

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ENERGY

February 2, 2017
11:10 a.m.

MEMBERS PRESENT

Representative Adam Wool, Chair
Representative Ivy Spohnholz, Vice Chair
Representative Matt Claman
Representative Dean Westlake
Representative DeLena Johnson
Representative Jennifer Johnston
Representative George Rauscher

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 80

"An Act adopting the Municipal Property Assessed Clean Energy Act; authorizing municipalities to establish programs to impose assessments for energy improvements in regions designated by municipalities; imposing fees; and providing for an effective date."

- MOVED CSHB 80(ENE) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 80

SHORT TITLE: MUNI ENERGY IMPROVEMNT:ASSESSMNTS/BONDS

SPONSOR(s): REPRESENTATIVE(s) WOOL

| | | |
|----------|-----|---------------------------------|
| 01/25/17 | (H) | READ THE FIRST TIME - REFERRALS |
| 01/25/17 | (H) | ENE, CRA |
| 01/26/17 | (H) | ENE AT 11:00 AM CAPITOL 17 |
| 01/26/17 | (H) | Heard & Held |
| 01/26/17 | (H) | MINUTE(ENE) |
| 02/02/17 | (H) | ENE AT 11:00 AM CAPITOL 17 |

WITNESS REGISTER

SEAN SKALING, Assistant Executive Director
Energy Policy Director

Alaska Energy Authority
Anchorage, Alaska

POSITION STATEMENT: Answered questions during discussion of HB 80.

ROB EARL, Staff
Representative Adam Wool
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions on HB 80 on behalf of the bill sponsor, Representative Wool.

GENE THERRIAULT, Energy Policy Assistant
Alaska Energy Authority
Anchorage, Alaska

POSITION STATEMENT: Answered questions during discussion of HB 80.

BRITTANY SMART
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of the amendment.

ACTION NARRATIVE

[11:10:36 AM](#)

CHAIR ADAM WOOL called the House Special Committee on Energy meeting to order at 11:10 a.m. Representatives Wool, Spohnholz, Rauscher, Westlake, Johnson, and Johnston were present at the call to order. Representative Claman arrived as the meeting was in progress.

HB 80-MUNI ENERGY IMPROVEMNT:ASSESSMNTS/BONDS

[11:10:56 AM](#)

CHAIR WOOL announced that the only order of business would be HOUSE BILL NO. 80, "An Act adopting the Municipal Property Assessed Clean Energy Act; authorizing municipalities to establish programs to impose assessments for energy improvements in regions designated by municipalities; imposing fees; and providing for an effective date."

CHAIR WOOL clarified that the proposed bill would allow municipalities and boroughs to pay for the program using the

existing property tax system to incentivize energy efficiency improvements to commercial buildings.

[11:11:19 AM](#)

REPRESENTATIVE JOHNSTON asked if the proposed bill allowed for any power generation, and, if so, were there any caveats to the size of power generation.

[11:11:50 AM](#)

SEAN SKALING, Assistant Executive Director, Energy Policy Director, Alaska Energy Authority, in response, explained that the proposed bill did allow for alternative energy being added to a building, as long as it was a permanent fixture. He offered an example of heat pumps and solar.

REPRESENTATIVE JOHNSTON expressed her concern for the addition of a gas generator.

MR. SKALING offered his belief that the language would be specific to the municipality which adopted this in the community. He pointed out that the proposed legislation allowed for alternative energy to happen, whereas sideboards could be added at the municipal level.

REPRESENTATIVE JOHNSTON stated that, as the program was already in place, public buildings could have their own gas turbines.

MR. SKALING replied, yes.

[11:13:50 AM](#)

CHAIR WOOL opened public testimony.

[11:14:19 AM](#)

REPRESENTATIVE SPOHNHOLZ moved to adopt Amendment J.1, labeled 30-LS0337\J.1, Shutts, 2/1/17, which read:

Page 7, lines 25 - 30:

Delete all material and insert:

"Sec. 29.55.120. Review required. The record owner of eligible property shall obtain from an independent third party the following:

(1) for each proposed qualified project,

(A) a review of the energy or emissions baseline conditions, as appropriate; and

(B) the projected reduction in energy costs, energy consumption or demand, or emissions affecting local air quality, as appropriate; and

(2) for each completed qualified project, verification that the qualified project was properly completed and is operating as intended."

Page 9, following line 22:

Insert a new paragraph to read:

"(4) reduction of emissions affecting local air quality;"

Renumber the following paragraphs accordingly.

Page 10, line 16:

Delete "decrease energy consumption or demand, including"

Insert "reduce energy consumption or demand, energy costs, or emissions affecting local air quality, and includes"

CHAIR WOOL objected for the purpose of discussion.

[11:14:46 AM](#)

ROB EARL, Staff, Representative Adam Wool, Alaska State Legislature, explained that the proposed amendment addressed the concerns that a property owner could not retrofit to a cleaner, though not cheaper, energy source and utilize the program, and would now allow a municipality or borough to use the PACE (Property Assessed Clean Energy) program to finance projects to improve air quality, even if the project did not decrease energy costs. He directed attention to the Explanation of Amendment [Included in members' packets] and referred to page 7, lines 25 - 31 of the proposed bill. The proposed amendment clarified that the commercial property owner was responsible for hiring the pre and post PACE project reviews, and it added that the criteria for the initial assessment could include a projected reduction in emissions. He moved on to page 9, line 22, of the proposed bill, and noted that the proposed amendment added a criteria for meeting the public purpose for the issue of bonds and notes that it can include a reduction of emissions affecting local air quality. He referenced page 10, line 16, of the proposed bill, and stated that the proposed amendment added to

the definition of "qualified improvement" as an improvement intended to reduce emissions affecting local air quality.

CHAIR WOOL clarified that this amendment allowed that application for a PACE loan could include an improvement to a structure for either efficiency or improvement to the quality of the exhaust.

[11:17:17 AM](#)

CHAIR WOOL removed his objection. There being no further objection to the proposed Amendment J.1, it was so ordered.

REPRESENTATIVE JOHNSTON opined that the amendment seemed to take away from the argument that the loan was being paid for by savings from energy efficiency.

[11:17:47 AM](#)

GENE THERRIAULT, Energy Policy Assistant, Alaska Energy Authority, said that the remainder of the bill still sought enough energy savings to cover the costs of the improvement and that the addition of the amendment did not short circuit this. He directed attention to a graph from the House Special Committee on Energy meeting on January 26, 2017, which showed that the improvements offered enough savings for the amortized payment, and was either cash positive or cash neutral. The amendment acknowledged that the achievement for a reduction of emissions was also a desirable goal of the enterprise. He offered an example of multiple projects to save money, stating that there was not encouragement for anything that "ultimately drives their cost up."

[11:19:26 AM](#)

CHAIR WOOL stated that an auditor could be hired for a study to ensure that costs would not increase.

MR. THERRIAULT expressed his agreement, and reported that part of the required review was for a recommendation on "the sensible things to do" with an estimation for whether it was the economically smart thing to do, and a follow-up to ensure the application was done correctly.

[11:20:07 AM](#)

REPRESENTATIVE SPOHNHOLZ asked to clarify that this gave potential borrowers the opportunity to make the improvements, but it did not require anyone to do anything that was not cost neutral.

MR. THERRIAULT offered his agreement, and stated that the proposed legislation offered a mechanism which allowed for a local government to voluntarily decide whether it made sense within its jurisdiction, and then, it was up to the individual property owner.

REPRESENTATIVE SPOHNHOLZ asked if there were any federal tax savings which a business could realize by making this decision to reduce emissions.

MR. THERRIAULT replied that although there could be, he was not aware if there were still any incentives. He allowed that any incentives could be taken into consideration for savings.

[11:21:53 AM](#)

REPRESENTATIVE JOHNSON asked how this program would work in an unorganized area or borough.

MR. THERRIAULT explained that the mechanism gave permission to a local government which exercised its property tax authority. Therefore, this could be used as a collection tool for any obligations.

REPRESENTATIVE JOHNSON asked how much area of the state was covered.

MR. THERRIAULT replied that, although he did not know the acreage, the majority of the state population lived in areas where property taxes were levied.

[indisc]

REPRESENTATIVE RAUSCHER asked for clarification that people in unorganized areas of the state would not be able to take advantage of this program.

MR. THERRIAULT expressed his agreement, as the program was only available in areas with a local government which issued property tax.

REPRESENTATIVE RAUSCHER asked whether property owners were the only ones making payments.

MR. THERRIAULT explained that, unlike water and sewer assessments that applied to an entire geographic area, this mechanism only applied to individual property, so the individual property owner decided for his property only.

[11:24:38 AM](#)

REPRESENTATIVE WESTLAKE asked for clarification that [in] organized boroughs, rather than paying a borough tax, improvements could be made for efficiencies or air quality and payments were made for these improvements.

MR. THERRIAULT reiterated that the proposed legislation only applied to commercial properties, or multi-unit residential properties of four or more. The property owner decided whether the improvements would make sense and save enough, and this loan would be re-paid through an assessment which was included on the property tax bill. He explained that this was not part of the property tax, but was a flat amount per year for a stated number of years that was contractually agreed upon between the property owner and the local government.

CHAIR WOOL stated that the billing mechanism was a line item on the property tax, in addition to the property tax, and if either item was not paid, this would be a default of the property tax.

MR. THERRIAULT expressed his agreement, and said that the local government had the ability to collect the obligation along with the property tax and any other assessment. As the local government collected this, the PACE obligation default rate was less than 1 percent.

[11:27:48 AM](#)

BRITTANY SMART testified in support of the amendment and stated that it was an energy saving [indisc].

[Public testimony was closed]

[11:28:35 AM](#)

REPRESENTATIVE SPOHNHOLZ moved to report HB 80, Version 30-LS0337\J, as amended, out of committee with individual recommendations and the accompanying zero fiscal note. There

being no objection, CSHB 80(ENE) was moved from the House Special Committee on Energy.

11:29:07 AM

The committee took a brief at-ease.

11:32:33 AM

CHAIR WOOL brought the committee back to order.

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 11:32 a.m.