

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

April 15, 2021

10:17 a.m.

MEMBERS PRESENT

Representative Calvin Schrage, Chair
Representative Chris Tuck
Representative Matt Claman
Representative Tiffany Zulkosky
Representative Zack Fields
Representative George Rauscher
Representative James Kaufman

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative DeLena Johnson (via teleconference)
Representative Tom McKay

COMMITTEE CALENDAR

HOUSE BILL NO. 170

"An Act establishing the Alaska energy independence program and the Alaska energy independence fund in the Alaska Industrial Development and Export Authority; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 170

SHORT TITLE: ENERGY INDEPENDENCE PROGRAM & FUND: AIDEA

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

04/09/21	(H)	READ THE FIRST TIME - REFERRALS
04/09/21	(H)	ENE, L&C, FIN
04/13/21	(H)	ENE AT 10:15 AM BARNES 124
04/13/21	(H)	Heard & Held
04/13/21	(H)	MINUTE (ENE)
04/15/21	(H)	ENE AT 10:15 AM BARNES 124

WITNESS REGISTER

CHRIS ROSE, Executive Director
Renewable Energy Alaska Project
Anchorage, Alaska

POSITION STATEMENT: Gave an update on REAP and answered questions during the hearing on HB 170.

ALAN WEITZNER, Executive Director
Alaska Industrial Development and Export Authority
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 170.

BERT HUNTER, Chief Investment Officer
Connecticut Green Bank
Stamford, Connecticut

POSITION STATEMENT: Gave an overview of the Connecticut Greenbank and answered questions during the hearing on HB 170.

JEFF SCHUB, Executive Director
Coalition for Green Capitol
Washington, D.C.

POSITION STATEMENT: Gave a presentation and responded to questions during the hearing on HB 170.

MORGAN NEFF, Chief Investment Officer
Alaska Industrial Development and Export Authority
Anchorage, Alaska

POSITION STATEMENT: Responded to questions during the hearing on HB 170.

ACTION NARRATIVE

[10:17:25 AM](#)

CHAIR CALVIN SCHRAGE called the House Special Committee on Energy meeting to order at 10:17 a.m. Representatives Claman, Zulkosky, Rauscher, and Schrage were present at the call to order. Representatives Tuck, Fields, and Kaufman arrived as the meeting was in progress. Also present were Representatives Johnson (via teleconference) and McKay.

HB 170-ENERGY INDEPENDENCE PROGRAM & FUND: AIDEA

[10:18:02 AM](#)

CHAIR SCHRAGE announced that the only order of business would be HOUSE BILL NO. 170, "An Act establishing the Alaska energy independence program and the Alaska energy independence fund in the Alaska Industrial Development and Export Authority; and providing for an effective date."

[10:18:14 AM](#)

CHRIS ROSE, Executive Director, Renewable Energy Alaska Project (REAP), offered an update on REAP during the hearing on HB 170 via a PowerPoint, titled "Financing Clean Energy in Alaska" [hard copy included in the committee packet]. He gave the background on REAP [slide 2], then he highlighted REAP's educational programs [slide 3]. He noted the advocacy of REAP [slide 4], from 2008 to 2021, including a renewable energy fund, railbelt electric grid reform, and the green bank. He reported that Alaskans spend almost \$6 billion annually on energy, and at least 20 percent of that is wasted [slides 5-6]. He discussed weatherization and rebate programs [slide 7] and the advantage of keeping money circulating in the state economy. He said \$640 million was appropriated by the state since 2008 to over 50,000 homes, with an average savings of 30 percent; the average annual fuel savings is over 25 million gallons of diesel equivalent; this was all done through grant monies. He mentioned the renewable energy grant fund [slide 8] and a cost of energy comparison between alternative energy and conventional energy [slide 9], and he emphasized that currently, large-scale solar and wind is the most economical energy on the planet. He talked about why financing for clean energy is lacking [slide 10].

[10:27:45 AM](#)

MR. ROSE, in response to Representative Fields, said REAP would love to see more funding for the renewable energy fund. He said the Alaska energy independence fund (AEIF) could build a financing stack for projects. He expressed his hope that energy efficiency projects are at the top of the Alaska Industrial Development and Export Authority's (AIDEA's) list, as they are the least risky projects. Village scale projects may be handled by the renewable energy fund through a tailored program; the very large projects can get financing via the open market.

[10:29:46 AM](#)

MR. ROSE continued with the presentation. He covered the elements and functions of green banks [slides 11-12]. The elements would be a focus on commercial technologies; a

dedicated source of capital; a focus on leveraging private investment; and a relationship with government. The functions would be to design loan products and programs; to "de-risk" by educating private banks on the opportunity; to market loan products and programs; and to leverage private investment capital. He wrapped up the presentation by listing what the Alaska energy independence fund will do for the state [slide 13]: Lower the energy burden of Alaskans; develop investment opportunities for Alaskan lending institutions; create jobs and promote business development; keep precious energy dollars circulating in the economy; and position the state to receive federal operating and investment capital.

[10:33:37 AM](#)

MR. ROSE, in response to a question from Representative Rauscher, said there is a perceived risk regarding loans, but the money borrowed to improve a property increases the value of the property. He underscored the need of banks to understand that which they finance.

[10:37:08 AM](#)

MR. ROSE, in response to Representative Kaufman, replied that installation of rooftop solar systems has risen while costs have lowered, so despite limitations, this energy source is still economical. He said he could provide "the numbers" regarding this energy source in Alaska.

[10:40:06 AM](#)

REPRESENTATIVE ZULKOSKY said she would like to hear from Mr. Weitzner regarding whether AIDEA is committed to developing energy efficiency project development "first."

ALAN WEITZNER, Executive Director, Alaska Industrial Development and Export Authority, responded that there is no first phase in the proposed legislation. He said AIDEA is proposing "broad access under the programs for what's defined as sustainable energy development." He talked about establishing an advisory board to oversee the process, as well as getting technical advice from the sister agency, the Alaska Energy Authority. In response to follow-up questions, he assured there would be programs for sustainable energy. He said the programs would be established to achieve the most optimal results across the state.

[10:44:33 AM](#)

BERT HUNTER, Chief Investment Officer, Connecticut Green Bank, gave an overview on the Connecticut Green Bank during the hearing on HB 170 via PowerPoint [hard copy included in the committee packet]. He offered a description of the Connecticut Greenbank [slide 2], a quasi-public organization created in 2011 and successor to the Connecticut Clean Energy Fund, with a focus on the financing of clean energy. He mentioned funding, federal support, non-competitive resources, and a portfolio. He then directed attention to the names of the board of directors [slide 3]. He highlighted the focus of the green bank [slide 4], including sustainable financing, energy efficiency, the support of all sectors, and the leveraging of private sector capital.

[10:50:36 AM](#)

MR. HUNTER discussed the methodologies by which green banks leverage public capital with more private capital [slide 5]. He mentioned the bank's current programs and products [slide 6], including co-investment, credit support, and warehousing. He emphasized the importance of working with energy utility partners [slide 7].

[10:54:14 AM](#)

MR. HUNTER showed a graph [slide 8] illustrating the ramping up in investments from 2012 to 2019. He discussed the Connecticut Greenbank's impact [slide 9] on investment, economics, environmental protection, tax revenues, energy burden, and public health savings. He showed pie charts [slides 10-11] illustrating the transition over eight years, from \$13 million in 2012 to nearly \$180 million at the end of fiscal year 2020 (FY 20), and how the funds are allocated across the program.

[10:57:16 AM](#)

MR. HUNTER, in response to questions from Representative Fields, confirmed that the investment breakdown was intentional rather than opportunistic, and he specified that energy efficiency provides the greatest return on investment. In response to a question from Representative Kaufman, regarding a dip in the leverage ratio shown in 2014, shown on slide 8, he explained that depending on the transaction, the leverage is lower because of a larger project that came on in 2014.

[11:02:32 AM](#)

MR. HUNTER returned to the presentation and noted the layout of the organization [slide 12] and a list of public/private partnerships [slide 13].

[11:05:06 AM](#)

MR. HUNTER, in response to a question from Representative Fields about where HB 170 should set the spending cap, said Connecticut Greenbank's project sizes are generally well below \$20,000.

[11:08:10 AM](#)

MR. WEITZMAN clarified that the reference cap is a cap on AIDEA's guarantee on the \$20 million; it is not a project cap.

[11:08:57 AM](#)

MR. HUNTER continued with the presentation. He pointed to the information source regarding green liberty bonds [slide 14], which he said are popular. He said in two years, Connecticut Greenbank will have issued \$80 million of bonds. In response to Representative Fields, he said the bonds were structured with a below average purchase price, at \$1,000; buyers include "mom and pop" retailers and institutional entities, at a ratio of 35:65 percent. He directed attention to the topic of bond awards [slide 15] to point out the recognition the bonds have received. He said that concluded his presentation.

[11:11:11 AM](#)

MR. HUNTER, at the request of Representative Zulkosky, discussed interest rates. The idea was to have a loan with the same kind of loss rate as a car loan. A loss reserve allowed Connecticut Greenbank to bring the interest rate heretofore in the 9-14 percent rate down to a 4-6 percent range. He mentioned the commercial energy efficiency loan in the C-PACE program, which started at approximately 6 percent for a 20-year loan, and it was increased to 6.25 percent; it drops to about 5 percent for a 10-year loan. He cautioned that lending at rock bottom rates would "chase private capital out of the market." He talked about "finding that sweet spot" - a balance to keep private capital players involved while providing "market discipline" with a reasonable rate of return based on risk. In response to a follow-up question, he confirmed that the loan products are fixed rates.

[11:14:52 AM](#)

MR. HUNTER, in response to a question from Representative Claman about regarding for those of lower means, talked about the smart-e program and loan loss reserve. The program is set up for less than prime borrowers, he explained, and in return for lenders agreeing to go into the lower tier, Connecticut Greenbank doubles its loan loss rate. He reflected that lower income does not necessarily equate low credit rating. He spoke about opening the program to credit unions and alternative credit underwriters. In response to a follow-up question, he said there is no legislative requirement regarding loans to lower tiers; however, it is part of Connecticut Greenbank's comprehensive plan.

[11:19:14 AM](#)

MR. HUNTER, in response to a question from Representative Fields, pointed out that as the first green bank, Connecticut Greenbank had to demonstrate why investing capital into energy projects can be successful.

[11:21:55 AM](#)

JEFF SCHUB, Executive Director, Coalition for Green Capitol (CGC), gave a PowerPoint presentation [hard copy included in the committee packet] during the hearing on HB 170, on the topic of the Alaska energy independence fund. He introduced CGC [slide 2] as a nonprofit expert on public clean energy finance institutions that leverage private capital. He said CGC works with governments, capital providers, and stakeholders to explain the opportunities surrounding clean energy. The coalition, a team of nearly 20 experts, currently works in over a dozen states, which has led to over \$5 billion in new investment. Mr. Schub discussed the impacts around the country [slide 3], stating that the green bank model has been proven. The amount in investments has risen to over \$7 billion through 2020. He said, "This is a market-based approach to driving investments into solutions that make people better off, create jobs, and support communities." Mr. Schub showed a map [slide 4] depicting which states have existing green banks, which are developing green banks, and which are in the category of green banks "to be formed."

[11:26:16 AM](#)

MR. SCHUB, in response to Representative Rauscher, clarified that "developing" green banks means either a government has taken some official action or there is a collective effort to work with a government to create a green bank.

[11:27:43 AM](#)

MR. SCHUB continued with the presentation. He noted that last year CGC analyzed opportunity in Anchorage [slide 5], which is a potential starting point for EIF, although the needs are broader. He mentioned a bi-partisan bill in Congress [slide 6] "to establish a clean energy and sustainability accelerator." He said funds would flow through EIF and join private capital to fund businesses, build projects, and serve communities [slide 7]. He stated that investment would target disadvantaged, underserved communities to reduce energy costs and support economies [slide 9].

[11:31:58 AM](#)

MR. SCHUB, in response to Representative Fields, noted that private lenders can lower transaction costs for smaller projects, for example for home owners. He talked about reducing the time, effort, and cost of issuing loans by educating lenders as to the mechanism of energy loans. In response to a follow-up question, he said the percentage of green bank loans for grid-type projects is typically low, and that is because most green banks don't have enormous amounts of capital at the state level, and because "a lot of this is also derived from what the actual financing needs are in certain markets."

[11:37:15 AM](#)

MR. SCHUB, in response to Representative Zulkosky, offered his understanding that in the case of an unsecured energy efficiency loan, land status would not pose a problem.

MR. ROSE agreed that with no lien on the property, [land status] would be less important to a local participant lender.

[11:39:05 AM](#)

MR. SCHUB, in response to a question from Representative Fields regarding transactions costs and scale for residential weatherization, said depending on the state, some loans are individual, while some green banks operate as a wholesale provider of capital.

[11:40:46 AM](#)

CHAIR SCHRAGE announced that concluded invited testimony, and he indicated those available for questions.

[11:41:06 AM](#)

MR. WEIZNER, in response to a question from Representative Zulkosky regarding finding the sweet spot for interest rates, said he believes through benchmarking best practices, "we" will be able to identify the programs that work best within Alaska's energy requirements. He mentioned the loan participation program through AIDEA as being structured to provide long-term, fixed-rate, cost-effective capital for Alaska. He indicated that the interest rates would be handled the same way to engage the largest amount possible for underlying sustainable development projects. In response to a follow-up question, he confirmed that AIDEA would aim for interest rates of 4-6 percent, provided it results in the greatest efficiency in materializing sustainable energy programs.

[11:43:47 AM](#)

MR. ROSE, in response to a question from Representative Fields as to whether a program could be viable for individual home weatherization, said he hoped the program could encourage single participants, as well as for a contractor to borrow a larger amount of money and refinance it to his/her clients.

[11:45:27 AM](#)

MR. WEITZNER, in response to Representative Claman, said AIDEA does not have established advisory boards for its established programs that were determined by AIDEA's board. There was an advisory board benchmarked through AIDEA's sister agency, the Alaska Energy Authority (AEA), via the renewable energy fund. He said that through HB 170, AIDEA is looking to establish a similar advisory board that "would provide that input and structure the different programs" ultimately with approval by AIDEA's board. In response to a follow-up question, he clarified that there is a common board that exists between AIDEA and AEA; they are independent boards but with the same seven people serving on each. To another question, he shared that the night before, AIDEA had passed a resolution in support of HB 170.

[11:50:10 AM](#)

The committee took a brief at-ease at 11:50 a.m. to address a technical issue.

[11:50:50 AM](#)

MORGAN NEFF, Chief Investment Officer, Alaska Industrial Development and Export Authority, in response to a question from Representative Fields, remarked on the partnership between AEA and AIDEA and said there would be proactive outreach to the 197 communities currently served in Alaska to leverage project management and engineering expertise alongside the loan program to identify energy sustainable projects.

[11:52:30 AM](#)

MR. WEITZNER, in response to a question from Chair Schrage regarding the prioritization of projects, said the process of the advisory board would be to identify the programs with the broadest applications to address Alaska's unique energy needs.

[11:54:18 AM](#)

MR. WEITZNER, in response to Representative Tuck, said AEA and AIDEA are independent boards that pass resolutions separately, despite having the same members serve on each board.

[11:56:33 AM](#)

MR. WEITZNER, in response to a question from Representative Claman regarding the fiscal note, said AIDEA sees [the provisions under HB 170] having the same level of success as the loan participation program.

MR. NEFF, in response to a follow-up question from Representative Claman, said the subscriptions proposed pertain to specific energy sustainability and clean energy databases that facilitate the development and monitoring of best practices from both deployment and reporting perspectives.

MR. WEITZNER explained the initial input under HB 170 relates to past successes under the AK CARES program. He said AIDEA is looking to extend that in the implementation and administration of this fund. He remarked on upscaling AIDEA's operations to match the financial service aspect of this fund.

MR. NEFF highlighted that HB 170 contains two fiscal notes: one for the initial capitalization of \$10 million, and the other for the operating expense. The latter is tied to the fund being a self-sufficient entity; it would cover operating expenses from the returns of the fund. Additionally, it will be there to receive and manage potential federal appropriations in the Act that could come in the form of additional capital to be deployed at the green bank or operational capital to be used as subsidized operating expenses with the Alaska independent energy fund, he said.

[12:00:38 PM](#)

MR. WEITZNER, in response to Representative Claman, said AIDEA has a limited number of position controls numbers (PCNs) and ultimately would increase the number for marketing and utilization of the programs, while contracting separately for Internet technology (IT). In response to a follow-up question, he said through analysis of needs and ultimate costs, AIDEA found a solution in external contracts, and it is looking to duplicate that with the Alaska independence energy fund.

[12:03:18 PM](#)

MR. WEITZNER answered yes to Representative Fields' question as to whether HB 170 would limit the growth of the fund to returns from initial capitalization and any one-time "shot of money from a prospective job" [investment]. He then noted that there is flexibility under HB 170 to receive additional capital into the fund and allow it to grow through other means.

[12:05:01 PM](#)

MR. WEITZNER, in response to a question from Representative Tuck as to why the program would need to deviate from a prudent investor rule or traditional institutional financing criteria, explained the different structures that would not follow specific issues of the prudent investor rule. In response to a follow-up question, he talked about having the flexibility to address programs with the credit enhancement needed, to bundle different programs, and to access external capital markets that may be necessary to compliance but may not be the ultimate form of the private sector partner with which AIDEA is working.

REPRESENTATIVE TUCK clarified that he wants to know what restrictions there may be that would prevent AIDEA from doing everything Mr. Weitzner just described.

[12:08:49 PM](#)

CHAIR SCHRAGE referenced [subparagraph] B [in Section 7 of HB 170, on page 8, lines 7-8], which is one of the items listed under the definition of "sustainable energy development" and read as follows:

(B) building energy efficiency,
including fuel switching to renewable fuels and
electrification;

CHAIR SCHRAGE asked if that definition "could limit the scope" of building energy efficiency to the point where "this no longer meets the intent of the program."

MR. WEITZNER offered his understanding that it would not do so. He said he thinks the language is meant to be inclusive, not exclusive.

CHAIR SCHRAGE, regarding [subparagraph] (G) in the same section, which addresses "electric vehicle charging and fueling infrastructure", questioned the term "fueling infrastructure" in regard to electric vehicles.

MR. WEITZNER replied that electric vehicles need charging; the fueling pertains to "other forms" of energy.

[12:10:41 PM](#)

MR. SCHUB added that the language would include "future hydrogen fueled vehicles."

CHAIR SCHRAGE next cited [subparagraph] (H), which includes as the last item in the definitions: "any other emissions reduction or energy efficiency technology the authority determines to be consistent with the Alaska energy independence program". He asked for an example that would not already be included in the previous items defining "sustainable energy development".

MR. SCHUB suggested carbon capture technology or direct air capture.

[12:12:01 PM](#)

MR. SCHUB, in response to Representative Tuck, acknowledged that nuclear technology could qualify under that category, although those projects are not likely feasible, as they cost billions of dollars.

[12:12:42 PM](#)

MR. WEITZNER, in response to a new line of questioning from Representative Tuck as to whether there is any practical reason to have two independent boards with the same members, said he wished to provide an answer in writing at a later time.

[12:14:07 PM](#)

CHAIR SCHRAGE announced that HB 170 was held over.

[12:14:34 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 12:14 p.m.