

HOUSE FINANCE COMMITTEE

April 8, 2022

1:03 p.m.

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CALL TO ORDER

Co-Chair Merrick called the House Finance Committee meeting to order at 1:03 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Kelly Merrick, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Bryce Edgmon
Representative DeLena Johnson
Representative Andy Josephson
Representative Bart LeBon
Representative Steve Thompson
Representative Adam Wool

MEMBERS ABSENT

Representative Sara Rasmussen

ALSO PRESENT

Senator Robert Myers, Sponsor; Representative Grier Hopkins, Sponsor; Joe Hardenbrook, Staff, Representative Grier Hopkins.

PRESENT VIA TELECONFERENCE

Alan Weitzner, Executive Director, Alaska Industrial Development and Export Authority, Department of Commerce, Community and Economic Development; Jeff Schub, Executive Director, Coalition for Green Capital; Bert Hunter, Chief Investment Officer, Connecticut Green Bank; Curtis Thayer, Executive Director, Alaska Energy Authority, Department of Commerce, Community and Economic Development; Elena Sudduth, Manager, Customer Service and Marketing, Interior Gas Utility, Fairbanks.

SUMMARY

HB 170 ENERGY INDEPENDENCE PROGRAM & FUND: AIDEA

HB 170 was HEARD and HELD in committee for further consideration.

HB 307 EXTEND BOND AUTH FOR INTERIOR ENERGY PROJ

HB 307 was HEARD and HELD in committee for further consideration.

SB 168 DONATIONS/GIFTS FOR DOT&PF SIGNAGE

SB 168 was REPORTED out of committee with eight "do pass" recommendations and two "no recommendation" recommendations and with one previously published zero fiscal note: FN1 (DOT).

Co-Chair Merrick reviewed the meeting agenda.

#sb168

SENATE BILL NO. 168

"An Act relating to program receipts; and relating to the acceptance of gifts, donations, and grants for the purpose of providing signage for assets under the control of the Department of Transportation and Public Facilities."

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Co-Chair Merrick noted that the committee had previously heard the bill on April 4, 2022, and she had received no amendments. She asked if the sponsor had any opening comments.

SENATOR ROBERT MYERS, SPONSOR, thanked the committee for hearing the bill.

Representative Thompson asked if the signage had to be paid for before a naming bill was passed. Senator Myers replied in the negative. He elaborated that when the naming bill was drafted it would state whether signage would be paid by the general fund (GF) or by a third party.

Representative Wool asked if an effect of the bill would be that a signing bill without associated non-GF funding may have a harder time passing and it would become an expected

prerequisite for a naming bill. He understood that the funding was generated after a naming bill passed and not concurrently. Senator Myers stated his understanding of the question. He deemed that it would depend on how the sponsor presented the bill. He thought there were risks both either approaches and could see a scenario where the donations fell short.

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Co-Chair Foster MOVED to REPORT SB 168 out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 168 was REPORTED out of committee with eight "do pass" recommendations and two "no recommendation" recommendations and with one previously published zero fiscal note: FN1 (DOT).

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#hb170

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."

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ALAN WEITZNER, EXECUTIVE DIRECTOR, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), provided a PowerPoint presentation titled Alaska Energy Independence Fund (AK EIF) (copy on file). He noted that the fund was commonly referred to as a "green bank" and that the bill proposed a loan program within Alaska Industrial Development and Export Authority (AIDEA) that was not operated as a bank.

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Mr. Weitzner began on slide 2 titled "AIDEA Mission:"

To promote, develop, and advance economic growth and diversification in Alaska by providing various means of financing and investment.

AIDEA OVERVIEW

Investing in Alaskans since 1967

Alaska's Development Finance Authority

Financially Self-Sustaining Public Corporation (no GF by statute AS 44.88.190(b))

\$446 million in Dividends declared to Alaska since 1997

Directed over \$3.5 billion into economic development in Alaska

▪Revenue generated by AIDEA's investments go to two places:

- 1.reinvested in AIDEA programs and projects and
- 2.issued as dividends to the State of Alaska.

▪AIDEA works with Alaska's communities and businesses to advance your economic development priorities.

▪Projects must meet two important criteria:

- 1.be a sustainable financial investment; and
- 2.create tangible benefits for Alaska and its communities.

Mr. Weitzner highlighted that AIDEA was the state's financing authority and existed as within the Department of Commerce, Community and Economic Development (DCCED) as a public corporation.

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Mr. Weitzner moved to slide 3 titled "AIDEA AS 44.88:"

It is in the public interest to promote the prosperity and general welfare of all citizens of the state by:

(A) stimulating commercial and industrial growth and expansion by encouraging an increase of private investment by banks, investment houses, insurance companies, and other financial institutions, including pension and retirement funds, to help satisfy the need for economic expansion;

(B) creating the Alaska Industrial Development and Export Authority with the powers necessary to accomplish the objectives stated in this paragraph, including the power to issue taxable and tax exempt bonds, to acquire ownership interests in projects, and to provide development project financing...

WITHIN AS 44.88.010 (a)(11)

it is in the state's interest to import private capital to create new economic activity that would not otherwise take place in the state.

Mr. Weitzner illuminated that AIDEA had the authority to institute the AK EIF. He believed that AIDEA's statute held the foundational elements for creating and establishing a loan program like the AK EIF.

Co-Chair Merrick recognized Representative Grier Hopkins in the audience.

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Mr. Weitzner moved to slide 4 titled "AIDEA Programs & Projects:"

Conduit Revenue Bond Program

Loan Participation Program

Development Project Finance

Sustainable Energy Transmission and Supply (SETS)

Arctic Infrastructure Development Fund(AIDF)

Small Business Economic Development Revolving Loan Fund

Rural Development Initiative Loan Fund

Business Export Assistance Program

Mr. Weitzne reminded the committee that AIDEA was established in 1967 specifically to issue Conduit Revenue Bonds and had expanded over time. The reason for the expansion into broad platforms was due to the limited capacity for broad investment in the state. The corporation was a key driver for initiating private investor partnerships for economic development within the state. He conveyed that AIDEA had 82 positions (PCNs) which were split between AIDEA and the Alaska Energy Authority (AEA); AEA's employees were titled under AIDEA. He added that both agencies had shared service employees for duties like accounting and Information Technology (IT) services. There were 27 AIDEA employees focused on the broad platforms the agency offered across the state.

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Mr. Weitzner turned to slide 5 titled "AIDEA & AEA:"

Alaska Industrial Development and Export Authority
Mission: To promote, develop, and advance economic growth and diversification in Alaska by providing various means of financing and investment.

Alaska Energy Authority
Mission: To reduce the cost of energy in Alaska. AEA is Alaska's energy office and lead agency for statewide energy policy and program development.

The purpose and function of the AK EIF aligns with AIDEA's existing scope establishing loan programs, working with Alaska's financial sector and private investors, as well as managing capital funds, such as the Loan Participation Program (Enterprise Development Account) and Development Project Financing (Economic Development Account).

AIDEA would oversee loan programs and financial management in partnership with AEA's energy and technical subject matter expertise, leveraging existing shared infrastructure and services.

An independent, five-person advisory board would provide guidance on investment opportunities to AIDEA and AEA. The advisory board's authority would not supersede the governing authority of the AIDEA/AEA Board.

Mr. Weitzner indicated that the bill was a function of how AIDEA and AEA worked together. They shared common functions, a common board, and broadly collaborated to facilitate projects like HB 170 and others. He noted that both agencies' missions complemented each other. The Energy Independence Fund aligned with AIDEA's scope and diversified Alaska's economy by creating a key new sector for service companies focused on renewable or clean energy development within the state and aligned with AEA's mission of reducing the cost of power. The bill added staff to AEA and AIDEA to accomplish the program. He noted he had been joined by his colleague Curtis Thayer, Executive Director, Alaska Energy Authority, Department of Commerce, Community and Economic Development, who could answer questions regarding the collaboration.

Mr. Weitzner advanced to slide 6 titled "Total Energy." He discussed that the need for AK AIF was related to unique issues in Alaska; energy consumption and the cost of energy. The slide depicted Alaska as ranked fourth among states in per capita energy consumption and was currently in the top five for energy expenditures per capita. He noted that Louisiana was included in the top 5 states for both categories because it was a high energy producing state with a large industrial base that utilizes energy. The other states had high energy capacity or use due to weather, location, and transportation issues. Louisiana was a very high energy consuming state with the highest per capita energy costs across the United States (US).

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Representative Wool asked about the consumption per capita table depicted on slide 6. He wondered whether it took into consideration the full production of North Slope oil divided by Alaska's population. Mr. Weitzner answered that it was the consumption within Alaska, and the extent that the state utilized refined crude oil. The data was not based on the total amount of crude oil shipped externally. Representative Wool asked about the expenditure per capita table. He asked how the data accounted for the expenditure.

Mr. Weitzner replied that the numbers were an aggregation, formulated by the United States Department of Energy of all the costs of consumption for residential, commercial, and industrial sectors. He noted that energy consumed producing oil on the North Slope was included. The data included a break down by the three specific categories and the slide depicted the aggregate data.

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Mr. Weitzner turned to slide 7 titled "Initial Capitalization and Funding." He illuminated that the Coalition for Green Capital was a main resource for AIDEA in formulating the legislation. The agency examined how different green banks were established to determine the proper size in Alaska. He studied the New York, Connecticut, and Montgomery County green banks. He noted that the Montgomery County green bank had a small Gross Domestic Product (GDP) component, but it was very active. The other green banks were compared to Alaska's GDP, population, and the total energy consumption per capita to define what the correct amount of capitalization was needed to initiate the program that would grow via leveraging participation with local financial institutions. He pointed to the Targeted Private Capital Leverage Ratio portrayed on the slide's table and explained that the success of the green banks was through the way they worked with local and national financial institutions to leverage public investment in the green bank. He reported that the New York green bank had a 6 to 1 leverage ratio of private capital to public capital. The Connecticut green bank enjoyed an 8 to 1 leverage, and the Maryland Montgomery County Green Bank had a 7 to 1 ratio. He anticipated a \$10 million initial capitalization from UGF that would subsequently grow the same level of leverage from Alaska's financial institutions.

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Mr. Weitzner turned to slide 8 titled "Economic Benefits of the AK EIF." He offered that the principal benefit of a green bank could lower the cost of energy. Through language concerning sustainable energy development, the bill focused on the industrial and commercial needs in key urban centers and remote and rural communities. He deduced that it ultimately lowered the cost of living within the state, made the state more attractive to families, and created

jobs within the clean energy sector. He noted the program aligned with AIDEA's mission of diversifying the state's economy which created employment and increased discretionary income.

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Mr. Weitzner moved to slide 9 titled "Economic Benefits of the AK EIF." The slide depicted the savings and opportunities if the program achieved certain levels of energy reduction. The agency estimated the state could save up to 10 percent on total annual energy costs or \$780 on average per person and at 30 percent savings it could potentially reduce annual energy costs by over \$2 thousand per Alaskan.

Representative Wool asked for the average annual cost of energy per Alaskan without the industrial component. He inquired what the average cost for the residential Alaskan was. Mr. Weitzner answered that he did not have the answer but would follow up in writing with the information.

Co-Chair Merrick noted the information would be distributed to the committee.

Representative Carpenter asked what sustainable energy may look like with the result of 10 percent energy savings and 30 percent savings and how was that achievable. Mr. Weitzner replied that the savings would be felt by individual consumers and businesses via lower monthly utility costs. He relayed that in Alaskan urban centers, on average residential energy costs were \$0.14 to \$0.16 per kilowatt hour, which would be reduced and turned into discretionary income that would be reallocated to other expenses. He added that for businesses the cost savings for utilities could be used to expand the business. He stated that the largest benefit came in for rural communities that were reliant on diesel and the fluctuating cost of oil. Rural communities would directly benefit through energy efficiency provided by sustainable energy that resulted in lower energy costs. He offered to provide more detailed information related to rural communities' energy costs.

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Representative Carpenter cited the information on the slide, "Frees up approx. \$570 million to \$1.7 billion in discretionary spending every year." He inquired whether the \$570 million was associated with a 10 percent savings and the \$1.7 billion reflected a 30 percent savings. Mr. Weitzner directed attention to slide 6 showing the Department of Energy total consumption per million BTU at 839 million BTU as the average consumption per capita of 735,000 average residents based on the expenditures per capita of \$7.797 thousand and noted that was the data used to produce the savings projected on slide 9. Representative Carpenter did not intend for Mr. Weitzner to do the math currently. He wanted to understand the slides. He was trying to figure out if the numbers were a correlation between the 10 percent and 30 percent savings depicted and the \$570 million to \$1.7 billion numbers. Mr. Weitzner answered in the affirmative.

Representative LeBon referenced the Fund Capitalization fiscal note, published number 5 and the reference to a \$30 million initial investment. He noted slide 9 referred to a \$20 million investment. He inquired whether the \$10 million investment was separate from the fiscal note. Mr. Weitzner replied that there were two fiscal notes; one was passed out of the House Labor and Commerce Committee (HL&C) at \$30 million and the initial fiscal note was appropriated at \$10 million. Representative LeBon asked for verification that the \$10 million was seed money to launch the program funded through Undesignated General Funds (UGF). Mr. Weitzner replied affirmatively. Representative LeBon asked how the \$30 million played into the situation. Mr. Weitzner deferred to the Co-Chairs of the HL&C committee since the amount was amended in committee.

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Representative LeBon noted that the fiscal note was a prior request from the governor for \$30 million. He stated that he would remain focused on the \$10 million amount.

Mr. Weitzner turned to slide 10 titled "Alaska Energy Independence Fund:"

Overview

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

Make capital more accessible to borrowers for sustainable energy development projects.

Partner with private capital to fund businesses and projects, including energy-efficiency, renewable power, micro-grid, transportation, sustainable agriculture, and more.

Incentivize co-investment in the non-fossil fuel energy sector between the public (the State of Alaska through AIDEA in partnership with Alaska Energy Authority), Alaska's financial sector, private investors, and philanthropic donors.

Aligns with the proposed federal bills, including the new definition of "sustainable energy development".

Mr. Weitzner illuminated that the definition of sustainable energy in the bill was very broad and was inclusive of many types of projects.

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Representative Josephson referenced sustainable energy development or "clean energy." He noted the definition in the bill was very broad and included sun, wind, water, and 30 biological processes. He was told that other states had a more prescriptive definition and employed tighter guiderails on hydro and biomass. He had heard the Connecticut model used the term "low impact hydro" in its definition. He inquired about the broader definition of sustainable energy, particularly for water, in the legislation than the Connecticut model. Mr. Weitzner highlighted that in consultation with the Coalition for Green Capital, the agency looked for the broadest terminology that would work under the defining federal legislation to provide the most opportunity in the state. He observed that Alaska had unique energy requirements. He agreed that other states had tighter definitions related to clean energy. He elaborated that Alaska had "different

issues" and a green bank offered an opportunity to lower the cost of power and create green bank benefits by increasing diesel generation efficiency levels and reducing consumption where diesel energy worked in support of an alternative micro-grid. He offered that other state's approached the definition to preclude that type of development. Alaska's rural energy environment called for a definition that could offer broader benefits to the state's consumption. He deferred to the coalition and Connecticut Green Bank to further answer the question.

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JEFF SCHUB, EXECUTIVE DIRECTOR, COALITION FOR GREEN CAPITAL (via teleconference), He shared that the Coalition for Green Capital (CGC) was a national nonprofit focused on supporting all levels of government in implementing and operating public clean energy finance institutions. The coalition had partnered with the state for several years to help develop the bill. He addressed Representative Josephson's question. He explained that every state defined eligible technologies differently. The foundation of every state's technological focus was solar, building efficiency and upgrades. Other technologies were employed but most of the focus was on distributed solar and building efficiency and upgrades representing the largest market opportunities and demand therefore, contractor availability and established "channels" drove the investment. He disclosed that there was pending federal legislation to capitalize a \$20 billion green bank that was supported by the president and passed the House of Representatives. The national green bank would be a central national fund to help create local green banks. The funding had limits and constraints on the kinds of technologies that could be financed. He informed the committee that former Representative Don Young was a co-sponsor of the bill and enjoyed a "fantastic partnership" with the coalition. He indicated that passage of the bill would drive much more funding to green banks and the HB 170 proposal.

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BERT HUNTER, CHIEF INVESTMENT OFFICER, CONNECTICUT GREEN BANK (via teleconference), spoke to clean energy and how it was defined in Connecticut. He reiterated that each state took a state specific view of clean energy that benefitted and impacted their state. He relayed that Connecticut took

an expansive view of clean energy except for low impact hydropower. Connecticut listed clean energy as solar, geothermal, wind, ocean thermal energy, fuel cells, landfill gas, low impact hydro, and other energy resources and emerging technologies that had significant potential for commercialization and did not involve the combustion of coal, petroleum, or petroleum products, nuclear fission, etc. The definition also included electric vehicles (EV) and charging infrastructure, and alternative fuel vehicles. He spoke to low impact hydro because of the many small rivers in the state.

Representative Wool referenced the limits on non-carbon and non-fission in the definition and asked if the limits were included in HB 170 as well. He provided an example of micro nuclear reactors or clean coal.

Mr. Weitzner answered that the bill language was crafted to incorporate what Representative Wool had exemplified. The focus was on the unique energy needs of the state and energy efficiency to lower the overall cost of power. The bill did not attempt to limit or define what could be covered through loan programs. He restated that the purpose of the legislation was to create a loan program through AIDEA with technical support from AEA and working with the private sector on ways to improve clean energy investment and energy efficiency investment in all communities. The energy programs needed support from local communities and financial institutions and was broadly available to industrial, commercial, and residential consumers of energy.

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Representative LeBon cited slide 10 and inquired how the Alaska banking community including credit unions were partnering on the project and what the state's expectations were for the state's financial sector. Mr. Weitzner answered that they saw the project as directly working with the state's financial institutions. He asked for elaboration by Mr. Hunter.

Mr. Hunter furthered that Connecticut Green Bank (CGB) partnered with community banks and credit unions to implement a loan loss reserve so the financial institutions could provide loans to support the investment by home owners for renewable energy and energy efficiency. He

reported that over the eight years the program had been in operation it had resulted in over \$90 million in loans provided to homeowners in Connecticut. The loss reserve had only paid out \$150 thousand, which was 0.2 percent in total and not per annum. He emphasized that the high performance of the loans allowed them to attract new customers to financial institutions. The green bank was "popular" with Connecticut's financial institutions and relayed to bankers that the green bank was established to partner with private capital and not to displace what the institutions did but to enable them to participate in the clean energy economy. He furthered that \$2.3 billion was invested in the state using only \$300 million of public resources.

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Representative LeBon asked if Mr. Hunter was familiar with the Community Reinvestment Act (CRA) requiring banks to invest in their communities. He wondered if participation in green banks could qualify banks for CRA points. Mr. Hunter replied in the affirmative. He qualified that the organization had studied the issue extensively with the Connecticut Banking Commissioner to determine that as long as the investment was located in the qualifying CRA census tracts it did count.

Representative Wool referenced slide 10 related to the second bullet point stating "Incentivize co-investment in the non-fossil fuel energy sector..." and the bolded language "sustainable energy development." He also cited Mr. Weitzner's answer to a prior question stating clean coal would be eligible. He wanted to clarify that was the case. He knew the bill was not called a green bank whereas other states did call it a "green bank" not related to fossil fuel or greenhouse gases. He reiterated his question whether the bill was eligible for a fossil fuel project. Mr. Weitzner answered in the affirmative and added that sustainable energy development was broadly defined to address the unique energy requirements in the state.

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Mr. Weitzner turned to slide 11 titled "ALASKA ENERGY INDEPENDENCE FUND (AK EIF)" and discussed financing and investments:

Financing and Investments

The Fund would leverage its capital alongside Alaska's financial sector to enhance total investment in Alaskan clean energy programs and projects.

Eligible to make loans, provide credit enhancement structures, purchase loans, provide development funding and other forms of financing for sustainable energy development in Alaska's commercial, residential, and industrial market sectors.

The Fund would consist of appropriations made by the legislature, loans or other assets transferred to the Fund by AIDEA, unrestricted loan payments, interest, or other income earned on loans, investments or assets of the fund, and available federal funding.

Mr. Weitzner explained how the initial capitalization within AIDEA and financial institution investment would be utilized. He noted that through the collaboration with CGB and the CGE it highlighted how the loan programs could be put in place. He highlighted that another important element of the bill was the establishment of an advisory committee with members from across the state that included members from financial institutions. The committee would advise how to put the loan programs together to facilitate reaching the need and examine the best practices of how to grow it through successful green banks. He stressed that the role of public finance was in credit enhancement, loan loss reserves, and creating elements of structuring that worked with local financial capital for residential, industrial, and commercial users. The relationships with the existing financial sector was important to establish the best uses of the loan program for the utilizers and the ability to build onto the capital base with different programs. The appropriation to capitalize the fund was the foundation capital that would create the structures to expand the loan programs.

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Mr. Weitzner advanced to slide 12 titled "Program Workflow." The slide depicted AIDEA's role with the initial capitalization of the fund. The agency would solely utilize the fund for green bank programs and establish underlying investment vehicles that worked directly with the local financial institutions and create the different loan programs. The programs were structured to meet a certain

issue and the loans were structured for the specific programs.

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Mr. Weitzner concluded the presentation on slide 13 titled "Functions of the Fund." He maintained that the program would address issues that created barriers to investment or perceived higher risk. Therefore, AIDEA would create structures that provided credit enhancement to financial institutions. In addition, the agency would establish broader pools or coalitions to address inefficiencies of scale by aggregating small projects to meet scale to attract private capital. He delineated that another barrier to investment was first-in-kind transactions where AIDEA would work with AEA on technical support to address the issue. Another barrier was marginal economics, and the agency would work to enhance service sector businesses through co-investment with AIDEA.

Representative Edgmon thanked Mr. Weitzner and others for the presentation. He used the infusion of federal money to improve the state's broadband for comparison. He took "a bit of umbrage" with the term independent in the bill. He was familiar with the state's energy issues and stated that the only way Alaska could become energy independent was through development of its natural gas. He opined that those other forms of energy would be a marginal contribution to energy independence. He clarified that he was not making negative comments about the bill but wondered how the word "independence" became associated with the legislation and wondered why not merely call it a green bank or clean energy fund. He asked Mr. Weitzner to help convince a rural resident how a \$10 million capitalized fund tied to financial returns from the private sector would get rural Alaska energy independent without natural gas. Mr. Weitzner replied that the term independence came from the idea that Alaskans could make an independent decision on their own energy choice by undertaking a loan for energy efficiency or source solar panels. He maintained that the bill enabled Alaskans to make their own independent choices on their energy resources and that was how the word was included. He noted the House Labor and Commerce Committee had changed the name to the "Clean Energy Fund."

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Representative Edgmon asked why the entire effort was not being tied to goals, objectives, and outcomes. He referenced broadband as a comparison that had goals and outcomes. He supported the venture, but he thought the bill was being "overstated" in some ways. Mr. Weitzner agreed there was not independence in the existing policy as written. The reference was written to policy targets for clean energy that the legislature had enacted and thought that the term would align through creating economic diversity. Representative Edgmon liked the fact that the bill had a clean energy program and an advisory board. He emphasized that there were no goals and objectives tied to the legislation. He ascertained that the bill was a banking bill under the moniker of energy, he characterized it as "sort of clean energy, but it's really not clean energy because it's economic development first." He did not think HB 170 was the complete package. Mr. Weitzner answered that the administration had principally focused on the green bank legislation in other states that had been successful and attempted to tailor the programs to how it would function within AIDEA and Alaska's statutes. It had been the driving force of the legislation.

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Representative Edgmon appreciated the legislation. He saw an environment in rural Alaska where diesel would rule in rural Alaska for many years. He remained unconvinced that an Anchorage bank would provide a loan with a 9 to 1 leverage ratio and change things in rural Alaska.

Representative Carpenter referenced independent decisions by Alaskans to put solar panels on their rooves. He deduced that the many feet of snow that fell on houses in the winter reducing solar panels to function for only 6 months out of the year would likely be a bad investment for many. He stated that the "devil was in the details" regarding what technologies would work. He deduced that it was unknown whether traditional or alternative energies would work. He wondered what the bill was trying to accomplish. He understood the concept and it sounded beneficial to put \$10 million in a fund to eventually generate \$570 million to \$1 billion of savings in the future. He was uncertain what technologies were implied or possible. He stated that if it was left up to the decisions by individuals, he could not envision the complete plan. He favored lower cost energy but admitted that the most reasonable way to drive

down the cost of energy in the state was through natural gas. He deemed that another focus was a "distraction."

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Mr. Weitzner responded that if the bill created energy efficiency within the definition of sustainable energy development and reduced the amount of energy consumed but still met demand the savings would occur. He recounted that the way a green bank and the proposed fund worked was through a loan program that made low cost financing available that enabled consumers to make their own energy choices. The bill incentivized capital and made it available for consumers desiring to lower their costs and monthly spend on energy consumption. The loan programs would offer cost effective financing for the individual. He noted that energy efficiency could include other forms of energy; however, wind, solar, and hydro products were developing via micro-grids in rural communities that reduced overall diesel consumption. He asked if Mr. Schub could explain how existing green banks were effective.

Mr. Schub interjected that the number one investment through green banks was in energy efficiency in buildings (representing over 50 percent of all green bank investments across the country) to lower the energy cost no matter what energy source was used. He maintained that the first and cheapest way to lower energy cost was to use less energy via installation of energy efficiency measures. He emphasized that it was not a question of whether more clean energy or fossil fuel based energy was installed the goal was helping to lower energy costs as much as possible. He indicated that considering the energy situation in the state, lowering energy costs through building efficiency was clearly the largest market opportunity. He agreed there was not a specific plan in the legislation. He elaborated that very few green bank bills in the country included specific investment plans in the legislation. The institutions were meant to respond to market inputs and consumer demand. The market need and existing opportunity among consumers and installers drove where the investment went, which tended to be energy efficiency. He expected energy efficiency to be the main focus of the program.

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Representative Carpenter thought he had heard earlier the bill was not creating a green bank. He asked if the bill was creating a green bank. Mr. Schub replied that he had used the term too casually and it was an over generalized term.

Representative LeBon deduced that the banking community had to be "on board" for the program to succeed. He referenced slide 13 that cited project risk, credit enhancement, providing loan loss reserves, reduced risks, allow longer terms at lower rates, etc. He asked if the Alaska Bankers Association had weighed in formally on the program. Mr. Weitzner answered that AIDEA had met with the association several times on the topic and provided information. He had not seen any formal opinion by the association. Representative LeBon spoke to the importance of knowing where the banking community stood on the program for it to succeed.

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Representative Wool voiced that he agreed with Representative Edgmon's statements. He noted that the committee had a presentation recently on the Infrastructure Investment and Jobs Act (IIJA) funding [February 3, 2022 and April 7, 2022]. He recalled that the Alaska Housing Finance Corporation (AHFC) was appropriated a significant amount of money for energy efficiency. He deemed that HB 170 was in competition with IIJA funding that was free and not a loan program and there were currently many programs for energy efficiency. He understood the bill was not called a green bank because some of the included projects were not very "green." He asked whether fossil fuel projects were acceptable in other states with green banks.

Mr. Schub responded that some of the institutions were not referred to as green banks, some were called clean energy funds or clean energy access funds. Some green banks allowed certain projects to hook into a central utility for natural gas. He recalled that across the green bank system none of the projects had financing for fossil fuel projects. He related that the main reason was much existing financing was available for fossil fuel projects. Green bank projects were economically viable but structural financial barriers prevented private capital from financing them on their own, which was not the case for fossil fuel projects.

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Mr. Hunter interjected that CGB financed projects that used fossil fuels regularly. He elucidated that the types of projects were replacing low efficiency gas boilers with high efficiency gas boilers or natural gas conversions. The green bank also supported combined heat and power where the fuel source was fossil based, principally natural gas. He relayed that it was his state's objective to get to a net zero in power generation by 2040 and the goal was to wean the state off natural gas to the extent practicable. There was no oil or shale in Connecticut and CGB would not be permitted to use funds for extractive purposes or pipeline investment.

Representative Wool supported any energy efficiency improvement, whether it involved hydrocarbons or not. He acknowledged the unique energy challenges in Alaska. He interposed, in relation to Representative Carpenter's remarks that snow on a roof was very reflective and was not bad for solar panels.

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Mr. Weitzner stated that Representative Wool was correct that through IIJA there was significant amount of grant funding and he expected it was the funding of first choice for communities. He elaborated that the funding allocated to Alaska Housing Finance Corporation (AHFC) for energy efficiency was restricted to residential use. The funding did not benefit the industrial and commercial consumers in the state. The development of the green bank was intended to offer cost effective financing over the long haul.

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Representative Josephson asked if the administration considered having the AEA operate the program when drafting the bill. He deduced that the program aligned more with AEA's core mission and it currently offered loans and grant programs. Mr. Weitzner responded in the affirmative. The authority to create a green bank like funding program was contained in AIDEA's statutes. The ability to engage with the financial community existed in AIDEA's authority. The technical components were under the purview of AEA. Its grant and loan programs were administered through AIDEA's staff. He deferred to AEA for further clarification.

CURTIS THAYER, EXECUTIVE DIRECTOR, ALASKA ENERGY AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), concurred with Mr. Weitzner's remarks. He cited discussions that concluded the bill was primarily a finance bill for infrastructure and economic development and better fit within AIDEA. The bill included AEA where it augmented the program, especially concerning rural Alaska. He noted that AEA operated the Power Cost Equalization (PCE) program and was responsible for powerhouses, bulk fuel, and alternative energy in roughly 200 rural Alaskan communities. He emphasized that AEA's expertise laid in rural Alaska.

Mr. Weitzner elaborated on Representative Josephson's question. He indicated that energy was an area that AIDEA often collaborated with AEA.

Representative Josephson deduced that many of the alternative energy projects would exist in rural Alaska. He asked if there had been any consideration given to expanding the capitalization of the Renewable Energy Fund since the template already existed. Mr. Weitzner answered that the focus had been on establishing legislation that would facilitate federal and state funding to grow a green bank in Alaska, which better fit AIDEA's purview. He addressed Representative Josephson's comments regarding where the projects would occur. He explained that energy efficiency benefitted all areas of the state; urban and rural. He reported that the AK EIF could support programs like the Commercial Property-Assessed Clean Energy (CPACE) program that existed in urban areas and support programs providing equivalent support in rural communities. He deferred to Mr. Hunter for further clarification.

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Mr. Hunter expounded that the investments would be specific to individual states. He restated that most of CGB investments were for individual buildings; residential, commercial, and industrial. He reported that 40 percent of greenhouse gas emissions were generated from the building sector, roughly 35 percent were from the transportation sector. The CGB was focused on those two areas, approximately 60 percent of the funding was for solar, and the balance was in general energy efficiency.

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Co-Chair Merrick handed the gavel to Vice-Chair Ortiz.

Representative Thompson relayed that a few years ago the University of Alaska in Fairbanks replaced its 50 year old coal generated power plant to a more energy efficient coal power plant. The coal plant cut the emissions by 50 percent. He wondered if a similar project would be eligible under the bill.

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Mr. Weitzner replied that the use of coal under the energy efficiency umbrella would be eligible under the legislation. He qualified that the type of investment necessary for such a large project would not likely fit within the AK EIF program.

Representative Carpenter asked whether AIDEA had the authority to use its own funding to capitalize the fund or if GF was necessary. Mr. Weitzner responded that the legislation proposed that the initial funding was appropriated via Unrestricted General Funds (UGF), but AIDEA receipts could be used to grow the program. He explained that all the various funds within AIDEA were initially capitalized via state appropriation. In addition, all green banks were initially funded through public funding representing the public policy support for the program. He highlighted that AIDEA's funds were legislatively defined as being separate from the funds of the state. The state's initial appropriation for HB 170 would be made outside of AIDEA's dividend covenant. He delineated that as a development finance authority AIDEA was able to issue debt in its own capacity via statute and needed to establish independent financial integrity with credit rating agencies.

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Representative Edgmon spoke to the issue of seed funding and the contemplation of an initial \$10 million to get the project going. He asked if there had been an analysis on initially capitalizing the fund at \$40 million to \$100 million to build the relationship with the banking community. He pondered why \$10 million and not \$50 million. Mr. Weitzner highlighted slide 7 showing a comparison between existing and successful green banks based on GDP and the level of initial funding and they had identified

\$10 million as the appropriate amount of initial capital to allow growth over time. He elaborated that he wanted to take a conservative approach in the level of initial funding in case the fund was not able to grow as quickly as anticipated to avoid AIDEA incurring additional reporting obligations by the legislature.

Mr. Hunter interjected that he supported AIDEA's position for a conservative approach. He asked everyone to keep an open mind on the topic, particularly in the near future. He believed the effort would be tremendously successful if it passed. He offered perspective from the CGB's experience. He reported that CGB repurposed \$70 million from the state's clean energy fund into its capital base and the legislature appropriated one tenth of one penny to the green bank from all electric bills in the state that totaled \$27 million annually as well as a share of its cap and trade carbon emissions programs providing \$3 million annually. Connecticut granted \$100 million in seed capital to CGB in a state with a population of 3.5 million. He reported that the CGB had 45 staff and invested the balance in transactions. The green bank had bonding authority to issue taxable and tax exempt bonds. During its last bond issue, CGB attracted \$100 million in bids for \$25 million in available bonds and half of the bonds were purchased by citizen investors across the state and nation. He was certain Alaska's program could attract the additional investment. He emphasized that it was important to have a good capital base because the rating agencies would look at the sustainability of the bonding entity. He declared that "the endeavor would be rewarded for being bold." The key to CGB's success was its capable staff, the flexibility of its enabling statutes, and a strong capital base, which empowered it to attract significant amounts of private capital. He stated that "it takes money to make money" and the saying applied to clean energy projects. Connecticut Green Bank's \$250 million balance sheet represented an endowment for the benefit of the state's citizens. He stressed that no private equity investors were walking away with CGB's investment - it belonged to the citizens of the state. He asserted that Alaska's program would be investments for the citizens of the state and not give aways."

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Representative Edgmon referenced the phrase "underserved communities" in the bill. He asked if the term was defined in statute. Mr. Weitzner could not recall the answer and would follow up in writing. Representative Edgmon discovered that there was a definition in the CRA, which was referenced earlier by Representative LeBon that was a federal banking act relative to underserved communities. He referenced broadband and noted that the federal definition of unserved versus underserved was explicitly defined. He admitted that he was biased and represented southwest Alaska and was "struggling" to understand how the bill could accomplish anything for rural Alaska. He noted that existing green banks were tied to the transportation and building sectors. He guessed that the issues of rural Alaska were not conducive to private investment.

[2:45:06 PM](#)

Vice-Chair Ortiz referenced existing green bank funds developed across the country. He asked if fuel cell technology had been integrated anywhere with green bank funding. Mr. Hunter replied affirmatively. He elaborated that CGB invested \$200 million in fuel cells in Connecticut. He noted that the state was home to two fuel cell manufacturers; Fuel Cell Energy and Doosan. He noted that the third fuel cell manufacturer was Bloom Technologies in California. He furthered that the Connecticut companies used natural gas as its feed stock and would eventually transfer to using clean hydrogen within 5 to 7 years when it was fiscally sustainable.

Mr. Weitzner interjected that the definition of sustainable energy development in HB 170 incorporated fuel cell technology and anticipated it to be largely a micro-grid component.

Representative Wool asked how AIDEA would inform the public about the programs and if it provided support to interested homeowners.

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Mr. Hunter used Connecticut as an example. He highlighted a statewide program called "Energize CT" that was the umbrella organization the partnered with CGB and the state's electric and gas utilities which provided all the information regarding all of the state's energy programs

and served as one central source of information. He furthered that when CGB started there were 6 different websites; it was confusing and stymied the uptake of investment. The situation instigated the collaboration that created the Energize CT Program. The utilities and CGB also employed social media and the green bank had an informative web page for its programs and bonding. The green bank also reached out to contractors to offer training and updates for the programs it offered. He explained that once contacted by the homeowners, the contractor assessed the problem, defined the solution, and matched it with the proper financing program.

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Representative Wool stated he was curious about the Alaska specific approach. He noted all of the programs Alaska had to offer and wondered how the information could reach people and how they could navigate through the information. He asked if Alaska had a similar entity to Connecticut's Energize CT. Mr. Hunter responded that he offered his remarks as guidance for Alaska, since the state did not currently have a similar program to disseminate information. He noted that green banks in other states set up a similar way to inform the public.

Mr. Weitzner added that Representative Wool made an excellent point. He reiterated that there was not a central point of information dissemination of all the programs the state offered. He stated that the bill did not solve the problem but AIDEA would look to incorporate a centralized information system. In regards to the issue for rural Alaska, he informed the committee that in Section 2 of the bill; AS.44.83.055 created an analyst position within AEA who's role would solely be to work with and educate Alaska's rural communities regarding the programs and how to access Alaska's AK EIF programs.

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Representative Carpenter provided a scenario. He exemplified an Alaskan homeowner who wanted to upgrade their windows or heating system through federal or state programs, or bank loans. He wondered if the capacity currently existed. He asked the same question regarding a business. Mr. Weitzner answered that currently programs existed in different levels of capacity. He elaborated that

it depended on the borrower's loan capacity. He noted that there were programs through AHFC for residential owners. Regarding businesses, the programs also depended on the businesses' loan capacity. He voiced that the intent of Alaska's program was to create additional avenues that did not rely solely on the individual's capacity to take on debt.

HB 170 was HEARD and HELD in committee for further consideration.

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AT EASE

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RECONVENED

#hb307

HOUSE BILL NO. 307

"An Act relating to the financing and issuance of bonds for a liquefied natural gas production system and natural gas distribution system; and providing for an effective date."

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REPRESENTATIVE GRIER HOPKINS, SPONSOR, introduced the legislation. He read from a prepared statement:

I'm pleased to offer HB 307 - a simple bill that is part of a long-term, comprehensive, and paradigm-shifting solution to a difficult problem.

In 2009, the U.S. Environmental Protection Agency (EPA) designated portions of the Fairbanks North Star Borough (FNSB) as a nonattainment area for air quality related to PM2.5. Since that time, the communities of Fairbanks and North Pole, State of Alaska, AIDEA and the Interior Gas Utility have been actively engaged in expanding the availability and use of natural gas through the Interior Energy Project, a project designed to bring lower-cost energy to as many Interior residents and businesses as possible, as quickly as possible.

A critical component of the Interior Energy Project or IEP is financing for the development of a unified public gas utility with competitive rates. SB 23 was passed by the 28th Alaska Legislature in 2013 giving the Alaska Industrial Development Authority (AIDEA) the ability to provide financing tools for the development of the IEP, including the ability to issue up to \$150 million in conduit revenue bonds to help develop an integrated natural gas supply chain, including expansion of natural gas liquefaction facilities in the Matanuska-Susitna Borough and expansion of natural gas mains and service lines in Fairbanks and North Pole.

Authorization for issuing these bonds was originally scheduled to expire June 30, 2018. Through the efforts led by Rep. Thompson and former Senator Pete Kelly - the Alaska Legislature extended access to AIDEA bonding an additional five years to June 30, 2023.

Given market conditions and turmoil related to the COVID-19 pandemic, IGU has paused the final investment decision on its Titan liquid natural gas (LNG) plant expansion project located in the Mat-Su Borough, which will necessitate access to AIDEA bonds.

Bonds of \$136 million of the original \$150 million authorized may be issued to provide up to the \$275 million financing cap authorized under SB23.

HB 307 extends the authorization for AIDEA to issue IEP-related bonds for an additional five years to June 30, 2028.

Members will find in their packets letters of support for HB 307 from AIDEA as well as the Fairbanks North Star Borough and the January 2022 quarterly report from AIDEA to the legislature on the progress of the IEP.

JOE HARDENBROOK, STAFF, REPRESENTATIVE GRIER HOPKINS, provided a sectional analysis on the bill (copy on file):

Section 1:

Amends the uncodified law of the State of Alaska enacted in 2013 to replace the expiration date of the

authority of AIDEA to issue bonds in support of the project from June 30, 2023, to June 30, 2028.

Section 2:

Contains an immediate effective date.

Representative Carpenter wondered how the current announcement of a natural gas pipeline from the North Slope to the Interior of Alaska impacted the IEP.

Representative Hopkins replied that the IEP project expanded natural gas lines throughout the Fairbanks area. He emphasized that the Fairbanks area needed to be ready for the time the gas line was completed. He explained that when more affordable gas was supplied from the North Slope customers would pay a lower interest rate through their utility bill by extending the bonding authority and expanding the infrastructure.

Co-Chair Merrick moved to invited testimony.

ELENA SUDDUTH, MANAGER, CUSTOMER SERVICE AND MARKETING, INTERIOR GAS UTILITY, FAIRBANKS (via teleconference), was in favor of HB 307. She related that AIDEA and the Interior Gas Utility (IGU) had been working closely on all aspects of the IEP that included liquefaction, transportation, storage, regasification, and distribution of natural gas. She listed the ways both entities had advanced the project. Fairbanks Natural Gas and IGU had consolidated into one natural gas utility to extend the availability of lower cost energy to as many businesses and residences as possible. She delineated that approximately 215 miles of natural gas distribution lines had been installed to the core non-attainment areas of Fairbanks and the North Pole. In Fairbanks, 1,550 residential and commercial customers were using natural gas. The natural gas utility could serve 8,500 properties if everyone with access to natural gas mains converted. The North Pole distribution lines served 125 customers with the main lines reaching 3,000 commercial and residential properties. She furthered that AIDEA and IGU had been working on two storage projects. There was a 5.25 million gallon Liquefied Natural Gas (LNG) storage and gasification facility that was completed in Fairbanks in late 2019 and a separate 150,000 gallon LNG storage and gasification facility completed in the North Pole in 2021. The IGU's customer base had increased about 40 percent since the storage facilities were completed and it

anticipated 600 more customers converting to natural gas for heating in 2022. She noted that AIDEA's bonding was critical to the continuing success of the project. As the customer base grew, IGU would need to utilize further AIDEA bonding to add approximately 100,000 gallons per day of LNG capacity to the present output of the Titon Liquefaction Facility located in the Mat-Su Borough. The existing plant had a capacity of about 50,000 gallons per day. The utility planned to utilize AIDEA bonding to expand more natural gas mains into more neighborhoods in the Fairbanks and North Pole communities. The bonding authority was not fully utilized due to the COVID-19 pandemic, resulting oil price drop, and economic uncertainty. She anticipated needing the bonding over the following few years. The bill provided additional time for the IEP to progress and realize the project's goal of affordable natural gas to as many customers as possible.

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Co-Chair Merrick set an amendment deadline for HB 307 for Wednesday, April 13, 2022, at noon.

Representative Hopkins thanked the committee for hearing the bill.

HB 307 was HEARD and HELD in committee for further consideration.

ADJOURNMENT

[3:22:57 PM](#)

The meeting was adjourned at 3:22 p.m.