

HOUSE FINANCE COMMITTEE  
March 9, 2023  
1:36 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:36 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair  
Representative Neal Foster, Co-Chair  
Representative Julie Coulombe  
Representative Mike Cronk  
Representative Alyse Galvin  
Representative Sara Hannan  
Representative Andy Josephson  
Representative Dan Ortiz  
Representative Will Stapp  
Representative Frank Tomaszewski

MEMBERS ABSENT

Representative DeLena Johnson, Co-Chair

ALSO PRESENT

Laib Allensworth, Staff, Representative Bryce Edgmon; Curtis Thayer, Executive Director, Alaska Energy Authority, Department of Commerce, Community and Economic Development; John Sonin, Civilized Humanity, Juneau.

PRESENT VIA TELECONFERENCE

Michael Rovito, Deputy Director, Alaska Power Association, Anchorage; Chris Rose, Executive Director, Renewable Energy Alaska Project, Sutton; Matt Jackson, Climate Program Manager, Southeast Alaska Conservation Council and Alaska Climate Alliance, Sitka.

SUMMARY

HB 62 RENEWABLE ENERGY GRANT FUND

HB 62 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda.

#hb62

HOUSE BILL NO. 62

"An Act relating to the renewable energy grant fund and recommendation program; and providing for an effective date."

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REPRESENTATIVE BRYCE EDGMON, SPONSOR, introduced the legislation. The bill would reauthorize the Renewable Energy Grant Program for an additional 10 years. He thought he may be the only current House member who had been in the legislature at the time the original legislation was passed. The program had started in 2008 with substantial capitalization and as oil prices dipped down after 2008 it relied largely on year-to-year funding. He explained that when oil prices had been extremely high in 2007 and 2008, the program had been created with the idea that it would provide up to about \$50 million in the first five years. The program provided grants to entities around the state for startup work on renewable energy projects such as feasibility, design, and engineering. Over the years the program had been quite successful and had capitalized nearly 250 grants over its lifetime with 94 projects and about \$275 million along with funding contributed by the state. He emphasized the program had been a conduit for attracting outside funding sources such as federal monies up to the tune of about \$300 million.

Co-Chair Edgmon believed the program merited another 10 years of reauthorization. He stated that some may wonder why there was a sunset date on the program at all. He explained the program was incumbent upon state funding with attached performance metrics on a year-to-year basis through the Alaska Energy Authority (AEA). The bill came with a fiscal note of \$1.4 million. He relayed the costs were already embedded in the governor's FY 24 budget submission that came out in December. He asked his staff to review the sectional analysis.

LAIB ALLENSWORTH, STAFF, REPRESENTATIVE BRYCE EDGMON, reviewed the sectional analysis (copy on file):

Sec 1. - Amends Section 5, Ch. 31, SLA 2008, as previously amended, to extend the repeal date of the fund to June 30, 2033.

Sec 2. - Makes the sunset extension retroactive to June 30, 2023 if the bill takes effect after the Fund sunsets on that date.

Sec 3. - Establishes an immediate effective date under AS 01.10.070(c).

Co-Chair Foster noted Mr. Curtis Thayer with AEA was available for any questions.

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Representative Hannan directed a question to Mr. Thayer. She considered there was a dollar amount governing the number of projects that could be done in a year or budget cycle. She asked if there was a list of the total need if the state tried to capitalize all of the renewable energy projects. She clarified she was not suggesting an amendment to the legislation. She wondered if there were currently \$1 billion in projects versus \$2 million.

CURTIS THAYER, EXECUTIVE DIRECTOR, ALASKA ENERGY AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, replied that the program was designed to go through rounds and applications of interest. The program had gone through several rounds where it had not received funding. He elaborated that two years ago the program had \$4.7 million with 11 applicants, last year the program had \$15 million available with 27 applicants, and the current year was round 15 with \$21.5 million and 33 applicants. The program went through an evaluation on the economics, technology, and feasibility of a project. He explained that people applied for funding and AEA reviewed the applications and based awarded funding on the recommendations of the legislature. He noted AEA had a renewable energy fund advisory committee comprised of five members of the public, two members of the House and two members of the Senate. The program did not encompass everything, but it encompassed communities for feasibility, reconnaissance, and early projects. He highlighted that the program had displaced 30

million gallons of diesel fuel. He reported that AEA was currently doing an evaluation of the program with a third-party economist to bring updated numbers to the legislature on the success of the program since inception.

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Representative Galvin wanted to ensure the record reflected that the program replaced 30 million gallons of diesel per year.

Mr. Thayer replied affirmatively.

Representative Galvin highlighted new incoming federal funding for projects, particularly aligned with renewable energy pieces. She asked if the program complimented the incoming funding well. She referenced the 33 projects and wondered if applicants would look stronger if there was more state support.

Mr. Thayer answered that the program had not been designed to support the federal funding that was now coming through. He relayed that AEA was finding that because reconnaissance work, feasibility, and early design had been done, it had better-positioned some projects that had been on the shelf to allow them to receive federal funding primarily through the Infrastructure Investment and Jobs Act (IIJA). He highlighted the Hiilangaay hydroelectric project that had taken Prince of Wales Island to 95 percent renewable as an example of a project started with grants through the program. He noted there were over 100 different projects that had done so. He relayed that over 80 percent of the program funding had gone to rural Alaska because one of the economic standards was the cost of energy in a community. He cited King Cove as another hydro project 20 years back that had received funding the program. The project resulted in costs of \$0.14 to \$0.15 per kilowatt as opposed to \$0.19 on the Railbelt. He stated the program had resulted in successes across the board. He noted he could provide members with program detail broken out by legislative district.

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Representative Ortiz was supportive of the program and the bill. He highlighted the variance in projects from year-to-year that Mr. Thayer had reviewed. He asked if the fund

balance varied significantly because federal opportunity varied from year-to-year. He asked for the current balance of the Renewable Energy Fund.

Mr. Thayer answered that the balance was what the legislature obligated for the fund. In 2022, the program had received \$15 million and had funded 27 projects. The year prior had been \$4.7 million in funding for 11 projects. Subsequent to that timeframe there had been no funding for seven to eight years. He explained that after the projects were reviewed by the Renewable Energy Fund Advisory Committee, the list of projects and dollar amounts were sent to the legislature. He noted that how the funds could be parlayed into additional state or federal funds was a different conversation. He detailed that applicants applied to be included in a round and the projects were evaluated.

Representative Ortiz looked at the fiscal note showing an ongoing \$1.4 million appropriation to the fund. He asked for verification that it did not sidestep the yearly legislative process where it could decide to appropriate money for particular projects.

Mr. Thayer answered that AEA did not have dedicated staff for the program. The program was administered by AEA's planning department and its engineers and project managers (who were subject matter experts on renewable energy) served as advisory and technical side. Depending on the size of the appropriation, the administrative costs averaged to be \$1.4 million. Years back, the program had received a \$50 million appropriation, which had cost AEA \$2.2 million to administer and oversee the projects. He reported that AEA was currently managing over 44 projects and its cost was approximately \$1.4 million. He relayed that part of the cost was due to AEA's work with an independent third-party economist to help identify the economics. Additionally, AEA had an RSA [reimbursable services agreement] with the Department of Natural Resources to help in the evaluation process.

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Representative Ortiz asked for verification the [\$1.4 million] amount was the average cost of administering the amount of money the legislature appropriated annually.

Mr. Thayer agreed.

Representative Cronk looked at a project list included in members' packets [titled "Renewable Energy Projects by Energy Region as of February 7, 2023"]. He observed numerous projects on the list were closed. He asked if the projects highlighted in blue were new.

Mr. Thayer answered that projects highlighted in blue were active. He noted they did not include the 33 projects currently under review in round 15 that the legislature would see in early April.

Representative Cronk looked at a column on the list titled "Native Corporation." He asked for detail.

Mr. Thayer replied the list was broken down by region and specified the Native corporation specific to the regions. The list also included the specific technology used in each project, the state region, and the cost of power for each community listed.

Representative Cronk asked if there were excess funds from the Power Cost Equalization (PCE) program that could be directed towards additional projects.

Mr. Thayer answered affirmatively. He elaborated that of any excess earnings from the PCE endowment, the first money went to the PCE program, the next \$30 million went to community assistance, and then there was a waterfall effect where a percentage of excess earnings could go into three buckets for power houses, the Bulk Fuel Revolving Loan Program, and the Renewable Energy Fund. He explained that in 2022, \$15 million had been committed from the PCE program to support round 14. He noted that since the inception of the Renewable Energy Fund, PCE earnings had only been used twice. The program fund source was primarily general funds. He informed the committee that the predicted earnings would not support the waterfall effect in future years due to the dip in the market and some issues within the PCE endowment.

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Representative Stapp asked about the regulatory statute definition that included renewable, facilities, and gas. He highlighted new 45Q ammonia tax credits. He wondered if a

regulatory update in statutory guidance was needed in the event a project wanted to go down that route.

Co-Chair Edgmon replied that he would follow up. He did not recall the topic coming up during research on the bill or during his years on the Renewable Energy Fund Advisory Committee.

Representative Galvin noted that the bill packet documents showed a couple of different dates pertaining to round 15 and the 33 projects. She noted that Mr. Thayer had mentioned that the legislature would hear about the projects in April. She asked for clarification on the date.

Mr. Thayer replied that round 15 was not currently before the legislature. He detailed that AEA was currently evaluating the project list and it had been delayed until March. He explained that two members of the House needed to be appointed to the committee and had not yet been named. Senators David Wilson and Bert Stedman were the Senate members. He noted his April estimate provided a bit of a fudge factor to allow time for the House members to be appointed.

Co-Chair Edgmon stated the actual funding for the current year was about \$15 million. He believed there was a placeholder of \$7.5 million currently in the budget that could be increased depending on what the legislature decided what to do. He highlighted that historically most of the appropriations had been undesignated general funds (UGF) with a couple of years receiving excess earnings from the PCE endowment. He stated that unfortunately, the PCE endowment had gone backwards in value and did not have a surplus in the past fiscal year. He relayed that whatever funding came forward for the projects would likely have to come through a separate appropriation.

Representative Galvin thought it made sense to look at the history of good work done and for the legislature to extend a bit of faith by providing the funds towards a program that would bring returns in plentiful ways, particularly for rural Alaska that was struggling with the cost of diesel. She underscored the previous statement that the program displaced 30 million gallons [of diesel]. She emphasized it was a lot of work and thanked Mr. Thayer.

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Representative Josephson asked about AEA's tolerance to handle extra money and resources. He asked about a scenario where the legislature decided to provide the program with more resources. He asked if AEA would open up the rounds to more applicants. Alternatively, he wondered if the scenario would become a workforce or carrying capacity problem.

Mr. Thayer responded that one area where the program could be expanded if additional funding was available was making more money available for communities. He explained that AEA had that flexibility up to \$4 million but when money was tight applicants were limited to \$1 million or a \$2 million cap. He elaborated that [with additional funding] the cap could fluctuate. The administering of the program was done currently with internal resources and subject matter experts. He highlighted that AEA was requesting five new positions in its operating budget.

Mr. Thayer detailed that when AEA had submitted its budget in January it had \$74 million of infrastructure funds coming forward. He underscored that now in March it had \$175 million coming through the agency. He relayed that staffing would be an issue and would require a conversation with the legislature - the agency had already had a conversation with the governor. The agency had started the approval process for the positions, but positions had not been filled. He believed there would be another conversation about the agency's total workload. The agency currently had 32 staff and \$202 million in infrastructure projects, \$175 million in capital primarily through IIJA, and bonding of \$166 million for transmission upgrades along the Railbelt. He stressed that the agency had a lot of work going on.

Representative Hannan noted that Co-Chair Edgmon had used the phrase "a placeholder of \$7.5 million." She asked if the increment was in the capital budget. She asked for verification funds would be included in the capital budget if the legislature decided to add additional money for the program.

Co-Chair Edgmon replied affirmatively.

Representative Cronk looked at the project list and asked how many interior wood boilers were still working. He was not certain the state had figured out what worked best. He

believed some things were not working best. He requested a list showing which of the wood boiler projects were still working and what was still working (i.e., wood, pellets, chips). He wanted to ensure projects used solutions that would work continuously.

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Mr. Allensworth replied that he would be happy to review the fuel sources used by the projects in the specific region. He offered to meet with Representative Cronk after the meeting.

Co-Chair Foster OPENED public testimony.

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JOHN SONIN, CIVILIZED HUMANITY, JUNEAU, supported the extension of the Renewable Energy Fund. He highlighted the current climate conundrum and believed it was necessary to continue to facilitate renewable sources of energy production for as long as possible. He had been made aware of how microgrids or personal panels on homes were becoming cheaper than oil to heat homes. The transition would require government synergy to help monitor and steer the direction to a sustainable and opportunity filled future for the state's children. He asked the committee to extend the program for as long as possible. He supported the legislation.

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MICHAEL ROVITO, DEPUTY DIRECTOR, ALASKA POWER ASSOCIATION, ANCHORAGE (via teleconference), provided information about the Alaska Power Association. The organization was supportive of the legislation and strongly urged quick passage of the bill. He thanked the bill sponsor. He read from a prepared statement:

Many of Alaska Power Association's electric utility members have received crucial funding from the Renewable Energy Fund since its inception. These funds have supported the addition of renewable energy projects that have diversified generation portfolios, helped to stabilize rates, and decrease the carbon footprint of electric generation. The valuable financial assistance of the Renewable Energy Fund

cannot be overstated. On providing grant funding for projects, the program helps alleviate project cost to ratepayers, while increasing clean energy generation in the state. There are also numerous projects under consideration featured around the grant funding for the Renewable Energy Fund. These projects, as past projects have, will be chosen through a deliberative process run by the Alaska Energy Authority and reviewed by the Renewable Energy Fund Advisory Committee.

Finally, by extending the sunset date of the program, electric utilities will continue to have opportunities to receive funds for renewable energy projects as they continue innovating the power systems of the state.

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CHRIS ROSE, EXECUTIVE DIRECTOR, RENEWABLE ENERGY ALASKA PROJECT (REAP), SUTTON (via teleconference), spoke in strong support of the legislation. He shared that REAP had been an advocate for renewable energy and energy efficiency throughout the state since 2004. He shared that the organization had helped develop the original program in 2007. He highlighted that the fund had developed many projects helping to save over 30 million gallons of diesel per year. The fund had also put Alaska on the global map in terms of its ability to develop renewable energy in isolated microgrids that primarily run on diesel. The organization had hosted numerous conferences over the past 15 years showcasing some of the success stories mostly from rural Alaskan communities. He emphasized that the program had been good for Alaskan communities and the state. He reiterated REAP's support for the extension of the program.

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MATT JACKSON, CLIMATE PROGRAM MANAGER, SOUTHEAST ALASKA CONSERVATION COUNCIL AND ALASKA CLIMATE ALLIANCE, SITKA (via teleconference), spoke in support of the legislation. He highlighted the statistic cited throughout the meeting specifying that 30 million gallons of diesel had been avoided. He informed the committee that the statistic was from 2017; therefore, the amount of diesel avoided through Renewable Energy Fund was in fact much greater. He provided context and explained that under a scenario where the average price of diesel in Alaska was \$6 per gallon in the

past year (he understood the cost was much higher in many locations), \$180 million had been saved on diesel around the state in a single year. There would continue to be savings into the future. He remarked that the savings reflected a very impressive return on investment. Additionally, the figure represented 671 million pounds of CO2 diverted from the atmosphere. He strongly encouraged the legislature to generously fund the program. He underscored it was a very good investment in the state's future.

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Co-Chair Foster CLOSED public testimony.

Co-Chair Edgmon thanked the committee for hearing the bill. He appreciated the good questions and thoughtful dialogue.

HB 62 was HEARD and HELD in committee for further consideration.

Co-Chair Foster announced an amendment deadline of noon the following Tuesday. He reviewed the schedule for the following meeting.

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ADJOURNMENT

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The meeting was adjourned at 2:13 p.m.