

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

February 20, 2020

10:19 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. 151

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

- HEARD & HELD

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."

- MOVED CSHB 232 (ENE) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

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
 02/11/20 (H) Heard & Held
 02/11/20 (H) MINUTE (ENE)
 02/20/20 (H) ENE AT 10:15 AM CAPITOL 17

BILL: HB 232

SHORT TITLE: MUNICIPAL TAX CREDITS
 SPONSOR(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
 02/11/20 (H) Heard & Held
 02/11/20 (H) MINUTE (ENE)
 02/20/20 (H) ENE AT 10:15 AM CAPITOL 17

WITNESS REGISTER

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

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

ANTONY SCOTT, Commissioner
 Regulatory Commission of Alaska (RCA)
 Department of Commerce, Community & Economic Development
 Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on HB 151.

JULIE ESTEY, Director of External Affairs
 Matanuska Electric Association (MEA)
 Palmer, Alaska

POSITION STATEMENT: Testified and answered questions during the hearing on HB 151.

BRIAN HICKEY, Chief Operating Officer

Chugiak Electric Association
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on HB 151.

JEFF WARNER, Strategic Coordinator
Municipal Light and Power
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 151.

CHRIS ROSE, Executive Director
Renewable Energy Alaska Project (REAP)
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 151.

KIRK WARREN, Director
Engineering and Energy Development
Alaska Energy Authority (AEA)
Department of Commerce, Community & Economic Development
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on HB 151.

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

POSITION STATEMENT: Presented the changes to HB 232 in the proposed committee substitute, Version S, on behalf of the prime sponsor, Representative Hopkins.

AARON WELTERLEN, Past President
Interior Alaska Building Association
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 232.

MARNA SANFORD
Fairbanks North Star Borough Assembly
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 232.

ACTION NARRATIVE

[10:19:27 AM](#)

CHAIR GRIER HOPKINS called the House Special Committee on Energy meeting to order at 10:19 a.m. Representatives Hopkins, Zulkosky, Lincoln, and Rauscher were present at the call to

order. Representatives Spohnholz and Fields arrived as the meeting was in progress.

HB 151-ELECTRIC RELIABILITY ORGANIZATIONS

[Contains discussion of SB 123.]

[10:20:15 AM](#)

CHAIR HOPKINS announced that the first 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." [Before the committee, adopted as a working draft during the House Special Committee on Energy meeting on 2/11/20, was the proposed committee substitute (CS) for HB 151, Version 31-LS0870\K, Klein, 2/10/20 ("Version K").]

[10:20:44 AM](#)

REPRESENTATIVE LINCOLN moved to adopt the proposed committee substitute (CS) for HB 151, Version 31-LS0870\E, Klein, 2/19/20, as the working draft. There being no objection, Version E was before the committee.

[10:21:17 AM](#)

JOE G. HARDENBROOK, Staff, Representative Grier Hopkins, Alaska State Legislature, presented changes proposed under Version E of HB 151, on behalf of the House Special Committee on Energy, sponsor, on which Representative Hopkins serves as chair. He paraphrased the written statement of the changes in Version E, [included in members' packets], which read:

Page 1, line 4: Amends title to remove reference to project preapproval for 'public utilities interconnected with interconnected bulk electric systems' and replaces with project preapproval for 'certain interconnected large energy facilities'.

Page 2, line 1: Changes 'electric utilities' to 'load-serving entities'.

Page 2, line 8: Conforming change related to restructuring.

Page 2, line 12: Switches sections (d) and (e). Prefaces new (d) with 'Notwithstanding the requirements in (e)'.

Page 3, line 7: Changes 'an integrated resource plan' to 'integrated resource plans'.

Page 3, line 19: Removes 'developing reliability standards and' so that the provisions cited must be part of all ERO duties.

Page 5, line 19: Expanded section heading from 'Rules' to 'Electric reliability organization rules; approval.' Legislative Legal made this change for conformity to the section.

Page 6, line 3: Changed 'provisions' to 'standards' to conform with style.

Page 6, lines 24, 25: Removed 'of an interconnected electric energy transmission network' to avoid redundancy. At the advice of Legislative Legal, maintained first reference within subsection (b).

Page 7, lines 9, 13: Added 'all' before 'customers' to reflect the intent that integrated resource planning address the needs of all customers on a network.

Page 7, line 19: Removed requirement for RCA to hold a hearing to approve an integrated resource plan petition.

Page 7, line 20: Removed reference to rejecting a petition.

Page 7, lines 23-25: Added ability for RCA to reject a petition, but only for form and filing.

Page 8, line 7: Changed 'the' public utility to 'a' public utility.

Page 8, line 27-28: Moved 'in a cost-effective manner' within the provision so it modifies the needs of an entity and not the facility served by the facility.

Page 9, line 5: Corrected error in previous version; hydro projects licensed by FERC before Sept. 30, 2016, are exempt from the requirement for pre-approval.

[10:25:09 AM](#)

REPRESENTATIVE SPOHNHOLZ asked about the change removing the requirement on page 7, line 19 for the RCA to hold a hearing on an integrated resource plan.

MR. HARDENBROOK said that he would research the "specific logic behind that."

[10:26:18 AM](#)

ANTHONY SCOTT, Commissioner, Regulatory Commission of Alaska (RCA), Department of Commerce, Community & Economic Development, declared that important reform was very close for building institutions to create value for consumers and economic development benefits. He reported that six years prior the Alaska State Legislature had charged the RCA with providing recommendations around Railbelt electric system reform. The RCA held numerous public hearings, heard testimony, and ultimately provided findings and recommendations back to the legislature. He shared that there had been a process recommendation, which suggested that the utilities voluntarily craft solutions among themselves. He offered his belief that, although this had been a difficult, long, and painful process, it had resulted in material movement by the utilities and a first draft of a memorandum of understanding (MOU) amongst themselves had been signed in 2018.

MR. SCOTT related that after the recommendations had been forwarded to the RCA, a workshop was convened for discussion and the utilities recommended formation of a Railbelt Reliability Council (RRC). He reported that the utilities wanted the RCA to provide some oversight although the RCA did not have clear statutory authority for these. The RCA issued language "substantially cribbed from federal legislation which had created the relationship between the Federal Energy Regulatory Commission (FERC) and the North American Electric Reliability Council (NAERC)" and was modified for Alaskan conditions. This was put out for public comment.

MR. SCOTT acknowledged the proposed bill substantially reflected this proposed language and would clarify the statutory authority, which had then been revised in proposed SB 123. He noted that SB 123 was consistent with "where we thought things needed to go." He added that the RCA had endorsed the proposed bill as the preferred vehicle to move forward with Railbelt electric reform. The subsequent committee substitute, Version K, had been reaffirmed as on track and improved. He declared the unanimous support of the RCA and stated "this has been a group effort. It began with you all. We did some work. The utilities have done some work." He pointed out that once the bill passed, the real work for forming the durable institutions would take place. He declared that this was important because of the reliability, explaining that utilities would build the infrastructure to provide instantaneous supply with safe and reliable service, when the demand was required.

MR. SCOTT noted that the capital expenditures in the electric utility industry were materials and reported that almost half of what was paid in 2018 by Railbelt consumers was for these capital costs. He pointed out that currently there were six different entities with each responsible to meet their own needs. He stated that, as there could be better coordination for decisions across the utilities, the proposed bill would ensure coordination and would create a viable process for establishing and enforcing the reliability standards.

MR. SCOTT pointed out that currently there was not a system of fines and enforcement. He declared that electricity rates in the Railbelt had a direct and material effect on power cost equalization (PCE) payments in Rural Alaska as these were "geared off of utility rates in Fairbanks and Anchorage and Juneau." He pointed out that the proposed bill had been crafted to be flexible, so it did not create disincentives for efficiencies and interconnections in Rural Alaska and it created an opportunity for future additional reliability organizations without a request for statutory reforms. He reiterated that the RCA was in support of the proposed bill.

[10:35:52 AM](#)

REPRESENTATIVE SPOHNHOLZ asked about the change to remove the requirement for the RCA to hold hearings to approve an integrated resource plan petition.

MR. SCOTT explained that filings came to the RCA and were approved if everything appeared correct. He noted that a hearing must be held, as a due process matter, if the RCA wanted to deny or modify. He opined that the RCA should be able to approve a filing after review if it conformed with filing requirements. He expressed his concern with the shortened timelines during a 45-day review period, but pointed out that the RCA would write rules concerning the conduct of the ERO for openness of meetings, retention of records, openness to the public for input, etc. He added that the RCA would have an ex-officio seat on the ERO, which allowed for non-voting feedback. He declared that it was important for the RCA to have a "backstop role so that, if things should go awry, we can go ahead and say, 'this doesn't quite work.'"

REPRESENTATIVE SPOHNHOLZ asked for clarification that the RCA was required to have at least one hearing if a request was to be denied.

MR. SCOTT replied, "absolutely."

REPRESENTATIVE SPOHNHOLZ asked for more information about the PCE being driven by expenditures on the Railbelt.

MR. SCOTT explained that PCE payments were formula driven, the difference between local electricity rates of a PCE eligible utility and the weighted average rate of Fairbanks, Anchorage, and Juneau. He noted that the higher the weighted average rate, the smaller the difference with the rural utility, and the smaller the PCE payments. He offered that the proposed bill would attempt to ensure that Railbelt rates would be as low as possible by capturing efficiencies across utilities. He said that this required a lot of conversation and negotiation and that, without a structure that forced people to do this, some opportunities would be by-passed.

[10:41:30 AM](#)

CHAIR HOPKINS asked whether a public comment period was initiated when an IRP was submitted to the RCA.

MR. SCOTT said that was correct. He added that there were requirements for public notice, with a minimum of 30 days. He pointed out that any drafts and materials would be publicly posted.

[10:42:46 AM](#)

REPRESENTATIVE LINCOLN asked whether there was an expectation that the utilities would work in a cooperative way for a more efficient use of capital.

MR. SCOTT replied, yes. He explained that the proposed bill required that the reliability organization, consistent with yet to be written regulations, would produce an integrated resource plan to be used across utilities for supply and demand resources, transmission resources, and battery resources to meet load in a reliable way. He stated that the integrated resource plan involved a forecast of demand, usually 10 - 20 years, because any new construction took a long time. The plan would also review the most reliable and cost-effective way to meet the demand going forward. The bill would also create a process for large projects to first come to the RCA for pre-approval. He stated that projects that were consistent with the most recently approved integrated resource plan were presumed to be necessary so there would be a process to vet these large project additions

to the Railbelt to ensure efficiency. Generally, these projects were presumed to be necessary and project pre-approval would most often not require a hearing unless something was found to have "gone seriously awry." He noted that a large project may be pre-approved outside of the resource planning process as sometimes needs arise that did not sync up with the integrated resource planning process. He pointed out that the pre-approval process was currently necessary given the legal landscape. He referenced the recent rate case for Municipal Light & Power plant 2A which had initially been found by the RCA to be prudent and allowable to be included in rates; however, that decision by the RCA was appealed to superior court where it had been determined that the RCA needed to review whether the overall planning had been prudent. This involved consideration of the various alternatives, which he labeled "a veritable gumbo of items," that had not been adequately addressed in totality. He emphasized that this was exactly the process for an integrated resource plan. This would minimize the risk for a project being found imprudent with a portion of costs not being included in rates. He opined that the proposed bill rationalized the process and addressed a recent judicial decision regarding a current need.

[10:49:17 AM](#)

REPRESENTATIVE LINCOLN asked whether there had been a formal assessment on the system for generation capacity versus need.

MR. SCOTT explained that when the RCA first made its findings and recommendations to the legislature in 2015, it was found that there were necessary improvements for the capital spend on the system. He pointed out that in the last 10 years, although there had been a suite of generational asset additions, if there had been tighter coordination, "probably we could have done better." He stated that this assessment was very high level and was included in the RCA findings to the legislature. He noted that load, in general, in the Railbelt had been in decline. While energy efficiency was increasing on a per customer basis, energy consumption was declining on a per customer basis in the Railbelt, at a rate faster than the decline in the State of Alaska which was declining faster than the rest of the country. He pointed out that the projections for demand had probably planned for more load than was needed. He stated that the integrated planning process would allow for a lot of peer review for the demand projections.

[10:52:49 AM](#)

REPRESENTATIVE FIELDS asked for any plans by the RCA for plant retirements to bring the generation more in line with the actual load.

MR. SCOTT explained that the RCA only found out about these planned retirements based on filings from the utilities. He said that this was best addressed to the utilities and that the RCA did not exercise any authority over this.

[10:53:45 AM](#)

REPRESENTATIVE RAUSCHER asked whether this would guarantee successful outcomes.

MR. SCOTT replied that it did not guarantee successful outcomes, noting that "there's not much that does that" but he added that the process would be helpful, and he offered his belief that the Railbelt utilities would see value in this arrangement.

[10:54:47 AM](#)

REPRESENTATIVE LINCOLN asked whether there was any priority or preference for renewable energy.

MR. SCOTT reported that there had not yet been an integrated resource plan. He did not see any priority for non-fossil options compared to conventional generation although it did not rule out this preference going forward. He reminded that, as the energy load per customer in the Railbelt had been in decline since 2008, there was not currently any need for a lot of additional generation resources to meet customer demand. He pointed out that there would need to be a case made for why additional generation would be needed. He suggested that the legislature be open and flexible, and not be prescriptive in the planning process. The structure allowed for legislative input going forward as the planning process would need to be renewed every two to three years and new priorities could be introduced for consideration. He referenced an earlier question by Representative Spohnholz for the change of phrase from "leads to cost" to "greatest value." He explained that this would ensure that planning criteria were indeed flexible so that value could appropriately weigh the trade offs between reliability and minimum cost, as well as include other potential values. He stated that cost may not be "merely pecuniary in terms of showing on a customers bill, but there might be environmental cost that people are concerned about." He stated that use of

the phrase "greatest value" was more encompassing for a wider range of potential values.

[10:59:11 AM](#)

REPRESENTATIVE SPOHNHOLZ expressed a concern for the process through which the energy production capacity may have just been overbuilt, at a time when the load was decreasing, and the need to reduce the carbon footprint and produce lower cost and predictable energy had been identified. She questioned whether there would be the opportunity to add more renewable energy capacity along the Railbelt during the foreseeable future.

MR. SCOTT spoke about a recent solar installation which was economically viable and justified on the basis for offsetting the variable cost for production. He pointed out that this system was competitive, reporting that the costs for renewable energy resources were rapidly declining. He noted that, to some degree, those resources could be accommodated within the system. He declared that renewable resources had a harder time being base loaded for firm capacity needs, therefore the conventional resource additions were necessary. He reported that the rapid evolution of battery technology with the dropping cost of batteries further extended the ability of renewables to meet the load demand. He said there was a social set of values for trading off reliable energy and the willingness to pay for it versus the cost and environmental attributes.

[11:04:39 AM](#)

REPRESENTATIVE FIELDS asked how much the IRP could push retirement of some older generation assets that seemed to drive up the consumer costs.

MR. SCOTT reported that the whole system was reviewed, noting that retirements "are a little bit tricky, though." He added that, as reliability was so important and there were not a lot of interconnected utilities to draw upon if there was a problem, it was "nice to have spares in the backyard." He pointed out that, as those had mostly been paid for, the ongoing operational cost tended to be low.

[11:06:07 AM](#)

REPRESENTATIVE LINCOLN reflected on the excess capacity in the system and asked whether there were any opportunities to provide

power for adjacent communities. He asked whether the system could grow.

MR. SCOTT said that he was not aware of the viability of extending the Railbelt system to include communities not currently interconnected as this would require new transmission lines, a difficult and expensive process requiring a long lead time and a lot of planning.

REPRESENTATIVE LINCOLN asked how the new organizational structure would impact the opportunity for growth in other areas.

MR. SCOTT offered his belief that there was not a direct impact, although there was a greater likelihood for the opportunities to be captured and critically evaluated. He said that, as the utilities worked hard to minimize operational costs, personnel were kept at a minimum and the expertise was "pretty thin." With this new organization, it would help pool the expertise and the opportunities could be better identified and evaluated.

[11:10:11 AM](#)

JULIE ESTEY, Director of External Affairs, Matanuska Electric Association (MEA), said that she represented the organizational development team consisting of one member of each of the six utilities, working in a parallel process to develop the Railbelt Reliability Council which, if the proposed bill passed, would apply to become the Electric Reliability Organization (ERO) referenced in the proposed bill. She acknowledged that the utilities working together had been a very critical step with the goal to expand to include a broader range of stakeholders. She said that there had been an impressive amount of collaboration, involvement, and transparency among all the stakeholders. She reported that the feedback on the proposed bills, HB 151 and SB 123, indicated that the council had been heard and properly challenged when necessary, with the feedback incorporated as appropriate. She declared support of the proposed committee substitute, noting that the council had provided six different points to the committee on February 12, which were all satisfactorily handled through the committee substitute or development of regulations. She referenced an earlier meeting in the Senate when a priority of ensuring the exemptions provided in statute for the Bradley Lake project were raised, and she opined that was being handled with an effective resolution. She declared that the utilities council was "ready to make this happen." She shared that the utilities were

committed to "doing things in a different way and that commitment represents a big moment for the utilities."

[11:15:37 AM](#)

BRIAN HICKEY, Chief Operating Officer, Chugiak Electric Association, expressed support for the legislation and the proposed committee substitute.

[11:16:22 AM](#)

JEFF WARNER, Strategic Coordinator, Municipal Light and Power, testified in support of the process.

[11:16:55 AM](#)

MS. ESTEY shared an update to the process for formation of the Railbelt Reliability Council, being conducted in a parallel path. She relayed that a memorandum of understanding (MOU) had been signed on December 18 which triggered a process by which the organizational development team was working to set up an implementation committee that would create all the documents and "stand up the Railbelt Reliability Council." She added that public notice for applications of the non-utility seats had been published and 16 applications had been received: 5 applications for the 2 independent power producers' seats, 10 applications for the 2 independent non-affiliated seats, and 1 application for the single consumer advocacy seat. The independent power producer applications had been sent to the Alaska Independent Power Producer Association with a request to provide the designees for the 2 seats by March 20. Once these seats had been established, the rest of the process would begin, with an independent firm retained to verify qualifications and form a subcommittee to select the consumer advocacy group and subsequently form another subcommittee from that group to select the 2 unaffiliated seats. She expressed the desire for that to be implemented by the end of May.

[11:19:03 AM](#)

CHRIS ROSE, Executive Director, Renewable Energy Alaska Project (REAP), testified in support of the proposed legislation declaring that it was necessary to have a collective way to work together. He pointed out that, as the Railbelt utilities had spent \$1.5 billion on new generation, it should be for the most economic means. He stated that the integrated resource planning process was key to looking at the balance of supply and demand

for transmission versus generation and renewables versus fossil. He reported that this effort had been carried on for the past 30 years and for the last decade REAP had been involved with the Alaska Energy Authority (AEA) regional integrated resource planning (IRP) process. He relayed that, as there was not an ERO, he had questioned who would execute the IRP plan. He pointed out that REAP was a renewables and efficiency advocacy group pushing the idea since 2004 that these were good for many reasons. He pointed out that in the past 10 years, the cost of renewable energy had decreased significantly, with the cost of wind decreased by 70 percent and the cost of solar decreased by 89 percent. He reported that the Railbelt was more than 80 percent reliant on natural gas, even though the Railbelt utilities paid rates almost three times that of the Lower 48, even as natural gas was produced nearby in Cook Inlet. This was subsidized by the State of Alaska. He reported that 80 percent of the Cook Inlet natural gas had gone to two anchor users that no longer existed, the Agrium Fertilizer plant and the LNG plant. He shared the concern that natural gas prices could go even higher as this was such a small market, even as new generation projects had just been built which required a gas supply. He shared some of the history for prior legislation. He offered a suggestion for more independent system operator members on the board. He declared this to be a "great step forward" with the need for a more diversified grid, even as there were a lot of risks in the future and he spoke of a future carbon tax. He offered his belief that this legislation would remove some of the barriers for renewable energy as, instead of six different interconnection standards for independent power producers in the Railbelt, there would be one set of standards which would make it a consistent and transparent process for connection to the grid. He added that the legislation could also lead toward a consistent, transparent cost of transmission tariffs.

REPRESENTATIVE LINCOLN asked how the state was subsidizing natural gas for the Railbelt.

MR. ROSE replied that there had been production subsidies and incentives in Cook Inlet to ensure that someone would produce gas, and the Railbelt was the only current off taker.

[11:27:58 AM](#)

KIRK WARREN, Director, Engineering and Energy Development, Alaska Energy Authority (AEA), Department of Commerce, Community & Economic Development, testified that AEA looked at the

legislation as an asset owner of Bradley Lake, the largest hydro facility in the State of Alaska and the Alaska intertie, the interconnection from the Southcentral utilities to Golden Valley Electric Association in Fairbanks. He stated that the proposed legislation did not materially affect the operation of those assets. As a state energy office, AEA was in support of the proposed legislation.

[11:30:05 AM](#)

CHAIR HOPKINS opened public testimony on HB 151. After ascertaining that there was no one who wished to testify at that time, he announced that he would leave public testimony open.

CHAIR HOPKINS announced that HB 151 was held over.

HB 232-MUNICIPAL TAX CREDITS

[11:30:45 AM](#)

CHAIR HOPKINS announced that the final 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."

[11:31:09 AM](#)

REPRESENTATIVE SPOHNHOLZ moved to adopt the proposed committee substitute for HB 232, Version 31-LS1355\S, Klein, 2/14/20, as the working draft. There being no objection, Version S was before the committee.

[11:31:31 AM](#)

JOE G. HARDENBROOK, Staff, Representative Grier Hopkins, Alaska State Legislature, on behalf of Representative Hopkins, prime sponsor of HB 232, paraphrased the overview of the changes proposed under Version S [included in members' packets], which read as follows [original punctuation provided]:

The CS adopted by the House Special Committee on Energy makes the following changes:

First, it removes the restriction on the Air Quality Improvement Tax Credits are only available to communities under a state or federal air quality improvement plan. This CS will make these tools

available to any community who wishes to utilize them to address local air quality concerns.

Second, this CS inserts clear language in both tax credit sections to make clear that the credits are available for new construction as well as refurbishments, remodels and renovations. This flexibility will allow municipalities to incentivize not only new construction that improves air quality or energy efficiency, but also renovations and refurbishments of existing structures.

[11:32:56 AM](#)

AARON WELTERLEN, Past President, Interior Alaska Building Association, directed attention to a letter of support from the Alaska State Home Building Association which had a long history of support for energy efficient construction. He added that they also supported adoption of a statewide residential building code to include energy efficiency standards, which would resolve many of the problems addressed by the proposed legislation. He offered his belief that the tax credit would be an economic stimulus to any area of Alaska, especially to any area with a weak housing and construction market.

[11:35:00 AM](#)

MARNA SANFORD, Fairbanks North Star Borough Assembly, reported that the Fairbanks North Star Borough Assembly had identified both provisions of the proposed bill as its top legislative priorities for this legislative session. She shared some of the history for air quality issues, noting that the Fairbanks area was now classified as "serious non-attainment." She noted that this created serious health risks, with economic and environmental impacts. She declared that this proposed legislation was another incentive for people to make their heating devices the most efficient and the best for air quality in the area. She spoke in support of the tax credit for new construction to help with air quality for a better community.

CHAIR HOPKINS clarified that this applied to commercial construction and home building and did not limit communities for use of the tax credits.

MS. SANFORD, in response to Representative Spohnholz, explained that, through a voter initiative, the borough no longer had the ability to regulate air quality standards, so, in an effort to

get the community into compliance, the EPA would penalize the largest single source and the resulting penalty would be passed on to the consumers through higher bills.

[11:39:02 AM](#)

CHAIR HOPKINS, in response to Representative Rauscher, said that each municipality would create its own criteria as the proposed bill did not mandate the structure, the value, or the application of the tax credits but would leave it to the community to solve their own problems and incentivize their own economic development.

[11:39:54 AM](#)

CHAIR HOPKINS opened public testimony on HB 232. After ascertaining that there was no one who wished to testify, he closed public testimony.

[11:40:53 AM](#)

REPRESENTATIVE SPOHNHOLZ moved to report CSHB 232, Version 31-LS1355\S, Klein, 2/14/20, out of committee with individual recommendations and the accompanying zero fiscal notes. There being no objection, CSHB 232(ENE) was moved from the House Special Committee on Energy.

[11:41:12 AM](#)

The committee took an at-ease from 11:41 a.m. to 11:43 a.m.

[11:43:33 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 11:44 a.m.