

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

March 1, 2018

10:17 a.m.

MEMBERS PRESENT

Representative Adam Wool, Chair
Representative Matt Claman
Representative John Lincoln
Representative DeLena Johnson
Representative Jennifer Johnston
Representative George Rauscher

MEMBERS ABSENT

Representative Ivy Spohnholz, Vice Chair

COMMITTEE CALENDAR

HOUSE BILL NO. 374

"An Act relating to on-bill financing by an electric or gas distribution utility for certain energy efficiency and conservation improvements."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 374

SHORT TITLE: ON-BILL FINANCING OF ENERGY IMPROVEMENTS

SPONSOR(S): REPRESENTATIVE(S) WOOL

02/21/18	(H)	READ THE FIRST TIME - REFERRALS
02/21/18	(H)	ENE, L&C
03/01/18	(H)	ENE AT 10:15 AM CAPITOL 17

WITNESS REGISTER

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

POSITION STATEMENT: Presented HB 374 on behalf of the bill sponsor, Representative Wool.

JOMO STEWART, General Manager

Interior Gas Utility
Fairbanks, Alaska

POSITION STATEMENT: Testified during discussion of HB 374.

CORY BORGESON, President & CEO
Golden Valley Electric Association
Fairbanks, Alaska

POSITION STATEMENT: Testified during discussion of HB 374.

LOUIE FLORA, Government Affairs Director
The Alaska Center
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 374.

ACTION NARRATIVE

[10:17:49 AM](#)

CHAIR ADAM WOOL called the House Special Committee on Energy meeting to order at 10:17 a.m. Representatives Wool, Rauscher, Lincoln, and Johnson were present at the call to order. Representatives Johnston and Claman arrived as the meeting was in progress.

HB 374-ON-BILL FINANCING OF ENERGY IMPROVEMENTS

[10:18:08 AM](#)

CHAIR WOOL announced that the only order of business would be HOUSE BILL NO. 374, "An Act relating to on-bill financing by an electric or gas distribution utility for certain energy efficiency and conservation improvements."

[10:18:27 AM](#)

REPRESENTATIVE RAUSCHER moved to adopt the proposed committee substitute (CS) for HB 374, labeled 30-LS1333\U, Laffen, 2/28/18, as the working draft. There being no objection, it was so ordered.

[10:18:56 AM](#)

ROB EARL, Staff, Representative Adam Wool, Alaska State Legislature, paraphrased from the Sponsor Statement [Included in members' packets], which read:

HB 374 would allow a utility to voluntarily create an on-bill financing or on-bill repayment program to help customers finance energy improvements. The improvement must utilize renewable energy or include switching to a more efficient device or fuel that does not increase greenhouse gas emissions. This legislation will be particularly useful as the Interior Energy Project expands its reach and a large number of Fairbanks residents choose to convert from oil to natural gas to heat their homes.

The on-bill financing program allows a utility customer to borrow money for an energy improvement and then repay it through a "meter conservation charge" on their utility bill. A customer's utility bill, even with the meter conservation charge, is often immediately lower due to savings in energy costs due to increased efficiency.

Examples of energy improvements that would qualify under HB 374 include: adding solar panels to a house; converting to a cleaner burning wood stove; and converting a boiler or furnace to natural gas. Weatherization projects such as upgrading windows or insulation would not qualify under this legislation.

HB 374 allows for utilities to create either an "on-bill financing" or an "on-bill repayment" program. Under the former type of program, the utility provides the capital for the loan to the customer and under the latter a third party financial institution would provide the capital.

A utility may recoup all of their costs associated with the program through a line item on the bill of a customer who has elected to utilize the program for an energy improvement. The balance of the costs on an on-bill financing agreement may be recovered by the utility when a property is sold.

HB 374 provides an optional tool for utilities and their customers to lower energy costs and improve air quality in Alaska.

REPRESENTATIVE JOHNSON asked about the default on a loan.

CHAIR WOOL offered his belief that, if the house was sold, the new buyer would have to pay the remaining loan, although he was not clear about the default of a loan.

REPRESENTATIVE RAUSCHER asked what form or notice should be given to consumers, such as the financing truth and lending full disclosure.

MR. EARL explained that the utility would have to submit notice before the meter charge was included and when it was taken off. The intent was to make it transparent that there was a meter conservation charge on the house. He added that a landlord would have to notify a tenant, or the tenant could deduct that charge from their rent for up to half the term of the rental agreement.

MR. EARL, in response to Representative Rauscher, stated that the tenant, the utility, and the landlord had to all agree prior to entering into an agreement, in order to maintain a transparency. He reported that the tenant would usually be paying the conservation charge unless a different agreement was made.

[10:25:38 AM](#)

JOMO STEWART, General Manager, Interior Gas Utility, shared some background on the project. He said that during the run up in oil prices, the majority of communities which relied primarily or solely on oil suffered devastating cost increases. He estimated that this was pulling \$400-600 million annually out of the Fairbanks economy. He explained that, as the economy was based on the private interaction between commercial and residential, this diminished the ability of many people to finance the conversion over to another fuel source. He said that, although the gas utility had the funding to install the major infrastructure to increase the availability of gas in the community, the cost of conversion was "an outstanding item that needed to be addressed, how are people going to pay to convert their homes ... over to use of natural gas." He stated that, as there was recognition that the utility would not self-finance assistance with conversions, this option for on-bill repayment was offered to residents as an incentive. He noted that, however, "the law in the State of Alaska was silent on on-bill financing and on-bill repayment." So, it was recommended to be best for the utilities that the law positively permit, and set guidelines for, on-bill financing and on-bill repayment.

CHAIR WOOL asked if the concept of on-bill financing was in a recent questionnaire or was it simply a question for people to pay their own money for conversion from oil to gas.

MR. STEWART offered his belief that, as most of that focus had been for self-financing, much of the discussion had been for cash assistance to a conversion for more efficient, cleaner solid fuel devices.

REPRESENTATIVE JOHNSTON asked how this would interact with HB 80.

CHAIR WOOL explained that HB 80 was the PACE (Property Assessed Clean Energy) bill for commercial properties and did not apply to individually owned properties. He added that it stayed with the building and a new owner would then take possession of that loan. He pointed out that the proposed bill was primarily for residential properties, was facilitated through the utility, and not the municipality as was HB 80, and would be cashed out upon sale of the property.

MR. STEWART opined that the two bills would complement each other.

REPRESENTATIVE RAUSCHER asked if this would be a first or a second loan when applying to refinance. He asked if this had been vetted through the financiers.

CHAIR WOOL offered his belief that the bank would be paid first.

REPRESENTATIVE RAUSCHER asked if the utility was paid first.

CHAIR WOOL said that the house loan would be paid first.

[10:35:20 AM](#)

CORY BORGESON, President & CEO, Golden Valley Electric Association, reported that Golden Valley served power to about 44,000 meters. He expressed appreciation and support for the proposed bill, pointing out that this was a voluntary opportunity for each utility. He reported that this was for a fixed interest, as the financing should not be for too long. He declared that it was important to recognize that the bill allowed for shutting off power for the non-payment of the loan. He pointed out that, otherwise, this would have required a decision by the Regulatory Commission of Alaska (RCA), and it would have caused the utilities to think twice about the

proposed bill for on-line financing. He noted that, as Golden Valley was economically regulated by the RCA, the proposal would be subject to approval for being fiscally responsible and viable. He mused that there was a broad definition for eligible equipment, noting that the idea was to finance solar panels and other renewable energy equipment. He opined that many members had energy inefficient equipment, which lead to higher bills and more difficulty with payment. He stated that, if it was at all possible to lower their bills and meet the obligations, the utility welcomed this opportunity for a broad spectrum of energy efficiency. He offered his belief that any utility would recognize that there was a certain element of risk in any similar program, which would be factored. He pointed out that the cap on the interest rate, 2 percent above prime, might inhibit this program as it would have to meet the credit worthiness of the applicant. He opined that it should all work, and he welcomed the opportunity for cleaner, more efficient power in Fairbanks.

CHAIR WOOL pointed out that the committee substitute, Version U, removed that 2 percent cap.

REPRESENTATIVE JOHNSTON expressed her concern for a system which was installed, and then, if the owner could not make the payments, the utility would be cut off. She mused that this could be "hard to get back out from under."

MR. BORGESON acknowledged the concern, and he reported that Golden Valley had procedures in place for individuals who could not pay their bills. He expressed agreement that an unpaid bill would place a bigger burden on the customer. He pointed out that, as Golden Valley was also at risk, this would require a credit evaluation.

REPRESENTATIVE JOHNSON asked if the RCA would have any problem with this program.

MR. BORGESON explained that Golden Valley was very interested in the reduction of demand side management in an attempt to reduce the peaks. He noted that they reviewed the three peaks each day to assign the costs, and, as Golden Valley wanted to see the residential cost reduced, more efficient equipment would help. He stated that the RCA would review the on-bill financing for reduction of the consumer peak loads, especially in the morning and at night. If that load could be levelled out, then the cost would go down. He opined that the RCA would recognize this, as it all fit together.

REPRESENTATIVE JOHNSON recollected the incentives offered by Golden Valley for electrical appliances. She asked if this was a marketing opportunity for more energy efficiency.

MR. BORGESON replied that Golden Valley, since the early 1990s, had been heavily committed to energy efficiency programs, including educational and energy audits. He said that Golden Valley was "always trying to reduce the consumption so that we can build less generation and have lower cost for everybody." He offered his belief that more efficiency was always a goal, and stated that they were not trying to increase electrical consumption. They wanted prudent, responsible use of electricity.

REPRESENTATIVE JOHNSON asked if this included storage.

MR. BORGESON said that this was an exciting opportunity, declaring "cause that's where the future lies, being able to take power when it's cheap and store it and use it later."

CHAIR WOOL said that this would also enter into the discussion for peak use, as someone could use stored energy.

[10:46:44 AM](#)

LOUIE FLORA, Government Affairs Director, The Alaska Center, explained that the Alaska Center was a statewide non-profit organization based in Anchorage, which promoted clean energy and civic engagement policies and projects in Alaska. He declared support for the Committee Substitute for HB 374. He reported that the Alaska Center was supportive of on-bill financing as a policy tool to help Alaska reach its aspirational energy policy goals, which had been established in 2010 under House Bill 306, and called for the state to achieve a 50 percent renewable energy use by 2025 and a 15 percent increase per capita in energy efficiency between 2010 and 2020. He pointed out that these were still aspirational goals for mandatory statewide energy efficiency and the renewable energy target. He said that roof top solar and thermal heat pumps were two technologies of particular promise that could be moved forward with on-bill financing. In Juneau, there had been about 200 air source heat pumps installed in residences and businesses during the past three years and on-bill financing could allow for more. He reported that more than 20,000 thermal pumps had been deployed in Maine. In Anchorage, the Alaska Center was working in partnership with Launch Alaska, Alaska Center for Energy and

Power, and the National Association for the Advancement of Colored People to facilitate the bulk purchase and installation of residential roof top solar panels, the Solarize Anchorage campaign. He declared that on-bill financing, specifically for roof top solar, could help homeowners not able to otherwise afford it. He acknowledged that the effectiveness of this on-bill financing mechanism relied on the willingness of the utilities to adopt the program on behalf of the rate payers, and that the voluntary nature of the proposed legislation would help the utilities and the rate payers. He reported that more than 100 cooperatives in 26 states offered some form of on-bill financing. He referenced an analysis of common themes for success for on-bill financing programs throughout the United States, which included: member friendly application processes should not be any more complicated or lengthy than other types of consumer loans; program should allow for on-line processing of applications, audit bids, and program tracking; efficient administration of the on-bill financing program must be streamlined and cost effective; attractive terms with low interest rates and long repayment terms, in the range of 10-15 years; quality products and contractors, with high standards; flexibility to match the unique needs and capabilities of the cooperative offering the program; programs should strive to accept applicants with not good credit history and have a loan loss reserve; programs must follow federal and state laws and regulations on consumer lending; broad coverage for different types of energy efficiencies and renewable energy measures should be eligible for participation in the program; and, cooperative staff time should be adjusted as needed to avoid limiting participation in a financing program. He concluded by stating that Version U was a good starting point for discussion of on-bill financing in Alaska and they supported this effort. He suggested that the committee consider a better definition to the term "administrative cost."

[10:55:15 AM](#)

CHAIR WOOL said that the bill would be held over.

[10:55:50 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 10:55 a.m.