

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

February 11, 2020

10:21 a.m.

MEMBERS PRESENT

Representative Grier Hopkins, Chair
Representative Ivy Spohnholz, Vice Chair
Representative John Lincoln
Representative Zack Fields
Representative Tiffany Zulkosky
Representative George Rauscher

MEMBERS ABSENT

Representative Lance Pruitt

COMMITTEE CALENDAR

HOUSE BILL NO. 232

"An Act relating to a municipal air quality improvement tax credit; and relating to a municipal energy efficient new construction tax credit."

- HEARD & HELD

HOUSE BILL NO. 151

"An Act relating to the regulation of electric utilities and electric reliability organizations; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 232

SHORT TITLE: MUNICIPAL TAX CREDITS

SPONSOR(S): REPRESENTATIVE(S) HOPKINS

02/03/20	(H)	READ THE FIRST TIME - REFERRALS
02/03/20	(H)	ENE, L&C
02/11/20	(H)	ENE AT 10:15 AM CAPITOL 17

BILL: HB 151

SHORT TITLE: ELECTRIC RELIABILITY ORGANIZATIONS

SPONSOR(S): ENERGY

05/03/19	(H)	READ THE FIRST TIME - REFERRALS
05/03/19	(H)	ENE, RES
05/09/19	(H)	ENE AT 8:30 AM CAPITOL 17
05/09/19	(H)	Heard & Held
05/09/19	(H)	MINUTE(ENE)
01/23/20	(H)	ENE AT 10:15 AM CAPITOL 17
01/23/20	(H)	Heard & Held
01/23/20	(H)	MINUTE(ENE)
01/27/20	(H)	ENE AT 3:30 PM SENATE FINANCE 532
01/27/20	(H)	Heard & Held
01/27/20	(H)	MINUTE(ENE)
01/29/20	(H)	ENE AT 3:30 PM SENATE FINANCE 532
01/29/20	(H)	Heard & Held
01/29/20	(H)	MINUTE(ENE)
02/11/20	(H)	ENE AT 10:15 AM CAPITOL 17

WITNESS REGISTER

JOE HARDENBROOK, Staff
 Representative Grier Hopkins
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Presented the sectional analysis for HB 232 on behalf of Representative Hopkins, prime sponsor.

JOE HARDENBROOK, Staff
 Representative Grier Hopkins
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Presented an overview of the changes for the proposed committee substitute, Version K, to HB 151 on behalf of the House Special Committee on Energy, sponsor, on which Representative Hopkins serves as chair.

ACTION NARRATIVE

[10:21:46 AM](#)

CHAIR GRIER HOPKINS called the House Special Committee on Energy meeting to order at 10:21 a.m. Representatives Hopkins, Spohnholz, Lincoln, Fields, Zulkosky, and Rauscher were present at the call to order.

HB 232-MUNICIPAL TAX CREDITS

[10:22:54 AM](#)

CHAIR HOPKINS announced that the first order of business would be HOUSE BILL NO. 232, "An Act relating to a municipal air quality improvement tax credit; and relating to a municipal energy efficient new construction tax credit."

[10:23:44 AM](#)

[Chair Hopkins passed the gavel to Vice Chair Spohnholz.]

[10:23:46 AM](#)

The committee took an at-ease from 10:23 a.m. to 10:24 a.m.

[10:24:34 AM](#)

CHAIR HOPKINS, as prime sponsor, presented HB 232. He paraphrased from a prepared statement, an overview of proposed HB 232, which read [original punctuation provided]:

Chair Spohnholz - thank you for the opportunity to do a quick overview on House Bill 232. This year, the Fairbanks North Star Borough approached the Interior Delegation, seeking to have the option as a second class borough to utilize municipal tax credits to encourage energy efficiency and air quality improvements when private property is newly constructed or renovated. HB 232 is the result of their request. As stated earlier, it is my hope to hear the bill today and take public testimony on the bill during our meetings next week and then look to the will of the committee.

HB 232 allows local governments to offer municipal tax credits for home and business owners who invest in property improvements which result in increased energy efficiency or improve local air quality. This bill does not mandate any action by municipalities - it offers local governments additional avenues for addressing local challenges and priorities and creates partnerships with local businesses to stimulate and diversify local economies.

Relying on the adage that local problems are best solved through local solutions, HB 232 allows municipal tax credits to be targeted towards new construction that results in overall energy

efficiency. Additionally, the bill allows municipalities facing chronic air quality issues to offer tax credits to businesses and residents who make investments that will result in a reduction in PM2.5 pollution.

It is the hope of the sponsor and the requesting municipality that these tools will result in more Interior Alaskans choosing to convert their home heating systems and connect to the expanding Interior Gas Utility, thereby maximizing the return on the state's investment in the system. An additional benefit of this legislation will be streamlining the efforts of the Fairbanks North Star Borough and the Department of Environmental Conservation to improve air quality in Interior Alaska.

CHAIR HOPKINS added that the air quality improvements credit could be utilized by other municipalities that also had a PM2.5 problem. He reported that the Department of Environmental Conservation's state improvement plan to deal with PM2.5 did not "look to get us under the federal level of PM2.5 pollution until 2029," and expressed his hope that this would speed up this process resulting in fewer non-attainment days. He continued with his overview of the proposed bill, which read:

The bill allows for maximum flexibility by municipalities who choose to offer these credits, avoiding a "top down" approach to local issues. This simple "no harm" bill will foster new partnerships with local contractors, businesses and homeowners. Unleashing local creativity is critically important, allowing local governments to harness the power of private enterprise and address local challenges and priorities where most effective and appropriate. For the information of the committee, we have provided in the bill packet the following items:

- The latest version of the bill.
- A sectional analysis
- Letters of support from the Alaska State Homebuilders Association, the Alaska Municipal League and the Fairbanks North Star Borough

[10:28:08 AM](#)

JOE HARDENBROOK, Staff, Representative Grier Hopkins, Alaska State Legislature, on behalf of Representative Hopkins, prime

sponsor of HB 232, paraphrased from the sectional analysis, which read [original punctuation provided]:

Section 1: Amends 29.45 to reinstate the Air Quality Improvement Tax Credit which sunsetted in 2016. This section applies only to local governments with areas failing to meet federal or state air quality standards. Improvements must have been made in the preceding tax year. The municipality shall be responsible for developing and implementing eligibility standards and other criteria.

Section 2: Amends 29.45 to create the Energy Efficient New Construction Tax Credit, allowing municipalities across the state to offer property tax credits to offset the cost of new energy efficient construction in the prior tax year. Municipalities choosing to participate in this tax credit shall be responsible for developing and implementing eligibility standards and other criteria.

[10:29:16 AM](#)

REPRESENTATIVE FIELDS asked to be added as a sponsor to proposed HB 232.

[10:29:37 AM](#)

VICE CHAIR SPOHNHOLZ announced that HB 232 would be held over.

[10:29:45 AM](#)

The committee took a brief at-ease.

[Vice Chair Spohnholz returned the gavel to Chair Hopkins.]

HB 151-ELECTRIC RELIABILITY ORGANIZATIONS

[10:30:33 AM](#)

CHAIR HOPKINS announced that the final order of business would be HOUSE BILL NO. 151, "An Act relating to the regulation of electric utilities and electric reliability organizations; and providing for an effective date."

[10:30:46 AM](#)

REPRESENTATIVE SPOHNHOLZ moved to adopt the proposed committee substitute (CS) for HB 151, Version 31-LS0870\K, Klein, 2/10/20, as the working draft. There being no objection, Version K was before the committee.

[10:31:10 AM](#)

JOE HARDENBROOK, Staff, Representative Grier Hopkins, Alaska State Legislature, presented HB 151 on behalf of the House Special Committee on Energy, sponsor, on which Representative Hopkins serves as chair. He paraphrased from a prepared overview statement, which read [original punctuation provided]:

thank you for the opportunity to do a quick overview on the CS for House Bill 151 and to update the committee on some of the developments that occurred since our last meeting. The committee chair and committee staff have met and engaged constructively with the leadership of the Senate Special Committee on the Railbelt Electrical System to continue to hone this legislation, while incorporating feedback from the Railbelt utilities, stakeholders, consumer advocates and local governments.

Following our joint committee meetings with the other body, The Senate Special Committee has opened public comment on the bill, and they have heard from utilities, stakeholders, independent power producers and community leaders. The input from these individuals and organizations continues to guide our efforts, as does constructive engagement with the RCA. The CS which the committee has adopted moves SB 123 and HB 151 into alignment, reflecting the most recent draft language vetted by the utilities, stakeholders and advocates. The Regulatory Commission will meet tomorrow to review the latest changes, and hopefully continue to endorse our efforts.

For the information of the committee, we have provided in the bill packet the following items:

- The latest version of the bill.
- A sectional analysis detailing changes from the previous version

At this point, Mister Chairman, I'd like to walk the committee through the changes to the bill from our previous CS.

[10:32:31 AM](#)

MR. HARDENBROOK paraphrased the Summary of Changes [included in members' packets] to the proposed committee substitute, Version K, of proposed HB 151, which read [original punctuation provided]:

Throughout: Changed references to 'bulk power system' and 'interconnected bulk power system' to 'interconnected bulk electric system'

Page 1, lines 1-5: Redrafted a more descriptive title.

Page 1, line 11: Changed 'certified' to 'certificated'.

Page 1, line 11, to page 2, line 1:

Added provision specifying that a group of utilities all of which are exempt as municipal entities or political subdivisions of the state are exempt from the requirement to participate in an ERO.

Page 2, line 4: Changed 'certify' to 'certificate'.

Page 2, line 5: Changed 'certify' to 'certificate'.

Page 2, lines 7-8: Restructured to separate the provisions for applications and approval from the requirements an ERO must demonstrate in order to be approved.

Page 2, line 24: Changed 'be' to 'is'.

Page 3, lines 2-4: Added requirement for the RCA to, once regulations are written and bill is in effect, notify the load-serving entities in a system that an ERO is required.

Page 3, line 5: Added 'and certificate' after 'form' to clarify an ERO formed by the RCA also must be certificated.

Page 3, lines 5-12: Restructured provisions directing the RCA to form an ERO. The previous bill required the RCA to form an ERO if no one had applied to be an ERO within three months. The CS applies the notice requirement in (d) on page 2; once notice has been given, the RCA will form an ERO if no one has applied to be an ERO after 90 days. If someone has applied but the RCA has not certified an ERO within 270 days, the RCA shall form an ERO.

Page 3, lines 13-17: Provides a process for the RCA to waive the need for a given network to have an ERO.

Page 3, lines 20-22: Emphasizes that all users, owners and operators of an interconnected system must

comply with standards; this includes entities that are otherwise exempt from RCA regulation.

Page 3, line 24: Changes 'adopted' to 'approved' to conform.

Page 3, line 27: Technical change to the structure of (g).

Page 4, lines 2-3: Prohibits standards from being designed with the intent to require enlarging facilities or new construction.

Page 4, line 5: Clarifies that the commission must give public notice and hold a hearing before acting on a reliability standard filed by the ERO. Adds 'or reject' after 'approve'.

Page 4, lines 9-16: Lays out the new process the RCA must undertake to modify a standard. The RCA must give the ERO an opportunity to modify the standard.

Page 4, line 16: Removes "A proposed standard or modification takes effect upon approval by the commission" as redundant to existing RCA tariff statutes.

Page 5, lines 4-5: Clarifies that penalties imposed by the ERO can be appealed to and reviewed by the commission.

Page 5, line 11: Conforms to new subsections enabling penalties.

Page 6, line 1: Removed a provision that the RCA may require an ERO to obtain a certificate of public convenience and necessity (CPCN). An ERO is already required to have a CPCN under Sec. 42.05.292 (b) on page 2.

Page 6, line 7: Changes 'electric utility' to 'load-serving entity' to conform with defined terms.

Page 6, line 9: Deletes requirement to 'prepare' before 'file'. Specifies that an integrated resource plan must be filed with the RCA as a petition for approval.

Page 6, line 11: Changes 'most cost effective manner' to 'in a manner that provides the greatest value.'

Page 6, line 15: Adds battery storage to the options an integrated resource plan should consider.

[10:37:33 AM](#)

REPRESENTATIVE SPOHNHOLZ referenced the changes on page 6, line 11, and asked whether there was a definition for "greatest value."

MR. HARDENBROOK replied that he would research that specific definition. He explained that the change resulted from discussions with the utilities and stakeholder groups that the highest standard to be considered should not be the bottom dollar but, instead, the greatest value that could be provided to the consumer through increased reliability or geo location of an asset that would make it more secure for serving a specific community.

CHAIR HOPKINS reported that there had also been discussion for types of fuel stock and ability for new technology to come on-line. He noted that the RCA should not be making a singular reason for approval based on the lowest cost.

REPRESENTATIVE SPOHNHOLZ asked to underscore her concerns that reliability often means redundancy which can often cost more. She expressed her desire for caution in order to protect the ratepayers when moving forward, which could sometimes mean making choices that did not involve the creation of more redundancy.

MR. HARDENBROOK reiterated that he would research the technical definition for "greatest value."

[10:40:24 AM](#)

REPRESENTATIVE FIELDS declared his support for the change to "greatest value." He asked about review of the transmission line and offered his belief that page 7, line 21 through page 8, line 6 addressed and clarified approval for the project and not engagement in micromanagement for exactly where the transmission line would be sited.

MR. HARDENBROOK replied that the work on the proposed bill reflected an attempt to avoid some of the stumbling blocks and pitfalls that had been encountered when other jurisdictions had interconnected their utilities. He noted that there were some specific regulations by local governments that determined "what color the power lines and power poles can be." He said that this language had been added to give the utilities assurance that the RCA would not micromanage to that level.

REPRESENTATIVE FIELDS noted that Kodiak had outperformed Anchorage for utility costs with its use of batteries. He expressed his support for maintaining the RCA backstop authority to establish an ERO, declaring that it was important to have that accountability.

[10:42:37 AM](#)

MR. HARDENBROOK shared the last few changes to the proposed bill, which included [original punctuation provided]:

Page 8, line 13: Increases the length of a high-voltage, above-ground transmission line requiring project pre-approval from 5 to 10 miles.

Page 8, lines 14-16: Separates high-voltage submarine or underground cables from above-ground lines and requires pre-approval if longer than 3 miles.

Page 8, lines 17-22: Adds, to projects requiring pre-approval, energy storage devices and reactive compensation devices. Definitions are renumbered.

Page 9, line 20: Updates the date by which the RCA must adopt regulations to July 1, 2021.

Page 9, line 25: Updates the effective date of the bill to July 1, 2021.

[10:43:37 AM](#)

REPRESENTATIVE FIELDS asked whether the 15-megawatt threshold applied to pre-approval of energy storage devices, as well.

MR. HARDENBROOK replied, "I'll get back to you on that."

CHAIR HOPKINS announced that there would still be public testimony before moving the proposed bill forward. He pointed out that this work had been an on-going effort for about 40 years.

MR. HARDENBROOK explained that the Senate Special Committee on the Railbelt Electrical System would meet on February 12 and 14 and continue to take invited and public testimony with the potential of adopting a further CS.

[10:45:06 AM](#)

CHAIR HOPKINS announced that HB 151 was held over.

10:45:54 AM

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 10:46 a.m.