

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

February 27, 2024

11:00 a.m.

**MEMBERS PRESENT**

Representative George Rauscher, Chair  
Representative Tom McKay  
Representative Thomas Baker  
Representative Stanley Wright  
Representative Mike Prax  
Representative Calvin Schrage  
Representative Jennie Armstrong

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE BILL NO. 368

"An Act relating to clean energy standards and a clean energy transferable tax credit; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 368

SHORT TITLE: ELECTRICAL ENERGY & ENERGY PORTFOLIO STDS

SPONSOR(s): ENERGY

02/20/24	(H)	READ THE FIRST TIME - REFERRALS
02/20/24	(H)	ENE, FIN
02/22/24	(H)	ENE AT 11:00 AM BARNES 124
02/22/24	(H)	-- MEETING CANCELED --
02/27/24	(H)	ENE AT 11:00 AM BARNES 124

**WITNESS REGISTER**

CRAIG VALDEZ, Staff  
Representative George Rauscher  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Provided a PowerPoint presentation and sectional analysis of HB 368 on behalf of the Special Committee

on Energy, sponsor, on which Representative Rauscher serves as chair.

**ACTION NARRATIVE**

[11:00:23 AM](#)

CHAIR RAUSCHER called the House Special Committee on Energy meeting to order at 11:00 a.m. Representatives Schrage, McKay, Wright, Baker, and Rauscher were present at the call to order. Representatives Armstrong and Prax arrived as the meeting was in progress.

**HB 368-ELECTRICAL ENERGY & ENERGY PORTFOLIO STDS**

[11:01:49 AM](#)

CHAIR RAUSCHER announced that the only order of business would be HOUSE BILL NO. 368, "An Act relating to clean energy standards and a clean energy transferable tax credit; and providing for an effective date."

[11:03:31 AM](#)

CHAIR RAUSCHER introduced HB 368 on behalf of the House Special Committee on Energy, sponsor. He spoke from the sponsor statement included in the committee packet, which read as follows [original punctuation provided]:

In the wake of a looming gas availability shortage in the Cook Inlet basin, critical for powering Alaska's Railbelt from Homer to Fairbanks, this Committee Bill on Clean Energy Standards and a Clean Energy Transferable Tax Credit serves as a cornerstone for our energy policy. It is an urgent and needed measure, pivotal for steering Alaska towards a sustainable and secure energy future amidst these challenges.

This legislation not only signals a shift to a more diversified and resilient energy mix but also establishes a strategic framework for economic growth and sustainable stewardship. By setting forth clean energy standards we are crafting a blueprint for innovation and transition, guiding our state towards needed energy solutions that will broaden and help diversify energy, and will keep Alaska economically viable.

The introduction of a clean energy transferable tax credit is a key feature of this bill, designed to act as a catalyst for clean energy projects. This initiative is of paramount importance, as it opens avenues for leveraging both federal and private investment in Alaska's energy sector. It creates a fertile environment for public-private partnerships, ensuring that the path to energy independence is both collaborative and multifaceted. Additionally, this bill acknowledges the role of existing low-sulfur coal facilities, incorporating them into the broader framework of clean energy solutions to enhance their contribution to Alaska's energy portfolio.

As a conservative advocate, I highlight this bill's crucial role in stabilizing the market, essential for investors across sectors including Cook Inlet gas, clean energy, manufacturing, and heavy industry. By establishing a consistent policy framework, we mitigate investment risks and ensure ratepayers aren't burdened by costs. This legislation instills confidence among stakeholders, showcasing our dedication to a predictable market that attracts investment, advancing Alaska's energy transition and economic prosperity.

I call upon my colleagues and partners from all sectors to support this vital legislation. Together, we can establish a stable, diversified energy market that benefits all Alaskans, ensuring our state remains a beacon of innovation, economic strength, and sustainable growth for generations to come.

[11:07:15 AM](#)

CRAIG VALDEZ, Staff, Representative George Rauscher, Alaska State Legislature, provided a PowerPoint presentation, "House Bill 368 ELECTRICAL ENERGY & ENERGY PORTFOLIO STANDARDS," and sectional analysis of HB 368 on behalf of the House Special Committee on Energy, sponsor, on which Representative Rauscher serves as chair. He displayed the map on slide 2, "House Bill 368, Alaska's Energy Landscape," and related that the geographical area being talked about is the Railbelt, which includes Homer, Southcentral Alaska, and Golden Valley Electric Association. The bill focuses primarily on the Railbelt, he said, but the tax credit portion is statewide.

MR. VALDEZ addressed the graph on slide 3, "Combined Utility Annual Demands." He said the higher risk uncontracted demand going forward begins in 2029 [depicted in red], while ENSTAR predicts the undesignated gas supply gap will begin in 2025 [slide numbered 14, "ENSTAR Gas supply Forecast 2024-2034"].

MR. VALDEZ displayed the graphic on slide 5, "Historical Demand and Uses." He noted that today's [gas] uses still include electric power, commercial, and oil and gas field operations, but the fertilizer plant and the export of Kenai liquified natural gas (LNG) are no longer uses.

MR. VALDEZ turned to slide 6, "ENSTAR Presentation, Key Considerations," and related that of the considerations provided in ENSTAR's presentations, none of the options meet the LNG demands for the 4-year milestone of fourth quarter 2027 when the gas gap starts to accelerate. He further related that another key consideration in ENSTAR's presentation was that the second worst thing for Alaska is to import LNG and the worst thing is to do nothing.

MR. VALDEZ moved to slide 7, "HB 368, a Legislative Response," which read as follows [original punctuation provided with some formatting changes]:

HB 368 is a proactive legislative measure aiming to establish a Clean Energy Portfolio Standard & Introduce Clean Energy Tax Credits to leverage private funding and close production gaps.

Diversifying Alaska's energy portfolio with clean energy sources not only extends the life of Cook Inlet's natural gas reserves for critical heating needs but also offers gas producers a definitive roadmap for the future, enhancing their capacity for strategic planning and investment.

MR. VALDEZ paraphrased from the first two paragraphs on the eighth slide, "Bill Overview, HB 368," which read as follows [original punctuation provided]:

**1. Clean Energy Standards:** HB 368 sets forth a legislative framework to establish clean energy standards for electric utilities in Alaska. It mandates a phased increase in the use of clean energy sources, aiming for utilities to achieve specific

targets of their net electricity sales from renewable or carbon-neutral sources by certain deadlines.

**2. Clean Energy Transferable Tax Credits:** Introduces a mechanism for clean energy transferable tax credits to incentivize investments in clean energy infrastructure and production.

[11:14:23 AM](#)

MR. VALDEZ spoke from the sectional analysis for HB 368 outlined on slides 9-21, which read as follows [original punctuation provided with some formatting changes]:

**Section 1: Uncodified Law**

Adds a new section to the uncodified law of Alaska, which establishes the purpose of this Act, which is to set a clean energy portfolio standard for electric utilities, mandating increasing percentages of their net electricity sales from renewable or carbon-neutral sources.

**Section 2: AS 42.05.381 is amended by adding a new subsection (p)**

Introduces a new subsection (p) under AS 42.05.381, mandating a uniform service rate for the transmission of clean energy generated after July 1, 2024.

**Section 3: AS 42.05.780(a) is amended**

Amends AS 42.05.780(a) by mandating that an integrated resource plan must now identify the most cost-effective strategies for the energy network to satisfy the clean energy standard.

**Sec. 4. AS 42.05.785(a) is amended to read**

Amends AS 42.05.785(a) by adding subsection (4) stipulating the construction of large energy facilities may not be detrimental to a load-serving entities ability to meet the CES.

**Section 5: AS 42.05 Article 11A. Clean Energy Portfolio Standard.**

Sec. 42.05.900(a)-(i) Clean Energy Portfolio Standard  
a) Adds section (a) to AS 42.05, establishing the clean energy portfolio standard and detailing requirements and percentages for clean energy sources. Specifies the minimum percentages of clean energy sources in

- the utilities' sales portfolio, with a gradual increase over a specified timeline.
- b) Allows a power purchase agreement to be included when calculating CES percentages. And requirements for such.
  - c) Allows for distributed energy systems to satisfy the CES.
  - d) Bases the clean energy standard compliance on historical data, and industry standards, set by Regulatory Commission of Alaska.
  - e) Mandates accounting system to track use of clean energy, verify compliance, and to track energy consumption displaced by energy efficiency investments.
  - f) Sets requirements for the RCA to develop a proxy for net energy from displaced energy systems.
  - g) Allows for clean energy standards to be met by energy efficiency investments, including in consumer efficient upgrades.
  - h) Directs the RCA to establish regulations for a load-serving entity to opt-out of the clean energy standard under certain requirements, and denies eligibility for a utility to receive clean energy transferable tax credits if it does.
  - i) Directs the RCA to adopt a minimum standard for transmission lines before the clean energy standards are required. 10 years for step one after lines are complete and 25 years, with the transmission lines built out to encompass the road system, for step 2.

**Sec. 42.05.905(a) - (c) Reporting**

- a) Details the reporting requirements for utilities, including the submission of annual reports demonstrating compliance.
- b) Assigns a role to the regulatory commission in monitoring and verifying compliance with the standard.
- c) Empowers the RCA to investigate compliance with the standard

**Sec. 42.05.910.(a) - (e) Clean Energy Transferable Tax Credits**

- 1. Allows for a load-serving entity to apply for the clean energy transferable tax credits, sets the credit amount to 0.2 cents per kilowatt-hours. Defines what entities would qualify.
- 2. Defines facilities that would qualify

**Sec. 42.05.915.(a) - (d) Waiver**

- a) Allows for and sets standards for the RCA to waive the requirement to meet the CES.
- b) Sets out the standards for events or circumstances outside of a load-serving entities reasonable control.
- c) Sets standards for good cause of non-compliance.
- d) Restricts eligibility to apply for clean energy transferable tax credits while under a waiver.

**Sec. 42.05.920.(a) - (b) Exemptions**

- a) Exempts individual load-serving entities from compliance if the overall grid is meeting the Clean Energy Portfolio Standards.
- b) Allows for exemption for a load-serving entity from its first noncompliance period.

**Sec. 42.05.925.(a) - (b) Net Billing**

- a) Sets standards for net billing and an export rate credit.
- b) Charges the RCA to establish regulation to set the ERC annually based on seasonal and time variations, and other relevant factors.

**Sec. 42.05.930 Additional Energy Resources**

- a) Requires the AEA to submit a report at least every 5 years to the legislature to recommend if any new technologies are to be added to the definition of Clean Energy.

**Sec. 42.05.935. Definitions**

- 1. "Clean Energy"
- 2. "Clean Energy Standard"
- 3. "Compliance Period"
- 4. "Distributed Energy Systems"
- 5. "Interconnected Electric Energy Transmission Network"
- 6. "Load- Serving Entity"
- 7. "Railbelt"
- 8. "Renewable Energy Resource"
- 9. "Transmission Network Constraint"

**Section 6: AS 42.45.110(a) Costs used to Calculate PCE**

This section amends AS 42.45.110(a) to stipulate that revenue from Clean Energy Credits or recovered heat is not to be included.

**Section 7: AS 43.98 is amended by adding a new section.**

Clean Energy Transferable Tax Credit, Article 5

- a) Sets the foundation for the clean energy transferable tax credit, sets transparency standards for those provided the tax credit.
- b) Allows clean energy transferable tax credits to be sold, assigned, exchanged, conveyed, or otherwise transferred in whole or in part.
- c) Allows the credit to be used to offset taxes in AS 10.25 and Title 43.
- d) Instructs the department of revenue to adopt regulations necessary for administering the Tax Credits
- e) Sets the requirement that a clean energy transferable tax credit be used within 5 years.
- f) Restricts a clean energy transferable tax credit from reducing a person's tax liability below zero.
- g) Allows holders of clean energy tax credit certificates to combine or split their credits for transactions like sales or transfers. The Department must issue new certificates for combined or split credits, detailing their amounts and expiration dates. This process doesn't extend the credits' validity period.

**Sec. 8. AS 44.83.940 is amended by adding a new subsection:**

Section (b) mandates that the authority must submit an annual report to the legislature's first regular session, detailing progress on rural clean energy development. This report should evaluate current initiatives, identify needed infrastructure, and assess the feasibility and costs of future projects.

**Section 9: Effective Date Clause**

This Act takes effect July 1, 2024.

[11:20:46 AM](#)

MR. VALDEZ concluded his presentation on slide 22, "Bottom Line: HB 368's Impact on Alaska's Future," which read as follows [original punctuation provided with some formatting changes]:

**Energy Security:** Strengthens Alaska's energy independence by diversifying supply sources, reducing reliance on Cook Inlet gas.

**Economic Growth:** Stimulates the economy by creating jobs in the clean energy sector and attracting industries seeking sustainable operations.

**Public-Private Partnerships:** Encourages innovative collaborations, driving both clean energy initiatives and broader industrial development.

**Legislative Leadership:** Showcases Alaska's proactive approach in energy policy, setting a benchmark for sustainable and forward-thinking legislation.

[11:20:53 AM](#)

CHAIR RAUSCHER, responding to Representative Prax, stated that today is an overview of HB 368, and the bill will be heard again.

[11:21:58 AM](#)

REPRESENTATIVE SCHRAGE observed that [the Department of Revenue (DOR) fiscal note, OMB Component Number 2476] states that the revenue impacts of the bill are not yet determined and that the bill will have an indeterminant negative impact on overall tax revenue. He expressed his hope that DOR will be able to provide the committee with a more accurate fiscal note, so it is known whether the figures are hundreds of thousands of dollars or millions of dollars.

REPRESENTATIVE SCHRAGE further observed that the third paragraph in Fiscal Note Number 3 [OMB Component Number 2417] talks about the bill altering how the Regulatory Commission of Alaska (RCA) calculates power cost and thus the RCA would need to revise regulations addressing power cost equalization (PCE) calculations. He asked whether this would have any impact on the health of the PCE fund and the payment calculations to communities. He expressed his hope that it wouldn't be a huge impact and that he would like to have answers to his questions before any action is taken on the bill.

CHAIR RAUSCHER replied that OMB Component Number 2417 is saying that with the new computations someone will have to be hired to crunch the numbers because they will be different. Regarding

the PCE, he said he thinks anything that happens throughout the Railbelt has to do with the PCE and the calculations going forward, so the number will be indeterminant until that can be vetted, although a solid number for the future may not be possible.

REPRESENTATIVE SCHRAGE said he understands the short timeframe has precluded having answers at this time, but he would like to have them when the bill next comes up.

CHAIR RAUSCHER added that there are also the tax credits and said coming up with numbers won't be easy.

MR. VALDEZ stated that each of those will be provided when the committee goes over the relevant sections of the bill.

[11:26:06 AM](#)

REPRESENTATIVE PRAX asked how urgent the clean energy standards are for capturing federal money that will be forthcoming in the future.

CHAIR RAUSCHER responded that since he isn't the administration or the Alaska Energy Authority (AEA), he cannot answer the question. But, he continued, the governor would like a roadmap, something tangible, that says where the state is going and the projects within the state for which investors are wanted.

REPRESENTATIVE PRAX surmised that two things need to be sorted out first - whether the gasline from the North Slope and the intertie [transmission line upgrade] are or are not going to move forward - because those would be main drivers of the ability to meet the [proposed] standards.

CHAIR RAUSCHER answered that most of it, not all of it, comes into play for the utility companies after the transmission lines are built, so the threshold percentages and the years aren't dependent upon the bill. The bill doesn't dictate who builds the transmission line, whether it is state, federal, or private utility companies.

REPRESENTATIVE PRAX asked whether it would be up to the RCA or whether statute needs to be stipulated to come up with a process for deciding whether the priority is cost or carbon dioxide reduction and which projects to adopt.

CHAIR RAUSCHER replied that he would get back with an answer.

[11:29:45 AM](#)

CHAIR RAUSCHER announced a deadline of one week for submitting amendments.

[11:30:46 AM](#)

REPRESENTATIVE PRAX expressed his concern that HB 368 would make the same procedural error as previous legislation that didn't work out. Responding to Chair Rauscher, he confirmed he has the part about tax credits.

CHAIR RAUSCHER asked whether Representative Prax finds the [proposed] tax credits to be similar to the oil tax credits.

REPRESENTATIVE PRAX responded no. He said his concern is the whole scope of the decision as far as the impact to the state and that it is somewhat dictating policy or the direction that things will take. He offered his belief that a week to come up with amendments isn't enough time to get needed input and to understand the bill.

REPRESENTATIVE SCHRAGE inquired whether it would be possible to have a hearing with the RCA and Department of Revenue online prior to the amendment deadline so questions could be asked.

CHAIR RAUSCHER answered yes, he plans to have many people testify to provide their opinion on the bill.

[11:33:03 AM](#)

REPRESENTATIVE SCHRAGE agreed that that would be good and would determine whether pushing back the deadline for amendments is needed.

CHAIR RAUSCHER replied he is willing to push back the deadline for amendments, if needed.

[HB 368 was held over.]

[11:33:57 AM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 11:33 a.m.