

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ENERGY

March 8, 2018
10:23 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Ivy Spohnholz, Vice Chair
Representative John Lincoln

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."

- MOVED CSHB 374(ENE) OUT OF COMMITTEE

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
03/01/18	(H)	Heard & Held
03/01/18	(H)	MINUTE(ENE)
03/08/18	(H)	ENE AT 10:15 AM CAPITOL 17

WITNESS REGISTER

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

POSITION STATEMENT: Presented the proposed Committee Substitute on behalf of the sponsor, Representative Wool.

GENE THERRIAULT

Alaska Industrial Development and Export Authority (AIDEA)
Fairbanks, Alaska

POSITION STATEMENT: Answered questions during discussion of HB 374.

ACTION NARRATIVE

[10:23:30 AM](#)

CHAIR ADAM WOOL called the House Special Committee on Energy meeting to order at 10:23 a.m. Representatives Wool, Rauscher, Claman, Johnston, and Johnson were present at the call to order.

HB 374-ON-BILL FINANCING OF ENERGY IMPROVEMENTS

[10:23:50 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."

[10:24:13 AM](#)

REPRESENTATIVE RAUSCHER moved to adopt the proposed committee substitute (CS) for HB 374, labeled 30-LS1333\R, Laffen, 3/7/18, as the working draft.

CHAIR WOOL objected for discussion.

[10:24:51 AM](#)

ROB EARL, Staff, Representative Adam Wool, Alaska State Legislature, paraphrased the changes in Version R, which read [original punctuation provided]:

- P. 1, lines 11-13
This is reworded language recommended by the drafter to make it clear that if the utility enters an on-bill financing agreement, they **will** be using a meter conservation charge and the charge may **only** be used to recover the costs listed.

- P. 1, line 10: "energy Storage device" is inserted after "energy efficiency device". This insertion is also added to the other 14 times the list of eligible devices appears in the bill.
- P.2, lines 6-9
Subsection (b) has been replaced. The new language makes it clear that any building that is fully constructed and in use will qualify.

[10:26:28 AM](#)

REPRESENTATIVE RAUSCHER directed attention to [page 2] line 9 and offered anecdotes regarding the various phases of initial construction within his nearby community, which included Tyvek, tar paper, blue tarps, and siding without the window cut-outs. He asked how the financing would view this.

MR. EARL, in response, explained that initial construction was not defined in statute, and offered his belief that common usage of the phrase would mean that people were living in a fully enclosed structure with electricity. He opined that a blue tarp for a roof would most likely not qualify for financing.

REPRESENTATIVE RAUSCHER pointed out that this would negate about 70 percent of the homes in his community.

REPRESENTATIVE JOHNSTON said that many homes in Fairbanks started with the basement and worked up. She suggested to tie this initial construction to construction financing, and leave it open to those who did not require financing. She opined that this might offer better clarity.

CHAIR WOOL offered his belief that many of the building projects which slowly morphed were "probably self-financed" as a construction loan would be on a timetable with a contractor. He allowed that, as this was at the discretion of the utility, the utility could say whether the home was not quite ready.

REPRESENTATIVE JOHNSTON suggested that not under new construction financing could be a line of demarcation.

REPRESENTATIVE RAUSCHER asked if Representative Johnston wanted to offer this as an amendment.

CHAIR WOOL said that he would prefer not to re-write the bill at this juncture in committee. He acknowledged that someone living in a house would qualify as "not under initial construction." He suggested that an energy saving device might be installed during the initial construction phase and that some of the determinations might be left to the discretion of the utility.

REPRESENTATIVE RAUSCHER suggested that this be vetted in the next committee of referral, the House Labor and Commerce Standing Committee.

10:32:03 AM

GENE THERRIAULT, Alaska Industrial Development and Export Authority (AIDEA), in response to Chair Wool, explained that a building with utility service that someone was using was obviously being lived in. [indisc] He suggested that a definition could be determined between now and the next committee [indisc]

CHAIR WOOL offered his belief that a certain amount should be left to the discretion of the utility to determine whether construction was initial or more complete.

REPRESENTATIVE JOHNSON shared that the Matanuska Electric Association, Inc. (MEA) already had experience with this type of program. She read from a prepared statement, which stated: "it generally costs more for a utility to properly spool up, provide, and administer a lending function." MEA pointed out that they were not a professional lending institution, and that customers financed by MEA were required to incur all costs associated with closing a commercial loan. In comparing with the Lower 48, the larger the customer base, the less expensive the program. She pointed out that this program could take business from professional lending institutions for construction and improvement loans.

REPRESENTATIVE JOHNSON added that MEA had addressed the need to analyze debt, even as that was not a primary function of a utility. She added that, as a public utility, taking risk on utility funding to do improvement loans was questionable.

10:36:43 AM

CHAIR WOOL pointed out that the participation was completely voluntary, and that no utility had to enter into the transaction. He noted that the proposed bill just allowed the

debt to be placed on the utility bill, which increased the tendency to pay it back as a person could lose their utility. He added that it was intended to lower the utility bill and the savings would at least partially offset the incurred debt. He shared that some utilities would support the program, and some would not.

REPRESENTATIVE JOHNSON offered her belief that MEA was in support of the proposed bill, as long as it was voluntary, even though they had reasonable concerns.

CHAIR WOOL reminded the committee that this was a completely voluntary program.

REPRESENTATIVE JOHNSON stated that it was not her intent to kill the bill or make it harder. She surmised that there had been a similar program in the past.

[10:39:08 AM](#)

CHAIR WOOL removed his objection. There being no further objection, Version R was adopted as the working draft.

[10:39:25 AM](#)

REPRESENTATIVE RAUSCHER moved to report CSHB 374, Version 30-LS1333\R, Laffen, 3/7/18, out of committee with individual recommendations and the accompanying zero fiscal notes. There being no objection, CSHB 374(ENE) was moved from the House Special Committee on Energy.

[10:40:48 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 10:40 a.m.