**ALASKA STATE LEGISLATURE**
**SENATE LABOR AND COMMERCE STANDING COMMITTEE**
April 14, 2021
2:00 p.m.

**MEMBERS PRESENT**

Senator Mia Costello, Chair
Senator Roger Holland, Vice Chair
Senator Joshua Revak
Senator Gary Stevens
Senator Elvi Gray-Jackson

**COMMITTEE CALENDAR**

SENATE BILL NO. 123
"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

SENATE BILL NO. 6
"An Act relating to retirement incentives for members of the defined benefit retirement plan of the teachers' retirement system and the defined benefit retirement plan of the Public Employees' Retirement System of Alaska; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 123
SHORT TITLE: ENERGY INDEPENDENCE PROGRAM & FUND: AIDEA
SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

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|---|---|---|
| 04/09/21 | (S) | READ THE FIRST TIME - REFERRALS |
| 04/09/21 | (S) | L&C, FIN |
| 04/12/21 | (S) | L&C WAIVED PUBLIC HEARING NOTICE,RULE 23 |
| 04/14/21 | (S) | L&C AT 1:30 PM BELTZ 105 (TSBldg) |

**WITNESS REGISTER**

MORGAN NEFF, Chief Investment Officer
Alaska Industrial Development and Export Authority
Department of Commerce, Community and Economic Development (DCCED)
Anchorage, Alaska
**POSITION STATEMENT:** Delivered a PowerPoint to introduce SB 123.

CHRIS ROSE, Executive Director
Renewable Energy Alaska Project (REAP)
Juneau, Alaska
**POSITION STATEMENT:** Delivered a PowerPoint titled "Financing Clean Energy in Alaska" during the hearing on SB 123.

BERT HUNTER, Executive Vice President;
Chief Investment Officer
Connecticut Green Bank
Stamford, CT
**POSITION STATEMENT:** Delivered a PowerPoint overview of the Connecticut Green Bank during the hearing on SB 123.

JEFFREY SCHUB, Executive Director
Coalition for Green Capital (CGC)
Washington, D.C.
**POSITION STATEMENT:** Delivered a PowerPoint about the Green Bank model and the Alaska Energy Independence Fund during the hearing on SB 123.

**ACTION NARRATIVE**

2:00:13 PM
**CHAIR MIA COSTELLO** called the Senate Labor and Commerce Standing Committee meeting to order at 2:00 p.m. Present at the call to order were Senators Gray-Jackson, Holland, and Chair Costello. Senator Revak arrived soon after the meeting convened. Senator Stevens arrived as the meeting was in progress.

**SB 123-ENERGY INDEPENDENCE PROGRAM & FUND: AIDEA**

2:00:46 PM
CHAIR COSTELLO announced the consideration of SENATE BILL NO. 123 "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."

She invited Morgan Neff to introduce the bill.

2:01:56 PM
MORGAN NEFF, Chief Investment Officer, Alaska Industrial Development and Export Authority, Anchorage, Alaska, delivered a PowerPoint to introduce SB 123 and the Alaska Energy Independence Fund (Alaska EIF). He advised that he would start by reviewing Alaska's unique energy needs and its consumption profile. He pointed out that as of 2018, the U.S. Energy Information Administration (EIA) ranked Alaska fourth in the nation for total energy consumption per capita and eleventh in personal income per capita. In addition, electrical rates for residential, commercial, and industrial use averaged twice the national average on a kilowatt per hour (KWh) basis.

He reported that the combination of the high cost of energy and among the highest rates of consumption burdens Alaska's economy with the third highest total energy expenditures per capita. This amounts to about $8,000 per person, which translates to about $6 billion spent per year on energy or approximately 11 percent of Alaska's annual gross domestic product (GDP).

2:03:39 PM
SENATOR REVAK joined the committee.

MR. NEFF directed attention to slide 4 that describes the Alaska Energy Independence Fund. Often referred to as a "green bank," Alaska EIF functions as a public-private entity that uses some public funding to leverage private sector capital to accelerate investments in clean energy projects. Specifically, Alaska's banks will be an instrumental partner to Alaska EIF for the benefit of all Alaskan communities. He advised that every green bank can be modeled to fit the needs of the expected demographic and geographic region but they all serve the public purpose. The Alaska EIF proposes to meet the public purpose by promoting sustainable and clean energy projects that fill market gaps and removing barriers to green energy investment in partnership with the financial sector and other investors. The idea is to meet criteria to access federal funds that may become available through pending federal legislation.

2:05:33 PM
MR. NEFF reported that the proposed initial capitalization is a $10 million UGF appropriation. This benchmark came through comparison against several existing Green Banks, primarily from New York, Connecticut, and Maryland. The comparisons at the state and county levels were GDP, GDP per capita, population, and total energy consumption per capita. He highlighted that as each of these Green Banks gained scale, they successfully leveraged private capital to accelerate their programs. He pointed out that New York's leverage ratio was $6 in private capital for every green bank dollar. Connecticut's ratio was 8:1 and Montgomery County Maryland's ratio was 7:1. He said the Alaska EIF anticipates a similar ratio as it gains scale. For perspective, the Connecticut Green Bank leveraged nearly $37 million initially to provide over $312 million in total investments for FY2020.

MR. NEFF pointed out that the initial $10 million capitalization was weighed against the coalition of green capital 2020 study of the Municipality of Anchorage that estimated that $5 million could be deployed into Anchorage through a directed program that would ultimately create a significant amount of energy savings and job growth. That being said, he assured the committee that the proposed $10 million capitalization is for the benefit of the entire state, not just for Anchorage.

MR. NEFF directed attention to the two fiscal notes attached to SB 123. One is for the initial capitalization of $10 million and the second is for an increase in AIDEA's budget for operating expenses. He explained that the fund is designed to be a self-sufficient entity where the returns will more than offset the proposed expenses and operating costs. It will also be in a position to accept operating capital and additional funding from the federal legislation that he would discuss later.

2:08:21 PM
SENATOR GRAY-JACKSON asked how the line item "Population" relates to the numbers.

MR. NEFF explained:

> We backed into the population per initial capitalization for each one of the Green Banks and then weighted the capital expenditures per capita,

which, again is a population-driven number, into figuring out where the ultimate capitalization should be for the Alaska Energy Independence Fund.

MR. NEFF said the expectation is that the Alaska EIF will generate many economic benefits. It has the potential to provide a meaningful economic effect through lower cost of energy, lower cost of living, creation of substantial new jobs and businesses, and increased discretionary income that can help drive long-term compounded GDP growth for the state.

MR. NEFF directed attention of slide 7 to highlight the economic benefits of the Alaska EIF. He said this fund is an opportunity for the $8,000 average annual cost of energy per Alaskan to be offset and the savings redeployed into the Alaska economy as discretionary spending. He pointed to the examples on the slide that show the savings for Alaskans if their average energy costs were 10 percent to 30 percent lower. He noted that this could free up from $589 million to $1.7 billion in discretionary spending every year.

2:10:40 PM
MR. NEFF turned to slide 8 and reiterated that this fund is aligned with federal legislation H.R. 806 Clean Energy and Sustainability Accelerator Act and S. 283 National Climate Bank Act so it can receive capital to enhance the total investments in the Alaska Energy Independence Fund. Current estimates indicate that Alaska could receive about $130 million in aggregate.

MR. NEFF stated that the mission of the fund is to make capital more accessible to borrowers for sustainable energy development projects. It also emphasizes the incentive for co-investment in the non-fossil-fuel energy sector through partnerships with AIDEA and AEA, the Alaska financial sector, private investors, and philanthropic donors.

2:12:39 PM
MR. NEFF directed attention to slide 10 regarding financing and investments and paraphrased the bulleted points that read as follows:

- 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.

2:13:06 PM
SENATOR STEVENS joined the committee.

MR. NEFF discussed the functions of the Alaska Energy Independence Fund from slide 11. He stated that the market for loans for sustainable energy development is greatly underserved and a foreign concept to conventional lenders. Alaska EIF thus will play a pivotal role in incentivizing private sector participation. He suggested that the various financing structures will help address the conventional barriers and mitigate the perceived risk. Ultimately, the typical investments of the fund will look and feel like a loan or credit enhancement structure, which aligns with AIDEA's current and historical management expertise.

He reviewed the barriers to investment, the solution, and examples. The first barrier is perceived credit risk. In that situation, the fund can offer credit enhancement through a loan-loss reserve that can provide risk mitigation and incentivize private capital to lend at a lower rate for a longer time. He highlighted that the fund can address the administrative burden associated with multiple small projects by aggregation of small loans until they meet scale to attract private capital. He said one of the largest barriers is that most conventional private capital lenders do not have the technical expertise to fund more labor intensive or innovative transactions. Due to Alaska's unique energy landscape, the combination of AIDEA, AEA, and the proposed five-member advisory board will able to provide technical legwork that ultimately will add incremental value and partnership relationships through Alaska's financial community. Ultimately, this will further enhance energy investments in communities throughout Alaska. The fund can address the final barrier to investment of marginal

economics by stepping in to improve the overall economics for both private capital investors and the borrower. He said this will help promote the scale and adoption of the program's initiatives.

2:16:17 PM
MR. NEFF directed attention to the program workflow graphic on slide 12. He said it exemplifies how the Alaska Energy Independence Fund would deploy its financing tools as it interacts with the private lending sector, borrowers, lenders, and contractors. This relationship will require a full training, certification, and engagement program with approved contractors and vendors to enhance compliance and efficiency of the program. He noted that on the proposed advisory board, AIDEA and AEA will continue to run parallel studies to identify leading edge technologies and critical relationships to advance the fund and serve communities more effectively.

2:17:10 PM
MR. NEFF displayed the mission statements of AIDEA and AEA at the top of slide 13. He read the following text in the first paragraph on the slide:

> The purpose and function of the AK EIF aligns with AIDEA's existing scope managing investment funds, such as the Arctic Infrastructure Development Fund, Sustainable Energy Transmission and Supply Development Fund, Loan Participation Program (Enterprise Development Account), and Development Project Financing (Economic Development Account).

He highlighted that since 1967, AIDEA has been a financially self-sustaining public corporation that has directed more than $3 billion into economic development throughout Alaska while returning about $40 million in dividends to the state, which is well in excess of its initial capitalization. AIDEA ended 2020 with $1.4 billion in assets. AIDEA's sister company, the Alaska Energy Authority, currently serves about 197 communities in rural Alaska, provides technical assistance to entities through the circuit rider program, and provides engineering and project management expertise.

MR. NEFF stated that SB 123 factors in the combined effort of AIDEA as investment and management expertise in partnership with AEA's energy and technical expertise. This allows the fund to leverage the combined existing infrastructure to help

service and keep the Alaska Energy Independence Fund operating costs low, which could benefit borrowers. Additionally, the bill proposes a five-member board selected by the Governor to provide guidance and information but it would not supersede the governing authority of AIDEA's and AEA's independent board.

MR. NEFF concluded the presentation displaying AS 44.88.010(a)(10). It is the primary driver for AIDEA's mission and goals and aligns with the Alaska Energy Independence Fund.

2:19:25 PM
At ease

2:19:42 PM
CHAIR COSTELLO reconvened the meeting and asked Mr. Neff to walk through the sectional analysis.

2:2007 PM
MR. NEFF read the following sectional analysis for SB 123:

**Section 1**

Amends AS 44.88.070 – Purpose of the authority – to add "sustainable energy development" under the various means of financing and means of facilitating financing provided.

**Section 2**

Amends AS 44.88.159(a) – under Interest rates – to add "the Alaska energy independence fund (AS 44.88.452) under AS 44.88.450-44.88.456."

**Section 3**

Amends AS 44.88.159(b) – under Interest rates – to add "the Alaska energy independence fund (AS 44.88.452) under AS 44.88.450-44.88.456."

**Section 4**

Amends AS 44.88.159(g) – under Interest rates – to add reference to "sustainable energy development".

**Section 5**

Amends AS 44.88.178 – Creation of subsidiaries – to allow the authority to create

one or more subsidiaries "for the purpose of administering, operating, or expanding the Alaska energy independence program." It also states, "Subject to limitations for the use of the economic development account under AS 44.88.172 and the Alaska energy independence fund under AS 44.88.450-44.88.456," in reference to the authority's ability to transfer assets to a subsidiary created under this section.

1:44:52 PM

**Section 6**

Amends AS 44.88 by adding four (4) new sections:

AS 44.88.450 – Alaska energy independence program – creates the program within AIDEA to make loans and provide other forms of financing for sustainable energy development in the state and establishes an Advisory Board, consisting of five members appointed by the Governor, to make recommendations to AIDEA on the fund programs and best practices.

AS 44.88.452 – Alaska energy independence fund – establishes the fund within AIDEA for the uses and purposes of AS 44.88.450-.456. It states the fund consist of appropriations made by the legislature, loans or other assets transferred to the fund by AIDEA, unrestricted loan repayments, interest, or other income earned on loans, investments, or assets of the fund, and available federal funding. The fund is not an account in the revolving loan fund (AS 44.88.060) and requires AIDEA to account for the fund separately from the revolving fund. Finally, this section allows AIDEA to create additional accounts in the fund; and to transfer amounts between accounts in the funds (subject to agreements made with the holders of AIDEA's bonds or with other persons).

AS 44.88.454 – Sustainable energy development; powers and duties of the authority – outlines AIDEA's abilities, subject to AS 44.88.450-.456:

- Establish a subsidiary corporation subject to the requirements of AS 44.88.178;

- Establish financing programs and products that AIDEA deems necessary to encourage and promote sustainable energy development in the state;
- Invest in eligible sustainable energy development alone or with other investors (including private capital providers);
- Provide capital and fund management to eligible sustainable energy development and specifies in what forms this is allowable;
- Make and execute contracts and other instruments to implement AS 44.88.450.456;

2:24:25 PM

- Acquire real or personal property by purchase, transfer, or foreclosure when the acquisition is necessary to protect AIDEA's interest in a loan or other financial product;
- Enter into lease-purchase agreements (subject to AS 36.30.085);
- Defer principal payments or capitalize interest on loans;
- Provide financing and services to municipal energy improvement assessment programs established in accordance with AS 29.55.100; and
- Exercise any other power necessary to implement AS 44.88.450-.456.

This section (AS 44.88.454) also allows AIDEA to adopt regulations to implement AS 44.88.450-.456, including:

- An application process for acquiring financing under the Alaska energy independence program;
- Qualifications for applicants applying for financing under the program;
- Record keeping requirements to accumulate and track measurable data related to the fund; and
- Fiscal controls for the fund.

AS 44.88.456 – Limitations on financing; use as security – prohibits AIDEA from using the fund established in AS 44.88.452 to make a loan guarantee if the amount exceeds $20 million unless AIDEA has obtained legislative approval. It states financing under AS 44.88.454 is limited to the life of eligible sustainable energy development,

with financing limited by the estimated useful life of the project. Finally, it states AIDEA may use the fund established in AS 44.88.452 as security for a bond guarantee as long as it does not conflict with subsection (1) of this section.

**Section 7**

Amends AS 44.88.900 – Definitions – to add definitions for "sustainable energy development" and "eligible sustainable energy development".

**Section 8**

Provides a January 1, 2022 effective date for this Act.

2:25:57 PM

CHAIR COSTELLO referred to the language on page 1, lines 10-13, and asked for examples of sustainable energy development and if there was a definition in statute. She also asked for examples of the energy projects AIDEA has been involved in prior to this proposal.

MR. NEFF replied the definition is on page 8, lines 26-28, under AS 4.88.900. He explained that it is written broadly to address both urban and rural access to this type of program. To the second question, he said AIDEA has been involved in multiple energy projects, most recently with oil and gas developments. They have also collaborated with the Alaska Energy Authority under the SETS program, which is the statutory transmission and supply program for the SSQ transmission line. He restated that the Alaska Energy Independence Fund focuses specifically on non-hydrocarbon, renewable energy sources typically used for scalable sustainable projects throughout Alaska.

CHAIR COSTELLO asked him to read the definition of "sustainable energy development" into the record.

2:28:32 PM

MR. NEFF read the definition in Section 7 of the proposed paragraph in AS 44.88.900. It read as follows:

Sec. 7. AS 44.88.900 is amended by adding new paragraphs to read:

(20) "sustainable energy development" means

(A) renewable energy generation from sources that are continually replenished by nature, such as the sun, wind, water, and biological 6 processes;
(B) building energy efficiency, including fuel switching to 8 renewable fuels and electrification; (C) industrial decarbonization;
(D) electrical infrastructure incorporating
(i) energy storage to support clean energy distribution, including remote and non-remote microgrids and smart-grid 13 applications; and
(ii) other sustainable technologies including distributed generation, advanced battery, and combined heat and power;
(E) greenhouse gas emissions reduction through processes including regenerative agriculture, reforestation, afforestation, and forestry 18 management;
(F) clean transportation, including battery electric vehicles, hydrogen vehicles, plug-in hybrid electric vehicles, and other zero-emissions vehicles for consumers, businesses, government, and public transit;
(G) electric vehicle charging and fueling infrastructure; and
(H) any other emissions reduction or energy efficiency technology the authority determines to be consistent with the Alaska energy 25 independence program;

2:30:01 PM
SENATOR STEVENS noted that the definition seems to be applicable to business and perhaps municipalities. He asked if a percentage of the funds would be allocated for loans to homeowners or if they might be left out.

MR. NEFF replied the design is to benefit homeowners with weatherization and rooftop solar type projects. He emphasized that the definition provides broad access for sustainable energy projects. He added that Green Banks typically are available for the residential community. That is one reason for the tool to aggregate small loans to make it more attractive to the private investment community.

SENATOR STEVENS said he appreciated hearing that.

CHAIR COSTELLO thanked Mr. Neff and invited Chris Rose to start his presentation.

2:32:04 PM
CHRIS ROSE, Executive Director, Renewable Energy Alaska Project (REAP), Juneau, Alaska, stated support for SB 123 and applauded Governor Dunleavy for introducing the legislation to establish the Alaska Energy Independence Fund (AK EIF). He thanked Bert Hunt for the hours he spent explaining the green bank concept over the last 4.5 years and Jeff Schub for his tireless advocacy of clean energy financing and both for their time and effort to understand Alaska's unique energy landscape.

2:33:12 PM
MR. ROSE began his presentation by giving a brief overview of REAP. He paraphrased the text on slide 2 that read as follows:

> Founded in 2004, REAP is a statewide nonprofit coalition of over 60 electric utilities, Alaska Native Corporations, clean energy developers, businesses and other NGOs
>
> REAP's mission is to increase renewable energy development and promote energy efficiency in Alaska

MR. ROSE described the education and programs that REAP supports, focusing on the people who will operate and maintain the energy projects.

- Three K-12 educators, with support from the Office of Naval Research (ONR), work with teachers and students statewide on STEM [Science, Technology, Engineering, and Math] education.
- With ONR support, REAP helped launch the Alaska Network for Energy Education and Employment (ANEEE) to fill gaps in sustainable energy education throughout the state.
- REAP is involved in the Sustainable Southeast Partnership (SSP) with small communities in Southeast Alaska.
- REAP is a new partner in the national Energy Transition Initiative Partnership Program. As one of five subcontractors, REAP is helping the U.S. Department of Energy bring the expertise of four national labs to Alaska and other rural communities nationwide.

MR. ROSE displayed examples of REAP Advocacy from 2008 to the present. The list included the following:

2008: Renewable Energy Fund, $100 million ($270 million total)

2008: $360 million to AHFC for home weatherization ($640 million total)

2010: Emerging Energy Technology Fund House Bill 306 (State Energy Policy)

2016: SB 196 (PCE Endowment)

2017: Property Assessed Clean Energy (C-PACE) 2014-2021: Railbelt Electric Grid Reform

2017-2021: Green Bank

MR. ROSE related that REAP was a primary advocate of the Renewable Energy Fund, which helped put renewable energy projects on the map, particularly in rural Alaska. The fund has financed the building of more than 80 projects over the last 12-13 years. Last year, REAP supported legislation to create the Electric Reliability Organization mandate for the Railbelt. REAP also has been working on the green bank concept for several years.

2:35:30 PM
MR. ROSE displayed a graphic that illustrates how much Alaskans collectively spend on electric, heating, and transportation energy each year. He noted that when an intern created the slide several years ago, Alaskans were spending approximately $5 billion annually and Mr. Neff pointed out that the figure is close to $6 billion today. Importantly, about 20 percent of that energy is wasted. Thus the title on the slide, "Alaska's Annual Billion Dollar Bonfire." This translates to each of 730,000 Alaskans per year throwing away more than $1,000. He agreed with Mr. Neff that a goal is to redeploy that money into the economy.

He pointed to the next slide that warns against waste and describes energy efficiency as the "First Fuel." He said employing efficiency measures is always the fastest and easiest way to achieve energy independence. To Senator Stevens' question about whether homeowners would be included, he said he believes that one of the first programs will be for residential consumers

and commercial consumers who are more rural and unable to take advantage of programs like the commercial property-assessed clean energy (CSPACE) that the legislature authorized and the Municipality of Anchorage developed.

MR. ROSE described the weatherization and rebate programs that the Alaska Housing and Finance Corporation (AHFC) has administered since 2008 as the catalyst for financing clean energy. The initial program allowed more than 50,000 Alaskan homeowners to make their homes more energy efficient. AHFC estimated that the average cost-saving for homeowners was 30 percent. Collectively, the average annual savings is equivalent to more than 25 million gallons of home hearing fuel. He acknowledged that the state cannot afford to continue the weatherization program.

2:38:21 PM
MR. ROSE highlighted that the Renewable Energy Grant Fund is responsible for more than 80 projects since inception in 2008. AEA estimates that collectively, these projects save the equivalent of 30 million gallons of diesel fuel on an annual basis. He noted that the legislature has not appropriated significant funds to this fund for a number of years. This is another illustration of the need for the Alaska Energy Independence Fund; grants cannot do it all.

He displayed the chart of Lazard's Levelized Cost of Energy Analysis - version 12.0. He said this is an unsubsidized analysis that looks at the cost of generating power from a number of different alternative energy and conventional resources. He pointed out that in the last decade the cost of solar has dropped 90 percent and the cost of wind has dropped 70 percent. REAP would like people to have access to these resources whenever possible.

2:39:51 PM
MR. ROSE reviewed the following points to explain why private financing for clean energy is lacking:

- Currently, clean energy financing has a relatively short track record. His analogy is people could not get a car loan when cars were first invented because banks were unfamiliar with cars and did not understand how to price the risk. Now, a loan for a car that depreciates when driven off the lot is available for about 3 percent. However, somebody might have to pay

8-10 percent for a loan to make their house more energy efficient or to install rooftop solar.

- Clean energy projects of $10,000 to $20,000 are small for banks, but they become more interested when the loans are aggregated so there is volume.
- The secondary market for these types of loans has been lacking.
- Human and organizational inertia. Things do not change very fast but a green bank or a fund like the Alaska Energy Independence Fund can accelerate change.

MR. ROSE reviewed the following elements of Green Banks:

- A focus on commercial technologies. This is not for experimental or emerging technologies.
- A dedicated source of capital. The Governor is recommending a $10 million initial appropriation.
- A focus on leveraging private investment. The idea is to leverage the initial $10 million and perhaps achieve an 8:1 ratio of private capital to green bank dollars like Connecticut has done.
- A relationship with government. This is why it makes sense for AIDEA to house the Alaska Energy Independence Fund.

2:42:24 PM
MR. ROSE listed the following functions of Green Banks:

- Design Loan Products & Programs to De-Risk and draw in the private sector
- Educate Private Banks on the Opportunity
- Market Loan Products and Programs so people actually use it
- Leverage Private Investment Capital

MR. ROSE concluded his presentation listing the things that SB 123 would do, should it pass:

- Lower the energy burden for Alaskans
- Develop new investment opportunities for Alaskan lending institutions
- Create jobs and promote business development, just as the AHFC Weatherization program did
- Keep precious energy dollars circulating in the economy. Saving a billion dollars per year in energy

costs and redeploying the savings will be a boon to the economy

- Having the Alaska Energy Independence Fund will position the state to receive federal operating and investment capital

CHAIR COSTELLO thanked him for his efforts to make energy costs in Alaska more affordable.

SENATOR HOLLAND asked when the Green Bank programs started in New York, Connecticut, and Maryland.

MR. NEFF replied the Connecticut Green Bank started in 2012, the New York Green Bank started in 2014, and the Montgomery County Maryland Green Bank started in 2018.

SENATOR HOLLAND commented on the potential difficulties associated with starting a Green Bank in Alaska and asked if there would be tracking or the ability to review the progress of the program in 5-10 years.

MR. NEFF answered yes; it will be analyzed and reported on like other AIDEA funds.

SENATOR HOLLAND asked for the projected length of the loans.

MR. NEFF replied it depends on the underlying project, the ability to aggregate small loans, delineate the risk, and replenish the capital to reinvest into Alaskan communities.

CHAIR COSTELLO invited Bert Hunter to give his presentation.

2:48:55 PM
BERT HUNTER, Executive Vice President and Chief Investment Officer, Connecticut Green Bank, Stamford, CT, stated that his overview of the state-sponsored Green Bank would talk about what a Green Bank does, how it interacts with the market, and the effect it has had. He suggested that it could serve as a frame of reference for the proposed Alaska Energy Independence Fund.

MR. HUNTER reviewed the following points to describe the Connecticut Green Bank: [Includes some formatting changes.]

**Quasi-public organization** – Created in 2011 and successor to the Connecticut Clean Energy Fund.

**Focus** – Finance clean energy (i.e. renewable energy, energy efficiency, energy storage, alternative fuel vehicles and infrastructure, etc.).

**Balance Sheet** – Approximately $77 million net position & $213 million assets in FY20

**Revenue & Funding** – from a variety of sources, including:
**- State Support** – $0.001/kWh surcharge on electric ratepayer bills (about $7-$10 per household per year ≈ $24-26M per year) and Regional Greenhouse Gas Initiative about $3-5 million per year (for renewable energy) **- Federal Support** – competitive solicitations (e.g., SunShot, USDA, etc.) and non-competitive resources (e.g., ARRA-SEP)
**- Portfolio Cash Flow** – Approximately $8 million/year
**- Bonds & Borrowing** – issue "green liberty bonds," bank loan facilities, tax equity investors, and foundations (e.g., PRI's)

MR. HUNTER displayed the organizational chart for the Connecticut Green Bank Board of Directors on slide 3. The governor and legislative leaders appoint the members in addition to three ex officio members. They are quasi-independent but the state is active in the governance process. Four committees support the governance of the Green Bank, one of which approves the transactions. The board meetings are open to the public and all materials and videos from the meetings are posted online.

2:52:41 PM
MR. HUNTER explained that the general idea of all Green Banks is to leverage limited public resources with private capital. Each Green Bank is formed to address the sustainable energy issues relative to the area where it is formed and the needs of the particular demographic. He advised that the Connecticut Green Bank had five key energy challenges to address when it formed. These were very high energy costs, a majority of buildings over 50 years old, an unreliable grid, over-reliance on nuclear and natural gas energy sources, and perennially constrained government spending.

The Connecticut Green Bank was established to take over an existing clean energy fund. They used that fund's revenue stream to fund operations and investments.

MR. HUNTER turned to the chart on slide 5 that illustrates the three distinct ways Green Banks leverage public capital to bring in private capital. First, they co-invest in transactions, usually as a subordinated lender, which makes the investment more attractive by reducing risk and/or enhancing returns for the co-investor. Second, they offer credit support, usually in the form of a loan loss reserve, by shouldering a portion of the credit loss with private capital. Finally, they warehouse smaller transactions and aggregate them until they attain the critical size for investment by others.

He directed attention to the examples of the programs and products on slide 6 of the three methodologies described in the previous slide for leveraging public capital with more private capital.

2:57:34 PM
MR. HUNTER explained that the graphics on slide 7 are a reminder that the Connecticut Green Bank works with its energy utility partners through a home energy services program, a similar program for multi-families, and a program for small businesses. Those programs are also available to state and municipal governments.

2:58:04 PM
MR. HUNTER directed attention to the charts on slide 8 of the Green Bank aggregate investments by source from inception through 2020. He highlighted that it took a year to organize staff familiar with lending practices, private capital, and marketing. As of 2020, they have deployed $2 billion into the market using about $300 million of public capital for a leverage ratio of more than 6:1.

He described the graphics on slide 9 as an illustration of the social and environmental impact of the Green Bank working with its partners. Two billion in investment has generated $100 million in state tax revenues from individual, state, and corporate taxes. Over 23,000 jobs have been created while reducing the energy burden on more than 55,000 families and 375 businesses. Nearly 9 million metric tons of greenhouse gas emissions have been avoided.

MR. HUNTER said the charts on slide 10 illustrate the growth of the loans and investments overtime. In 2012, the investments totaled $13 million or 14 percent whereas the cash represented 70 percent of the balance sheet. In 2020, loans and investments totaled $180 billion. Slide 11 shows an overview of the loan

portfolio. He listed C-PACE, Commercial Solar & EE, the discontinued Residential Solar Funds, and Grid Tied Projects. The latter are larger projects like fuel cells, wind, hydro, and micro grids.

He described slide 12 as a somewhat complicated organizational overview of the Connecticut Green Bank. He noted that SB 123 authorizes the Alaska Energy Independence Fund to set up subsidiary entities and advised that the Connecticut Green Bank has made good use of such entities to protect cash flows for investors. The slide shows an array of funds and transactions as well as banks that participated in different ways in the programs and investments.

3:01:42 PM
MR. HUNTER said slide 13 shows the public private partnerships of the Connecticut Green Bank that represent nearly every conceivable investor or lender in the marketplace. He listed credit unions, community banks, community development financial institutions, private equity, major global banks, and insurance companies. He assured the committee that these types of investors would find their way to Alaska.

3:02:27 PM
MR. HUNTER turned to slide 14 that highlights Green Liberty Bonds. He noted the investor website at www.greenlibertybonds.com/ provides updated information on the issuance activity. He turned to slide 15 and reported that their bond issuances over the last three years total more than $80 million. They are proud to have won three awards.

CHAIR COSTELLO thanked Mr. Hunter and asked Jeffrey Schub to begin his presentation.

3:03:39 PM
JEFFREY SCHUB, Executive Director, Coalition for Green Capital (CGC), Washington, D.C., stated that CGC is a nonprofit organization that works nationwide with stakeholders, governments, market participants, and capital providers to design and launch public clean energy finance entities like the Alaska EIF and the Connecticut Green Bank. CGC has been delivering technical assistance for more than a decade at the state and federal level and multiple countries.

MR. SCHUB stated that the model of Green Banks is proven and repeatable. The cumulative investment mobilized by similar institutions totaled more than $5 billion in 2019 and the latest

numbers bring the total investment to more than $7 billion. These kinds of institutions are mobilizing $3 of private investment, on average, for each public dollar. The leverage ratio varies by state, product, and investment. He highlighted that a number of Green Banks particularly focus on underserved, low-income communities chronically left out either due to lack of access to capital or lack of marketing to those households so the benefits of transitioning to clean energy are sometimes hard to access. Institutions around the country like the Energy Independence Fund have had noteworthy success driving investment into these underserved communities.

He displayed a color-coded map of the U.S. that shows the states with existing Green Banks, Green Banks in development, and states that do not have Green Banks. The map shows that the Green Bank model is spreading across the country irrespective of politics. He said it turns out that in any state, using limited public funds efficiently to drive private sector activity has widespread appeal for lowering energy costs, creating new jobs, increasing resilience, and sparking new business creates value. He acknowledged that Alaska's energy needs are different from states that have proven track records, but assured the committee that the Alaska Energy Independence Fund will finance projects and drive economic activity that fits the state. That is the fundamental reason the model has been so successful. The tools and mechanisms are portable, but the markets to which they are applied, the customers they serve, and the energy needs vary by state. That is why the proposed EIF must be Alaska-based and directed by Alaska experts.

3:07:14 PM
MR. SCHUB reported that in 2020 CGC analyzed the opportunity for a Green Bank in the Municipality of Anchorage and found significant investment need and opportunity in three markets. These were a small-scale solar generation, residential heating and electric efficiency, and commercial building upgrades via C-PACE financing. He agreed with the previous presenters that this is representative of the opportunities statewide to fill needs and gaps in areas with different energy profiles.

MR. SCHUB directed attention to slide 6 that highlights the bipartisan legislation co-sponsored by Representative Don Young to establish a $100 billion Clean Energy and Sustainability Accelerator to provide capital to entities nationwide like the Alaska Energy Independence Fund. There has been strong support from key Alaska stakeholders and just last week 250 businesses, capital providers, trade groups, organizations, and utilities

across the nation signed a letter urging Congress to pass this policy. Importantly, President Biden expressly endorsed the "Accelerator" in his proposed infrastructure package, The American Jobs Plan.

3:09:36 PM
MR. SCHUB explained that slide 7 [that has images of renewable power, buildings, grid, transportation, industry, sustainable agriculture, and climate resilience] highlights the broad scope of potential uses of the Alaska Energy Independence Fund to meet Alaska's energy needs. He concluded the presentation stating that the Alaska EIF would provide a new pathway to invest in disadvantaged and underserved remote communities to ensure equitable access to lower energy costs and economic development. He summarized his intention in the brief presentation to provide broad context for what is happening across the country on this policy, express strong support specifically for SB 123, and thank Alaska leaders for their support of the Green Bank model and creation of the Alaska Energy Independence Fund.

3:11:21 PM
CHAIR COSTELLO asked if the timing of the legislation coincides with the anticipated receipt of American Recovery Act funds to provide the seed for the Alaska EIF.

MR. SCHUB answered yes; the expected timeline for passing The American Jobs Plan or "infrastructure package" is by the end of September. If that becomes law, it is highly likely to include the accelerator legislation.

3:12:47 PM
CHAIR COSTELLO opened public testimony on SB 123; finding none, she closed public testimony. She welcomed letters of support and said she would share them with the committee.

[CHAIR COSTELLO held SB 123 in committee.]

3:13:27 PM
There being no further business to come before the committee, Chair Costello adjourned the Senate Labor and Commerce Standing Committee meeting at 3:13 p.m.