

SENATE FINANCE COMMITTEE
February 8, 2024
1:36 p.m.

[1:36:19 PM](#)

CALL TO ORDER

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

MEMBERS PRESENT

Senator Donny Olson, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Jesse Kiehl
Senator Kelly Merrick
Senator David Wilson

MEMBERS ABSENT

Senator Lyman Hoffman, Co-Chair

ALSO PRESENT

Ken Alper, Staff, Senator Donny Olson; Bryan Butcher, CEO, Alaska Housing Finance Corporation; Akis Gialopsos, Deputy Executive Director, Alaska Housing Finance Corporation; Tim Sandstrom, Chief Operating Officer, Alaska Energy Authority; Senator Scott Kawasaki, Sponsor; Senator Shelley Hughes, Sponsor; Lesley Thompson, Self, Juneau; Senator Cathy Giessel.

PRESENT VIA TELECONFERENCE

Dyani Chapman, State Director, Alaska Environments, Anchorage.

SUMMARY

SB 125 AK HOUSING FINANCE CORP: SUSTAIN ENERGY

SB 125 was HEARD and HELD in committee for further consideration.

SB 170 EXTEND SENIOR BENEFITS PAYMENT PROGRAM

CSSB 170 was REPORTED OUT of committee with six "do pass" recommendations, and with one new fiscal note from the Department of Health.

#sb125

SENATE BILL NO. 125

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

[1:37:08 PM](#)

Senator Kiehl MOVED to ADOPT the committee substitute for SB 125, Work Draft 33-GS1074\B (Dunmire/Gunther, 2/3/24).

Co-Chair Olson OBJECTED for discussion.

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KEN ALPER, STAFF, SENATOR DONNY OLSON, discussed the Summary of Changes (copy on file):

Change 1: Deleted what was Sec. 4 of the original version of the bill. This section would have created a new "energy independence fund" for the purpose of financing certain projects. The remaining bill enables AHFC to set up a subsidiary corporation to pursue federal and other funding, finance projects, and otherwise implement the goals of the bill. But without the fund, there will no longer be the request for a state general fund appropriation to capitalize the fund.

Change 2: Adds an immediate effective date to create the new AHFC subsidiary and make the other changes in the bill.

Senator Kiehl wondered whether removing the fund created a barrier to the legislature investing through the subsidiary corporation for sustainable energy projects.

Mr. Alper replied that the answer should be addressed in the presentation.

Co-Chair Olson WITHDREW the OBJECTION. There being no further objection, it was so ordered.

1:40:00 PM

BRYAN BUTCHER, CEO, ALASKA HOUSING FINANCE CORPORATION, discussed the presentation, "Senate Bill 125: Alaska's Energy Subsidiary" (copy on file). He pointed to slide 3, "Presentation Outline":

POLICY OBJECTIVES

Create a subsidiary corporation of the Alaska Housing Finance Corporation to

- Coordinate with Alaska Energy Authority, provide technical assistance for renewable energy projects and home improvements
- Magnetize federal, private for-profit, and private non-profit capital to enhance an investment stack for renewable opportunities
- Collaborate to provide financing opportunities and tools for renewable projects for Alaskans.

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AKIS GIALOPSOS, DEPUTY EXECUTIVE DIRECTOR, ALASKA HOUSING FINANCE CORPORATION, addressed slide 4, "POLICY OBJECTIVES":

Create a subsidiary corporation of the Alaska Housing Finance Corporation to

- Coordinate with Alaska Energy Authority, provide technical assistance for renewable energy projects and home improvements
- Magnetize federal, private for-profit, and private non-profit capital to enhance an investment stack for renewable opportunities
- Collaborate to provide financing opportunities and tools for renewable projects for Alaskans.

Mr. Gialopsos pointed to slide 5, "POLICY OBJECTIVES (CONTINUED)":

Subsidiary proposed to spur sustainable energy projects:

- The subsidiary would help spur energy innovation consistent with Governor Dunleavy's administration objectives

- Office of Energy Innovation (AO 340)
- Alaska Energy Security Task Force (AO 344)

Mr. Gialopsos looked at slide 6, "POLICY OBJECTIVES (CONTINUED)":

Subsidiary can help Alaska be competitive for historic federal funding opportunities to improve the energy profile for homes and businesses:

- The U.S. Environmental Protection Agency's Greenhouse Gas Reduction Fund (GHGRF) grant opportunity from a pool of \$27 billion in available funding (award announcements expected in spring/summer 2024; funds distributed nationally later)
- Waivers from the Department of Energy for loan guarantees if funded through a State Energy Finance Institute (e.g. Energy Subsidiary)
- Stacked with time limited energy tax credits

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Co-Chair Olson wondered whether another state had a model of a similar program.

Mr. Gialopsos replied that there were over 23 states that had various related programs. He stated that Connecticut was the first state to implement the system.

Co-Chair Olson asked about the success of those programs.

Mr. Gialopsos stated that there were various successes and outcomes. He shared that Connecticut had worked with financial institutions to ensure efficacy of projects such as solar power, heat pumps, and wind farms.

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Mr. Gialopsos addressed slide 7, "POLICY OBJECTIVES SUMMARY":

Joint Application with AHFC and AEA on Solar for All:
Aggregate \$100 million applied to EPA for the Solar for All portion of the Greenhouse Gas Reduction Fund

- Evenly split between AHFC (residential solar installation) and community utility grade solar (AEA)
- Required focus on lower income households

- \$5 million set aside for financing

Senator Bishop wondered if \$95 million would be allocated for solar power and \$5 million would be for other financing such as heat pumps.

Mr. Gialopsos replied that every dollar in the application must be used for the installation of solar panels, including the \$5 million for other financing.

Mr. Gialopsos highlighted slide 8, "Role of AHFC in Energy":

Alaska Housing Finance Corporation (AHFC) has a long track record of managing innovative programs to tackle energy challenges for homeowners and communities.

Mr. Butcher discussed slide 9, "Role of AHFC in Energy":

Energy Efficiency Interest Rate Reduction:

- AHFC offers interest rate reductions when financing new or existing energy efficient homes, or when borrowers make energy improvements to an existing home Renovation Loan Option:

- Allows for improvements that increases a home's value; increases the energy efficiency of a home; and incorporates universal design principles to age-in-place -all while improving Alaska's aging housing stock

Since FY20, AHFC has financed 434 renovation loans for just over \$100M

Co-Chair Olson wondered whether the funding was for strictly heat pumps.

Mr. Butcher replied that the money was for anything that would make something more energy efficient.

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Mr. Butcher looked at slide 10, "Role of AHFC in Energy":

Weatherization:

- AHFC administers the federal and state weatherization program, making rural and urban homes in Alaska safer,

more resilient to the elements, and more affordable to heat.

- Manages AK Warm Energy Modeling Software, Home Energy Rating System (HERS) and statewide database of all home energy audits.

- Provides training and certification for all Energy Raters

- Building and Energy Codes -reference statutory requirements to ensure investments meet thermal and lighting standards

Workforce readiness EENow training

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Mr. Butcher pointed to slide 11, "Role of AHFC in Energy":

Experiences meeting unique challenges:

- AHFC has a tradition of working with sister agencies and organizations, stepping up, and meeting the needs of Alaskans

- Standing up programs to help Alaskans in need:

- Home Energy Rebate

- Emergency Rental Assistance and Homeowner Assistance

- Standing up subsidiaries to meet policy needs of Alaskans:

- Alaska Corporation on Affordable Housing

Mr. Butcher looked at slide 12, "Role of AHFC in Energy Summary":

Alaska Housing Finance Corporation has decades of experience crafting programs and structures to meet the energy needs of Alaskans.

2:02:53 PM

TIM SANDSTRON, CHIEF OPERATING OFFICER, ALASKA ENERGY AUTHORITY, pointed to slide 13, "About AEA":

Railbelt Energy - AEA owns the Bradley Lake Hydroelectric Project, the Alaska Intertie, and the Sterling to Quartz Creek Transmission Line - all of which benefit Railbelt consumers by reducing the cost of power.

Power Cost Equalization (PCE) - PCE reduces the cost of electricity in rural Alaska for residential

customers and community facilities, which helps ensure the sustainability of centralized power.

Rural Energy - AEA constructs bulk fuel tank farms, diesel powerhouses, and electrical distribution grids in rural villages. AEA supports the operation of these facilities through circuit rider and emergency response programs.

Renewable Energy and Energy Efficiency -AEA provides funding, technical assistance, and analysis on alternative energy technologies to benefit Alaskans. These include biomass, hydro, solar, wind, and others.

Grants and Loans -AEA provides loans to local utilities, local governments, and independent power producers for the construction or upgrade of power generation and other energy facilities.

Energy Planning -In collaboration with local and regional partners, AEA provides economic and engineering analysis to plan the development of cost-effective energy infrastructure.

AEA's mission is to reduce the cost of energy in Alaska. To achieve this mission, AEA strives to diversify Alaska's energy portfolio -increasing resiliency, reliability, and redundancy

Mr. Sandstrom pointed to slide 14, "AEA ACTIVE PROJECTS AND SERVICES."

Senator Bishop queried the award amount of the Volkswagen settlement.

Mr. Sandstrom agreed to provide that information.

[2:05:22 PM](#)

Mr. Gialopsos looked at slide 15, "Senate Bill 125: Overview":

Senate Bill 125 proposes one key action for the Legislature's consideration:

- Empower AHFC to work with AEA on developing sustainable energy development through several tools,

including establishing a non-profit subsidiary corporation.

Mr. Gialopsos discussed slide 16, "Senate Bill 125: Proposed Policy Implementation Process":

1. Legislation empowering AHFC to establish a non-profit subsidiary is enacted;
2. The AHFC Board of Directors, in consultation with legal counsel, creates a non-profit subsidiary corporation. Composes bylaws and initial regulations by AHFC for the non-profit subsidiary;
3. The non-profit subsidiary acquires relevant staff and works with Alaska Energy Authority and AHFC on crafting the sustainable energy development programs articulated in Senate Bill 125;
4. The non-profit subsidiary begins aggregating federal, state, and/or third-party funding. Funding stack and conditions inform programmatic development.

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Mr. Gialopsos explained the Sectional Analysis (copy on file):

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

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

Section 3: Amends AHFC's statutes to create or work with public, quasi-public or nonprofit organizations that provide financial assistance for sustainable energy projects.

Section 4: Adds a new section (AS 18.56.870) establishing the Alaska Energy Independence Fund.

(a) Adds a new section to AHFC's statutes to create a fund within AHFC (not the proposed subsidiary) that may be appropriated or transferred, including federal grants, AHFC

deposits, unrestricted loan payments, interest or other income earned on loans, investments, or assets of the fund(s).

It allows AHFC to establish interest rates, security provisions and other loan terms as appropriate.

(b) Authorizes certain uses of money and assets of the Alaska energy independence fund to make loans; secure bonds; provide or leverage capital through loan guarantees, credit enhancements, equity capital, indirect funding; and other financial products or services approved by AHFC in regulation.

This section further allows AHFC to pay the costs of administering both the fund as well as the terms of the loan made through the fund.

(c) Identifies the Corporation as the fiduciary of the fund under 37.10.071 which falls under Alaska's Department of Revenue and allows for it to invest the fund in accordance with an investment policy adopted by the Corporation that may deviate from the prudent investment rule. Annual reporting according to Generally Accepted Accounting Principles (GAAP) is required.

(d) Allows the Corporation as part of its loan approval process to require a deed of trust on the building as well as real estate for which the building is located.

(e) Allows the Corporation to contract with Alaska Energy Authority for technical review, expertise or analysis of proposed loans.

(f) Does not allow the Corporation to make a loan guarantee in excess of \$20 million without legislative approval.

(g) Allows the Corporation to adopt regulations in order to administer the fund.

(h) Acknowledges the fund is not a dedicated fund.

Section 5: Adds new definitions including sustainable energy development; building energy efficiency; electrical infrastructure; clean transportation; and any other greenhouse gas emissions reduction, energy efficiency, or zero-emission technology.

Mr. Butcher furthered that the federal government had limitations on the dollars that could be used on renewable energy projects.

[2:16:04 PM](#)

Senator Bishop wondered whether there was a stop in Huslia.

Mr. Butcher replied in the affirmative.

Senator Bishop recalled that there was a solar farm in Huslia.

Mr. Butcher stressed that many new homes were built with solar on roofs.

Senator Merrick wondered whether funding was received for the solar panels.

Mr. Butcher replied that the COVID dollars were used for those homes.

Mr. Gialopsos stated that the final section of the bill added an immediate effective date to the legislation.

Senator Kiehl wondered whether there could be changes to allow for the subsidiary corporation to participate in novel projects to delivery energy across international border.

Mr. Gialopsos agreed to provide that information.

Co-Chair Olson OPENED public testimony.

[2:20:23 PM](#)

DYANI CHAPMAN, STATE DIRECTOR, ALASKA ENVIRONMENTS, ANCHORAGE (via teleconference), spoke in support of the bill.

Co-Chair Olson CLOSED public testimony.

SB 125 was HEARD and HELD in committee for further consideration.

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AT EASE

[2:26:23 PM](#)

RECONVENED

#sb170

SENATE BILL NO. 170

"An Act extending the Alaska senior benefits payment program; and providing for an effective date."

[2:26:42 PM](#)

Senator Wilson MOVED to ADOPT the committee substitute for SB 170, Work Draft 33-LS1119\S (Bergerud, 2/6/24).

Co-Chair Olson OBJECTED for discussion.

KEN ALPER, STAFF, SENATOR DONNY OLSON discussed the Explanation of Changes (copy on file):

Change 1: Removes the sunset provision from the Senior Benefits program. This makes the program permanent and no longer needing periodic legislative reauthorization.

Change 2: Repeals the still-existing statutes that established the Longevity Bonus program, AS 47.45. This program was last funded in 2002. Also makes conforming changes in other statutes that reference the longevity bonus.

Co-Chair Olson queried the effect on the senior elders who received the benefit in the past.

Mr. Alper replied that there was some history on the bill, and the legislature has not funded it for many years. There was zero practical implication.

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SENATOR SCOTT KAWASAKI, SPONSOR, gave an overview of the bill.

Co-Chair Olson asked about the changes in the committee substitute.

Senator Kawasaki replied that the changes were appropriate.

[2:32:43 PM](#)

SENATOR SHELLEY HUGHES, SPONSOR, explained some history of the bill.

Co-Chair Olson WITHDREW his OBJECTION.

Co-Chair Olson OPENED public testimony.

[2:34:59 PM](#)

LESLEY THOMPSON, SELF, JUNEAU, spoke in support of the bill.

Co-Chair Olson CLOSED public testimony.

Senator Wilson MOVED to REPORT SB 170 out of committee with individual recommendations and attached fiscal note. There being NO OBJECTION it was so ordered.

CSSB 170 was REPORTED OUT of committee with six "do pass" recommendations, and with one new fiscal note from the Department of Health.

Co-Chair Olson acknowledged SENATOR CATHY GIESSEL.

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ADJOURNMENT

[2:40:10 PM](#)

The meeting was adjourned at 2:40 p.m.