

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ENERGY

April 13, 2023

10:05 a.m.

MEMBERS PRESENT

Representative George Rauscher, Chair
Representative Stanley Wright
Representative Mike Prax
Representative Calvin Schrage
Representative Ashley Carrick
Representative Tom McKay

MEMBERS ABSENT

Representative Josiah Patkotak

COMMITTEE CALENDAR

HOUSE BILL NO. 154

"An Act relating to subsidiary corporations of the Alaska Housing Finance Corporation; and establishing the Alaska energy independence fund."

- HEARD & HELD

PRESENTATION: RAILBELT ENERGY SECURITY- WIND POWER PROJECTS IN ACTIVE DEVELOPMENT

- HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 154

SHORT TITLE: AK HOUSING FINANCE CORP: SUSTAIN ENERGY

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

04/05/23	(H)	READ THE FIRST TIME - REFERRALS
04/05/23	(H)	ENE, FIN
04/13/23	(H)	ENE AT 10:15 AM BARNES 124

WITNESS REGISTER

BRYAN BUTCHER, Chief Executive Officer and Executive Director
Alaska Housing Finance Corporation
Department of Revenue

Anchorage, Alaska

POSITION STATEMENT: On behalf of the prime sponsor, House Rules by request of the governor, co-presented a PowerPoint presentation, titled "House Bill 154: Alaska's Energy Independence Fund."

CURTIS THAYER, Executive Director
Alaska Energy Authority
Department of Commerce, Community, and Economic Development
Anchorage, Alaska

POSITION STATEMENT: On behalf of the prime sponsor, House Rules by request of the governor, co-presented a PowerPoint presentation titled "House Bill 154: Alaska's Energy Independence Fund."

AKIS GIALOPSOS, Deputy Executive Director
Alaska Housing Finance Corporation
Department of Revenue
Anchorage, Alaska

POSITION STATEMENT: On behalf of the prime sponsor, House Rules by request of the governor, co-presented a PowerPoint presentation titled "House Bill 154: Alaska's Energy Independence Fund" and gave a sectional analysis on the proposed committee substitute for HB 154.

ANDREW MCDONNELL, Vice President
Alaska Renewables, LLC
Fairbanks, Alaska

POSITION STATEMENT: Co-presented a PowerPoint presentation, titled "Alaska Renewables."

MATTHEW PERKINS, Chief Executive Officer
Alaska Renewables, LLC
Fairbanks, Alaska

POSITION STATEMENT: Co-presented a PowerPoint presentation, titled "Alaska Renewables."

ACTION NARRATIVE

[10:15:11 AM](#)

CHAIR GEORGE RAUSCHER called the House Special Committee on Energy meeting to order at 10:15 a.m. Representatives Prax, Wright, McKay, Schrage, Carrick, and Rauscher were present at the call to order.

HB 154-AK HOUSING FINANCE CORP: SUSTAIN ENERGY

10:17:44 AM

CHAIR RAUSCHER announced that the first order of business would be HB 154, "An Act relating to subsidiary corporations of the Alaska Housing Finance Corporation; and establishing the Alaska energy independence fund."

10:19:00 AM

BRYAN BUTCHER, Chief Executive Officer and Executive Director, Alaska Housing Finance Corporation, Department of Revenue, on behalf of the prime sponsor, House Rules by request of the governor, co-presented a PowerPoint presentation, titled "House Bill 154: Alaska's Energy Independence Fund" [hard copy included in the committee packet]. Moving from slide 2 to slide 4, he gave a brief overview of the presentation and the presenters. He said that the presenters would discuss the role and policy objectives of the Alaska Housing Finance Corporation (AHFC) and the Alaska Energy Authority (AEA). He stated that both organizations seek to establish the Alaska Energy Independence Fund (AEIF) to help Alaskans become more energy resilient.

10:21:35 AM

MR. BUTCHER continued to slide 5 and slide 6, stating that the AEIF would spur energy innovation and be consistent with the governor's energy objectives put forth when he created the Office of Energy Innovation and the Alaska Energy Security Task Force. He stated that AEIF would draw federal and private capital to invest in energy independence for Alaskan homes and businesses. Creating the AEIF would give Alaska an opportunity to apply for a grant with the U.S. Environmental Protection Agency's Greenhouse Gas Reduction Fund, which has a pool of \$27 billion. This opportunity stacks with limited time energy tax credits.

10:25:22 AM

MR. BUTCHER continued to slide 7 and slide 8, stating that the main policy objective of AEIF is to increase Alaskan energy independence and reduce energy costs for Alaskans. He advised that the creation of the fund would make Alaska competitive for a once in a generation opportunity for this federal funding. He stated that AHFC has a long history of managing programs, focusing on energy challenges facing homeowners and communities.

[10:28:57 AM](#)

MR. BUTCHER moved from slide 9 to slide 12, stating that AHFC offers interest rate reductions when financing new or existing energy efficient homes, or when borrowers make energy improvements to an existing home. He advised that it offers loans which will improve the value of a home. He offered that AHFC has financed 338 renovation loans for just under \$100 million since fiscal year 2020. He said that AHFC manages the federal and state weatherization programs in Alaska, which are meant to provide upgrades for homes to be more energy efficient by protecting them from certain weather conditions. It also manages the statistical database for energy audits. He reiterated that AHFC has a history of working with Alaskans to meet their energy needs, and it works with other agencies and organizations.

[10:34:39 AM](#)

CURTIS THAYER, Executive Director, Alaska Energy Authority, Department of Commerce, Community, and Economic Development, on behalf of the prime sponsor, House Rules by request of the governor, co-presented a PowerPoint presentation titled "House Bill 154: Alaska's Energy Independence Fund." He began on slide 13 and slide 14, giving a brief overview of AEA's work in the state. He pointed out that AEA works to reduce the cost of energy in the state by addressing the resiliency, reliability, and redundancy of Alaska's energy portfolio. He stated that AEA owns different sources of energy around the state, using both renewable energy and fossil fuels. He stated that AEA manages the Power Cost Equalization fund. This fund subsidizes and reduces energy costs for rural Alaskans. He added that AEA provides loans and grants to local utilities, governments, and independent power producers (IPPs) to construct and upgrade energy and power generation facilities. He said that AEA continues to work with local and regional partners to develop and plan for cost effective energy infrastructure. He displayed a map showing the different projects and services managed by AEA.

[10:39:06 AM](#)

AKIS GIALOPSOS, Deputy Executive Director, Alaska Housing Finance Corporation, Department of Revenue, on behalf of the prime sponsor, House Rules by request of the governor, concluded the PowerPoint presentation titled "House Bill 154: Alaska's Energy Independence Fund." He began on slide 15 and slide 16,

stating that HB 154 would empower AHFC and AEA to work together on developing sustainable energy development tools. This would include the establishment of nonprofit subsidiary corporations and AEIF, which would be managed by AHFC's nonprofit subsidiary corporation. The fund would gain capital through the general fund and federal receipt authority. He displayed a list of the steps to be followed, if HB 154 were passed.

[10:45:12 AM](#)

MR. BUTCHER, in response to a question from Representative Schrage, stated that AEIF would have its own board.

[10:46:09 AM](#)

MR. GIALOPSOS commented that the proposed committee substitute would not make substantial changes and would conform the proposed legislation to the legislative drafting manual. He presented the sectional analysis of the proposed committee substitute (CS) for HB 154 [copy included in the committee packet], which read as follows [original punctuation provided]:

Section 1: Adds a new subsection (AS 18.56.010(h)) acknowledging the public benefit of a subsidiary corporation in Alaska Housing Finance Corporation (AHFC) to assist in financing sustainable energy development.

Section 2: Amends existing AHFC statutes (AS 18.56.086(a)) to authorize creation of a subsidiary corporation for the purpose of sustainable energy development.

Section 3: Amends AHFC's statutes (AS 18.56.090(e)) to, in cooperation with the Alaska Energy Authority, create or work with public, quasi-public or nonprofit organizations that provide financial assistance for sustainable energy projects.

[10:49:19 AM](#)

Section 4: Adds a new section to AHFC's statutes (AS 18.56.870) establishing the Alaska Energy Independence Fund (the Fund) and its operations.

(a) Creates the Fund within AHFC and describes what moneys and assets would go into the Fund.

(b) Outlines how the money within the Fund can be used, including for issuing loans and financing sustainable energy development projects, and for paying the costs of administering the Fund and enforcing the terms of its loans

(c) Names AHFC as the fiduciary of the Fund, and allows deviation from the prudent investor rule to promote sustainable energy development in the state. Allows AHFC to disburse money from the Fund according to established laws governing the procedure. Requires AHFC to adhere to annual reporting according to Generally Accepted Accounting Principles (GAAP) (d) Requires AHFC to establish the financial terms of loans made from the Fund, and requires consideration of costs to the Fund and AHFC in the process.

[10:54:43 AM](#)

REPRESENTATIVE PRAX asked how the public purpose was determined.

MR. GIALOPSOS answered that creating a subsidiary corporation would give AHFC the ability to determine which energy projects would serve the public purpose.

MR. BUTCHER added AHFC would give an annual report to the legislature.

REPRESENTATIVE PRAX asked how one project would be compared to another.

MR. BUTCHER answered that certain funding would be awarded for specific purposes by the federal government.

[10:58:27 AM](#)

REPRESENTATIVE SCHRAGE asked why the prudent investor rule should be removed.

MR. BUTCHER answered that it would provide flexibility to pursue certain projects that may not always be considered prudent, even if there was a federal incentive attached.

[11:00:48 AM](#)

MR. GIALOPSOS continued with the sectional analysis of the proposed CS for HB 154, which read as follows [original punctuation provided]:

(e) Allows AHFC to require deeds of trust on buildings subject to loans from the Fund as well as its real estate.

(f) Allows AHFC to contract with the Alaska Energy Authority for technical expertise when evaluating sustainable energy development loans.

(g) Restricts AHFC to loan guarantees without legislative approval to an amount less than \$20 million.

(h) Requires AHFC to consider the State of Alaska energy policy when managing the Fund, and prioritizing sustainable energy development on energy efficiency and renewable energy for residential, commercial, and community buildings.

(i) Requires AHFC to administer the Fund according to regulations adopted for the Fund's management.

(j) Explicitly states nothing in Section 4 creates a dedicated fund.

Section 5: Amends the general provisions' portion of AHFC's statutes (AS 18.56.900) by adding a definition of sustainable energy development.

Section 6: Provides an immediate effective date.

[11:06:22 AM](#)

REPRESENTATIVE CARRICK asked if the federal funding for these types of projects can be expected in the long term.

MR. BUTCHER answered that establishing a green bank would open the door to private sector investment. In response to a follow-up question, he said that just under half of the states in the U.S. have some type of green bank, most of which started with public dollars.

[11:09:33 AM](#)

REPRESENTATIVE PRAX asked whether the subsidiary corporations are expected to continue after the end of federal funding.

MR. BUTCHER answered that it would be determined by necessity.

[11:11:20 AM](#)

REPRESENTATIVE SCHRAGE asked what type of projects would be considered by the fund.

MR. BUTCHER answered that one example is the building of energy efficient housing units.

MR. THAYER added that the size of projects would be limited by megawatts (MWs), but the fund would increase opportunities for renewable energy projects. He added that there have been no defaults on loans given to renewable energy projects.

[11:15:12 AM](#)

REPRESENTATIVE SCHRAGE questioned whether the projects which could use the fund are ordered or on a general list.

MR. GIALOPSOS answered that it is a general list.

[11:18:42 AM](#)

REPRESENTATIVE CARRICK asked what types of entities the fund would work with.

MR. BUTCHER answered that it depends on the size of the projects. Nonprofit organizations and homeowners would both be part of the equation.

[11:21:55 AM](#)

REPRESENTATIVE MCKAY moved to adopt the proposed CS for HB 154, labeled, 33-GH1074\B, Dunmire, 4/11/23, ("Version B") as a working document. There being no objection, Version B was before the committee.

[HB 154 was held over.]

[11:22:24 AM](#)

The committee took an at-ease from 11:22 a.m. to 11:24 a.m.

[11:24:19 AM](#)

**PRESENTATION: RAILBELT ENERGY SECURITY- WIND POWER PROJECTS IN
ACTIVE DEVELOPMENT**

CHAIR RAUSCHER announced that the final order of business would be a presentation on Railbelt energy security and wind power projects.

[11:24:55 AM](#)

ANDREW MCDONNELL, Vice President, Alaska Renewables, LLC, co-presented the PowerPoint presentation, titled "Alaska Renewables" [hard copy included in the committee packet]. He stated that during his time at the University of Alaska Fairbanks, he researched the energy challenges facing Alaska. The mission of Alaska Renewables is "working to harness the vast potential of renewable energy to deliver a transformative, clean, sustainable, reliable, and cost-reducing energy supply for Alaska."

[11:28:31 AM](#)

MR. MCDONNELL pointed out slide 2 and slide 3, displaying a graph showing the decline of natural gas being produced in Cook Inlet, including state, federal, and private lands. He advised that the demand for natural gas from Cook Inlet has the potential to outpace supply as soon as 2027.

MR. MCDONNELL moved to slide 4 and stated that adding 400 MWs of wind generation could displace 8 billion cubic feet (bcf) of natural gas demand annually, which amounts to 33 percent of demand. He expressed the opinion that this could be done as soon as 2028, and it would protect consumers from rising costs and allow natural gas to be used for heating. He displayed a graph showing what Railbelt energy sources could look like from 2023 until 2028.

[11:32:08 AM](#)

REPRESENTATIVE PRAX asked whether Alaska Renewables is privately owned.

MR. MCDONNELL answered yes. In response to a follow-up question, he said that Alaska Renewables is working on a portfolio of renewable energy projects in Alaska, including two

large-scale wind farms. In response to a follow-up question, he stated that the project cost estimates are not available at this time, but Alaska Renewables expects the projects to be self-sustaining.

[11:36:12 AM](#)

MATTHEW PERKINS, Chief Executive Officer, Alaska Renewables, LLC, co-presented the PowerPoint presentation, titled "Alaska Renewables." He stated that the current cost of energy in Southcentral Alaska is between \$60 and \$80 per MW, and between \$120 and \$140 per MW in Alaska's interior. He added that the projects would provide stabilization for the rates.

[11:38:10 AM](#)

MR. MCDONNELL continued to slide 5 and slide 6, stating that wind energy has a low cost of generation, matches peak energy loads in Alaska, and has technology and reliability which has been proven. He expressed the opinion that wind generation would increase the energy security of the state and would not be difficult to finance. He displayed a graphic showing the improvement of wind generation technology from 2011 to the expectations in 2025. He expressed the opinion that the new technology would increase capacity 1.7 times, the tip height 1.3 times, the rotor diameter 1.5 times, and the area swept by 2.3 times. In total, he said, the energy produced would increase from 2.05 MWs to 3.4 MWs.

[11:43:17 AM](#)

MR. MCDONNELL moved from slide 7 to slide 9, stating that the capacity of wind generated power has increased from 29 percent in 2011 to 41 percent in 2019. He showed a graph detailing the decreasing cost of wind generated power, including the lowered cost of turbines. He gave the fundamentals of wind energy development, including financing, construction, market assessment, land agreements, and operations. He expressed the expectation that Alaska Renewables would begin project construction in 2025, to be completed in 2026. He said that Alaska Renewables is committed to working on power purchased agreements to bring its power across the state.

[11:48:20 AM](#)

REPRESENTATIVE CARRICK asked whether Alaska Renewables would sell power directly to consumers.

MR. MCDONNELL answered that because of the scale of the projects, the energy being sold will be sold to the utility companies.

[11:51:04 AM](#)

REPRESENTATIVE MCKAY asked how power would be provided during times of lack of wind.

MR. MCDONNELL answered that Alaska Renewables is working with the utilities to ensure there is reliability in the system. He said that fossil fuels will still be available to fill in the gaps.

[11:54:10 AM](#)

MR. MCDONNELL, in response to a series of questions from Representative Prax, stated that the first projects would come online in 2026. He responded that batteries for energy storage are being worked on by the utilities. He answered that a risk analysis had been done for the proposed projects.

[11:58:19 AM](#)

MR. MCDONNELL continued to slide 10 and slide 12, giving a brief overview of what the Shovel Creek and Little Mount Susitna wind projects would look like. He showed a map of where they would be and their proximity to certain locales. He stated that the former would have a capacity between 60 and 211 MWs and the latter would have a capacity between 204 and 280 MWs.

[12:00:45 PM](#)

MR. MCDONNELL moved to slide 13 and displayed a more detailed map of the Little Mount Susitna wind project. He pointed out that the green area on the map is under review for a long-term lease. He stated that planning on the best way to build the project has been with engineers, the Department of Natural Resources, and local communities. He stated that the goal is to finish the project by 2026 and characterized it as being mid-stage in the development process.

[12:04:00 PM](#)

MR. MCDONNELL continued to slide 14 and slide 15, stating that the bigger the size of the project, the greater the cost

reduction will be because of economy of scale. He said that large projects have been deployed in the Lower 48 but have not yet been tried in Alaska. He displayed a graph with the data of wind supply from the areas that would constitute the two wind projects and said that there is some fluctuation in the capacity of both projects. He added that the combination of multiple projects reduces variability and increases efficiency.

[12:08:27 PM](#)

MR. MCDONNELL moved from slide 16 to slide 18, stating that multiple large-scale wind projects would create energy diversity, achieve economies of scale, and reduce the cost of integrating renewable energy. He explained that creating large-scale wind projects would add an additional 400 MWs generation, which could displace as much as 8 bcf of natural gas demand annually; this amounts to 33 percent of natural gas demand. He said that these projects would protect consumers from the rising cost of energy and provide energy security for Alaska, along with creating jobs and investment opportunities for the private sector.

[12:11:07 PM](#)

MR. PERKINS commented that there are back-up options for the various energy projects which have been discussed. He advised that Alaska Renewables is not hedging its bets on any one project.

[12:12:12 PM](#)

REPRESENTATIVE SCHRAGE asked whether transmission line bottlenecks would negatively impact the projects planned by Alaska Renewables.

MR. MCDONNELL answered that it is a question being reviewed by the engineers but added that its priority is to get the projects built. Transmission limitations need to be addressed but would not become a greater issue until more projects are built.

[12:15:24 PM](#)

REPRESENTATIVE PRAX asked about the relationship between its projects and the proposed Susitna Dam.

MR. MCDONNELL answered that wind energy offers a competitive economic position, although Alaska Renewables does not view

other projects as competitive to its own. He stated that other forms of energy generation will still be necessary, including natural gas. He said that hydroelectric and wind power pair well.

[12:19:46 PM](#)

REPRESENTATIVE MCKAY asked whether an environmental impact statement from the Environmental Protection Agency would be necessary for the projects.

MR. MCDONNELL answered yes. He added that Alaska Renewables is currently undergoing the permitting process.

[12:22:12 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 12:22 p.m.