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For Today's Calendar

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 25 (Finance)

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
7 effective date."

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

9 * Section 1. AS 44.83.030 is amended to read:

10 Sec. 44.83.030. MEMBERSHIP OF THE AUTHORITY. [(a)] The author-
11 ity shall consist of the following directors:

12 (1) three [FOUR] directors at large to be appointed by the
13 governor and confirmed by the legislature; only one director may be
14 appointed from each judicial district described in AS 22.10.010;

15 (2) four persons appointed by the governor from among the
16 heads of state agencies [THE COMMISSIONER OF COMMERCE AND ECONOMIC
17 DEVELOPMENT.

18 (b) THE COMMISSIONERS OF COMMUNITY AND REGIONAL AFFAIRS, NATURAL
19 RESOURCES, TRANSPORTATION AND PUBLIC FACILITIES, AND REVENUE SHALL HAVE
20 THE RIGHTS AND PRIVILEGES OF DIRECTORS EXCEPT FOR THE RIGHT TO VOTE AND
21 MAY NOT BE CONSIDERED FOR PURPOSES OF QUORUM OR VOTING].

22 * Sec. 2. AS 44.83.040 is amended to read:

23 Sec. 44.83.040. OFFICERS AND QUORUM. The directors [DIRECTOR]
24 shall elect one of their number [THE DIRECTORS AT LARGE] as chairman
25 and may elect other officers they determine desirable. The powers of
26 the authority are vested in the directors, and four [THREE] directors
27 of the authority constitute a quorum. Action may be taken and motions
28 and resolutions adopted by the authority at a meeting by the affirma-
29 tive vote of at least four [THREE] directors. The directors of the

1 authority serve without compensation, but they shall receive the same
2 travel pay and per diem as provided by law for board members.

3 * Sec. 3. AS 44.83.045(a) is amended to read:

4 (a) The directors at large shall [MUST] be residents and quali-
5 fied voters of Alaska and shall comply with the requirements of AS 39.50
6 (conflict of interests). The directors at large shall serve over-
7 lapping four-year terms. [THE FOUR ORIGINAL DIRECTORS AT LARGE HAVE
8 TERMS OF ONE, TWO, THREE, AND FOUR YEARS, RESPECTIVELY.]

9 * Sec. 4. AS 44.83.070 is amended to read:

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

14 (1) power projects [PRODUCTION FACILITIES] limited to fossil
15 fuel, wind power, tidal, geothermal, hydroelectric, or solar energy
16 production; and

17 (2) facilities that recover and use waste energy [CONSERVA-
18 TION FACILITIES].

19 * Sec. 5. AS 44.83.080 is amended by adding a new paragraph to read:

20 (17) to make grants for power projects in accordance with
21 AS 44.83.085.

22 * Sec. 6. AS 44.83 is amended by adding a section to read:

23 Sec. 44.83.085. GRANTS FOR POWER PROJECTS. (a) When an appro-
24 priation is made to the authority for payment as a grant to a munici-
25 pality for a power project, the authority shall promptly notify the
26 municipality of the availability of the grant. When the authority
27 receives an agreement executed by the municipality that provides that
28 the municipality (1) will spend the grant for the purposes specified
29 in the appropriation and (2) will allow, on request, an audit by the

1 state of the uses made of the grant, the authority shall pay the grant
2 directly to the municipality.

3 (b) When an appropriation is made to the authority for payment as
4 a grant for a named recipient that is not a municipality for a power
5 project, the authority shall promptly notify the named recipient of the
6 availability of the grant and request the named recipient to submit a
7 proposal for the project for which the appropriation is made. At the
8 same time, the authority shall issue a request for proposals from other
9 persons qualified to undertake the power project in the same area. The
10 authority shall contract with the named recipient unless, with due
11 regard for any local expertise or experience among those making propo-
12 sals, the authority determines that an award of the contract to a
13 different party would better serve the public interest. If the contract
14 is awarded to another party than that named by the legislature, the
15 basis of that action shall be stated in writing at the time the grant
16 is issued.

17 (c) When an appropriation is made to the authority for payment as
18 a grant to an unincorporated community for a power project, the grant
19 shall be disbursed as follows:

20 (1) Within 45 days after the effective date of the appropria-
21 tion, the authority shall notify the governing body of the unincorpor-
22 ated community, if any, that a grant is available.

23 (2) The authority shall determine whether there is a quali-
24 fied incorporated entity in the community area which will agree to
25 receive the grant and administer it, subject to terms generally applic-
26 able to private grantees. If there is more than one such entity, the
27 authority shall select the most qualified and the grant shall be awarded
28 to that incorporated entity for the purposes of the appropriation.
29 However, the authority shall give preference to a nonprofit corporation

1 organized by a community for receipt of the grant.

2 (3) If there is no incorporated entity qualified to receive
3 the grant, the authority shall administer the program directly or
4 through contractors with whom it contracts in the area of the unincor-
5 porated community.

6 * Sec. 7. AS 44.83.162 is repealed and reenacted to read:

7 Sec. 44.83.162. POWER COST ASSISTANCE. (a) The power cost
8 assistance fund is established as a separate fund to provide financial
9 assistance to eligible electric utilities in the state. The fund shall
10 be administered by the authority as a fund distinct from other funds of
11 the authority. The fund is composed of money appropriated for the
12 purpose of providing power cost assistance to eligible electric utili-
13 ties.

14 (b) The costs used to calculate the amount of power cost assis-
15 tance for all electric utilities eligible under this section include
16 all allowable costs, except return on equity, used by the commission to
17 determine the revenue requirement for electric utilities subject to
18 rate regulation under AS 42.05. The costs used in determining the
19 power cost assistance per kilowatt-hour shall exclude any other type of
20 assistance that reduces the customer's cost of power on a kilowatt-hour
21 basis and that is provided to the electric utility within 60 days
22 before the commission determines the power cost assistance per kilowatt-
23 hour of the electric utility.

24 (c) An eligible electric utility is entitled to receive power
25 cost assistance

26 (1) for sales of power to local community facilities, cal-
27 culated in the aggregate for each community served by the electric
28 utility, for actual consumption up to 55 kilowatt-hours per month for
29 each resident of the community; and

1 (2) for actual consumption up to 600 kilowatt-hours per
2 month sold to each customer in all classes served by the electric
3 utility except to customers of the electric utility under (1) of this
4 subsection.

5 (d) The amount of power cost assistance provided per kilowatt-hour
6 under (c) of this section may not exceed 95 percent of the power costs,
7 or the average rate per eligible kilowatt-hour sold, whichever is less,
8 as determined by the commission. However,

9 (1) during the fiscal year ending June 30, 1982, the power
10 costs for which power cost assistance may be paid to an electric utility
11 are limited to power costs of more than 12 cents per kilowatt-hour and
12 less than 45 cents per kilowatt-hour;

13 (2) during each following fiscal year, the costs for which
14 power cost assistance may be paid to an electric utility are limited to

15 (A) power costs that are greater than the minimum power
16 costs specified in (1) of this subsection plus two cents per
17 kilowatt-hour for the fiscal year ending June 30, 1983, plus two
18 cents per kilowatt-hour for each fiscal year thereafter; and

19 (B) power costs of less than 45 cents per kilowatt-hour;
20 and

21 (3) the power cost assistance per kilowatt-hour may be
22 determined using kilowatt hours generated for electric utilities with
23 no historical kilowatt-hour sales data.

24 (e) An electric utility whose customers receive assistance under
25 this section shall set out in its tariff the rates without the power
26 cost assistance provided in this section and the amount of power cost
27 assistance per kilowatt-hour sold. The rate charged to the customer
28 shall be the difference between the two amounts. Power cost assistance
29 paid under this section shall be used to reduce the cost of all power

1 sold to local community facilities, in the aggregate, to the extent of
2 55 kilowatt-hours per month per resident of the community, and to
3 reduce the cost of the first 600 kilowatt-hours per customer per month
4 for all other classes served by the electric utility.

5 (f) The power cost assistance program shall be administered by
6 the authority based on a determination by the commission under (b) and
7 (d) of this section of power cost assistance per kilowatt-hour for each
8 eligible electric utility.

9 (g) An eligible electric utility may not be denied power cost
10 assistance because complete cost information is not available. An
11 eligible electric utility that is exempt from rate regulation under
12 AS 42.05 shall be assisted by the commission to provide the cost infor-
13 mation the commission considers necessary to comply with the require-
14 ments of this section. Only power costs that are supportable will be
15 considered in calculating power cost assistance. Each electric utility
16 is responsible for keeping records that provide the information neces-
17 sary to comply with the requirements of this section including, but not
18 limited to, records of monthly kilowatt-hour sales or generation,
19 monthly fuel balances, fuel purchases, and monthly utility fuel consump-
20 tion.

21 (h) For each eligible electric utility, the determination of the
22 cost of fuel by the commission shall be in accordance with the procedure
23 for approving fuel cost rate adjustments of electric utilities subject
24 to rate regulation under AS 42.05.

25 (i) Each electric utility receiving power cost assistance approved
26 by the commission shall

27 (1) report monthly to the authority within the time and in
28 the form the authority requires; and

29 (2) shall include operational equipment designed to meter

1 individual utility customer power consumption and to determine and
2 record the utility's overall fuel consumption.

3 (j) The authority shall review the report required under (i)(1)
4 of this section and may submit the report to the commission for addi-
5 tional review before payment. After review and approval of the report
6 by the authority, the authority shall, subject to appropriation, pay to
7 each eligible electric utility an amount equal to the power cost assis-
8 tance per kilowatt-hour determined by the commission under (b) and (d)
9 of this section, multiplied by the number of kilowatt-hours eligible
10 for power cost assistance that were sold during the preceding month to
11 all customers of the utility in accordance with (c) of this section.
12 Payment shall be made by the authority within 30 days after receipt
13 from the utility of the report required under (i) of this section.
14 However, if there is a dispute between the authority and the utility
15 relating to the payment, the authority shall submit the report to the
16 commission for review within 30 days after its receipt by the authority.
17 When a report is submitted to the commission for review under this
18 section, payment shall be made by the authority within 30 days after
19 submission, based on a commission determination. If appropriations are
20 insufficient for payment in full, the amount paid to each electric
21 utility is reduced on a pro rata basis.

22 (k) If an electric utility receives power cost assistance under
23 this section, the utility shall either

24 (1) give the following notice to its electric service cus-
25 tomers eligible under this program for each period for which the pay-
26 ment is received:

27 NOTICE TO CUSTOMER

28 For the current billing period the utility will be paid under the
29 State of Alaska's power cost assistance program (AS 44.83.162) to

1 assist the utility and its customers in reducing the high cost of
2 generation of electric energy.

3 Your total electrical service cost \$.....
4 Less state assistance \$.....
5 Your charge \$.....; or

6 (2) give to its electric service customers a notice approved
7 by the authority, which notice provides electric service customers the
8 same information provided by the notice in (1) of this subsection.

9 (1) In order to qualify for power cost assistance, each electric
10 utility must make every reasonable effort to minimize administrative,
11 operating, and overhead costs, including using the best available
12 technology consistent with sound utility management practices. In
13 reviewing applications for power cost assistance, the commission has
14 the authority to require the elimination of duplicative or otherwise
15 unnecessary operating expenses. Each eligible electric utility shall
16 cooperate with appropriate state agencies, including but not limited to
17 the Alaska Public Utilities Commission, the Alaska Power Authority, the
18 Alaska Energy Center, and the division of energy and power development
19 in the Department of Commerce and Economic Development, to implement
20 cost-effective energy conservation measures, and to plan for and imple-
21 ment feasible alternatives to diesel generation.

22 (m) For purposes of (c) of this section, the number of residents
23 of the community equals the number of residents of the community deter-
24 mined by the Department of Community and Regional Affairs in accordance
25 with AS 29.88.015.

26 (n) In this section,

27 (1) "commission" means the Alaska Public Utilities Commis-
28 sion;

29 (2) "community facility" means a water and sewer facility,

1 public outdoor lighting, or community building whose operations are not
2 paid for by the state, the federal government, or private commercial
3 interests;

4 (3) "eligible electric utility" or "electric utility" means
5 each corporation (whether public, cooperative, or otherwise), company,
6 individual, or association of individuals, their lessees, trustees, or
7 receivers appointed by a court, that owns, operates, manages, or con-
8 trols a plant or system for the furnishing, by generation, transmission
9 or distribution, of electric service to the public for compensation;

10 (4) "energy conservation measures" include weatherization
11 and other insulating methods, utilization of waste heat, appropriate
12 sizing of new generating equipment, and other programs of the state or
13 federal government intended and available for the purpose of energy
14 conservation;

15 (5) "feasible energy projects" include projects that are
16 selected after a field reconnaissance study under AS 44.33.090 and
17 after completion of a feasibility study according to the criteria in
18 AS 44.83.181 to determine cost benefit in comparison to existing power
19 generating methods and other alternatives considered in reconnaissance
20 studies;

21 (6) "fund" means the power cost assistance fund;

22 (7) "power costs" means costs used in determining the power
23 cost assistance in accordance with (b) and (d) of this section.

24 * Sec. 8. AS 44.83 is amended by adding a new section to read:

25 Sec. 44.83.163. ADJUSTMENTS TO POWER COST ASSISTANCE. (a) The
26 power cost assistance per kilowatt-hour payable to an electric utility
27 as determined under AS 44.83.162 may be adjusted by the commission if

28 (1) an increase or decrease in the electric utility's cost
29 of fuel has resulted in the approval of a fuel cost rate adjustment by

1 the commission;

2 (2) a permanent or interim rate increase or decrease has
3 been approved by the commission, thereby establishing a higher or lower
4 power cost;

5 (3) an adjustment is required after the authority has dis-
6 covered discrepancies in its review of monthly data submitted by the
7 electric utility; or

8 (4) the authority determines that appropriations are insuffi-
9 cient to finance full payments to eligible electric utilities.

10 (b) An electric utility that is eligible to receive power cost
11 assistance under this section and that receives power cost assistance
12 per kilowatt-hour approved by the commission shall report monthly to
13 the authority within the time and in the form the authority requires.
14 An electric utility shall report

15 (1) the power cost assistance per kilowatt-hour approved by
16 the commission;

17 (2) the total kilowatt-hours sold to each class of customer
18 during the preceding month;

19 (3) the total kilowatt-hours eligible for power cost assis-
20 tance under this section sold to each class of customer during the
21 preceding month;

22 (4) the total kilowatt-hours generated during the preceding
23 month, if available;

24 (5) any commission-approved amendments to the schedule of
25 rates in effect during the preceding month; and

26 (6) an increase or decrease in the current unit price of
27 fuel from the base price used by the commission in the determination of
28 power costs which may be expected to result in a subsequent power cost
29 assistance adjustment.

1 (c) The provisions of AS 44.83.162 relating to determination of
2 the amount of power cost assistance and payment of the assistance apply
3 to assistance under this section.

4 * Sec. 9. AS 44.83.164 is repealed and reenacted to read:

5 Sec. 44.83.164. ASSISTANCE TO UTILITIES NOT REGULATED BY PUBLIC
6 UTILITIES COMMISSION. (a) An electric utility that is not subject to
7 rate regulation by the commission may receive power cost assistance if
8 the utility is otherwise eligible for assistance under AS 44.83.162 and
9 if the utility

10 (1) files with the commission financial data necessary to
11 determine the power cost assistance per kilowatt-hour as prescribed by
12 the commission and which is in compliance with AS 44.83.162;

13 (2) reports monthly to the authority, within the time and in
14 the form the authority requires, the information required in (b) of
15 this section;

16 (3) sets rates

17 (A) that consider the power cost assistance provided
18 under AS 44.83.162 by subtracting from its revenue requirements
19 for electric services the power cost assistance per kilowatt-hour
20 that it is eligible to receive; and

21 (B) under which the power cost assistance provided in
22 AS 44.83.162 is applied as a credit only against the cost of
23 kilowatt-hours eligible for assistance under AS 44.83.162 that are
24 consumed by each customer in any month;

25 (4) allows audits that the commission determines are neces-
26 sary to insure compliance with this section; and

27 (5) furnishes its electric service customers eligible under
28 this program a notice as specified in AS 44.83.162(k).

29 (b) An electric utility that is eligible to receive power cost

1 assistance under this section shall report in accordance with (a)(2) of
2 this section

3 (1) the power cost assistance per kilowatt-hour approved by
4 the commission;

5 (2) the total kilowatt-hours sold to each class of customer
6 during the preceding month;

7 (3) the total kilowatt-hours eligible for power cost assis-
8 tance under this section sold to each class of customer during the
9 preceding month;

10 (4) the total kilowatt-hours generated during the preceding
11 month, if available;

12 (5) any amendments to the schedule of rates in effect during
13 the preceding month; and

14 (6) an increase or decrease in the current unit price of
15 fuel from the base price used by the commission in the determination of
16 power costs which may be expected to result in a subsequent assistance
17 level adjustment.

18 (c) An electric utility that is eligible to receive power cost
19 assistance under this section may have its power cost assistance per
20 kilowatt-hour determination changed by the commission if

21 (1) an increase or decrease in the electric utility's cost
22 of fuel has been verified by the commission;

23 (2) an increase in rates has occurred based on an increase
24 in costs and has been verified by the commission;

25 (3) an adjustment is required after the authority has dis-
26 covered discrepancies in its review of monthly data submitted by the
27 electric utility; or

28 (4) the authority determines that appropriations are insuffi-
29 cient to finance full payments to eligible electric utilities.

1 (d) The provisions of AS 44.83.162 relating to determination of
2 the amount of power cost assistance and payment of the assistance apply
3 to assistance under this section.

4 (e) An application for power cost assistance by an electric
5 utility that is eligible to receive power cost assistance under this
6 section does not extend the jurisdiction of the commission beyond that
7 established by AS 42.05.

8 * Sec. 10. AS 44.83.170(f)(1)(B) is amended to read:

9 (B) shall be granted at an interest rate of [NOT LESS
10 THAN] three [OR MORE THAN FIVE] percent a year on the unpaid
11 balance unless a different interest rate is provided under (i) of
12 this section;

13 * Sec. 11. AS 44.83.170(f)(2)(B) is repealed and reenacted to read:

14 (B) shall be granted at an interest rate of three
15 percent a year on the unpaid balance unless a different interest
16 rate is provided under (i) of this section.

17 * Sec. 12. AS 44.83.170 is amended by adding a new subsection to read:

18 (i) If, by July 1, 1986, the legislature has not appropriated at
19 least \$5,000,000,000 to the power project fund, beginning on that date
20 the rate of interest on loans for which the rate of interest is estab-
21 lished in (f)(1)(B) and (f)(2)(B) of this section is six percent a year
22 on the unpaid balance.

23 * Sec. 13. AS 44.83 is amended by adding a new section to read:

24 Sec. 44.83.172. ENERGY CONSERVATION. The authority shall ensure

25 (1) that communities served by energy projects built from
26 amounts appropriated to the power project fund implement cost-effective
27 energy conservation measures for residences, commercial and public
28 buildings, and industries; and

29 (2) that communities shall fulfill their responsibilities

1 under (1) of this section by cooperating with state agencies concerned
2 with development and conservation of energy, including but not limited
3 to

4 (A) the Alaska Public Utilities Commission;

5 (B) the Alaska Energy Center;

6 (C) the division of energy and power development,
7 Department of Commerce and Economic Development; and

8 (D) the division of business loans, Department of
9 Commerce and Economic Development.

10 * Sec. 14. AS 44.83.181(a) is amended to read:

11 (a) The [UNLESS THE RECONNAISSANCE STUDY HAS BEEN DISAPPROVED BY
12 THE DIVISION OF BUDGET AND MANAGEMENT UNDER AS 44.83.179, THE] authority
13 shall complete a feasibility study and plan of finance for each proposed
14 project.

15 * Sec. 15. AS 44.83.230(4) is amended to read:

16 (4) "power project" or "project" means a plant, works,
17 system, facility, water rights, fuel deposits or sources, and real
18 estate and personal property [OF ANY NATURE WHATSOEVER], together with
19 all facilities and appurtenances related to them or necessary for the
20 purposes of them, used or useful in electrical or thermal [POWER]
21 production limited to fossil fuel, wind power, tidal, geothermal,
22 hydroelectric, or solar energy production and waste energy utilization
23 and energy conservation and the transmission, purchase, sale, exchange
24 and interchange of electrical or thermal energy [POWER], and shall
25 include any interest in them, whether divided or undivided, or any
26 right to the capacity of them;

27 * Sec. 16. AS 44.83.230(7) is repealed and reenacted to read:

28 (7) "reconnaissance study" means a field reconnaissance
29 study report completed by the office of energy management, Department

of Commerce and Economic Development, in accordance with AS 44.33.090;

* Sec. 17. AS 43.20.037(d)(1)(B)(ii) is amended to read:

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

* Sec. 18. AS 44.33 is amended by adding new sections to read:

ARTICLE 2. ENERGY CONSERVATION AND MANAGEMENT [POWER DEVELOPMENT].

Sec. 44.33.031. DIVISION OF ENERGY CONSERVATION. The division of energy conservation is established in the Department of Commerce and Economic Development. The division is established to promote and encourage the efficient use of energy resources for residential, commercial, industrial and public uses in the state.

Sec. 44.33.041. DUTIES OF DIVISION. The division of energy conservation shall

(1) establish and administer regional and local technical assistance programs to encourage and assist municipalities, communities, and the public to develop and use energy conservation measures and alternative energy systems;

(2) establish and maintain an energy information and technical assistance office to collect and publish current information concerning energy conservation measures, alternative energy systems, and state and federal energy laws, regulations and programs;

(3) administer the state energy audit program (AS 46.11.030);

(4) by regulation adopted in accordance with the Administrative Procedure Act (AS 44.62), establish and implement a training and

1 certification program for persons who perform energy audits;

2 (5) by regulation, adopt and revise as necessary thermal and
3 lighting energy standards applicable to buildings and structures other
4 than public facilities;

5 (6) for purposes of program implementation, determine whether
6 a device qualifies as an alternative energy system or an energy conser-
7 vation improvement;

8 (7) from money appropriated by the legislature,

9 (A) make grants to school districts and regional educa-
10 tional attendance areas to plan, develop, and implement standards
11 for the design, construction, and operation of rural educational
12 facilities and energy conservation measures for rural educational
13 facilities;

14 (B) make grants for recipients eligible for grants from
15 the United States Department of Energy under the appropriate
16 technology small grants program for Alaska authorized by Title I
17 of the Department of Energy Appropriation Authorization Act of
18 1977, P.L. 95-39 (42 U.S.C. 5907a) and 10 C.F.R. 470;

19 (8) administer the energy conservation assistance program
20 established by AS 46.13.100;

21 (9) administer the bulk fuel revolving loan fund (AS 45.87);

22 (10) administer the bulk fuel storage facilities grant program
23 (AS 44.33.100).

24 * Sec. 19. AS 44.33 is amended by adding new sections to article 2 to
25 read:

26 Sec. 44.33.070. OFFICE OF ENERGY MANAGEMENT. The office of
27 energy management is established in the Department of Commerce and
28 Economic Development. The office is established to encourage, promote,
29 and assist the orderly development of the state's resources to meet the

1 present and future energy needs of the state and its people at the
2 lowest reasonable cost.

3 Sec. 44.33.075. DUTIES OF OFFICE. The office of energy manage-
4 ment shall

5 (1) collect, publish, and distribute data and information
6 relating to the use of energy resources in the state;

7 (2) promote and assist in establishing and implementing
8 regional and local energy planning programs;

9 (3) with the assistance of the Alaska Power Authority,
10 prepare and maintain a plan for the orderly development of state energy
11 resources in accordance with AS 44.33.095;

12 (4) undertake and prepare reports of field reconnaissance
13 studies to identify and evaluate the present and future energy needs in
14 accordance with AS 44.33.090;

15 (5) after consulting with the Alaska Power Authority, adopt
16 regulations

17 (A) establishing procedures to obtain the information
18 required to prepare reports of field reconnaissance studies under
19 AS 44.33.090; and

20 (B) defining criteria and measures for comparative
21 analysis of alternative energy sources;

22 (6) review feasibility studies of the Alaska Power Authority
23 to determine whether the completed studies are consistent with the plan
24 prepared in accordance with AS 44.33.095;

25 (7) provide technical support for the department in matters
26 relating to energy and coordinate policies, programs, and budgets of
27 the department which relate to energy.

28 Sec. 44.33.080. COOPERATION WITH AGENCIES. In carrying out its
29 duties, the office of energy management shall cooperate with and coor-

1 dinate its activities with those federal and state agencies which are
2 responsible for the development, use, and conservation of the natural
3 resources in the state, and shall enter into formal cooperative rela-
4 tions with the Alaska Energy Center, the Alaska Power Authority, the
5 Alaska Royalty Oil and Gas Development Advisory Board, the Alaska
6 Public Utilities Commission, the Department of Natural Resources, the
7 Department of Transportation and Public Facilities and with other state
8 agencies directly involved with the development, use, and conservation
9 of the state's energy resources.

10 Sec. 44.33.085. EMPLOYMENT OF PERSONNEL. Persons employed by the
11 office of energy management are in the partially exempt service.

12 Sec. 44.33.090. PREPARATION OF FIELD RECONNAISSANCE STUDY REPORTS.

13 (a) To identify power project alternatives and energy needs and con-
14 sumption patterns for a community, the office of energy management
15 shall, after consultation with other state agencies and after review of
16 information on alternative sources of power, complete a field reconnais-
17 sance study for each proposed new power project. A field reconnaissance
18 study prepared by the office of energy management shall

19 (1) identify the present and future demand for energy by
20 end-use within a community or region;

21 (2) survey all energy sources that are available to a com-
22 munity or region and evaluate and make recommendations concerning the
23 relative economic merits of alternative energy sources and of energy
24 conservation methods that will help to meet projected energy demand;

25 (3) assess the effect of the development of alternative
26 energy sources on the environment to determine that there are no adverse
27 effects which would make a proposed project involving local energy
28 sources inadvisable;

29 (4) include public comments from residents of the community

1 or region that is the subject of the field reconnaissance study.

2 (b) The office of energy management shall adopt regulations
3 defining

4 (1) the methods that it shall apply to determine that the
5 information required by (a) of this section is obtained; and

6 (2) standard criteria and measures for comparative analysis
7 of alternative energy sources.

8 (c) In completing a field reconnaissance study, the office of
9 energy management shall consult with the Alaska Power Authority and
10 with the Alaska Energy Center to determine the information that each
11 may require for energy planning and the development of technology.

12 (d) Each field reconnaissance study completed in accordance with
13 this section shall become part of the energy development plan provided
14 for under AS 44.33.095.

15 Sec. 44.33.095. ENERGY DEVELOPMENT PLAN. (a) The office of
16 energy management shall develop an energy development plan for the
17 state. The plan shall address the orderly development of state energy
18 resources for the purpose of providing energy to meet present and
19 anticipated energy needs of the citizens of the state by providing
20 energy at the lowest reasonable cost.

21 (b) The energy development plan shall be amended and revised as
22 the office of energy management determines necessary to meet changing
23 state energy requirements and circumstances. The plan, and any revi-
24 sions to it, shall be submitted annually by the office of energy manage-
25 ment to the heads of the principal departments of the executive branch
26 for review. When the heads of the principal departments of the execu-
27 tive branch have completed review of the energy development plan, the
28 plan shall be submitted by the office of energy management to the
29 governor for his approval. A plan approved by the governor shall be

1 transmitted by him to the legislature not later than February 1 each
2 year.

3 (c) The energy development plan, and any revisions to it, shall
4 include:

5 (1) an end-use component that examines and reports on the
6 nature and amount of energy used and the purpose of its use;

7 (2) a data base component that describes and explains the
8 energy resources and applicable energy technologies that are available
9 to meet present and projected energy demands;

10 (3) an energy development component for meeting projected
11 thermal, electrical, and transportation energy needs in the state at
12 the lowest reasonable cost, including environmental and social costs,
13 consistent with acceptable standards of reliability, giving an equal
14 consideration as practicable to all types of energy sources (except
15 those based on nuclear fuels) which are technologically feasible, and
16 which promote the efficient use of facilities and fuels consistent with
17 energy conservation goals;

18 (4) an energy conservation component that includes but is
19 not limited to an enumeration of energy conservation goals for reducing
20 use of energy, identifying the region for which a goal is applicable,
21 the source or type of energy to which the goal is applicable, and the
22 specific methods or means of achieving the goals within a region;

23 (5) an energy emergency preparedness component that includes
24 specific energy emergency conservation measures that apply during times
25 of emergencies; and

26 (6) a component that reports on subjects for research,
27 development, and demonstration projects which involve alternative
28 energy systems, local energy sources, and energy conservation.

29 Sec. 44.33.100. BULK FUEL STORAGE FACILITIES GRANT FUND. (a)

1 There is established in the Department of Commerce and Economic Develop-
2 ment the bulk fuel storage facilities grant fund. Grants may be made
3 by the department from this fund to a community to acquire and install
4 community bulk storage facilities.

5 (b) Grants made under this section for the acquisition and instal-
6 lation of a bulk fuel storage facility may not exceed \$100,000 per
7 community.

8 (c) If the governing body of two or more communities determine
9 that their fuel requirements may be served by a single bulk fuel storage
10 facility, the communities may jointly apply for grants to acquire and
11 install a single bulk fuel storage facility. When communities apply
12 jointly under this subsection, the limitation in (b) of this section is
13 multiplied by the number of communities which submit the joint applica-
14 tion.

15 (d) Before a grant is made under this section, the city council
16 or, if the community is not incorporated, a responsible representative
17 body in the community shall agree in writing to maintain and operate
18 the bulk storage facility to be constructed with the proceeds of the
19 grant.

20 * Sec. 20. AS 39.25.120 is amended by adding a new paragraph to read:

21 (19) employees of the office of energy management (AS 44.33.-
22 070).

23 * Sec. 21. AS 44.47.140 is amended to read:

24 Sec. 44.47.140. LIMITATIONS. The annual cost of a [A] program of
25 the department under AS 44.47.130 in a rural area may not exceed \$40,000
26 [IN A COST A YEAR, EXCEPT THAT A GRANT OF NOT MORE THAN \$60,000 MAY BE
27 MADE UNDER AS 44.47.145 FOR A BULK FUEL STORAGE FACILITY].

28 * Sec. 22. AS 45.88.500(2)(B) is repealed and reenacted to read:

29 (B) a method of architectural design and construction

1 that

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

4 (ii) provides for the retention of heat by the use
5 of an amount or quality of insulation which exceeds the
6 amount or quality of insulation required by building perform-
7 ance standards adopted by the Alaska Energy Center; and

8 * Sec. 23. AS 46.11.030(c) is amended to read:

9 (c) The department may contract

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

12 (2) with a nonprofit corporation for the performance of
13 energy audits in any community that the nonprofit corporation serves;

14 (3) with a public or private electric utility for the per-
15 formance of energy audits.

16 * Sec. 24. AS 46.11 is amended by adding new sections to read:

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

20 (1) abbreviated audits that

21 (A) identify the energy conservation improvements
22 defined in AS 46.13.190(4) which are appropriate to the residence;

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

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

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

29 (2) detailed audits that

- 1 (A) analyze building characteristics;
- 2 (B) evaluate the applicability of structural retrofit,
3 upgrading, and the replacement of energy systems with alternative
4 energy systems;
- 5 (C) recommend appropriate alternative energy systems
6 for the residence; and
- 7 (D) provide to the resident an estimate of the costs to
8 implement the recommended measures, and an estimate of the time in
9 which the estimated cost of the energy saved by implementation of
10 the recommended measures exceeds the cost of implementing the
11 recommended measures.

12 Sec. 46.11.034. FEES AND PAYMENTS FOR ENERGY AUDIT. (a) The fee
13 for an energy audit may not be set by the state.

14 (b) The department shall reimburse a person who performs an
15 abbreviated energy audit of a residence in the state. The reimburse-
16 ment for the energy audit may not exceed the lesser of the cost of the
17 audit or \$50 adjusted by a regional cost-of-living and inflation index
18 determined by the department.

19 (c) For purposes of this section, a regional cost-of-living index
20 is determined by calculating the cost of living in each region of the
21 state by using the annually adjusted cost of living in Anchorage as a
22 base of 1.00.

23 * Sec. 25. AS 46.11.900(1)(B)(ii) is amended to read:

24 (ii) a method of architectural design and construc-
25 tion which provides for the collection, storage and use of
26 direct radiation from the sun or which provides for the re-
27 tention of heat by the use of an amount or quality of insula-
28 tion which exceeds the amount or quality of insulation re-
29 quired by building performance standards adopted by the

1 Alaska Energy Center under AS 46.12; and

2 * Sec. 26. AS 46.11.900(3) is amended to read:

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

6 [(A) THE ENERGY CONSUMPTION CHARACTERISTICS OF A BUILD-
7 ING, INCLUDING THE SIZE, TYPE, AND RATE OF ENERGY CONSUMPTION OF
8 MAJOR ENERGY CONSUMING SYSTEMS OF THE BUILDING AND THE CLIMATE
9 CHARACTERIZING THE REGION WHERE THE BUILDING IS LOCATED; AND

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

17 * Sec. 27. AS 46.12.010 is amended to read:

18 Sec. 46.12.010. ALASKA ENERGY CENTER ESTABLISHED. There is
19 established the Alaska Energy Center. The center is a public corpora-
20 tion of the state. It is an instrumentality of the state in the Depart-
21 ment of Commerce and Economic Development [ADMINISTRATION], but has a
22 legal existence independent of and separate from the state. Exercise
23 by the center of the powers conferred by this chapter is an essential
24 governmental function of the state.

25 * Sec. 28. AS 46.12.120 is amended by adding a new paragraph to read:

26 (6) adopt building energy performance standards for
27 (A) public facilities of the state; and
28 (B) residences, commercial and industrial buildings,
29 and other privately owned buildings in the state for which alterna-

1 tive energy system and energy conservation improvement loans may
2 be made under AS 46.13 or for which an energy conservation credit
3 is sought under AS 43.20.037.

4 * Sec. 29. AS 46 is amended by adding a new chapter to read:

5 CHAPTER 13. ENERGY CONSERVATION AND DEVELOPMENT.

6 ARTICLE 1. ENERGY CONSERVATION REFUNDS AND GRANTS.

7 Sec. 46.13.010. FUND ESTABLISHED. There is established in the
8 Department of Commerce and Economic Development the residential energy
9 conservation grant fund to carry out the purposes of AS 46.13.010 -
10 46.13.099. Refunds and grants made under AS 46.13.010 - 46.13.099 may
11 be used to purchase, construct, and install an energy conservation
12 improvement in residential buildings. The fund may be used for no
13 other purpose.

14 Sec. 46.13.020. REFUNDS AND GRANTS. (a) The department may
15 make refunds or grants for the purchase, construction, and installation
16 of an energy conservation improvement in a residential building if the
17 energy conservation improvement is recommended in an abbreviated energy
18 audit under AS 46.11.032.

19 (b) A refund or grant made under this section may not exceed an
20 amount determined by the department by application of each of the
21 factors set out in (c) of this section to the base rate applicable to
22 the dwelling or residential building. The base rate is

23 (1) \$300 for a single-family dwelling; or

24 (2) \$200 for each unit in a multi-unit residential building.

25 (c) 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-

1 ment;

2 (2) a degree day factor.

3 Sec. 46.13.099. DEFINITIONS. In AS 46.13.010 - 46.13.099,

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

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

11 (3) "energy audit" means a determination and written summary
12 prepared under AS 46.11.030 - 46.11.032 or sec. 215(b)(1)(A) of the
13 National Energy Conservation Policy Act (42 U.S.C. 8216(b)(1)(A)) of
14 the energy savings likely to result from appropriate energy-conserving
15 maintenance and operating procedures and modifications, including the
16 purchase and installation of energy-related fixtures;

17 (4) "energy conservation improvement" means

18 (A) structural insulation;

19 (B) storm and thermal windows and doors;

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

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

25 (E) an electrical or mechanical furnace ignition system
26 that replaces a gas pilot light;

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

28 (G) a meter that displays the cost of energy usage;

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

1 (I) insulating shades and shutters;
2 (J) air and water recuperators;
3 (K) electrical outlet insulating gaskets;
4 (L) water heater insulating jacket;
5 (M) shower flow reducer;
6 (N) any other energy-saving device approved by the
7 commissioner of commerce and economic development under AS 44.33.-
8 041(6);

9 (5) "regional cost-of-living index" is an index determined
10 by calculating the cost of living in each region of the state by using
11 the cost of living in Anchorage as a base of 1.00;

12 (6) "residential building" means a building that is used as
13 a home, dwelling, or sleeping place and includes a newly constructed
14 building and a building proposed for construction as well as an existing
15 structure.

16 ARTICLE 2. ENERGY CONSERVATION ASSISTANCE.

17 Sec. 46.13.100. ENERGY CONSERVATION ASSISTANCE. The department
18 may make a grant to an individual, municipality, or nonprofit corpora-
19 tion to install an energy conservation improvement in a building or
20 dwelling

21 (1) in which an individual who receives low income resides;

22 or

23 (2) in a community

24 (A) that has a population of less than 600;

25 (B) that does not have year-round surface transporta-
26 tion; and

27 (C) that lacks the goods and services necessary for
28 installation of energy conservation improvements.

29 Sec. 46.13.110. LIMITATION ON GRANT. A grant under AS 46.13.100

1 may not exceed \$3,000.

2 Sec. 46.13.120. STANDARDS. The department shall by regulation
3 establish

4 (1) income standards for individuals who are eligible for
5 assistance under AS 46.13.100 - 46.13.140 based on poverty guidelines
6 provided by the federal Office of Management and Budget adjusted to
7 Alaska and regional conditions by United States Department of Labor
8 statistics and a cost-of-living index;

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

11 (3) the energy conservation improvements that may be made
12 under AS 46.13.100 - 46.13.140;

13 (4) the amount of assistance that may be provided to an
14 individual under AS 46.13.100 - 46.13.140 considering

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

16 (B) prior energy conservation improvements made to the
17 housing unit;

18 (C) the cost effectiveness of any proposed improvements
19 that are made to conserve energy;

20 (D) costs of materials and transportation of materials;
21 and

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

24 Sec. 46.13.130. LIMITATION ON ASSISTANCE. If an energy conserva-
25 tion improvement in a building or dwelling is financed by a refund or
26 grant made under AS 46.13.010 - 46.13.099, a low-income individual who
27 later resides in the building or dwelling may receive assistance under
28 AS 46.13.100 - 46.13.140 for other energy conservation improvements.
29 However,

1 (1) only one grant may be made under AS 46.13.100 - 46.13.140
2 for each building or dwelling; and

3 (2) when a grant is given for a building or dwelling under
4 AS 46.13.100 - 46.13.140, the owner of the building or dwelling may not
5 obtain a refund or grant under AS 46.13.010 - 46.13.099.

6 Sec. 46.13.140. AUDIT. A grant may not be made under AS 46.13.-
7 100 - 46.13.140 unless an abbreviated energy audit is completed and the
8 audit recommends an energy conservation improvement.

9 ARTICLE 10. GENERAL PROVISIONS.

10 Sec. 46.13.900. DEFINITION. In this chapter, "department" means
11 the Department of Commerce and Economic Development.

12 * Sec. 30. The following laws are repealed: AS 44.33.030, 44.33.040,
13 44.33.050, 44.33.060; AS 44.47.130(7), 44.47.145; AS 44.83.177, 44.83.179,
14 44.83.224; AS 46.11.030(d) and (e); and secs. 51 and 54, ch. 83, SLA 1980.

15 * Sec. 31. AS 44.83.162 and 44.83.164 are repealed.

16 * Sec. 32. APPLICABILITY OF ACT TO DIRECTORS. (a) The terms of office
17 of all members of the Board of Directors of the Alaska Power Authority
18 serving on the effective date of this section terminate on the effective
19 date of this section.

20 (b) The governor shall appoint three directors of the Alaska Power
21 Authority at large. When making his appointments under this subsection, the
22 governor shall appoint persons to serve in accordance with AS 44.83.030(1)
23 and shall specify the length of the term of office of each member he
24 appoints. Of the members at large first appointed by the governor under
25 this subsection,

26 (1) one member shall serve a two-year term;

27 (2) one member shall serve a three-year term;

28 (3) one member shall serve a four-year term.

29 * Sec. 33. TRANSITIONAL PROVISIONS, POWER COST ASSISTANCE. (a) The

1 Alaska Power Authority shall make payments to eligible electric utilities in
2 accordance with AS 44.83.162 as that section read before its repeal and
3 reenactment by sec. 7 of this Act, until the earlier of

4 (1) January 1, 1982; or

5 (2) the date on which the Alaska Power Authority determines, with
6 respect to the electric utility, that

7 (A) the electric utility has had sufficient time to apply
8 for power cost assistance under AS 44.83.162 as that section is re-
9 enacted in sec. 7 of this Act, and the Alaska Public Utilities Commis-
10 sion has had sufficient time to review the application; or

11 (B) the Alaska Power Authority or the Alaska Public Utilities
12 Commission determines that the electric utility is not eligible for
13 power cost assistance under AS 44.83.162 as that section is reenacted
14 in sec. 7 of this Act.

15 * Sec. 34. LOAN INTEREST RATES. (a) Subject to (b) of this section,
16 beginning July 1, 1981, the rate of interest for each of the following loans
17 is three percent a year on the unpaid balance:

18 (1) the sum of \$450,000, part of the general fund appropriation
19 made to the water resources revolving loan fund by sec. 1, ch. 237, SLA
20 1976, and loaned from the water resources revolving loan fund to the City
21 and Borough of Sitka for the Green Lake power project;

22 (2) the sum of \$1,600,000, the general fund appropriation made to
23 the Department of Revenue by sec. 1(1), ch. 152, SLA 1977, as a loan to the
24 City and Borough of Sitka for the Green Lake hydroelectric project;

25 (3) the sum of \$7,000,000, the general fund appropriation made to
26 the Department of Revenue by sec. 2, ch. 111, SLA 1978, as a loan to the
27 City and Borough of Sitka for the Green Lake hydroelectric project;

28 (4) the sum of \$200,000, an allocation within an appropriation
29 made from the renewable resources development fund to the power project fund

1 of the Alaska Power Authority by sec. 2, ch. 54, SLA 1980, and loaned to the
2 Kodiak Electric Association for the Port Lions power project;

3 (5) the sum of \$420,000, part of the general fund appropriation
4 made to the water resources revolving loan fund by sec. 1, ch. 237, SLA
5 1976, and loaned to Ketchikan Public Utilities for the Swan Lake power
6 project;

7 (6) the sum of \$200,000, part of the general fund appropriation
8 made to the power project revolving loan fund by sec. 1(2), ch. 152, SLA
9 1977, and part of the general fund appropriation made to the power project
10 revolving fund by sec. 1, ch. 111, SLA 1978, and loaned to Ketchikan Public
11 Utilities for the Swan Lake power project;

12 (7) the sum of \$135,000, part of the general fund appropriation
13 made to the power project revolving loan fund by sec. 1(2), ch. 152, SLA
14 1977, and part of the general fund appropriation made to the power project
15 revolving fund by sec. 1, ch. 111, SLA 1978, and loaned to Ketchikan Public
16 Utilities for the Swan Lake power project;

17 (8) the sum of \$18,000,000, an allocation within an appropriation
18 made from the renewable resources development fund to the power project fund
19 of the Alaska Power Authority by sec. 2, ch. 54, SLA 1980, and loaned from
20 the power project fund to Ketchikan Public Utilities for the Swan Lake power
21 project;

22 (9) the sum of \$420,000, part of the general fund appropriation
23 made to the water resources revolving loan fund by sec. 1, ch. 237, SLA
24 1976, and loaned from the water resources revolving loan fund to the Kodiak
25 Electric Association for the Terror Lake power project;

26 (10) the sum of \$100,000, part of the general fund appropriation
27 made to the power project revolving loan fund by sec. 1(2), ch. 152, SLA
28 1977, and part of the general fund appropriation made to the power project
29 revolving fund by sec. 1, ch. 111, SLA 1978, and loaned to Kodiak Electric

1 Association for the Terror Lake power project;

2 (11) the sum of \$1,050,000, an allocation within an appropriation
3 made from the renewable resources development fund to the power project fund
4 of the Alaska Power Authority by sec. 2, ch. 54, SLA 1980, and loaned to
5 Kodiak Electric Association for the Terror Lake hydroelectric project;

6 (12) the sum of \$120,000, part of the general fund appropriation
7 made to the power project revolving loan fund by sec. 1(2), ch. 152, SLA
8 1977, and part of the general fund appropriation made to the power project
9 revolving fund by sec. 1, ch. 111, SLA 1978, and loaned to the Thomas Bay
10 Power Authority for the Tyee Lake project.

11 (b) If, by July 1, 1986, the legislature has not appropriated at least
12 \$5,000,000,000 to the power project fund, beginning on that date the rate of
13 interest on the loans set out in (a) of this section is six percent a year
14 on the unpaid balance.

15 * Sec. 35. Sections 1 - 30 and 32 - 34 of this Act take effect July 1,
16 1981.

17 * Sec. 36. Section 31 of this Act takes effect July 1, 1992.

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