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1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 9 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to energy; and providing for an effective date."  
7

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 37.12.125(6) is amended to read:

10 (6) "renewable resource" means

11 (A) non-human living organisms;

12 (B) natural components of the environment, including  
13 the air, land, and water; [AND]

14 (C) energy systems which are naturally recurring or  
15 replenished; and

16 (D) energy conservation technologies and recyclable  
17 wastes.

18 \* Sec. 2. AS 43.20.037(d)(1)(B)(ii) is amended to read:

19 (ii) a method of architectural design and construction  
20 which provides for the collection, storage and use of  
21 direct radiation from the sun or which provides for the retention  
22 of heat by the use of an amount or quality of insulation  
23 which exceeds the amount or quality of insulation required  
24 by building performance standards adopted by the  
25 Alaska Energy Center under AS 46.12.120; and

26 \* Sec. 3. AS 44.33.020 is amended by adding a new paragraph to read:

27 (25) administer energy conservation programs set out in  
28 AS 46.13.

29 \* Sec. 4. AS 44.33.040(17)(B) is amended to read:

1 (B) make grants for recipients eligible for [TO MATCH]  
2 grants from [MADE BY] the United States Department of Energy under  
3 the appropriate technology small grants program for Alaska autho-  
4 rized by Title I of the Department of Energy Appropriation Authori-  
5 zation Act of 1977, P.L. 95-39 (42 U.S.C. 5907a) and 10 C.F.R. 470;

6 \* Sec. 5. AS 44.33.040 is amended by adding new paragraphs to read:

7 (18) administer

8 (A) the residential energy conservation program (AS 46.-  
9 13.200 - 46.13.249);

10 (B) the low-income conservation assistance program  
11 (AS 46.13.250 - 46.13.279);

12 (19) coordinate regional energy planning;

13 (20) coordinate energy planning with the reconnaissance  
14 studies prepared by the Alaska Power Authority under AS 44.83.177.

15 \* Sec. 6. AS 44.83.010 is amended to read:

16 Sec. 44.83.010. LEGISLATIVE FINDING AND POLICY. (a) The legis-  
17 lature finds, determines and declares that

18 (1) there exist numerous potential hydroelectric and fossil  
19 fuel gathering sites in the state;

20 (2) the establishment of energy [POWER] projects at these  
21 sites is necessary to supply energy [POWER] at the lowest reasonable  
22 cost to the state's municipal electric, rural electric, cooperative  
23 electric, and private electric utilities, and regional electric authori-  
24 ties, and thereby to the consumers of the state, as well as to supply  
25 existing or future industrial needs;

26 (3) the achievement of the goals of lowest reasonable con-  
27 sumer energy [POWER] costs and beneficial long-term economic growth and  
28 of establishing, operating and developing energy [POWER] projects in  
29 the state will be accelerated and facilitated by the creation of an

1 instrumentality of the state with powers to construct, acquire, finance,  
2 and operate energy [POWER] projects.

3 (b) It is declared to be the policy of the state, in the interests  
4 of promoting the general welfare of all the people of the state, and  
5 public purposes, to reduce consumer energy [POWER] costs and otherwise  
6 to encourage the long-term economic growth of the state, including the  
7 development of its natural resources, through the establishment of  
8 energy [POWER] projects by creating the public corporation with powers,  
9 duties and functions as provided in this chapter.

10 \* Sec. 7. AS 44.83.070 is amended to read:

11 Sec. 44.83.070. PURPOSE OF THE AUTHORITY. The purpose of the  
12 authority is to promote, develop and advance the general prosperity and  
13 economic welfare of the people of Alaska by providing a means of con-  
14 structing, acquiring, financing and operating

15 (1) energy [POWER] production facilities, limited to fossil  
16 fuel; [,] wind; and [POWER,] tidal, geothermal, hydroelectric, or solar  
17 energy production; [AND]

18 (2) waste energy use [CONSERVATION] facilities; and

19 (3) energy conservation improvements.

20 \* Sec. 8. AS 44.83.080(5) is amended to read:

21 (5) to acquire, whether by construction, purchase, gift or  
22 lease, and to improve, equip, operate, and maintain energy [POWER]  
23 projects;

24 \* Sec. 9. AS 44.83.080(10) is amended to read:

25 (10) to enter into contracts with the United States or any  
26 person and, subject to the laws of the United States and subject to  
27 concurrence of the legislature, with a foreign country or its agencies,  
28 for the financing, construction, acquisition, operation and maintenance  
29 of all or any part of an energy [A POWER] project, either inside or

1 outside the state, and for the sale or transmission of energy [POWER]  
2 from a project or any right to the capacity of it or for the security  
3 of any bonds of the authority issued or to be issued for the project;

4 \* Sec. 10. AS 44.83.080(11) is amended to read:

5 (11) to enter into contracts with any person and with the  
6 United States, and, subject to the laws of the United States and subject  
7 to the concurrence of the legislature, with a foreign country or its  
8 agencies for the purchase, sale, exchange, transmission, or use of  
9 energy [POWER] from a project, or any right to the capacity of it;

10 \* Sec. 11. AS 44.83.080(12) is amended to read:

11 (12) to apply to the appropriate agencies of the state, the  
12 United States and to a foreign country and any other proper agency for  
13 the permits, licenses, or approvals as may be necessary, and to con-  
14 struct, maintain and operate energy [POWER] projects in accordance with  
15 the licenses or permits, and to obtain, hold and use the license and  
16 permits in the same manner as any other person or operating unit;

17 \* Sec. 12. AS 44.83.080(13) is amended to read:

18 (13) to perform reconnaissance studies, feasibility studies,  
19 and engineering and design with respect to energy [POWER] projects;

20 \* Sec. 13. AS 44.83.080(16) is amended to read:

21 (16) to recommend to the legislature

22 (A) the issuance of general obligation bonds of the  
23 state to finance the construction of an energy [A POWER] project  
24 if the authority first determines that the project cannot be  
25 financed by revenue bonds of the authority at reasonable rates of  
26 interest;

27 (B) the pledge of the credit of the state to guarantee  
28 repayment of all or any portion of revenue bonds issued to assist  
29 in construction of energy [POWER] projects;

- 1 (C) an appropriation from the general fund
- 2 (i) for debt service on bonds or other project
- 3 purposes; or
- 4 (ii) to reduce the amount of debt financing for the
- 5 project;
- 6 (D) an appropriation to the energy [POWER] project fund
- 7 for a power project;
- 8 (E) an appropriation of a part of the income of the
- 9 renewable resources investment fund for an energy [A POWER] pro-
- 10 ject;
- 11 (F) development of a project under financing arrange-
- 12 ments with other entities using leveraged leases or other financing
- 13 methods.

14 \* Sec. 14. AS 44.83.090 is amended to read:

15 Sec. 44.83.090. ENERGY [POWER] CONTRACTS AND THE ALASKA PUBLIC  
16 UTILITIES COMMISSION. (a) The authority shall, in addition to the  
17 other methods which it may find advantageous, provide a method by which  
18 municipal electric, rural electric, cooperative electric, or private  
19 electric utilities and regional electric authorities, or other persons  
20 authorized by law to engage in the distribution of energy [ELECTRICITY]  
21 may secure a reasonable share of the energy [POWER] generated by a  
22 project, or any interest in a project, or for any right to the energy  
23 [POWER] and shall sell the energy [POWER] or cause the energy [POWER]  
24 to be sold at the lowest reasonable prices which cover the full cost of  
25 the energy [ELECTRICITY] or services, including capital and operating  
26 costs, debt coverage as considered appropriate by the authority, and  
27 other charges that may be authorized by this chapter. A contract for  
28 the sale, transmission and distribution of energy [POWER] generated by  
29 a project or any right to the capacity of it shall provide:

1 (1) for payment of all operating and maintenance expenses of  
2 a project and costs of renewals, replacements and improvements of it;

3 (2) for interest on and amortization charges sufficient to  
4 retire bonds of the authority issued for the project and reserves for  
5 them, plus a debt service coverage factor as may be determined by the  
6 authority to be necessary for the marketability of its bonds;

7 (3) for monitoring of the project by the authority or its  
8 agents;

9 (4) for full and complete disclosure to the authority of all  
10 factors of cost in the transmission and distribution of energy [POWER],  
11 so that rates to any persons may be fixed initially in the contract and  
12 may be adjusted from time to time on the basis of true cost data;

13 (5) for periodic revisions of the service and rates to  
14 persons on the basis of accurate cost data obtained by the accounting  
15 methods and systems approved by the directors and in furtherance and  
16 effectuation of the policy declared in this chapter;

17 (6) for the cancellation and termination of a contract upon  
18 violation of its terms by any person;

19 (7) for security for performance as the authority may con-  
20 sider practicable and advisable, including provisions assuring the  
21 continuance of the distribution and transmission of energy [POWER]  
22 generated by a project and the use of its facilities for these purposes;  
23 and

24 (8) other terms not inconsistent with the provisions and  
25 policy of this chapter as the authority may consider advisable.

26 (b) The authority is not subject to the jurisdiction of the  
27 Alaska Public Utilities Commission. Nothing in this chapter grants the  
28 authority any jurisdiction over the services or rates of any public  
29 utility or diminishes or otherwise alters the jurisdiction of the

1 Alaska Public Utilities Commission with respect to any public utility,  
2 including any right the commission may have to review and approve or  
3 disapprove contracts for the purchase of energy [ELECTRICITY] by a  
4 public utility.

5 \* Sec. 15. AS 44.83.110(a)(1)(B) is amended to read:

6 (B) the fixing and collection of rentals, charges, fees  
7 or other consideration for, and the other terms to be incorporated  
8 in, contracts with respect to a project or to energy [GENERATED  
9 POWER];

10 \* Sec. 16. AS 44.83.110(a)(1)(C) is amended to read:

11 (C) the assignment by the authority of its rights in  
12 contracts with respect to a project or to energy [GENERATED POWER]  
13 or in a mortgage or other security interest created with respect  
14 to a project or energy [GENERATED POWER] to a trustee for the  
15 benefit of bondholders;

16 \* Sec. 17. AS 44.83.110(b) is amended to read:

17 (b) Notwithstanding any other provisions of this chapter, the  
18 trust agreement shall contain a covenant by the authority that it will  
19 at all times maintain rates, fees or charges sufficient to pay, and  
20 that a contract entered into by the authority for the sale, transmission  
21 or distribution of energy [POWER] shall contain rates, fees or charges  
22 sufficient to pay the costs of operation and maintenance of the project,  
23 the principal of and interest on bonds issued under the trust agreement  
24 as the same severally become due and payable, to provide for debt  
25 service coverage as considered necessary by the authority for the  
26 marketing of its bonds and to provide for renewals, replacements and  
27 improvements of the project, and to maintain reserves required by the  
28 terms of the trust agreement.

29 \* Sec. 18. AS 44.83.170 is amended to read:

1           Sec. 44.83.170.   ENERGY [POWER] PROJECT FUND. (a) There is  
2 established as a separate fund the energy [POWER] project fund which  
3 shall be distinct from any other money or funds of the authority, and  
4 which includes only money appropriated by the legislature.

5           (b) The authority may make loans from the energy [POWER] project  
6 fund

7           (1) to electric utilities, regional electric authorities,  
8 municipalities, cities, boroughs, regional and village corporations,  
9 village councils, and nonprofit marketing cooperatives to pay the costs  
10 of

11                   (A) reconnaissance studies, feasibility studies, license  
12 and permit applications, preconstruction engineering, and design  
13 of energy [POWER] projects;

14                   (B) constructing, equipping, modifying, improving, and  
15 expanding small-scale energy [POWER] production facilities, con-  
16 servation facilities, bulk fuel storage facilities, and transmis-  
17 sion and distribution facilities, including energy production,  
18 transmission and distribution, and [WASTE] energy conservation  
19 facilities which depend on fossil fuel, wind power, tidal, geo-  
20 thermal, biomass, hydroelectric, solar or other non-nuclear energy  
21 sources; and

22                   (C) reconnaissance studies, preconstruction engineering,  
23 design, construction, equipping, modification, and expansion of  
24 potable water supply including surface storage and groundwater  
25 sources and transmission of water from surface storage to existing  
26 distribution systems;

27           (2) to a borrower for an energy [A POWER] project if

28                   (A) the loan is entered into under a leveraged lease  
29 financing arrangement;

1 (B) the party which will be responsible for the energy  
2 [POWER] project is an electric utility, regional electric author-  
3 ity, municipality, city, borough, regional or village corporation,  
4 village council, or nonprofit marketing cooperative; and

5 (C) the borrower seeking the loan demonstrates to the  
6 authority that the financing arrangement for the energy [POWER]  
7 project will reduce project financing costs below costs of compar-  
8 able public energy [POWER] projects.

9 (c) Before making a loan from the energy [POWER] project fund,  
10 the authority shall, by regulation, specify

11 (1) standards for the eligibility of borrowers and the types  
12 of projects to be financed with loans;

13 (2) standards regarding the technical and economic viability  
14 and revenue self-sufficiency of eligible projects;

15 (3) collateral or other security required for loans;

16 (4) the terms and conditions of loans;

17 (5) criteria to establish financial feasibility and to  
18 measure the amount of state assistance necessary for particular projects  
19 to meet the financial feasibility criteria; and

20 (6) other relevant criteria, standards or procedures.

21 (d) Any loan made by the authority must be made according to the  
22 standards, criteria, and procedures established by regulation under  
23 this section.

24 (e) Repayment of the loans shall be secured in any manner which  
25 the authority determines is feasible to assure prompt repayment under a  
26 loan agreement entered into with the borrower. The authority may make  
27 an unsecured loan from the energy [POWER] project fund to a borrower  
28 regulated by the Alaska Public Utilities Commission under AS 42.05 if  
29 the borrower has a substantial history of repaying long-term loans and

1 the capacity to repay the loan. Under a loan agreement, repayment may  
2 be deferred for 10 years or until the project for which the loan is  
3 made has achieved earnings from its operations sufficient to pay the  
4 loan, whichever is earlier.

5 (f) Energy [POWER] projects are subject to the following limita-  
6 tions on interest and specific restrictions:

7 (1) Energy [POWER] projects for which loans are outstanding  
8 from the water resources revolving loan fund (AS 45.86) on July 13,  
9 1978, may receive additional financing from the energy [POWER] project  
10 fund; the additional financing, if granted,

11 (A) shall be granted for a term not exceeding 50 years;

12 (B) shall be granted at an interest rate of not less  
13 than three or more than five percent a year on the unpaid balance;

14 (C) shall be conditioned on the repayment of loan  
15 principal and interest to begin on the earlier of

16 (i) the date of the start of commercial operation  
17 of the project; or

18 (ii) 10 years from the date the loan is granted.

19 (2) Loans for energy [POWER] projects

20 (A) shall be granted for a term not to exceed 50 years;

21 and

22 (B) shall be granted at an interest rate which is not  
23 less than five percent and which is the lesser of

24 (i) a rate equal to the percentage which is the  
25 average weekly yield of municipal bonds for the 12 months  
26 preceding the date of the loan, as determined by the authority  
27 from municipal bond yield rates reported in the 30-year  
28 revenue bond index of the Weekly Bond Buyer; or

29 (ii) a rate determined by the authority which

1 allows the project to meet criteria of financial feasibility  
2 established under AS 44.83.170(c).

3 (g) Loan repayments and interest earned by loans from the energy  
4 [POWER] project fund shall be deposited in the state general fund.

5 (h) The legislature may forgive the repayment of a loan made from  
6 the energy [POWER] project fund for a reconnaissance study or a feasi-  
7 bility study when the authority finds that the energy [POWER] project  
8 for which the loan was made is not feasible.

9 \* Sec. 19. AS 44.83.177(a) is amended to read:

10 (a) To identify energy [POWER] project alternatives for a com-  
11 munity or region, the authority shall, after consultation with other  
12 state agencies and after review of information on alternative sources  
13 of energy [POWER], complete a reconnaissance study for each proposed  
14 new energy [POWER] project.

15 \* Sec. 20. AS 44.83.177(b) is repealed and reenacted to read:

16 (b) A reconnaissance study shall

17 (1) identify the present and anticipated electrical and  
18 thermal energy requirements of a community or region;

19 (2) survey all electrical and thermal energy sources avail-  
20 able to the community or region and evaluate the relative economic  
21 merits of alternative sources of power and heat, including energy  
22 conservation;

23 (3) assess the effect of development of alternative sources  
24 of power and heat on the environment so as to assure that there is no  
25 adverse effect to the environment which would make the project inadvis-  
26 able; and

27 (4) include public comment from residents of the community  
28 and adjacent area.

29 \* Sec. 21. AS 44.83.177(c)(2) is amended to read:

1 (2) standard criteria and measures for comparative analysis  
2 of alternative energy [POWER] sources.

3 \* Sec. 22. AS 44.83.179(c) is amended to read:

4 (c) For purposes of this section, an energy [A POWER] project is  
5 approved if the reconnaissance study for the project has not been  
6 disapproved by the division of budget and management within 30 days of  
7 submission of the reconnaissance study for the project to it by the  
8 authority.

9 \* Sec. 23. AS 44.83.181(c)(7) is amended to read:

10 (7) a loan from the energy [POWER] project fund (AS 44.83.-  
11 170(a)), or from the renewable resources investment fund (AS 37.11.050);  
12 or

13 \* Sec. 24. AS 44.83.187(a)(1) is amended to read:

14 (1) requires an appropriation from the state general fund,  
15 from the energy [POWER] project fund, or from the renewable resources  
16 funds; or

17 \* Sec. 25. AS 44.83.195 is amended to read:

18 Sec. 44.83.195. OPERATION OF PROJECTS. (a) When a project is  
19 operated by the authority, the authority shall enter into one or more  
20 contracts for the sale of electrical energy [POWER] from the project.  
21 A contract entered into under this section shall meet all requirements  
22 of AS 44.83.090.

23 (b) If, at the expiration of a contract entered into by the  
24 authority under (a) of this section, revenues earned by the authority  
25 under the contract exceed expenses of the authority for the project, an  
26 amount equal to the excess shall be used by the authority to reduce  
27 rates or improve services to consumers served by the energy [POWER]  
28 project.

29 \* Sec. 26. AS 44.83.230(4) is amended to read:

1 (4) "energy [POWER] project" or "project" means a plant,  
2 works, system, facility, water rights, fuel deposits or sources, and  
3 real estate and personal property [OF ANY NATURE WHATSOEVER], together  
4 with all facilities and appurtenances related to them or necessary for  
5 the purposes of them, used or useful in electrical or thermal [POWER]  
6 production limited to fossil fuel, wind power, tidal, geothermal,  
7 hydroelectric, or solar energy production and waste heat utilization  
8 and energy conservation and the transmission, purchase, sale, exchange  
9 and interchange of electrical or thermal [POWER], and shall include any  
10 interest in them, whether divided or undivided, or any right to the  
11 capacity of them;

12 \* Sec. 27. AS 44.83.230(7) is amended to read:

13 (7) "reconnaissance study" means a study conducted for the  
14 purpose of assessing the present and future electrical and thermal  
15 energy [POWER] needs of an area under AS 44.83.177;

16 \* Sec. 28. AS 44.83.230(8)(A) is amended to read:

17 (A) means a study conducted for the purpose of estab-  
18 lishing the economic and environmental practicality of completing  
19 a proposed energy [POWER] project under AS 44.83.181;

20 \* Sec. 29. AS 46.11.030(a)(1) is amended to read:

21 (1) establish criteria for the performance of energy audits  
22 of

23 (A) commercial and industrial buildings located in the  
24 state;

25 (B) cultural facilities; and

26 (C) public buildings;

27 \* Sec. 30. AS 46.11.030(a) is amended by adding new paragraphs to read:

28 (4) establish procedures by which to assure prompt payment  
29 for energy audits performed under (e) of this section;

1 (5) evaluate the costs and benefits of the energy audit  
2 program established by this section.

3 \* Sec. 31. AS 46.11.030(b) is amended to read:

4 (b) The commissioner of commerce and economic development may  
5 contract with persons certified under AS 44.33.040(16) to perform  
6 energy audits. The commissioner of commerce and economic development  
7 may negotiate contracts [OR MAKE CONTRACTS] on the basis of competitive  
8 bids.

9 \* Sec. 32. AS 46.11.030(c) is amended to read:

10 (c) The department may contract

11 (1) with a municipality for the performance of energy audits  
12 in the municipality;

13 (2) with a nonprofit corporation for the performance of  
14 energy audits in any community which the nonprofit corporation serves.

15 \* Sec. 33. AS 46.11 is amended by adding new sections to read:

16 Sec. 46.11.032. CLASSIFICATION OF AUDITS. In establishing stan-  
17 dards for energy audits of residences under AS 46.11.030(a), the depart-  
18 ment shall provide criteria for performance of

19 (1) abbreviated audits that

20 (A) identify the energy conservation improvements  
21 defined in AS 46.13.249(4) which are appropriate to the residence;

22 (B) identify other low-cost improvements which a resi-  
23 dent may make to conserve energy;

24 (C) advise the resident of possible conservation prac-  
25 tices; and

26 (D) recommend areas to be analyzed in a detailed energy  
27 audit;

28 (2) detailed audits that

29 (A) analyze building characteristics;

1 (B) evaluate the applicability of structural retrofit,  
2 upgrading, and the replacement of energy systems with alternative  
3 energy systems;

4 (C) recommend appropriate alternative energy systems  
5 for the residence; and

6 (D) provide to the resident an estimate of the costs to  
7 implement the recommended measures, and an estimate of the time in  
8 which the estimated cost of the energy saved by implementation of  
9 the recommended measures exceeds the cost of implementing the  
10 recommended measures.

11 Sec. 46.11.034. ENERGY AUDIT FEES. (a) Unless exempted by  
12 AS 46.11.036, a person requesting an energy audit is required to pay  
13 for the audit.

14 (b) The fee for an abbreviated audit of a residence is \$15.

15 (c) The fee for a detailed audit of a residence may be determined  
16 by the person performing the audit.

17 (d) The fee for an audit of a commercial or industrial building  
18 shall be established by regulations adopted by the commissioner of  
19 commerce and economic development in accordance with the Administrative  
20 Procedure Act (AS 44.62).

21 Sec. 46.11.036. REIMBURSEMENT FOR ENERGY AUDIT FEE. (a) The  
22 department shall reimburse persons performing an abbreviated audit of a  
23 residence in the state for the cost, in excess of the \$15 fee, of per-  
24 forming the energy audit. Reimbursement under this section may include  
25 reimbursement of an administrative cost.

26 (b) Reimbursement under this section for an energy audit may not  
27 exceed \$50 for an audit, adjusted by a regional cost-of-living index  
28 determined by the department.

29 (c) For purposes of this section, a "regional cost-of-living

1 index" is determined by calculating the cost of living in each election  
2 district of the state by using the cost of living in Anchorage as a  
3 base of 1.00.

4 \* Sec. 34. AS 46.11.900(1)(B)(ii) is amended to read:

5 (ii) a method of architectural design and construc-  
6 tion which provides for the collection, storage and use of  
7 direct radiation from the sun or which provides for the re-  
8 tention of heat by the use of an amount or quality of insula-  
9 tion which exceeds the amount or quality of insulation re-  
10 quired by building performance standards adopted by the  
11 Alaska Energy Center under AS 46.12; and

12 \* Sec. 35. AS 46.11.900(3) is amended to read:

13 (3) "energy audit" means a determination and written summary  
14 prepared under AS 46.11.030 or sec. 215(b)(1)(A) of the National Energy  
15 Conservation Policy Act (42 U.S.C. 8216(b)(1)(A)) of

16 [(A) THE ENERGY CONSUMPTION CHARACTERISTICS OF A BUILD-  
17 ING, INCLUDING THE SIZE, TYPE, AND RATE OF ENERGY CONSUMPTION OF  
18 MAJOR ENERGY CONSUMING SYSTEMS OF THE BUILDING AND THE CLIMATE  
19 CHARACTERIZING THE REGION WHERE THE BUILDING IS LOCATED; AND

20 (B)] the energy [CONSERVATION AND COST] savings likely  
21 to result from appropriate energy-conserving maintenance and  
22 operating procedures and modifications, including the purchase and  
23 installation of energy-related fixtures; [FOR PURPOSES OF THIS  
24 SUBPARAGRAPH WHEN A FOSSIL FUEL IS THE ENERGY SOURCE, THE ENERGY  
25 COST SAVINGS SHALL BE DETERMINED WITH REFERENCE TO THE PROJECTED  
26 PRICE OF THAT FOSSIL FUEL OVER A 10-YEAR PERIOD;]

27 \* Sec. 36. AS 46.11.900 is amended by adding a new paragraph to read:

28 (10) "cultural facility" means a structure or complex the  
29 principal purpose of which is to serve the visual and performing arts,

1 including but not limited to a theatre, concert hall or gallery, or to  
2 serve as the repository of the historical or contemporary heritage of  
3 the community and its people, and which also may be used for compatible  
4 activities, including but not limited to, activities relating to educa-  
5 tion, community meetings, tourism, and visitor information.

6 \* Sec. 37. AS 46.12.120 is amended by adding a new paragraph to read:

7 (6) adopt building energy performance standards for

8 (A) public facilities of the state; and

9 (B) residences, commercial and industrial buildings,

10 and other privately owned buildings in the state for which alterna-  
11 tive energy system and energy conservation improvement loans may  
12 be made under AS 46.13 or for which an energy conservation credit  
13 is sought under AS 43.20.037.

14 \* Sec. 38. AS 46 is amended by adding a new chapter to read:

15 CHAPTER 13. ENERGY CONSERVATION AND DEVELOPMENT.

16 ARTICLE 1. COMPREHENSIVE ENERGY CONSERVATION PROGRAM.

17 Sec. 46.13.010. COMPREHENSIVE ENERGY CONSERVATION PROGRAM. (a)

18 The Department of Commerce and Economic Development shall develop and  
19 administer a comprehensive energy conservation program.

20 (b) The program shall

21 (1) systematically address energy conservation in every  
22 community of the state;

23 (2) provide for performance of energy audits for buildings;

24 (3) provide for the installation of energy conservation  
25 devices;

26 (4) include provisions for education of the public about,  
27 and encourage public participation in, planning and management of  
28 energy conservation activities; and

29 (5) coordinate energy conservation planning and energy

1 conservation programs of other agencies of the state and local govern-  
2 ments and nongovernmental entities.

3 ARTICLE 2. ALTERNATIVE TECHNOLOGY AND  
4 ENERGY CONSERVATION LOANS.

5 Sec. 46.13.100. LOAN FUND ESTABLISHED. There is established in  
6 the Department of Commerce and Economic Development the alternative  
7 technology and energy conservation loan fund to carry out the purposes  
8 of AS 46.13.100 - 46.13.199. A loan made under AS 46.13.100 - 46.13.199  
9 may be used

10 (1) to develop energy production and conservation systems  
11 using energy sources other than fossil or nuclear fuel, including, but  
12 not limited to, windmills, water, and solar energy devices;

13 (2) to develop and implement methods of energy production,  
14 waste disposal, recycling, food production, transportation, building  
15 design, and industrial enterprise which may be more efficient, less  
16 costly, and less energy intensive than those methods presently used and  
17 which are appropriate to the Alaska environment;

18 (3) to purchase, construct, or install an energy conserva-  
19 tion improvement or an alternative energy system which is likely to  
20 result in energy conservation or energy cost savings

21 (A) in a residential or commercial building;

22 (B) in a building owned by a corporation organized  
23 under AS 10.20; or

24 (C) as part of an agricultural or industrial process.

25 Sec. 46.13.110. POWERS AND DUTIES OF THE DEPARTMENT. The depart-  
26 ment may make loans

27 (1) for the purchase, construction, installation, and pro-  
28 duction of

29 (A) alternative energy systems;

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(B) energy conservation improvements; and

(2) for the development, implementation, and production of more efficient, less costly, less energy intensive, and more appropriate technologies.

Sec. 46.13.120. AUDITS. A loan may not be made under AS 46.-13.100 - 46.13.190 for an alternative energy system or energy conservation improvement unless audits of the building have been completed as provided in this section. The audits shall include

(1) an abbreviated audit that

(A) identifies the energy conservation improvements defined in AS 46.13.249(4) which are appropriate to the building;

(B) identifies other low-cost improvements which the owner may make to conserve energy;

(C) advises the owner of possible conservation practices; and

(D) recommends areas to be analyzed in a detailed energy audit;

(2) a detailed audit that

(A) analyzes building characteristics;

(B) evaluates the applicability of structural retrofit, upgrading, and the replacement of energy systems with alternative energy systems;

(C) recommends appropriate alternative energy systems for the building; and

(D) provides to the applicant an estimate of the costs to implement the recommended measures, and an estimate of the time in which the estimated cost of the energy saved by implementation of the recommended measures exceeds the cost of implementing the recommended measures.

1           Sec. 46.13.130. LOAN TERMS. (e) A loan for the purchase, con-  
2           struction, or installation of an alternative energy system or an energy  
3           conservation improvement under AS 46.13.100 - 46.13.199 may be made  
4           only for an alternative energy system or energy conservation improve-  
5           ment which has been recommended in a detailed energy audit as a measure  
6           which is likely to result in energy conservation or energy cost savings.

7           (b) A loan for the development of an alternative energy system or  
8           for an energy conservation improvement

9                 (1) may include the cost of the detailed audit of the build-  
10           ing; and

11                 (2) may not exceed the lesser of

12                         (A) the cost of the alternative energy system or the  
13           energy conservation improvement and the amount included under (1)  
14           of this subsection; or

15                         (B) \$100,000.

16           (c) The duration for repayment of a loan may not exceed 75 percent  
17           of the estimated useful life of the alternative energy system or energy  
18           conservation improvement, as determined by the department. However,  
19           the department may provide for a graduated interest rate for a loan  
20           made under AS 46.13.100 - 46.13.199, and may defer the payment of  
21           principal and interest on a loan. The department may not provide for a  
22           graduated interest rate for a loan or defer payment of a loan unless  
23           the borrower agrees to repayment terms which preserve the present value  
24           of the amount loaned.

25           (d) All payments of principal and interest on a loan made under  
26           AS 46.13.100 - 46.13.199 shall be paid by the department to the Depart-  
27           ment of Revenue for deposit into the general fund.

28           (e) The rate of interest on a loan made under AS 46.13.100 -  
29           46.13.199

1 (1) is five percent, if the loan is made before January 1,  
2 1984;

3 (2) equals the percentage of the average weekly yield of  
4 municipal bonds for the 12 months preceding the loan, as determined by  
5 the commissioner of commerce and economic development from municipal  
6 bond yield rates reported in the 30-year revenue index of the Weekly  
7 Bond Buyer, for a loan made after December 31, 1983.

8 (f) The department may require security for a loan under this  
9 section. When security is required, the security may include only a  
10 lien against the alternative energy system or energy conservation  
11 improvement, or against personal property of the borrower. When a loan  
12 is made under this section, the department may require the loan appli-  
13 cant to present copies of invoices or billings for expenses which the  
14 proceeds of the loan will be used to pay.

15 Sec. 46.13.140. LIMITATIONS ON LOANS. A loan for an alternative  
16 energy system or energy conservation improvement which uses wood as its  
17 principal fuel may not be used by the borrower for structural changes  
18 in a building. Not more than one-third of the amount loaned for an  
19 alternative energy system or energy conservation improvement which uses  
20 wood as its principal fuel may be used for costs of installation of the  
21 system or improvement.

22 Sec. 46.13.150. LOAN ADVANCES. The department shall establish  
23 procedures for the payment of an advance of a portion of the proceeds  
24 of a loan by an applicant before the purchase and construction or  
25 installation of an energy conservation improvement or an alternative  
26 energy system.

27 Sec. 46.13.160. REGULATIONS. The department shall adopt regula-  
28 tions necessary to carry out the provisions of AS 46.13.100 - 46.13.199.

29 Sec. 46.13.199. DEFINITIONS. In AS 46.13.100 - 46.13.199,

1 "alternative energy system"

2 (1) means a source of thermal, mechanical or electrical  
3 energy which is not dependent on oil or gas or a nuclear fuel for the  
4 supply of energy for space heating and cooling, refrigeration and cold  
5 storage, electrical power, mechanical power, or the heating of water;

6 (2) includes

7 (A) an alternative energy property as defined by  
8 sec. 48(1)(3)(A) of the Internal Revenue Code (26 U.S.C. sec. 48-  
9 (1)(3)(A));

10 (B) a method of architectural design and construction  
11 which

12 (i) provides for the collection, storage and use  
13 of direct radiation from the sun; or

14 (ii) provides for the retention of heat by the use  
15 of an amount or quality of insulation which exceeds the  
16 amount or quality of insulation required by building perfor-  
17 mance standards adopted by the Alaska Energy Center; and

18 (C) any other device approved by the commissioner of  
19 commerce and economic development under AS 46.13.290(12).

20 ARTICLE 3. ENERGY CONSERVATION REFUNDS AND GRANTS.

21 Sec. 46.13.200. FUND ESTABLISHED. There is established in the  
22 Department of Commerce and Economic Development the residential energy  
23 conservation grant fund to carry out the purposes of AS 46.13.200 -  
24 46.13.249. Refunds and grants made under AS 46.13.200 - 46.13.249 may  
25 be used to purchase, construct, and install an energy conservation  
26 improvement in residential buildings. The fund may be used for no  
27 other purpose.

28 Sec. 46.13.210. REFUNDS AND GRANTS. (a) The department may  
29 make refunds or grants for the purchase, construction, and installation

1 of an energy conservation improvement in a residential building if the  
2 person applying for a refund or grant demonstrates, on the basis of an  
3 energy audit, that the expenditures of the refund or grant for the  
4 purchase, construction or installation of the energy conservation  
5 improvement would be exceeded by reduced energy costs attributable to  
6 the purchase, construction, or installation of the energy conservation  
7 improvement during the expected useful life of the energy conservation  
8 improvement.

9 (b) A refund or grant made under this section may not exceed and  
10 amount determined by the department by application of each of the  
11 factors set out in (e) of this section to the base rate applicable to  
12 the dwelling or residential building. The base rate is

- 13 (1) \$300 for a single-family dwelling; or  
14 (2) \$200 for each unit in a multi-unit residential building.

15 (c) The department

16 (1) shall establish simple procedures for the payment of a  
17 refund to an applicant within 30 days of submission to the department  
18 of an application, if the application is supported by receipts for  
19 expenditures which comply with the results of an energy audit; and

20 (2) shall prescribe a form for applying for a refund or  
21 grant under this section.

22 (d) The department may make a grant to an applicant before the  
23 purchase, construction or installation of an energy conservation im-  
24 provement.

25 (e) In making a refund or grant under this section, the depart-  
26 ment shall determine the amount of a refund or grant payable under (a)  
27 of this section by adjusting the base rate set out in (b) of this  
28 section by

- 29 (1) a regional cost-of-living index determined by the depart-

ment;

(2) a degree day factor.

Sec. 46.13.249. DEFINITIONS. In AS 46.13.200 - 46.13.249,

(1) "degree day" means a unit that represents one degree of declination from 65 degrees in the mean outdoor temperature of a day;

(2) "degree day factor" means the factor determined by dividing the average number of degree days for the community in which a dwelling or residential building is located by the average number of degree days for the state;

(3) "energy audit" means

(A) an energy audit completed under AS 46.11.030;

(B) an energy audit performed under sec. 215(b)(1)(A) of the federal residential energy conservation program of the National Energy Conservation Policy Act (42 U.S.C. 8216(b)(1)(A));  
or

(C) an energy audit completed before July 1, 1981, which has been approved by the commissioner as an audit which fairly demonstrates the energy consumption characteristics of a residence and which indicates likely energy conservation and cost savings measures;

(4) "energy conservation improvement" means

(A) structural insulation;

(B) storm and thermal windows and doors;

(C) a furnace replacement burner designed to achieve a reduction in the amount of fuel consumed as a result of increased combustion efficiency;

(D) a device for modifying flue openings designed to increase the efficiency of operation of the heating system;

(E) an electrical or mechanical furnace ignition system

1 which replaces a gas pilot light;

2 (F) an automatic energy-saving setback thermostat;

3 (G) a meter which displays the cost of energy usage;

4 (H) caulking and weatherstripping of doors and windows;

5 (I) insulating shades and shutters;

6 (J) air and water recuperators;

7 (K) electrical outlet insulating gaskets;

8 (L) water heater insulating jacket;

9 (M) shower flow reducer;

10 (N) any other energy-saving device approved by the  
11 commissioner of commerce and economic development under AS 44.33.-  
12 040(12);

13 (5) "regional cost-of-living index" is an index determined  
14 by calculating costs of living in the election districts of the state  
15 by using the cost of living in Anchorage as a base of 1.00;

16 (6) "residential building" means a building which is used as  
17 a home, dwelling or sleeping place and includes a newly constructed  
18 building and a building proposed for construction as well as an existing  
19 structure.

20 **ARTICLE 4. LOW-INCOME ENERGY CONSERVATION ASSISTANCE.**

21 **Sec. 46.13.250. LOW-INCOME ENERGY CONSERVATION ASSISTANCE.** The  
22 department may make a grant to an individual, municipality, or nonprofit  
23 corporation to install energy conservation improvements in a building  
24 or dwelling in which a low-income individual resides. A grant may not  
25 exceed \$3,000.

26 **Sec. 46.13.260. STANDARDS.** The department shall by regulation  
27 establish

28 (1) income standards for individuals who are eligible for  
29 assistance under AS 46.13.250 - 46.13.279;

1 (2) eligibility requirements for contractors of the grantee  
2 who install energy conservation improvements;

3 (3) the energy conservation improvements which may be made  
4 under AS 46.13.250 - 46.13.279;

5 (4) the amount of assistance that may be provided to an  
6 individual under AS 46.13.250 - 46.13.279, considering

7 (A) the estimated life of the housing unit;

8 (B) prior energy conservation improvements made to the  
9 housing unit;

10 (C) the cost effectiveness of any proposed improvements  
11 which are made to conserve energy;

12 (D) costs of materials and transportation of materials;  
13 and

14 (E) the availability of other financial resources for  
15 energy conservation in the building or dwelling.

16 Sec. 46.13.270. LIMITATION ON ASSISTANCE. If an energy conserva-  
17 tion improvement in a building or dwelling is financed by a refund or  
18 grant made under AS 46.13.200 - 46.13.249, a low-income individual who  
19 later resides in the building or dwelling may receive assistance under  
20 AS 46.13.250 - 46.13.279 for other energy conservation improvements.  
21 However,

22 (1) only one grant may be made under AS 46.13.250 - 46.13.279  
23 for each building or dwelling; and

24 (2) when a grant is given for a building or dwelling under  
25 AS 46.13.250 - 46.13.279, the owner of the building or dwelling may not  
26 obtain a refund or grant under AS 46.13.200 - 46.13.249.

27 Sec. 46.13.275. AUDIT. (a) A grant may not be made under  
28 AS 46.13.250 - 46.13.279 unless an audit is completed. The audit shall  
29 be an abbreviated audit and shall contain the information required by

1 AS 46.11.032(1).

2 (b) The cost of an energy audit for a dwelling in which a low-  
3 income individual resides shall be paid by the department.

4 ARTICLE 10. GENERAL PROVISIONS.

5 Sec. 46.13.900. DEFINITIONS. In this chapter,

6 (1) "department" means the Department of Commerce and Eco-  
7 nomic Development;

8 (2) "division" means the division of energy and power  
9 development in the Department of Commerce and Economic Development.

10 \* Sec. 39. The following laws are repealed: AS 45.88; AS 45.89; and  
11 AS 46.11.030(d) and (e).

12 \* Sec. 40. The Alaska Housing Finance Corporation may not reduce the  
13 maximum loan amount for which an owner-builder is eligible under AS 18.56 if  
14 a loan has been issued to an owner-builder from the alternative technology  
15 and energy conservation loan fund (AS 46.13.100 - 46.13.199).

16 \* Sec. 41. This Act takes effect July 1, 1981.  
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