HOUSE FINANCE COMMITTEE
April 21, 2023
1:37 p.m.

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CALL TO ORDER

Co-Chair Edgmon called the House Finance Committee meeting to order at 1:37 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair
Representative DeLena Johnson, Co-Chair
Representative Julie Coulombe
Representative Mike Cronk
Representative Sara Hannan
Representative Andy Josephson
Representative Dan Ortiz (via teleconference)

MEMBERS ABSENT

Representative Neal Foster, Co-Chair
Representative Alyse Galvin
Representative Will Stapp
Representative Frank Tomaszewski

ALSO PRESENT

Randy Bates, Director, Division of Water, Department of Environmental Conservation; Carrie Bohan, Facilities Services Program Manager, Division of Water, Department of Environmental Conservation; Sandra Moller, Director, Division of Community and Regional Affairs, Department of Commerce, Community and Economic Development; Representative C.J. McCormick.

PRESENT VIA TELECONFERENCE

Curtis Thayer, Executive Director, Alaska Energy Authority.

SUMMARY

HB 40 APPROP: CAPITAL/SUPPLEMENTAL

HB 40 was HEARD and HELD in committee for further consideration.

PRESENTATION: ALASKA ENERGY AUTHORITY PROJECTS

PRESENTATION: VILLAGE SAFE WATER and WASTEWATER

Co-Chair Edgmon reviewed the meeting agenda.

#hb40
HOUSE BILL NO. 40

"An Act making appropriations, including capital appropriations and other appropriations; making supplemental appropriations; making appropriations to capitalize funds; and providing for an effective date."

^PRESENTATION: VILLAGE SAFE WATER and WASTEWATER

1:38:54 PM

RANDY BATES, DIRECTOR, DIVISION OF WATER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, introduced the PowerPoint presentation "Department of Environmental Conservation; House Finance Committee," dated April 21, 2023 (copy on file). He began on slide 1 and relayed that there was a planned investment of about $25 million annually in the Village Safe Water (VSW) program. The mission of VSW was to support rural communities by developing sustainable sanitation facilities.

Co-Chair Edgmon commented that it was an older tradition in the legislature to ask any legislators present during a committee meeting to join the committee table if there was an available seat. He noted that Representative C.J. McCormick was in the audience and asked the representative to sit at the committee table. The subject matter pertained to Representative McCormick's district.

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Mr. Bates clarified that $25 million in general funds was allocated to VSW on an annual basis, which leveraged about $100 million in funds for the program from federal sources. In 2023 and over the next several years, there would be an additional influx of Infrastructure Investment and Jobs Act

(IIJA) funds. The combination of funding sources amounted to a significant addition of dollars for the program. The funds were particularly important to allow the state to provide water and sewer services to rural communities. The goal of the Department of Environmental Conservation (DEC) and the Division Community and Regional Affairs (DCRA) was to spend every available VSW and IIJA dollar. He wanted to ensure that the legislature knew that the department was fully committed to spending the available monies.

Co-Chair Edgmon asked if it was fair to say that broadband was comparable to water and sewer in that many rural communities lacked access and were underserved or unserved.

Mr. Bates responded in the affirmative. The Indian Health Service (IHS) was set to receive $3.5 billion in IIJA funds and $2.1 billion of the total would be allocated directly to Alaska. The money was predicted to be sufficient to address all known needs in Alaska. The wealth of information and influx of funding brought about additional projects that would greatly exceed the $2.1 billion in funding. The money would be transformative in addressing rural sanitation needs; however, it would not solve all of the state's problems and the money would all be spent in five years. There would still be facilities and maintenance needs after the funds had been spent. Once the water and sewer facilities were built and operating and the money was spent, it was the responsibility of the rural communities to maintain the facilities and community residents would need to pay the rates. He recognized that it was a challenge and there were multiple scoring rubrics in place to ensure that communities were prepared to operate the facilities safely and sustainably.

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Co-Chair Johnson noted that an issue in the past had been finding enough employees to maintain the wastewater and water facilities. She understood that the job training center in Palmer, Alaska focused heavily on training local individuals to work at the facilities. There had been some discussion on hiring traveling facilities maintenance workers and she was curious if there had been success. She asked Mr. Bates to expand upon the idea of hiring traveling workers.

Mr. Bates noted that his colleagues would go through some of the details of the remote maintenance worker programs later on in the presentation. He suggested that his colleague continue the presentation.

Co-Chair Edgmon relayed that members could ask questions during the presentation.

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CARRIE BOHAN, FACILITIES SERVICES PROGRAM MANAGER, DIVISION OF WATER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, continued the presentation on slide 2. She emphasized that the goal of VSW was to support rural communities in the communities' efforts to develop sustainable sanitation facilities. The department achieved the goal by providing funding and providing assistance to communities by implementing projects once the projects had been funded. There were collectively about 200 rural communities that the department considered its "customers." Approximately two-thirds of the communities received similar support through the Alaska Native Tribal Health Consortium (ANTHC). There was a historical divvying up of the communities and a community was permitted to work with whichever agency it chose. The funding was available to all communities regardless of the agency they chose to work with. She emphasized that eligibility was not dependent upon agency support and that all eligible communities would receive funding.

Co-Chair Edgmon added that many underserved and unserved communities were in Representative Cronk's district, Representative McCormick's district, and his own district.

Representative Hannan recalled that Ms. Bohan mentioned that there were 200 communities and some were supported by DEC and other communities were supported by ANTHC. She asked how many communities were being served with sustainable sanitation facilities in total.

Ms. Bohan responded that there were collectively about 200 rural communities and VSW provided support to one-third of the communities and ANTHC provided support to the remaining two-thirds.

Ms. Bohan advanced to slide 3 and relayed that historically, the need had greatly exceeded available

resources. Funding from IHS, VSW, and the Environmental Protection Agency (EPA) collectively totaled approximately $100 million per year while the collective need was greater than $2 billion. Ongoing needs arose every year and little progress was made due to limited funding. She shared that the U.S. Congress had examined the IHS database while crafting IIJA, and VSW worked collectively with ANTHC to gather all known needs from every community and populate the database every year. The information in the database led to the $3.5 billion in total IIJA funding. The agency had been fortunate to have a longstanding relationship with other funding agencies such as ANTHC and the Denali Commission. She thought it was remarkable how well the agencies worked together.

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Ms. Bohan advanced to slide 4 and explained that the VSW allocation method was called the Capital Improvement Project (CIP) program. The slide showed the various funding sources for VSW and for ANTHC. The grants from the Rural Development agency within the United States Department of Agriculture (USDA) would be matched by the state and totaled to about $80 million for 2023. The Sanitation Deficiency System (SDS) was a separate allocation system managed by IHS. Funds from EPA also contributed to the allocation system. She reiterated that communities were selected for funding and the money would go to the lead agency that was supporting the community.

Ms. Bohan moved to slide 5 which included a graph that showed the drastic nature of the increased funding. The two grants that the department received each year were not impacted by IIJA and it would be receiving a similar amount of funding as it had historically received. The department would be assisting communities that received funding through IHS, which had increased its funding from $45 million to $281 million over the last year.

Co-Chair Edgmon asked Ms. Bohan for more information about the scoring approach. He understood that the IIJA funding would only last for five years, then the communities would be responsible for independently maintaining the systems. He had heard regular concerns about the scoring system. He relayed that he was going to introduce a bill in the near future that would involve a simple addition to VSW that would prioritize communities based on need. Currently, 95

out of 196 rural communities would not meet the minimum requirements for funding through the VSW CIP process. He thought the communities and the scoring process should be aligned.

Mr. Bates responded that it was the department's goal to ensure that all the money coming to the state would be shared with the communities in order to build infrastructure. The department recognized that HB 374, introduced in 2022 by former Representative Tiffany Zulkosky and Co-Chair Foster, proposed to eliminate scoring as a consideration of the commissioner of DEC. It was important to note that the EPA had delegated primacy of the Safe Drinking Water Act (SDWA) to DEC. He explained that SDWA required that there be a capacity assessment system in place in order to evaluate the technical, financial, and managerial skills of a community. The best practice scoring tool was utilized to evaluate the capacity and assess a community's ability to own and operate a facility after federal funding had elapsed.

Mr. Bates commented that he was well aware of the challenges and concerns related to the scoring system. He agreed that 95 of 196 rural committees were not eligible for funding, however many of the communities were not seeking funding. There was a concern about the time of year the scoring took place and the timing had been adjusted. He shared that Ms. Bohan had led a survey throughout all of the operating facilities to evaluate successes and areas that needed improvement. The results of the survey were being compiled and should be released soon. The department also planned to open up a public scoping period to ensure that the public had the opportunity to comment. He relayed that the department would organize a working group to discuss the concerns of the public and find a mutually agreeable path forward to success for communities. He emphasized the importance that communities understood the steps that were necessary in order to earn a passing score and start receiving funding for water and sewer facilities. The capacity assessment could not be eradicated because it was a federal requirement, but the department would evaluate the scoring tool and make any necessary changes.

Co-Chair Edgmon asked Ms. Sandra Moller to address the issues of capacity.

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SANDRA MOLLER, DIRECTOR, DIVISION OF COMMUNITY AND REGIONAL AFFAIRS, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, responded that operation and maintenance were key concerns as well as building capacity. She relayed that DCRA provided training such as QuickBooks, financial management, and other personnel training for communities, municipalities, and villages. The process was working but there were ways that it could be tweaked and adjusted. She thought the solution was for the people in the communities to operate and maintain the facilities. A conversation should be had to discuss what could be done in collaboration with federal partners, regional entities, and state entities. She was pleased to hear ANTHC report during a recent presentation that the council would be expanding the Alaska Rural Utility Collaborative (ARUC) program to include 30 more participants. The program provided training to utility workers including bill collecting and bookkeeping.

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Representative Coulombe asked Ms. Bohan if maintenance costs were included in the total cost of a project.

Ms. Bohan responded that operations and maintenance were not fundable through IIJA. She understood that IHS had federal language that permitted it to fund operations and maintenance, but there had never been an appropriation for it. Similarly, VSW statute had provisions for the state to provide operations and maintenance funding, but it had not received the appropriations. A project would be funded until it was fully constructed, then the responsibility of operations and maintenance would fall to the community. Most communities struggled to collect sufficient revenue to cover basic operations and maintenance costs and none of the rural communities she was aware of were in a position to collect enough revenue and the communities were dependent upon ongoing grants.

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Representative Hannan asked if the state had ever supported VSW operation and maintenance funds. She was stunned that nothing had been done to help communities operate and maintain programs.

Co-Chair Edgmon responded that he could not recall such a situation in which the state had allocated funds for VSW operation and maintenance costs. He thought building a water and sewer system in rural communities came with similar issues as implementing a broadband system. There were many moving parts and it was a challenge to implement systems in remote areas in the state and ensure that the communities could independently maintain the systems. He could not recall a situation in which operations and maintenance funds were made available for VSW purposes but asked Ms. Bohan if she could confirm the information.

Ms. Bohan responded that she was also not aware of a situation in which maintenance and operations for VSW were funded by the state. She noted that there were some slides in the presentation on the remote maintenance worker program that would provide more information. The department partnered with five regional health consortiums in five different regions. There were also DEC staff based in Anchorage who were each assigned to 10 to 15 communities in order to provide support. In some cases, the same employees had been supporting the same communities for over 25 years. The Rural Utility Business Advisor (RUBA) program was based off the program for remote maintenance workers in that each community was assigned a government worker in order to have a stable and reliable point of contact. She reiterated that she was not aware of any direct operations and maintenance funding.

Representative Hannan commented that she had heard similar stories in which rural schools had the only safe water in a community and there were maintenance issues with the water system. She thought that the state had an obligation to build adequate and safe drinking water in order for schools to operate properly. The critical nature of having safe water in every community was especially apparent after the COVID-19 pandemic. She applauded the efforts of the department to solve the problem and noted that it was challenging.

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Co-Chair Johnson commented that the chart on slide 5 was "breathtaking." She thought that an entity funding a system did not necessarily mean it was responsible for the system. She was hopeful that the purpose of the scoring system was to ensure that there was a mechanism for management. All

systems should be well thought out and sustainable for years to come and the state had responsibilities to upkeep the system in addition to the communities. She thought there needed to be follow through otherwise the system would not work.

Mr. Bates commented that about three years ago, there was a trend of declining scores. The department began working with its sister agency, the Department of Commerce, Community and Economic Development (DCCED), to find a way to stop the trend. The department was particularly focused on finding a way to assist the communities once it learned of the IIJA funds. He emphasized that DEC was fully engaged in the effort and it accepted the criticisms on the process. It was a "watershed" moment for there to be federal and state money available to change the landscape in a rural community. It was incumbent upon the department to help the communities stand up the systems, but the ownership of the system would go to the communities once the systems were established. The community would be responsible for operating and maintaining the systems and collecting revenue for the safe delivery of water and sanitation. The scores were designed to evaluate a community's ability to operate the system. The economy of rural communities was challenging because many citizens could not afford to pay the rate for the system. Some communities had the ability to subsidize the rate payers through regional partners and some did not. There was a heavy push to spend the money, but there also needed to be a way for the communities to accept ownership and operate the facilities.

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Representative Josephson shared that when he lived in the mid-Kuskokwim region, there were 400 people and around 40 jobs. He asked how people could be expected to afford the rate when there was not enough opportunity for employment. He wondered if there should be a capitalized program similar to Power Cost Equalization (PCE).

Mr. Bates responded that DEC had raised the issue with Alaska Senator Lisa Murkowski and Senator Dan Sullivan. He agreed that the success of operations and maintenance was critical for the success and delivery of services. He offered a hypothetical wherein there were 200 communities with $50,000 as a base salary for a certified operator in a

community, there would be $10 million to provide for the communities as a subsidy for maintaining a certified system. There were other programs that could provide subsidy programs and not all communities had subsidies. There was also the possibility that a few rate payers could drop out and the maintenance and operations costs would start to "snowball" and jeopardize the health of the system. The department had discussed utilizing PCE and other similar concepts.

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Ms. Bohan continued to a chart on slide 5 depicting VSW funding sources. The blue line across the top row represented the IHS funding. She shared that IHS was not permitting to consider capacity when allocating its funding. The Best Practice Score (BPS) was not used in allocating the IHS funding. A common misconception was that BPS was impacting IIJA funds, which it was not. Historically, IHS had only been able to fund projects with a per capita cost that fit within a certain boundary. The IIJA relieved a portion of the $3.5 billion from restrictions, which would allow IHS to provide funding to unserved and underserved communities. There would still be projects that would not meet the IHS funding eligibility and would need a co-funder. The EPA funding increased in FY 23 through IIJA as well. The increased funds in other areas were substantial enough to cover the portion of projects that were ineligible for IHS funding. There was a significant concern that inability to access VSW funding would prevent IHS from funding projects, but she did not think that there was reason for concern.

Ms. Bohan advanced to a map on slide 6 showing the locations of the underserved and unserved communities in the state. She explained that flush tank and haul systems involved hauling water to the home and hauling sewage out of the home. The system did not provide the same level of health protection as a fully piped system. She relayed that the department considered a community with individual wells and septic systems to be a served community. Although it was an option for some, individual wells and septic systems were not compatible with all of the unique environments in the state.

Co-Chair Edgmon commented that communities had significantly different needs: some communities were not

incorporated, some had active tribal governments, and some had little structural leadership.

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Representative Cronk asked Ms. Bohan to provide a definition of underserved.

Ms. Bohan explained that underserved meant that less than 55 percent of the homes had piped water and sewer.

Representative Cronk understood that a served home meant that it had a robust water system and pipe hookups. He grew up in Northway, Alaska and ANTHC came to the community in the late 1990s to implement infrastructure. He stated that amount of money wasted was unbelievable, such as installing $75,000 outhouses which quickly fell down. He highlighted that ANTHC determined the areas in which a well and sewer systems were feasible, and one of the locations was his old house. He explained that because there were not enough workers to build the system he had installed the plumbing himself. He noted it took a number of times to plumb the system correctly because he had no plumbing experience.

Representative Cronk thought it was important to note whether a community had the ability to run a water and sewer system. The systems in Northway stayed functioning because there was a single individual who had taken on the responsibility of running the system. He thought it was a huge investment to provide water and sewer systems to all of the unserved and underserved communities. In some communities where sewer was available, hauling water was optimal because it kept costs down. He asked if Ms. Bohan had considered his comments.

Ms. Bohan responded that she had previously misspoke and corrected herself that an unserved community was less than 55 percent and an underserved community was between 55 and 80 percent piped or using a flush tank and haul system. A planning project was required to be funded before any project would be funded. The planning project examined a community's desires, engineering alternatives, and would propose an alternative including cost estimates. Some communities had the opportunity to consider pipes but chose to build a haul system or decentralized well and septic system.

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Representative Cronk commented that he had 13 unserved communities in his district. The costs were significant and surprising when the systems were first implemented in Northway. He looked forward to seeing what was best for the communities and appreciated the efforts.

Ms. Bohan responded that presently, IHS was able to provide funds to ANTHC for planning efforts to determine which type of system would be best for a community. Some communities had already stated that they could not support a pipe system and were therefore uninterested in the implementation of a system. Communities' opinions were a vital component of the process and were consulted during every step of the planning effort.

Co-Chair Edgmon suggested that the presenters go through the remaining slides quickly for the sake of timeliness.

Ms. Bohan advanced to slide 7. She noted the estimated cost to provide water and sewer to individual homes in a village for the first time was estimated to be between $750,000 and $1 million per home. The community of Wales, Alaska recently booked its planning documents and with a total of 42 households and 142 people, the initial cost was projected to be $47 million and would be well into the $50 million range once construction began. The estimated monthly rate was $300 and the community of Wales was unwilling or unable to pay the rate; however, IHS would still move forward and fund the project.

Ms. Bohan advanced to slide 8 and relayed that there had been an assessment tool in place since at least the 1990s. Prior to the current BPS system, the RUBA assessment was used. She explained that RUBA involved 27 indicators. Project funding was allocated to a community for a project and then the community was required to collaborate with RUBA and submit to the 27-indicator assessment, which could take several years. All of the indicators were limited to a "yes or no" answer and the community had to receive a yes on all 27 indicators in order to pass the assessment. The department thought that reducing the number of indicators and offering different levels of success in each category would better indicate the capabilities of a community. The change would also better provide information to a community on the ways in which it could incrementally improve its

score. She relayed that the department did not expect most rural communities to receive a perfect score; therefore, 60 points was a passing score even though there were 100 points possible. All of the criteria on the rubric were actions the communities were already required to take.

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Ms. Bohan moved to slide 9 and explained that there was a tiered structure for the minimum score. If an unserved or underserved community needed to improve its washeteria, the threshold for eligibility would be lower because it was the only operating facility in the community and many were in need of significant repair. The planning efforts were required to follow an established United States Department of Agriculture (USDA) rural development model. One of the components of the model was sustainability and many of the communities' planning documents were falling short in the sustainability discussion. The department wanted to decouple the engineering discussion and the socioeconomic discussion within the planning documents in order to approve engineering concepts and help a community develop a sustainability plan. There were a number of subsidized programs that helped support the operations and maintenance of communities. A community sustainability plan could simply require that it join a collaborative organization that had the resources to help the community be sustainable.

Ms. Bohan relayed that the department also acknowledged that sustainability would look drastically different for each community. She relayed that VSW had developed an affordability indicator in collaboration with an economist in order to develop greater insight in decision making. The tool looked at the two lowest income brackets in a community and determined what the residents would be giving up in order to afford water and sewer. The tool looked at other economic indicators such as food stamps and employment and it was intended to determine the maximum amount of money a community could afford.

Ms. Bohan continued quickly through slides 10 and 11. The department used BPS to consider eligibility and it was also a small part of the overall project prioritization. The biggest focus was on the overall health impact to the community. She advanced to slide 12 detailing the capital request of $247 million. She moved to slide 13 and

explained that about $2.5 million was allocated from EPA funding to the remote maintenance worker program. She greatly appreciated the work done by remote maintenance workers.

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Mr. Bates noted that the individuals were working with water and sewer lines at 40 below temperatures. There were no situations in which systems would break down in favorable weather. The workers were dedicated to maintaining the systems and ensuring that the systems were operational in all types of weather and environments.

Ms. Bohan highlighted a photo on slide 13 of a worker smiling on the job in sub-zero temperatures. She advanced to slide 14 and shared that the department had a project going on for nearly ten years that looked at better ways to provide increased health benefits to unserved and underserved communities without going the piped route. The department had been working with the University of Alaska Anchorage (UAA) on a pilot system that incorporated in-home water reuse to reduce the amount of water residents had to haul to their homes. The model was currently in a garage in Anchorage, Alaska and being pilot tested.

Ms. Bohan advanced to slide 15 which offered current challenges faced by the department. A significant challenge was that IHS funding was awarded without consideration of local capacity.

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Co-Chair Johnson asked how long the funding would be available.

Ms. Bohan responded that the IHS money did not have a limit. The department expected the effort to complete all of the infrastructure to span 10 to 12 years. There had been challenges such as material shortages, delays due to the COVID-19 pandemic, and increased costs. The constantly increasing timelines were frustrating to the department and to communities. There was a lack of federal guidance and it was difficult to move forward without knowing the rules.

Ms. Bohan advanced to slide 16, which related to other infrastructure funding included in IIJA. The State

Revolving Loan Funds (SRLF) [AS 46.03.032 and AS 46.03.036] involved two loan funds: annual capitalization grants from the EPA and low interest loans for eligible clean water and drinking water projects. The state loaned money out, collected repayments with a low interest, and was permitted to keep the return dollars on the interest and make new loans. The department collected letters of interest throughout the year and was constantly able to acknowledge new project needs and accommodate communities seeking funding. In 2023, the federal earmarks for water and sanitation projects were funded through the base amount of money that would normally be allocated to SRLF. The department received about $4.9 million for drinking water and $4.5 million for clean water for FY 24, which was about half of what it had received in years prior. The department was currently developing its grant applications and after receiving funds, it would be making new loans around July of 2023.

Ms. Bohan continued to slide 17. The table on the slide showed year one IIJA funding for drinking water SRLF and clean water SRLF and the department was currently in the process of applying for the year one funds. The department was also focusing on emerging contaminants such as Per- and Polyfluorinated Substances (PFAS) and led service line funding. It was important to note that much of the funding came with the requirement to provide loan forgiveness and the majority of the funds would be forgivable for communities.

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Co-Chair Edgmon asked if committee members had additional questions.

Representative Cronk noted that one of the selling points of the new system was the ability to recruit young people to apply for new jobs. He asked how much of the cost of running a new system was due to high electric costs required for operations. He wondered if a PCE plan for water systems might reduce costs.

Ms. Bohan responded that she did not have the exact numbers, but energy costs in northern and western areas of the state made up about 40 percent of the overall operational cost.

Co-Chair Edgmon commented that he had a family member who was a remote maintenance worker and could "fix anything." He emphasized the importance of having qualified people out in communities available to help operate and maintain the systems. Many qualified workers were getting older and younger people were leaving the communities, which made for a challenging situation when recruiting workers. He relayed that the bill would be revised in the near future and he appreciated the testifiers' time.

Representative Josephson asked if the 40 percent figure spoke to a PCE reform issue.

Co-Chair Edgmon commented that Representative Josephson made a thought-provoking remark.

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AT-EASE

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RECONVENED

Co-Chair Edgmon relayed that the next presentation would be from the Alaska Energy Authority (AEA).

^PRESENTATION: ALASKA ENERGY AUTHORITY PROJECTS

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CURTIS THAYER, EXECUTIVE DIRECTOR, ALASKA ENERGY AUTHORITY, ANCHORAGE (via teleconference), introduced the PowerPoint presentation "AEA Fiscal Year 2024 Capital Budget" dated April 21, 2023 (copy on file). He advanced to slide 2 and offered information on AEA's mission and responsibilities. The organization was broken into six different segments: Railbelt Energy, PCE, Rural Energy, Renewable Energy and Energy Efficiency, Grants and Loans, and Energy Planning. The highlighted that the PCE program was for residential customers and community facilities such as water and sewer.

Mr. Thayer moved to an overview of AEA on slide 3. The regular duties of AEA were on the left side of the slide and the map areas in teal and black were mostly circuit and utility training areas.

Mr. Thayer continued to slide 4 and slide 5 and detailed AEA's FY 24 capital request.

Co-Chair Edgmon interjected and asked Mr. Thayer to confirm which slide he was discussing.

Mr. Thayer responded that he was on slide 5. The IIJA Statewide Grid Resilience and Reliability Formula included an availability of $12.1 million in federal funds and $1.8 million in state unrestricted general funds (UGF) for a total of $13.9 million per year for a total of five years. The total would be around $70 million at the end of five years. The next item was the New Energy Efficiency Revolving Loan Fund Capitalization, which was a formula fund totaling $3.7 million in federal funds per year. The next IIJA item was the State Energy Program which totaled $2.9 million per year. The Electric Vehicle (EV) Charging Equipment grant focused on rural Alaska and was a competitive grant for which the federal government provided $1.6 million.

Mr. Thayer continued that the Energy Auditor Training program received $63,000 in federal funds. The largest program was the Home Energy and High Efficiency Rebate allocations for a total of $74 million in federal funds and AEA would collaborate on the program with the Alaska Housing Authority (AHA) as it was similar to programs already operated by AHA. The next item was the Department of Defense (DOD) Black Rapids Training Site which housed the Defense Community Infrastructure Pilot Program. The program would receive $12.7 million in federal funds in order to retire the site's diesel generators and connect to the existing transmission system. The Rural Power System Upgrades would receive $25 million in federal funds and $7.5 million in state UGF for a total of $32.5 million. There was a list of the top 25 communities by need that was updated each year and AEA consulted the list to determine the order by which to update rural power systems.

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Mr. Thayer continued on the Renewable Energy Fund Round 15 program, which had been successfully funded by the legislature for the past two years. The legislature had funded over 300 projects which had saved approximately 300 gallons of diesel fuel per year. There was a $7.5 million UGF placeholder on the chart, but the Renewable Energy Advisory Committee reviewed the information and suggested that the legislature fund 27 current projects for a total

of $25.5 million. The Bulk Fuel Upgrades would receive $5.5 million in UGF and $7.5 million in federal funds for a total of $13 million. The Hydroelectric Development request for Dixon and Godwin Creek Studies was a new item that would receive $5 million in state UGF. He relayed that AEA currently owned Bradley Lake, which was the largest hydroelectric project in the state and electrified about 54,000 homes on the Railbelt. He shared that Fairbanks, Alaska received 17 percent of its power from Bradley Lake and AEA was proposing diverting water from Martin River into Bradley Lake in order to provide additional power. The project could increase electrical coverage by about 24,000 for an increase of almost 50 percent.

Mr. Thayer explained that the next item was Renewable Energy and Efficiency Programs and would receive $5 million in state UGF. The programs were fully funded about eight years prior but AEA needed to look for new funding options. The programs would provide technical assistance for rural and urban communities and also provide a state match for incoming federal dollars. The following item was the Delta Phase 3 Power project, which would expand power into Delta Junction, Alaska. The project would receive $3 million in state UGF. The final item was $200,000 in state UGF for electrical emergencies. Many communities in rural Alaska had dependable utilities, but there were about 40 communities for which AEA acted as the "911 call." The total federal ask for all items was about $140 million and state UGF was about $35 million for a total of nearly $176 million. The total did not include an $8 million match that went through the Department of Transportation and Public Facilities (DOT).

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Mr. Thayer advanced to slide 6 which was a highlight of request for relocating and reconductoring powerlines. The capital request was for a $1.8 million state match and would be available to any community that had an appropriately sized power line. The funding could not address all needs across the state, but it was a good place to start.

Mr. Thayer continued to slide 7, which was a highlight of the new Energy Efficiency Revolving Loan Fund (EERLF) program which would be funded through IIJA and required no state match. He moved to slide 8 and explained that the

State Energy Program (SEP) would also be funded through IIJA and required no state match. The program focused on developing a statewide energy plan and an energy security plan. He advanced to slide 9, which was a recap of the competitive grant for EV charging equipment that would be primarily focused on rural communities. There would be a 20 percent match, but the requirement was for the participants and was not a state match. The requirement was set by the federal government.

Mr. Thayer moved to slide 10 detailing the Energy Auditor Training Grant program. The request was $63,600 for two years of the planned five-year annual funding allocation. There was no state match requirement. He relayed that slide 11 detailed the Home Energy and High Efficiency Rebate Allocations in which AEA collaborated with Alaska Housing Finance Corporation (AHFC) to distribute Alaska's $74 million federal allocation. The receipt authority came to AEA through federal legislation, but AEA worked in equal partnership with AHFC. There was no state match required. He advanced through slide 12 which was a brief recap of the Black Rapids Training Site (BRTS) and no state match was required. The military was anxious to begin the project which was why the funding was in the supplemental. He indicated that slide 13 included a recap of the rural power system upgrades and included a photo of a current rural power system and a photo of the updated version. He shared that AEA had 3D modeling done of all power houses in rural Alaska in order to zoom in and assess the power houses in real time and eliminate the need to fly to a location whenever there was a problem.

3:10:30 PM

Mr. Thayer continued on slide 14 and detailed bulk fuel upgrades (BFU). The program repaired or upgraded fuel storage in communities with less than 2,000 people. He emphasized that bulk fuel tanks were located near the mouth of rivers or waterways and it was important to ensure that the tanks could easily be replaced and were code compliant. He relayed that AEA was working with the U.S. Coast Guard to ensure that the tanks were code compliant and easily accessible. Additionally, AEA was conducting an inventory and assessment for all bulk fuel facilities in rural Alaska.

Co-Chair Johnson asked about the $800 million cost for deferred maintenance on slide 14. She asked if PCE paid for maintenance costs.

Mr. Thayer responded that PCE was a subsidization for rural Alaska that examined the cost of power between Anchorage, Fairbanks, and Juneau, and required that rural residents pay the same price for the first 750 kilowatts of power as the state's three largest cities. He clarified that PCE would not pay for power houses or for bulk fuel which were typically funded by UGF. There was a provision within PCE stating if the earnings of the program after PCE and community assistance grants had contributed, there could be up to $25 million in a "waterfall affect" that could be used for power houses, a renewable energy fund, or bulk fuel loans for communities; however, money was not strictly set aside for these purposes.

Co-Chair Johnson appreciated the response.

Mr. Thayer continued to slide 15, which gave an overview of the Renewable Energy Fund (REF). He shared that there were over 100 operational projects and 44 in development. The Renewable Energy Advisory Committee, consisting of five public members and four legislators, unanimously approved 27 Round 15 projects earlier in the month. The projects would cost a total of $25.5 million. He advanced to slide 16, which detailed active REF projects from Round 13 and Round 14. The state had appropriated nearly $20 million in support of 38 REF projects from Rounds 13 and 14 and the slide showed how the money for projects had been distributed throughout the state. He turned to slide 17 which detailed the REF Round 15 recommendations. He relayed that hydropower was the most popular recommendation, followed by wind and solar. The left side of the slide showed the communities that would receive the recommended funding. The communities at the top of the list would receive funding first and the following communities would receive funding as it was available.

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Mr. Thayer continued to slide 18 and detailed the $5 million request for hydroelectric development, specifically the Dixon Project and the Godwin Project. He explained that AEA was studying the Dixon and Godwin Creeks to optimize the hydro energy potential on the Railbelt. The funds would

be used for engineering studies including feasibility, hydrological, geological, and environmental studies, including fisheries, water quality, and geomorphology. The water that would be diverted to Bradley Lake would increase hydro energy potential and could be utilized for a longer period of time.

Mr. Thayer continued to slide 19 and explained that the Renewable Energy and Efficiency Programs provided critical technical support for communities interested in developing renewable energy programs. The $5 million request would be used for staffing, technical assistance and support for utilities and communities, as well as leveraging federal funds from federal partners. The state employed experts in many renewable energy fields but it was still learning about nuclear energy.

Mr. Thayer moved to slide 20, which was a recap of the Delta Phase 3 Power project. The capital request was for a $3 million grant to the Golden Valley Electric Association for the purpose of expanding three-phase power throughout the Delta region. The project aimed to improve food security objectives in Alaska.

Mr. Thayer advanced to slide 21, which was an overview of the $200,000 request for electric emergencies. He clarified that AEA provided support when an electric utility loses the ability to generate or transmit power to its customers and the condition was a threat to life, health, or property. Funding provided the current level of technical support through the Electrical Emergencies Program.

Mr. Thayer explained that the next few slides were projects for which AEA was not asking for funding, but were simply active projects and programs that AEA would like to share with the legislature. He relayed that slide 23 detailed the State of Alaska EV Infrastructure Implementation Plan, which was approved in 2022 by the federal government. The approval unlocked $19 million for the purpose of EV charging infrastructure expansion, and AEA anticipated receiving $52 million for the project over the next five years. The funds would be received by DOT and administered by AEA. The plan would develop additional EV charging stations around the state, but would not include rural Alaska. He explained that the lack of development in rural Alaska was the reason why AEA had sought out competitive

funding in order to dedicate the funds specifically to rural Alaska.

Mr. Thayer moved to slide 24, which contained Alaska's National Electric Vehicle Infrastructure (NEVI) requirements. Funding was required to be used to build out Alternative Fuel Corridors (AFC) first. Alaska currently had one pending AFC, depicted on the map on the slide in green and black. After the initial AFC was finalized, the focus would be on national highways indicated in pink on the map and then on Southeast Alaska highways in yellow.

3:19:37 PM

Mr. Thayer continued to slide 25 and shared that AEA and the Railbelt utilities closed on $166 million in bond financing in order to improve the efficiency and deliverable capacity of power from Bradley Lake. There was no additional cost to ratepayers or burden on the treasury. Due to the acquisition, AEA could begin the process of upgrading power transmission lines between Bradley Lake and the Soldotna Substation, from Soldotna to the Sterling Substation, and from Serling to the Quartz Creek Substation. He relayed that AEA also wanted to build the lines taller and were currently doing energy engineering to identify costs and the best routing for the lines. The complete buildout would cost closer to $500 million, but the funding was a good start.

Mr. Thayer moved to slide 26, which detailed the Grid Resilience and Innovation Partnerships (GRIP) grants. The grants were IIJA competitive and contained four buckets of funding: $100 million for the Railbelt Backbone Reconstruction Project, $16 million for the Battery Energy Storage and High Voltage Direct Current (HVDC) Coordinated Control, $299 million for the Railbelt Innovation Resiliency Project, and $250 million for the Rural Alaska Microgrid Transformation. All of the projects required AEA to compose concept papers which had all been approved and all projects were currently in the application phase. Two of the applications had been submitted and two more were in progress. He noted that there was $10.5 billion available and he doubted that AEA would receive its entire request, but assumed that AEA would be awarded some of the funding. He clarified that AEA was not asking for federal receipt authority because it did not yet know how much funding it would receive.

Mr. Thayer advanced to slide 27 and concluded that AEA provided energy solutions to meet the unique needs of Alaska's rural and urban communities. He quickly went over the appendix on slide 29 and explained that there was a slide packet that had been distributed to the legislature detailing Round 15 of REF. The packet gave a complete overview of the statutory guidance, the evaluation process, and application details for REF. He noted that links to every page of the packet were included on slide 30 of his presentation.

3:24:00 PM

Co-Chair Edgmon asked if committee members had questions.

Co-Chair Johnson asked Mr. Thayer if there were other testifiers from AEA available online.

Mr. Thayer responded that AEA's Director of Planning, Mr. Conner Erickson, and AEA's Chief Operating Officer, Mr. Tim Sandstrom, were available for questions.

Co-Chair Johnson appreciated the presentation and Mr. Thayer's work. She asked if there was a state match for any of the projects in the latter part of the presentation.

Mr. Thayer responded that AEA consisted of about 35 employees and he appreciated the work of the team. He highlighted slide 22, which noted the active projects and programs and indicated which required a state match and which would not. He relayed that AEA was not asking for any funding related to EV infrastructure, but there was a competitive IIJA grant for EV infrastructure through GRIP on slide 28. He clarified that GRIP applications required a one-to-one match. If AEA was successful in acquiring $250 million through the grant, it would come before the legislature and ask for a $250 million state match. He emphasized that AEA was still in the application process and it would not be known whether AEA was successful until the fall of 2023. Any state match would be subject to the legislature and if AEA was successful in receiving any funding, the conversation would happen next legislative session.

Representative Cronk asked Mr. Thayer if there were any funds available for low-carbon electric projects that would capture carbon.

Mr. Thayer replied that he did not think so, but he could look into the topic. He noted that the IIJA bill was thousands of pages and the Department of Energy had not yet released all of the funding for all programs or all the guidance for all of the programs. Many things could change once all of the information was released. He assured Representative Cronk that AEA would keep apprised of the situation and inform the legislature of any changes.

Representative Cronk appreciated the response.

Co-Chair Edgmon asked if Representative Ortiz, who was attending the meeting via teleconference, had any questions.

Representative Ortiz responded that he did not have any questions but that he thought the presentation was interesting and informative.

3:29:40 PM

HB 40 was HEARD and HELD in committee for further consideration.

Co-Chair Edgmon reviewed the agenda for the following meeting.

#
ADJOURNMENT

3:30:16 PM

The meeting was adjourned at 3:30 p.m.