZARY said federal policy mandates that if supplies from a single vendor are over \$100,000, it is a closed bidding process. The purchasing department advertises, and vendors submit bids.

CO-CHAIR ISAACSON observed that purchases of supplies can support not only Anchorage, but suppliers throughout the state. Purchasing supplies locally may cut hidden transportation costs, and he asked whether any products are purchased in Fairbanks since energy efficiency equipment is available there.

MS. KAZARY assured the committee RurAL CAP is very good at ensuring the lowest cost of products by consolidating shipping and storage. For the Energy Wise Program RurAL CAP has been working in the NANA region and supplies have not been purchased in Fairbanks; however, if working in communities near Fairbanks, RurAL CAP will look at the most effective shipping. In fact, RurAL CAP has a small warehouse in Anchorage and would rather have shipments drop-shipped directly out. In Kotzebue, some supplies are available, and local purchases are made for immediate needs.

8:49:55 AM

CO-CHAIR ISAACSON stated that local vendors need to know about the bidding process in order to build up regional economies throughout the state.

MS. KAZARY stated that RurAL CAP is a statewide organization and looks at development to support economies in all communities. She returned attention to program outcomes based on 700 follow up surveys from homes served in 2010: 90-95 percent participation rates; 86 percent of homes are still practicing energy efficiency and conservation measures; 82 percent reported decreased home heating costs; and 80 percent reported decreased electric bills [slide 36]. An independent case study of homes in Kasigluk revealed an average savings of \$20 per month in electricity and the equivalent of \$39 in savings to the state through the Power Cost Equalization (PCE) subsidy [slide 37]. Ms. Kazary concluded that many people were already actively conserving energy use; in fact, the national average is about 750 kilowatt hours (kWh) of electricity used per month, and rural Alaska uses an average of about 350-450 kWh per month. On the other hand, savings are dramatic for those who routinely exceed the maximum 500 kWh for PCE. Based on the Kasigluk study, the Energy Wise Program has a less than three year return on investment in electrical savings: an investment of about \$2,000 resulted in a savings of about \$700 per year [slides 38 and 39].

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MS. KAZARY advised that after the pilot year, RurAL CAP formed a corporate non-profit partnership with NANA in order to use private funds to help support the program. In the northwest of Alaska, one in four household dollars goes to energy costs and NANA constituents were seeking solutions to the high costs [slide 40]. The corporation contracted with RurAL CAP to provide the Energy Wise Program to every household in its region, and with other partners such as AEA and the local communities, RurAL CAP has been working in the region for the last two years. For example, another partner is the Northwest Arctic Borough which installs in-home electric meters at the same time Energy Wise Program crews do their work with residents [slide 42].

REPRESENTATIVE NAGEAK opined that North Slope residents would be interested in the in-home meters also.

MS. KAZARY observed that almost every region in the state is interested in a partnership with RurAL CAP. In the NANA region all 11 communities have begun assessments, over 60 crew members have been certified, over 1,000 homes have been visited and there is a 95 percent participation rate [slide 43]. The data from NANA's investments of \$860,000 and \$900,000 over two years is now being collected. Based on a January 2012 follow up survey, the average electric bill in NANA communities before the program was \$312 per month, and the average savings after was 10 percent. In addition, 82 percent reported their homes felt warmer despite record breaking cold temperatures [slide 44]. Ms. Kazary concluded, saying RurAL CAP has submitted a Capital Project Submission and Information System (CAPSIS) request for \$1.6 million to support the Energy Wise Program in 12 communities during 2013-2014 [slides 46 and 47]. Ms. Kazary expressed confidence that the program is effective and efficient.

[9:00:48 AM](#)

REPRESENTATIVE HIGGINS noted RurAL CAP has many accomplishments in employment, child development, community development, construction and housing; however, the expansion of the weatherization program into Anchorage diverts funds from rural areas and the Interior where energy costs are much higher. He urged that 90 percent of the funds should be concentrated on areas with the highest energy costs.

MS. KAZARY acknowledged that the weatherization program grew in Anchorage because the Municipality of Anchorage withdrew its weatherization program about two years ago. Thus RurAL CAP expanded its service area to about 500 homes in Anchorage, but this does not amount to a large percentage of funding.

REPRESENTATIVE JOSEPHSON asked how RurAL CAP selects the communities it serves.

MS. KAZARY explained RurAL CAP works with the Denali Commission and USDOE on Project Start. The Denali Commission committed \$100,000 to ensure that Venetie and Arctic Village are included in the Energy Wise Program. In addition, RurAL CAP looks at communities that have the highest energy costs and that are not receiving other services, and invites communities to apply and make commitments for providing storage space and in-kind resources. There is also the desire to group two or three communities in each region by location.

9:07:15 AM

CO-CHAIR ISAACSON asked whether Rural CAP contacts other providers.

MS. KAZARY said the program is well-known to local organizations such as the housing authorities and city councils. The energy fairs provide an opportunity to coordinate services.

CO-CHAIR ISAACSON inquired as to the reception Rural CAP receives from the local utilities.

MS. KAZARY said Rural CAP has a great relationship with utilities. More than half of the communities are served by the Alaska Village Electrical Cooperative Inc. (AVEC) which provides staff time to assist with the collection of data. Nuvista Light & Electric Cooperative, Inc. is also very supportive.

REPRESENTATIVE FOSTER asked where legislators can submit written support for Rural CAP's funding request.

MS. KAZARY said Rural CAP has four CAPSIS requests for programs which originated from Senator Ellis's office. If the CAPSIS request is granted, the program will serve 12 communities, benefit 1,000 households, and employ 70 rural Alaskans. The total cost of the project is \$2 million with funding in the amount of \$300,000 expected from the Rasmuson Foundation, and additional support from regional corporations has been requested.

REPRESENTATIVE JOSEPHSON applauded the work Rural CAP is doing.

9:12:04 AM

CO-CHAIR ISAACSON opened the meeting to public testimony.

9:12:24 AM

TOMMY BALLOT SR. informed the committee he is the housing director of the Village of Selawik, which is 30 miles above the Arctic Circle. He said he and his wife spend over \$1,200 per month on electricity and heat. His personal experience is that it is very expensive to get materials to the village for home improvements. For example, one 2x4 that costs \$2.40 in Seattle costs \$18 in Selawik. He said he was very thankful for the program, although additional outside work needs to be finished in the summer. Mr. Ballot said the program helped the community

by creating jobs, and the greatest benefit is to help young people stay sober in the village.

REPRESENTATIVE NAGEAK observed the Rural CAP weatherization program underway when he was in Selawik last summer. He praised the program and the local workers who were making improvements on the houses.

[9:18:57 AM](#)

KIRK OVIOK JR. provided a brief background of his experience. He worked for the Energy Wise Program for two months as a crew leader. In the village, the tundra shifts and houses have many cracks and spaces open to the outside. The availability of jobs inspires residents to be drug-free. Mr. Oviok said the weatherization is effective, and more needs to be done.

MS. SCANLAN relayed that everyone in a community comes to the energy fair, including youth who are attracted to the calculators and meters. It is valuable experience for the kids to help their parents understand the math involved in conserving energy.

MS. KAZARY stressed that there are no eligibility requirements for the program thus all in a community receive services.

[9:26:29 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 9:26 a.m.