

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

February 7, 2017  
10:21 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. 81

"An Act making an entity that is exempt from federal taxation under 26 U.S.C. 501(c)(3), (4), (6), (12), or (19) (Internal Revenue Code) and a federally recognized tribe eligible for a loan from the Alaska energy efficiency revolving loan fund; relating to loans from the Alaska energy efficiency revolving loan fund; and relating to the annual report published by the Alaska Housing Finance Corporation."

- HEARD & HELD

PRESENTATION: ALASKA AFFORDABLE ENERGY STRATEGY

- HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 81

SHORT TITLE: AK ENERGY EFFICIENCY LOANS: ELIGIBILITY

SPONSOR(S): REPRESENTATIVE(S) KREISS-TOMKINS

01/25/17	(H)	READ THE FIRST TIME - REFERRALS
01/25/17	(H)	ENE, FIN
01/31/17	(H)	ENE AT 10:15 AM CAPITOL 17
01/31/17	(H)	Heard & Held
01/31/17	(H)	MINUTE(ENE)

02/07/17

(H)

ENE AT 10:15 AM CAPITOL 17

**WITNESS REGISTER**

BERRETT WILBER, Staff  
Representative Jonathan Kreiss-Tomkins  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented the proposed Amendment A.4 to HB 81 on behalf of the bill sponsor, Representative Kreiss-Tompkins.

CADY LISTER, Chief Economist  
Alaska Energy Authority (AEA)  
Department of Commerce, Community & Economic Development  
Anchorage, Alaska

**POSITION STATEMENT:** Presented a PowerPoint titled "Alaska Affordable Energy Strategy" and answered questions during discussion of HB 81.

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

**POSITION STATEMENT:** Answered questions during discussion of HB 81.

KATIE CONWAY, Government Relations Manager  
Alaska Energy Authority (AEA)  
Department of Commerce, Community & Economic Development  
Anchorage, Alaska

**POSITION STATEMENT:** Presented a PowerPoint titled "Alaska Affordable Energy Strategy."

CADY LISTER, Chief Economist  
Alaska Energy Authority (AEA)  
Department of Commerce, Community & Economic Development  
Anchorage, Alaska

**POSITION STATEMENT:** Presented a PowerPoint titled "Alaska Affordable Energy Strategy" and answered questions during discussion of HB 81.

NEIL MCMAHON, Planning Manager  
Alaska Energy Authority (AEA)  
Department of Commerce, Community & Economic Development  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions during the PowerPoint presentation.

**ACTION NARRATIVE**

10:21:30 AM

**CHAIR ADAM WOOL** called the House Special Committee on Energy meeting to order at 10:21 a.m. Representatives Wool, Spohnholtz, Rauscher, Claman, Johnston, and Westlake were present at the call to order. Representative Johnson arrived as the meeting was in progress.

**HB 81-AK ENERGY EFFICIENCY LOANS: ELIGIBILITY**

10:21:53 AM

CHAIR WOOL announced that the first order of business would be HOUSE BILL NO. 81, "An Act making an entity that is exempt from federal taxation under 26 U.S.C. 501(c)(3), (4), (6), (12), or (19) (Internal Revenue Code) and a federally recognized tribe eligible for a loan from the Alaska energy efficiency revolving loan fund; relating to loans from the Alaska energy efficiency revolving loan fund; and relating to the annual report published by the Alaska Housing Finance Corporation."

10:22:20 AM

REPRESENTATIVE SPOHNHOLZ moved to adopt Amendment A.4, labeled 30-LS0353\A.4, Nauman, 2/6/17, which read:

Page 1, line 1:

Delete "**an entity that is**"

Insert "**certain entities that are**"

Page 1, line 2:

Delete "**a federally recognized tribe**"

Insert "**federally recognized tribes**"

Page 5, line 8, following "Code)":

Insert "**, but does not include an entity organized with the primary purpose of owning, operating, managing, or controlling a plant or system for furnishing electric service by generation, transmission, or distribution**"

CHAIR WOOL objected for discussion.

10:22:57 AM

BERRETT WILBER, Staff, Representative Jonathan Kreiss-Tomkins, Alaska State Legislature, explained that the proposed Amendment A.4 resulted from discussions with the Alaska Housing Finance Corporation (AHFC) and the Alaska Energy Authority (AEA). She pointed out that 501(c)(12) non-profit organizations included electric cooperatives. She reported that AHFC had expressed a lack of expertise in its loan vetting process to offer energy efficiency loans to power generators for the purpose of power generation and distribution. She offered her belief that a conceptual amendment could allow electric cooperatives to receive efficiency loans for building envelope efficiencies, but not allow for distribution to the power grid.

REPRESENTATIVE WESTLAKE asked for clarification that this was specific to the efficiencies to each individual building.

MS. WILBER replied, "yes, that's correct in my estimation."

10:25:22 AM

REPRESENTATIVE WESTLAKE offered a conceptual amendment to the proposed Amendment A.4, at the end of line 12, which read:

except when used for building end-use energy efficiency improvements unrelated to the generation, distribution or transmission of power or recovered heat.

REPRESENTATIVE WOOL reiterated that the proposed conceptual amendment to proposed Amendment A.4 would make funds available for building envelope energy efficiencies, but not for power generation.

REPRESENTATIVE WESTLAKE expressed his agreement and asked that AEA further address the issue.

10:27:32 AM

CADY LISTER, Chief Economist, Alaska Energy Authority (AEA), Department of Commerce, Community & Economic Development, stated that AEA supported the proposed conceptual amendment. She explained that AEA had the Power Project Loan Fund program which offered financing for generation and transmission of energy

systems projects, as well as some efficiency measures. She offered the belief that it was important to maintain lending to the power generators, especially in Rural Alaska. She reported that AEA staff had the technical capacity to assess and evaluate the appropriateness and legality of a project. She explained that there were many Environmental Protection Agency regulations regarding the use of diesel fuel as prime power, that these regulations changed often, and that the State of Alaska had special waivers and exemptions.

CHAIR WOOL asked if AEA offered loans for building envelope energy efficiency or simply for power distribution, generation, and transmission. He opined that augmenting the AHFC loans for efficiency would dovetail with the AEA program.

MS. LISTER offered her belief that it would dovetail.

REPRESENTATIVE SPOHNHOLZ asked for an at-ease for language clarification to the proposed conceptual amendment in order to avoid any unintended consequences.

[10:30:39 AM](#)

The committee took an at-ease from 10:30 a.m. to 10:33 a.m.

[10:33:01 AM](#)

CHAIR WOOL explained that the proposed conceptual amendment to proposed Amendment A.4 stated that the loans could be used for energy, building envelope, or consumption efficiency but not for any power distribution, transmission, or generation.

REPRESENTATIVE SPOHNHOLZ reiterated the proposed conceptual amendment, stating that it "does not include an entity organized for the purpose of owning, operating, managing, or controlling a plant or system for furnishing electric service by generation, transmission, or service, except for the purposes of energy efficiency of the building."

CHAIR WOOL added "or buildings that they may own."

[10:34:19 AM](#)

REPRESENTATIVE KREISS-TOMKINS, in response to Representative Westlake, expressed his support for the proposed conceptual amendment and declared that it was consistent with the intent to improve energy efficiency.

[There being no objection, the proposed conceptual amendment to proposed Amendment A.4 was adopted.]

[10:34:42 AM](#)

CHAIR WOOL removed his objection to Amendment A.4. There being no further objection, Amendment A.4, as amended, was adopted.

[10:35:24 AM](#)

REPRESENTATIVE RAUSCHER moved to adopt Amendment A.2, labeled 30-LS0353\A.2, Nauman, 2/1/17, which read:

Page 5, line 14, following "section,":  
Insert "(1)"

Page 5, line 15, following "enterprise":  
Insert ";

(2) the corporation may not make a loan under this section to a tax exempt entity, federally recognized tribe, or regional housing authority if, at the time of making the loan, the total amount of outstanding loans under this section to tax exempt entities, federally recognized tribes, and regional housing authorities exceeds 10 percent of the total amount of bonds the corporation is authorized to issue to secure loans under this section."

CHAIR WOOL objected for discussion.

REPRESENTATIVE RAUSCHER explained that proposed Amendment A.2 would add language to limit the loan funds available to tax-exempt entities, federally recognized tribes, or regional housing authorities. He allowed that although the proposed amendment stated a limit of 10 percent of the total amount, he acknowledged that there had been discussion to increase this amount to 30 percent. He stated that the limit would preserve the loan funds available for use by municipal governments, as intended by the original legislation in 2010.

[10:37:19 AM](#)

REPRESENTATIVE CLAMAN questioned the intent of the proposed amendment, as testimony indicated that the existing fund had only issued one loan in four years. He asked why there should

be a restriction on loan amounts when there was not an existing demand.

REPRESENTATIVE RAUSCHER explained that, although the purpose of proposed HB 81 was to generate a source for newer loans, it should allow funds for the original intent of the program. He stated that "just because they weren't used, doesn't mean they won't be." He suggested that opening up use could drain and deplete the fund, so that there would no longer be money available for its original intent.

REPRESENTATIVE SPOHNHOLZ opined that the original legislation still allowed for a priority to the originally intended beneficiaries. She stated that the proposed bill was "widening the net" and not putting non-profits in a position "of essentially trumping public agencies for the benefit of these services." She declared that this was an attempt to reduce energy costs across the state and be more efficient with our resources, especially as many of the non-profits were funded through state government. She suggested that proposed Amendment A.2 was "a solution in search of a problem."

CHAIR WOOL asked for AHFC to address the issue.

[10:40:27 AM](#)

STACY SCHUBERT, Director, Governmental Affairs & Public Relations, Alaska Housing Finance Corporation, Department of Revenue, stated that AHFC would be able to implement proposed Amendment A.2, but that AHFC was neutral and had no preference.

CHAIR WOOL reflected that, in the history of the program, there had only been two applicants resulting in one loan, and asked if it was foreseeable for an increase in applications by those tribal entities and non-profits addressed through proposed HB 81, or an increase in applications from public entities as the availability of grants had decreased.

MS. SCHUBERT relayed that the original legislation allowed for \$250 million in funding, and that, should there be greater necessity for funds, AHFC could ask the Alaska State Legislature for an increase to the availability of loan funds.

REPRESENTATIVE CLAMAN asked if any municipalities had complained about a lack of ability to apply for these funds.

REPRESENTATIVE RAUSCHER replied, no.

REPRESENTATIVE CLAMAN asked if any municipality had contacted Representative Rauscher with concerns for the availability of loan funds.

REPRESENTATIVE RAUSCHER replied, no.

[10:42:54 AM](#)

REPRESENTATIVE JOHNSON, reflecting on her time working in municipal government as a mayor, acknowledged that she was not aware of this loan fund. She offered her belief that this lack of awareness could be wide spread, and, as a municipal representative, she would want "a chance at the pot of money." She suggested that most people were not aware of this loan fund.

CHAIR WOOL offered his belief that \$250 million of bonding ability was a large amount of money that was currently underutilized. He reminded the committee that AHFC had stated that more money could be requested if all of the loan fund was committed. He opined that loans to all the aforementioned entities would be a good thing, as energy efficiency and less fuel consumption was a goal. He acknowledged that use of the entire fund could be a problem, but "maybe not such a bad problem."

[10:45:03 AM](#)

REPRESENTATIVE CLAMAN stated that he opposed proposed Amendment A.2. He expressed his agreement with Representative Spohnholz that this was "a solution in search of a problem." He opined that the original intent of the legislation was to resolve energy efficiency issues with funding, and limiting access to the funds was a disservice to the communities.

[10:46:50 AM](#)

REPRESENTATIVE JOHNSTON asked about negotiation to the percentage of the total amount of the bonds available to the aforementioned entities.

REPRESENTATIVE RAUSCHER in response, explained that his intent was to ensure there was money for the original intent of the fund, and "not to limit anybody's ability to make any kind of efficiency loans."

REPRESENTATIVE JOHNSTON offered her support for proposed Amendment A.2, as there was a changing environment, and that many public buildings would require greater efforts and more money. She suggested that an increase to 30 percent of the total amount of bonds was "a rather large number" and that it was a good compromise to allow for the intent of the original language.

REPRESENTATIVE RAUSCHER offered to renegotiate the percentage.

CHAIR WOOL allowed that there could also be renegotiation if all the funds were depleted.

REPRESENTATIVE JOHNSON offered her support for proposed Amendment A.2, stating that these were public buildings in the public trust, paid for with public monies, and the fund had been originally intended for public monies to be borrowed and paid back. She stated that the original intent was fulfilling the public trust, and that the proposed changes were enhancing buildings in the private, non-profit sector.

CHAIR WOOL offered his belief that the proposed amendment did not address privately owned buildings, only tribal entities and non-profits.

REPRESENTATIVE KREISS-TOMKINS, in response, stated that technically non-profit organizations were private, although they had to satisfy public benefit and a public good.

REPRESENTATIVE JOHNSON clarified that a non-profit organization was a private entity.

[10:50:36 AM](#)

The committee took a brief at-ease.

[10:52:50 AM](#)

CHAIR WOOL brought the committee back to order. He declared that the objection to proposed Amendment A.2 had been maintained.

[10:53:00 AM](#)

REPRESENTATIVE RAUSCHER offered a conceptual amendment to proposed Amendment A.2 which would change the percentage of the total amount of bonds on line 10 from 10 percent to 30 percent.

[10:53:44 AM](#)

REPRESENTATIVE CLAMAN stated that, although he did not oppose the proposed conceptual amendment, he maintained his objection to proposed Amendment A.2.

[10:54:09 AM](#)

A roll call vote was taken. Representatives Rauscher, Johnson, and Johnston voted in favor of Amendment A.2. Representatives Claman, Spohnholz, and Wool voted against it. Therefore, Amendment A.2 failed the House Special Committee on Energy by a vote of 3 yeas - 3 nays.

[10:55:02 AM](#)

The committee took a brief at-ease.

[10:55:41 AM](#)

CHAIR WOOL stated that proposed Amendment A.2 did not pass.

[10:55:52 AM](#)

CHAIR WOOL asked if there was consensus for passage of proposed HB 81, as amended, out of committee.

REPRESENTATIVE CLAMAN reiterated that the original intent of the proposed bill was to get energy efficient loans into the community, and it was never intended to be specific to any particular group. He pointed out that the municipalities had not applied for the loans. He offered his belief that proposed HB 81, as amended, was "100 percent consistent with the original goal and intent of the original legislation which is to get funds available for energy efficiencies throughout Alaska." He declared his support of the bill.

REPRESENTATIVE JOHNSON stated that she was not in favor of passing the bill out of committee. She reiterated that the fund was a large amount of public funds for the public trust and administered by a public entity. She offered her belief that the intent of the bill was to further allow public buildings and municipalities to upgrade facilities, so it would save public money.

REPRESENTATIVE RAUSCHER expressed his agreement with Representative Johnson.

[10:57:51 AM](#)

CHAIR WOOL stated that AHFC was a state entity which loaned money to private individuals to buy homes and that this money was also bonded for public buildings. He said that the proposed bill opened the funding up to other entities as the fund had been barely used although, he acknowledged, many municipalities may not have been aware of the fund. Chair Wool said that he would hold over HB 81.

[10:58:44 AM](#)

The committee took a brief at-ease.

**Presentation: Alaska Affordable Energy Strategy**

[11:00:48 AM](#)

CHAIR WOOL announced that the next order of business would be a presentation on the Alaska Affordable Energy Strategy.

[11:01:05 AM](#)

KATIE CONWAY, Government Relations Manager, Alaska Energy Authority (AEA), Department of Commerce, Community & Economic Development, introduced a PowerPoint titled "Alaska Affordable Energy Strategy," and noted that the presentation would only focus on this strategy and not on any other AEA programs. She shared that, although power generation in the state was often taken for granted, the reality was that the energy systems generating and distributing the power were complicated, required a lot of work to sustain and, for those not connected to a grid, lacked back-up. She reminded that communities relied on heat and power, and that affordable energy was a fundamental need. She directed attention to slide 3, "Bulk Fuel, Generation, Distribution" which she characterized as the energy infrastructure. She discussed slide 4, "Energy infrastructure is critical infrastructure," and spoke about the need for continuous improvement and replacement. She reported that the yearly capital cost to replace existing electricity generation and bulk fuel storage in rural communities was more than \$30 million. She stated that more than \$1 billion federal and state dollars had been invested during the past 15 years in energy projects outside the Railbelt. Pointing to slide 5, "The future

points to more dynamic funding," she declared that, although the need to continually invest remained constant, the availability of public funding was decreasing and communities and utilities had to find other ways to deliver safe, reliable, stable, and affordable energy services. She stated that state government needed to ensure the framework was in place to maximize federal dollars, encourage private sector investment, prepare communities and utilities for debt-financing solutions rather than relying exclusively on public funding to implement projects, ensure proper project selection given the unique circumstances of any individual community, and provide technical assistance and consumer protection. She declared that the Alaska Affordable Energy strategy offered these solutions. She suggested that this strategy was a framework for choosing the way critical energy programs and cost-effective services were provided to the non-Railbelt communities and utilities. She addressed slide 7, "In 2014, Senate Bill 138 tasked AEA to" develop an infrastructure to deliver more affordable energy to areas of the state which did not have direct access to a North Slope natural gas pipeline. She emphasized that the Affordable Energy strategy applied only to non-Railbelt areas. She pointed out that AEA had also been directed to consider existing state energy policy, which included the 15 percent by 2020 energy efficiency, and 50 percent by 2025 renewable energy goals which had been established in 2010. She listed some key points, which included: only non-Railbelt regions made up the study area; the project was a data and research based project conducted over two years; there is not a list of capital projects; and, AEA focused on improvement to the decision making process and expansion for the availability of financing tools for energy projects. She pointed out that although the presentation would be linear for ease of explanation, it should be considered as an interconnected web. She stated that the benefits of these recommendations could be statewide, as every dollar saved allowed for more to be done with less, which was especially relevant given the current fiscal crisis in Alaska, slide 8.

[11:09:02 AM](#)

MS. CONWAY moved on to slide 9, "Study area communities," and stated that there was a wildly variable set of circumstances influencing energy costs in the study area. She shared that the median community size within the study area was 300 people, and that 76 percent of the study area communities were not connected by road or marine highway. She reported that the median electric rate within the study area, before PCE (Power Cost Equalization), was \$0.62 per kilowatt hour, and the median cost

of heating oil was \$4.55 per gallon. She reminded that the gallon equivalent of natural gas in Southcentral Alaska cost less than \$1 per gallon.

CHAIR WOOL asked what year the price of heating oil data reflected.

MS. CONWAY replied that it was 2016.

MS. CONWAY returned to slide 10 and stated that implementation of the Affordable Energy Strategy would improve project selection and ensure that the most cost effective projects would be done first; would diversify financing options; and, would strengthen accountability through requirements and incentives which encouraged best financial, managerial, and technical practices. She relayed that AEA had considered more than 150 reports and studies over the past two years, as well as recently completed regional energy plans and community vetted priorities. She concluded by saying that the project commissioned specific studies to fill in gaps and knowledge related to end use efficiency, liquefied natural gas, fuel delivery and storage, utility management structures, and barriers to private investment in Rural Alaska. She noted that the strategy had reviewed the entire energy system within the study area, and not just AEA programs and services, and had built all the information into the Alaska Affordable Energy model. She added that this model allowed comparison of different energy infrastructure options to be used to help communities and policy makers better identify the most cost effective projects. She noted that the use of "affordable" was interchangeable with "cost effective" as the lowest cost option given the unique circumstances of a specific place at a specific moment in time. She declared that, although it was difficult to dramatically lower costs, there were many opportunities for improving cost effectiveness, especially for energy efficiencies. She stated that many of the strongest opportunities for more affordable energy were difficult to capture within the current system of energy programs and services. She concluded with slide 13, "There are no one-size-fits-all solutions."

[11:13:24 AM](#)

CADY LISTER, Chief Economist, Alaska Energy Authority (AEA), Department of Commerce, Community & Economic Development, stated that the Affordable Energy Strategy proposed an evidence-based management framework to guide decision making which was based on a foundation of collaboration and research. She reported that

the recommendations were organized into four categories, or pillars, slide 14. The first pillar was identification of cost effective projects, followed by financing those projects, creating systems of accountability and sustainability, and funding state energy programs. She shared that the goal of these pillars was to support safe, reliable, stable, and affordable energy, and that the recommendations were interconnected and could influence multiple categories. She declared that these built off the successes of the many past and current energy programs while recognizing that the levels of influence to local government decision making and action were limited. She stated that each of the proposed solutions employed at least one of the following mechanisms: direct financing through grants, loans, or incentives; technical assistance through the collection and sharing of data, information analysis, evaluation, and consultation; and requirements, such as mandates, regulations, and standards. She addressed slide 15, "Research identified pain points in the system and offers solutions to address them" and said that barriers and risks were leading to higher cost energy. She relayed that an expectation of grants in some communities had led to the delayed implementation of beneficial projects, as well as underdevelopment of the administrative and financial structures necessary to access the financing. She shared that the method of state and federal funding had also led to project development based on funding availability rather than the actual need. She pointed out that the expected performance and economic life of energy projects was sometimes not realized, as maintenance and operations of energy systems required a certain level of technical, business, and financial capacity and expertise which was not always available at the local level. She moved on to slide 16, and shared that there were a menu of options to be considered, but, although not all the recommendations were applicable in all situations, taken as a whole the Affordable Energy strategy offered meaningful, realistic, and achievable solutions.

[11:16:46 AM](#)

REPRESENTATIVE CLAMAN asked about the costs of heating oil and kilowatt hours in rural communities compared to urban Alaska.

MS. LISTER replied that she did not have the cost per kilowatt hour for all the urban communities, adding that there was a lot of variability. She relayed that areas with access to natural gas for heating had the lowest heating costs. She said that the energy equivalent in Anchorage was less than \$1 per gallon for

heating oil, and that Fairbanks was about 26 cents per kilowatt hour.

CHAIR WOOL shared that his cost in Fairbanks was about 17 cents per kilowatt hour.

MS. LISTER said that the population weighted average cost for Fairbanks, Anchorage, and Juneau was about 16 cents per kilowatt hour.

CHAIR WOOL asked about the aforementioned 3000 capital projects reviewed.

MS. LISTER explained that the model developed to evaluate potential projects in each community had relied on the best available data from studies done over the years. She said this data, along with socio-economic and population data, was used to evaluate the opportunities to lower the cost of power for each community.

[11:20:51 AM](#)

MS. LISTER said that AEA recommended that the state energy policy be amended to include a goal that formalizes the commitment for delivering critical energy programs and services to ensure safety, stability, reliability, and affordability in communities by 2030, slide 17. She pointed to slide 19, "Recommendation A-1", which was identification of cost effective projects. She said that the three recommendations for this pillar were access to better community level data necessary to make well informed decisions about energy projects and programs. She reported that, although there was data available to understand community goals, consumer needs, utility needs, and environmental needs, there were still gaps to be filled to better allow for decisions at the local level. She recommended formalizing responsibility to collect and have publicly accessible community level energy data as well as data for all state energy programs, and to regularly update the Alaska Affordable Energy model in order to provide guidance regarding the cost effectiveness of energy infrastructure opportunities, slide 20, "Recommendation A-2."

[11:22:57 AM](#)

MS. LISTER said that the strategy recommended codifying and clarifying the work already done to ensure that the most efficient and cost effective energy systems were being

identified and built. She said that the state will work with communities seeking assistance to reduce energy costs to identify, plan, and assist in financing energy projects and programs, while first targeting PCE communities in order to provide savings in these high cost areas. She produced slide 21, "Recommendation A-3," and stated that the goal was to establish building energy codes for new residential and non-residential construction and major renovation. She pointed out that building to an efficient standard was cost effective, as it saved energy throughout the life of the building and was less expensive than retrofitting later. She declared that it made sense for new buildings to be built with lower operational costs, so as not to be a future financial burden.

[11:24:51 AM](#)

MS. LISTER addressed slide 22, "Financing cost-effective projects" which included the five recommendations for improving access to and expanding the types of financing tools available to communities to better leverage non-state dollars and to connect potential investors or lenders with bankable projects. Slide 23, "Recommendation B-1" clarified a recommendation to allow bulk fuel loan participants to purchase non-diesel fuels. This program offered communities an easy to use, low cost financing tool to purchase large quantities of petroleum fuels, thereby reducing the per unit cost and reducing the risk of non-payment to distributors. She added that this same program would be a benefit to many communities with bio mass projects.

[11:25:50 AM](#)

CHAIR WOOL asked if bulk fuel purchases could only be diesel.

MS. LISTER replied that was correct, moved to slide 24, "Recommendation B-2" and said that communities needed assistance for accessing the funding opportunities, as often administrative capacity was the limiting factor for securing existing financing options for both grants and loans. She declared that access to a one-stop-shop for financing could play an important role. She referred to this one-stop-shop as the Community Energy Fund for Alaska (CEFA). She explained that CEFA could be a funding source and a matchmaker with other financiers, and would be accessible to municipalities, boroughs, utilities, and tribes, among others. CEFA would be available for generation, distribution, transmission, and demand side efficiency projects. The use of these funds would require the State of Alaska to make

a determination that the project was a cost-effective strategy for meeting the community's energy needs.

[11:28:03 AM](#)

MS. LISTER, in response to Representative Spohnholz, explained that CEFA was Community Energy Fund for Alaska. She continued, and said that access to financing assistance was important because it maximized the leveraging of non-state dollars, provided financing flexibility to serve the needs of communities, and reduced transaction costs for both borrowers and lenders. It would also help with the transition from grants to loans.

MS. LISTER continued with slide 25, "Recommendation B-3," and said that this would create a loan program with refund provisions that rewarded project performance. Portions of the loan for energy infrastructure would be refunded if the borrower met objective standards for performance and reporting that would help maintain the economic life of the infrastructure, and would be an alternative to straight grant funding, would be a mechanism to stretch State of Alaska dollars, and would be an incentive for communities to maintain infrastructure for its entire economic life.

MS. LISTER moved on to slide 26, "Recommendation B-4," and spoke about on-bill financing, which she described as similar to the commercial PACE program, except that repayment was through the utility bill. She reported that both mechanisms allowed for less risk to the lender, and more attractive terms to the borrower, while saving energy and money, and creating business opportunity for local economies in both the financing industry and the construction trade.

MS. LISTER addressed slide 27, "Recommendation B-5," which recommended to stabilize the funding for loans from the residential weatherization assistance programs, as this had the best return of government energy programs for investment in energy savings. She recommended to maintain a baseline funding of \$10 million per year, which would enable the continuation of this program and would capitalize on the existing trained work force. She suggested to modify the rules of the home energy rebate program to create a sliding scale of income based match, so as to better serve Rural Alaska and home owners without the cash on hand to participate. She moved on to the six recommendations under the next pillar, "Accountability and Sustainability," slide 28. These requirements and incentives

would maximize the operational life of infrastructure and would provide for financial and management standards that would increase the ability to access that financing. She directed attention to slide 29, "Recommendation C-1," which would strengthen business and financial management assistance for PCE eligible utilities. Reducing the non-fuel costs of power through efficient business operations could save millions of dollars each year. She shared that in PCE communities, the non-fuel costs were almost half of the total electric costs, and more efficient business and management practices could bring direct savings to the consumers and the state with reduced PCE payments. She recommended to codify the commitment.

[11:33:12 AM](#)

MS. LISTER declared that "Recommendation C-2," slide 30, would build off successful regional activity, recognizing that the state cannot and should not do everything, as regional entities often better knew the community needs and could more quickly respond. She offered some examples of assistance to include management of utility finances and accounting, expansion of regional utility cooperatives, fuel purchasing cooperatives, and management of building efficiency programs. Presenting slide 31, "Recommendation C-3," she reported that a cost effective regulatory system would ensure PCE eligible electric utilities were fit, willing, and able to provide the required services, and would ensure that assets were maintained for their economic life and that the financial and managerial leadership of the utilities would minimize non fuel costs.

[11:35:07 AM](#)

MS. LISTER turned to slide 32, "Recommendation C-4:" and explained that AEA recommended that all community buildings receiving PCE, and larger than 5000 square feet, be required to have an energy audit and implement the recommendations of those audits, should they provide net savings within 10 years. She stated that having efficient community facilities allowed communities to spread the community facility subsidy allocation over a larger number of buildings, as well as lowering the community facility operating costs. It also ensured that PCE was not subsidizing more kilowatt hours than necessary. She directed attention to slide 33, "Recommendation C-5:" and explained that the RCA (Regulatory Commission of Alaska) currently made determinations on the eligibility of new energy infrastructure developments after they were built. She stated that research had found that this was a barrier to private

investment as it was a source of uncertainty. She relayed that citing authority could reduce this uncertainty and also add a layer of consumer protection. She reported on slide 34, "Recommendation C-6:" and explained that this was designed to provide a requirement for utilities to do continuous quality improvement, seeking out and implementing cost effective opportunities to reduce fuel consumption. She declared that having a fuel reduction target allowed for a wider range of project or program possibilities than an efficiency or renewable target. She added that the recommendation supported the 2010 state energy policy goals for 50 percent renewable and 15 percent improvement in energy efficiency, as well as supporting statute pertaining to cost minimization which required PCE eligible utilities to "cooperate with appropriate state agencies to implement cost effective energy conservation measures and to plan for and implement feasible alternatives to diesel generation." She emphasized that the cost effective aspect was very important and that programs should not be advanced which increased the cost to consumers. She directed attention to slide 35, "Funding programs:" and explained that the statute which created the "Affordable Energy Strategy" had two distinct requirements for program funding recommendations: to suggest potential revenue sources for funding state energy programs and projects recommended by the study, and to recommend the means for directly underwriting the energy costs. She offered slide 36, "Recommendation D-1:" and stated that the first funding option was to use the Alaska Affordable Energy Fund, as the statute also included creation of a fund which would take 20 percent of revenue from royalties off a future gas line to pay for energy projects and programs in the study area, a fund which was estimated to generate \$80 - \$150 million annually. She pointed out that, as this revenue source was still more than a decade away and there was a need for continued investment in energy infrastructure, it was necessary to identify alternative revenue sources for different projects and programs. She declared that one potential revenue source for a small subsection of energy programs and services was the PCE fund, and while acknowledging the importance for maintaining this endowment in perpetuity, she suggested a small increase in the allocation from earnings to administer the PCE program and directly related critical support services, slide 38, "Recommendation D-2:". She shared that the full administrative cost of the PCE program had been subsidized with general fund dollars, and recommended instead to use existing statutory authority to fully cover the PCE administrative costs.

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MS. LISTER moved on to slide 39, "Recommendation D-3:" and spoke about a per unit energy surcharge, also referred to as a systems benefit charge or universal service charge. These charges would help create revenue streams to fund cost effective programs and projects, specifically electric and heating projects in the study area. She shared slide 40, "Recommendation D-4:" and stated that AEA recommended to continue the Power Cost Equalization (PCE) program and to revive the Alaska Heating Assistance program in order to directly underwrite the cost of energy in communities without cost effective infrastructure. She reported that the PCE program was the largest and most broad based consistent source of energy funding in the study area. She emphasized that opportunities presented in the Affordable Energy Strategy were expected to reduce the cost of energy, although not enough to eliminate a need for the PCE program, and that it was extremely important to maintain the integrity of the PCE endowment fund to ensure the sustainability of the PCE benefit.

[11:41:41 AM](#)

MS. LISTER shared one additional idea for consideration, slide 41, "For Consideration:". She suggested consideration for a state entity with the authority to consolidate and manage consumer energy to the extent which was reasonable, which would increase efficiency for delivering state energy programs to communities. She acknowledged that although this was not a new idea, it was an idea which merited renewed consideration, as consumer energy was such an important issue in Alaska and it was imperative to address and coordinate these challenges at a high level to be both efficient and effective. She pointed out that implementation of the aforementioned recommendations could spread state energy programs over half a dozen agencies, and could be further complicated by institutional gaps and competing agency mandates. She opined that development of a coordinated and strategic plan to best assist communities could become problematic without consolidated authority.

[11:42:49 AM](#)

MS. LISTER closed the PowerPoint with slide 42, "Conclusions," stating that keeping the lights on and buildings heated required investments in energy infrastructure and insuring that those investments were protected over the long term. She declared that the state could take action to encourage stronger and more affordable community energy systems, regardless of the budgetary

challenges, through policy, regulatory, and statutory changes. She emphasized that the Affordable Energy Strategy provided guidance for these changes.

[11:43:19 AM](#)

REPRESENTATIVE JOHNSTON asked if Recommendation A-3 suggested a statewide building code beyond what was already written.

MS. LISTER replied that all the recommendations only applied to the study area, and were not statewide.

REPRESENTATIVE JOHNSTON asked if this recommendation would merge with those regulations already in place for Alaska and federal housing programs.

MS. CONWAY clarified that the recommendation was for building energy codes, which had been ratified by both AHFC and the government housing summit.

REPRESENTATIVE JOHNSTON replied that financing required certain building standards, which were often different in different service areas. She asked if AEA had considered this.

MS. LISTER replied that AHFC had the building energy efficiency standard. She added that housing funds through the Native American Housing and Self Determination Act to regional housing authorities also had specific code and energy requirements.

REPRESENTATIVE JOHNSTON expressed her understanding that codified codes could become antiquated very quickly as science and technology changed, suggesting caution as this approach could be detrimental instead of helpful. She expressed confusion for the one-stop shop financing and asked if it was a source of information and coordination, or a source for all funds.

MS. LISTER replied that conceptually it was all of those things, although there was a lot to be clarified before it was established. She explained that it was addressing a barrier to small communities that lacked the administrative capacity to "jump through the sometimes really substantial hurdles related to federal funding opportunities for both grants and loans" and how to access appropriate financing. She expressed anticipation for acceptance of certain funding to be made available with less paperwork for the borrower.

REPRESENTATIVE JOHNSTON asked if this could be negotiated among the other state entities.

MS. LISTER opined that this was a matter of connecting and coordinating, a lot of which already existed between AEA and AHFC.

MS. CONWAY, in response to Representative Johnston explained that there was a presentation to the Alaska Municipal League (AML) in a few weeks.

[11:52:02 AM](#)

NEIL MCMAHON, Planning Manager, Alaska Energy Authority (AEA), Department of Commerce, Community & Economic Development, in response, said that he had not reached out specifically to AML.

REPRESENTATIVE JOHNSTON suggested AML as a resource.

CHAIR WOOL asked whether the state funding for weatherization was a grant or a loan.

MS. LISTER replied that it was grant money.

CHAIR WOOL asked about the money for administration of the PCE fund.

MS. CONWAY explained that there was some funding to AEA for part of the administrative cost, but the recommendation was to fully cover those costs, about \$600,000 annually.

CHAIR WOOL asked if the universal service charge would be applied to non-Railbelt utilities for use in non-Railbelt areas.

MS. LISTER replied that all the recommendations from the study were for non-Railbelt utilities. She explained that there were various ways to implement universal service charges, although charges collected within a service area usually stayed in that service area.

CHAIR WOOL shared his belief that most utilities in the non-Railbelt were already expensive, and that any additional charge would be tough for the community. He asked if the universal service charges would stay in those specific communities.

MS. LISTER replied that this was still to be determined in the deliberative process.

CHAIR WOOL asked how the aforementioned state entity would be different than AEA.

MS. LISTER replied that the recommendation was to create a single state entity with authority for consumer energy programs, with no specific recommendation that AEA be that entity. She explained that the AEA programs covered a wide range of energy programs, while AHFC focused more on housing and the demand side of the energy equation. She pointed out that the Department of Transportation & Public Facilities provided many energy retrofits on public facilities. She reiterated that the recommendation was for one authority to create a strategic plan and be more effective and efficient in the implementation.

[11:58:19 AM](#)

REPRESENTATIVE SPOHNHOLZ noted that there were quite a few recommendations in the Affordable Energy Strategy which were expected to produce cost savings. She asked if there was modeling for any of these to better offer an understanding.

MS. LISTER acknowledged that there were models which would be provided. She reported that the Affordable Energy model was an interactive tool, which had documentation for what was driving the model.

[12:00:22 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 12:00 p.m.