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SENATE COMMITTEE REPORT

First Committee of Referral

DATE: 2/4/09

FURTHER: Finance

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 2/12/09

Community and Regional Affairs Committee considered SENATE BILL NO. 93

SB 93 MUNICIPAL AIR QUALITY PROPERTY TAX CREDIT

"An Act relating to a municipal property tax credit for an improvement that aids in improving air quality."

and recommends:

- be replaced with SCS or CS _____ (_____)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input checked="" type="checkbox"/> Same Title	
<input type="checkbox"/> New Title	
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HOUSE BILL:	
<input type="checkbox"/> Same Title	
<input type="checkbox"/> Technical Title Change	
<input type="checkbox"/> New Title w/ SCR # _____	


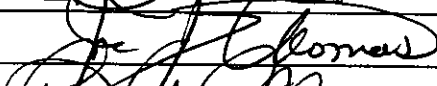
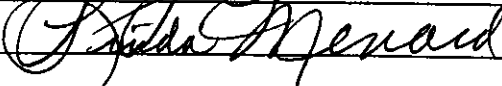
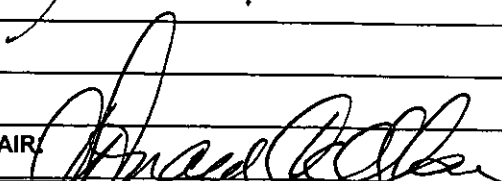
NEW FISCAL NOTE(S):

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet	Zero	FN#
DCEED	2/9/2009			✓	

Department	Date	Fiscal	Indet	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	French	X			
	Thomas	✓			
	MENARD	✓			
CHAIR: 				✓	



Senator Joe Paskvan

Alaska State Senate • District E • Fairbanks • Ft Wainwright

Senate Bill 93 - Municipal Air Quality Property Tax Credit

Sponsor Statement

Some communities in Alaska have been designated as non-attainment areas for PM 2.5 by the EPA. Based on the requirements of the Clean Air Act, the state and those impacted local governments have three years to develop attainment plans designed to bring air quality into compliance with federal air standards.

SB 93 is needed as a first step to allow local municipalities the latitude in developing tax credit programs to address the important public health and community compliance issues that result from poor air quality.

Senate Bill 93 is designed to provide optional tools to municipalities that can be used to create incentives for individuals to take actions that will improve local air quality and reduce fuel consumption.

SB 93 expands the discretion of municipalities in a manner that allows, by ordinance, the creation of programs that will offer property tax credits for actions that the local governing body determines will improve air quality. This bill requires that eligibility, conditions and other criteria for the tax credits be established by ordinance.

Examples of how this proposed legislation might be used by a municipality include:

- Incentives to residents to exchange old-style wood stoves for EPA certified wood stoves. Data show that EPA certified wood stoves significantly reduce fine particulate emissions over non-EPA stoves. It is in the interest of any community with air quality nonattainment issues to have citizens who choose to heat with wood do so in the most environmentally friendly way.
- Incentives to residences or commercial businesses to improve the energy efficiency of their property. Reduced fuel consumption would lead to reduced emissions from area heating or electricity generation. Incentives could be based on calculated BTU savings, MW reductions, etc.
- Incentives to convert from carbon based energy consumption to alternative energy generation. This could involve tax credits for construction and use of a solar array or wind turbine to power/heat residential or commercial facilities.

The proposed legislation would create a full range of options for a local municipality to address air quality issues, rather than just restriction and enforcement based options.

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FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB93
 () Publish Date: _____

Identifier (file name): SB93-CED-CRA-2-9-09
 Title Municipal Air Quality Property Tax Credit

Dept. Affected: DCCED
 RDU Community and Regional Affairs
 Component Community and Regional Affairs

Sponsor Senator Paskvan
 Requester Senate Community and Regional Affairs Committee

Component Number 2879

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	Appropriation Required	Information					
	FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES ()							
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2009) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This bill would allow municipalities to provide a property tax exemption based on a percentage of verifiable air quality improvement costs on a property.

The Department of Commerce, Community and Economic Development does not foresee a fiscal impact to DCCED as a result of this bill.

Prepared by: Tyson Fick, Legislative Liaison
 Division: DCCED
 Approved by: Emil Notti, Commissioner
Department of Commerce, Community and Economic Development

Phone 465-2503
 Date/Time 02/09/09 1:00pm
 Date 2/9/2009

Achieving a healthy and affordable energy future, for itself and its fellow Alaskans, is Fairbanks' goal. Recognizing the probable negative ramifications of inaction—or wrong action—is what drives Fairbanks to pursue this goal.

4. FNSB Air Quality (PM 2.5)

Monitoring of particulate levels in urban areas within the Fairbanks North Star Borough continues to show daily exceedances of Federal limits, particularly during periods of temperature inversions. This chapter describes the status of the FNSB's particulate emissions issue.

4.1 Particulate Matter (PM) 2.5 Non-Attainment

The Fairbanks area is surrounded by hills on three sides and is susceptible to severe surface-based temperature inversions during the winter that stratify cold air near the ground. Coupled with low wind speeds, pollutants in the air get trapped up to weeks at a time and concentrate resulting in periods of poor air quality. Particulate matter is one of those pollutants. Fine particles that are 2.5 micrometers in diameter and smaller (PM 2.5) are unhealthy to breathe and have been associated with serious lung and heart problems. These particles are a mixture of microscopic solids and liquid droplets suspended in air. Sources of fine particles include all types of combustion activities (motor vehicles, power plants, wood burning, etc.) and certain industrial processes. Cold weather (near 0 degrees F and below) seems to increase the PM 2.5 levels in the Fairbanks area during temperature inversions.

In 1997, the EPA issued standards for PM 2.5 based on health studies and extensive peer review. The annual standard of 15 micrograms per cubic meter and 24-hour standard of 65 micrograms per cubic meter ($\mu\text{g}/\text{m}^3$) is based on a three-year average of annual mean PM 2.5 concentrations. In September 2006, the EPA issued revised national air quality standards for PM 2.5. The daily PM 2.5 particle standard has been reduced from 65 to 35 $\mu\text{g}/\text{m}^3$ of air.

In March 2007, EPA issued a rule defining requirements for states to clean the air in areas with levels of fine particle pollution that do not meet national air quality standards. EPA designates an area as "non-attainment" if it violates the fine particle standards over a three-year period. Once an area is designated as non-attainment, the Clean Air Act requires a state to submit an implementation plan to EPA within three years. This plan must include enforceable measures to reduce air pollutant emissions that form the fine particles in the atmosphere. The plan must also provide enforceable steps to attain the PM 2.5 standards and show how it will make reasonable progress toward meeting them.

States must meet the new PM 2.5 standard by 2010. In their 2008 implementation plans, states may propose an attainment date extension for up to five years. Those areas for which EPA approves an extension must achieve clean air as soon as possible, but no later than 2015.

In August 2007, the Alaska Dept. of Environmental Conservation (ADEC) published "Alaska's 2008 Air Monitoring Network Program." This document included the following statements concerning Fairbanks:

- "Fairbanks had consistently experienced the highest PM 2.5 values measured in the State."

- "Based on winter PM 2.5 levels, Fairbanks had been flirting with exceeding the annual fine particulate standard (set at 15 µg/sm³) for the past seven years. If [they are] exceeded, Fairbanks will need to control year-round PM pollution."
- "To address the needs of an Alaska PM 2.5 State Implementation Plan (SIP), the Fairbanks North Star Borough is expanding its monitoring network to better identify the magnitude, extent, and source of its winter PM 2.5 problems. This effort will see the addition of between three and five new monitoring sites operated during the winter months."
- "The 2007 PM 2.5 network so far only monitored the fine particles at the State Office Building."

4.1.1 FNSB Non-Attainment Boundary (PM 2.5)

In December 2007, ADEC sent a letter to EPA recommending that, based on the past three years of ambient air monitoring data, EPA designate all areas of the State in attainment with the annual PM 2.5 standard of 15 µg/m³. The letter also stated that Fairbanks was the only Alaska community that had exceeded EPA's new 35 µg/m³ (24-hour) standard. Enclosed with the letter was supporting information that included a recommended boundary for a Fairbanks PM 2.5 (24-hour) non-attainment area. Following are excerpts from that document concerning the proposed PM 2.5 non-attainment boundary:

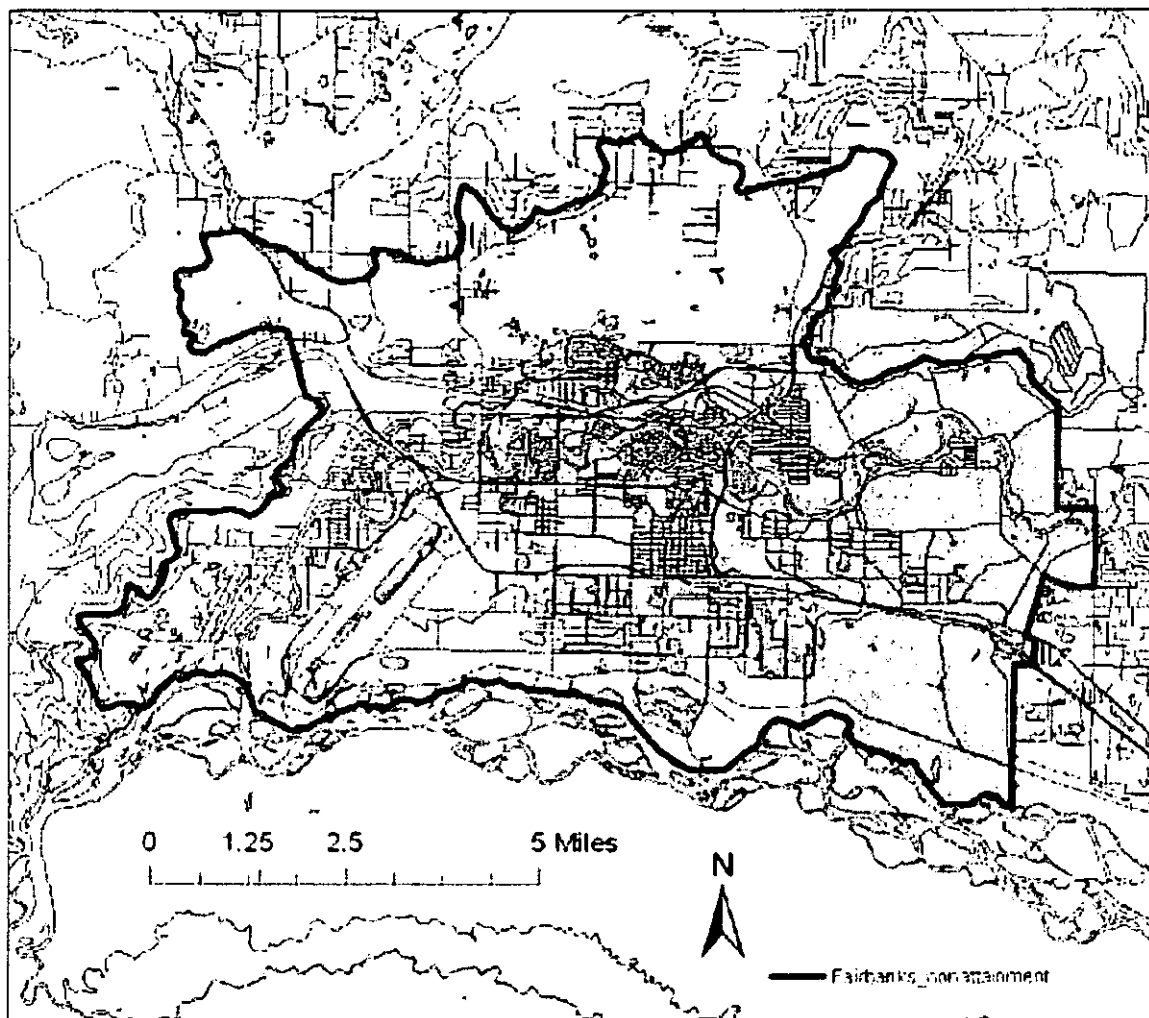
- "Ambient air monitoring has been conducted at one site in downtown Fairbanks since the PM 2.5 network was established in 1999. While this site does represent the level of fine particulates in the downtown area, there is nothing to confirm that PM 2.5 concentrations exceed State and Federal fine particulate standards outside of the urban center."
- "EPA recommends that states consider nine factors in making non-attainment boundary recommendations. These nine factors include: emission data, air quality data, population density and degree of urbanization (including commercial development), traffic and commuting patterns, growth rates and patterns, meteorology (weather/transport patterns), geography/topography (mountain ranges or other air basin boundaries), jurisdictional boundaries (e.g. counties, air districts, reservations, metropolitan planning organizations [MPOs]), and level of control of emission sources."
- "Based on a number of these factors, the department (ADEC), in consultation with the Fairbanks North Star Borough, has developed a recommended boundary for a PM 2.5 non-attainment area in Fairbanks. The proposed boundary captures the air shed most likely contributing to the exceedances in Fairbanks resulting in non-attainment of the health standard based on existing monitoring data and other factors listed above."
- "Because there is only one monitoring site in Fairbanks, the monitoring data and source characterization work derived from that site is most likely not representative of the source contributions throughout the entire area."
- "At this time, no monitoring data exist for the city of North Pole or other residential areas in the outlying valleys to the north of Fairbanks. At this time, there is insufficient information to suggest that North Pole or these other outlying populated areas have an air quality problem or are significantly contributing to the air quality violations occurring in downtown Fairbanks. Furthermore, some of the outlying populated areas are located at higher levels that are frequently above the inversion layer. Therefore, PM 2.5 concentrations are most likely lower than in downtown Fairbanks because areas above the inversion experience good exchange

with air masses aloft. For these reasons, they have been excluded from the proposed boundary.”

- “As supplemental information and data are collected over the next several years, this boundary could be further refined.”

Figure 4-1 shows a map of the PM 2.5 non-attainment boundary originally proposed by ADEC and FNSB.

Figure 4-1: FNSB’s Proposed PM 2.5 Non-Attainment Boundary



In 2007, FNSB installed a particle monitor at Nordale School and uses a mobile sniffer, known as the RAMS trailer, to gather air samples throughout the FNSB.

In April 2008, ADEC issued an updated “State Air Quality Control Plan.” This document included the following statements concerning PM 2.5 emissions:

- "In a recent rulemaking with an effective date of December 18, 2006, EPA revised the level of the 24-hour PM 2.5 standard from 65 to 35 $\mu\text{g}/\text{m}^3$. A review of monitoring data collected in Fairbanks in recent years shows summer values are generally low, approximately 7 $\mu\text{g}/\text{m}^3$ (24-hour average), except when smoke from wildfires is transported into the downtown area (i.e., the location of the borough's PM 2.5 monitor). When this occurs, concentrations can become quite high (many multiples of the recently adopted 35 $\mu\text{g}/\text{m}^3$ standard). Concentrations resulting from these conditions, however, can qualify as exceptional events. Winter values average approximately 23 $\mu\text{g}/\text{m}^3$ (24-hour average), but episodically can exceed 50–60 $\mu\text{g}/\text{m}^3$."
- "The entire State of Alaska is currently classified as in attainment of the PM 2.5 standard; however, barring a substantial change in wintertime concentrations, it is likely the State will recommend to EPA that Fairbanks be designated non-attainment of the revised 24-hour PM 2.5 standard in 2008/2009."

During the past three years, the Fairbanks area has exceeded the 2006 revised EPA PM 2.5 (24-hour) standard of 35 $\mu\text{g}/\text{m}^3$ numerous days during the winter. Figure 4-2 shows the number of days the PM 2.5 (24-hour) standard was exceeded during the past five calendar years. The graph in Figure 4-3 shows the daily PM 2.5 (24-hour) levels in Fairbanks during the four winter months of November 2005 through February 2006.

Figure 4-2: PM 2.5 Exceedances (2003-2008)

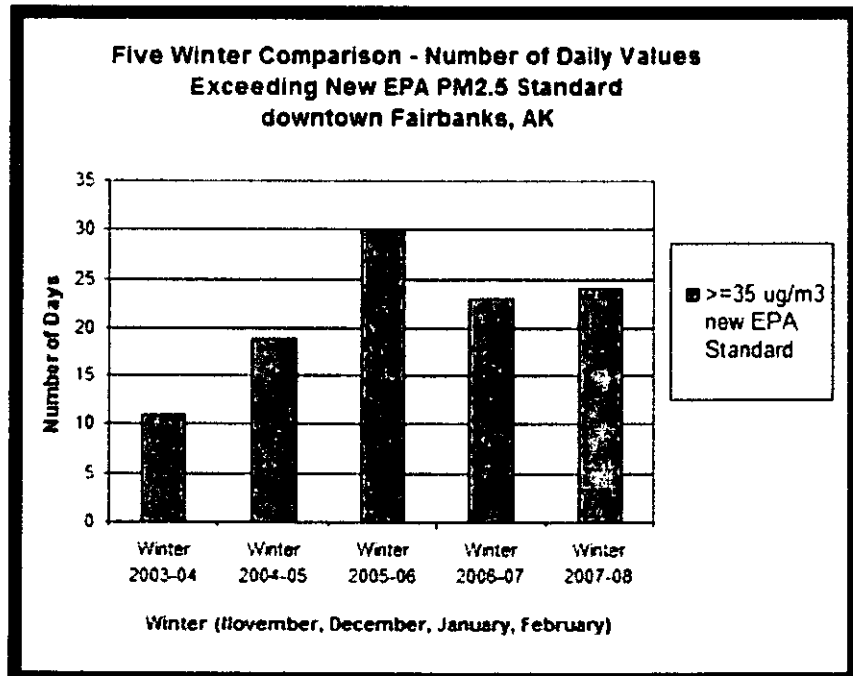
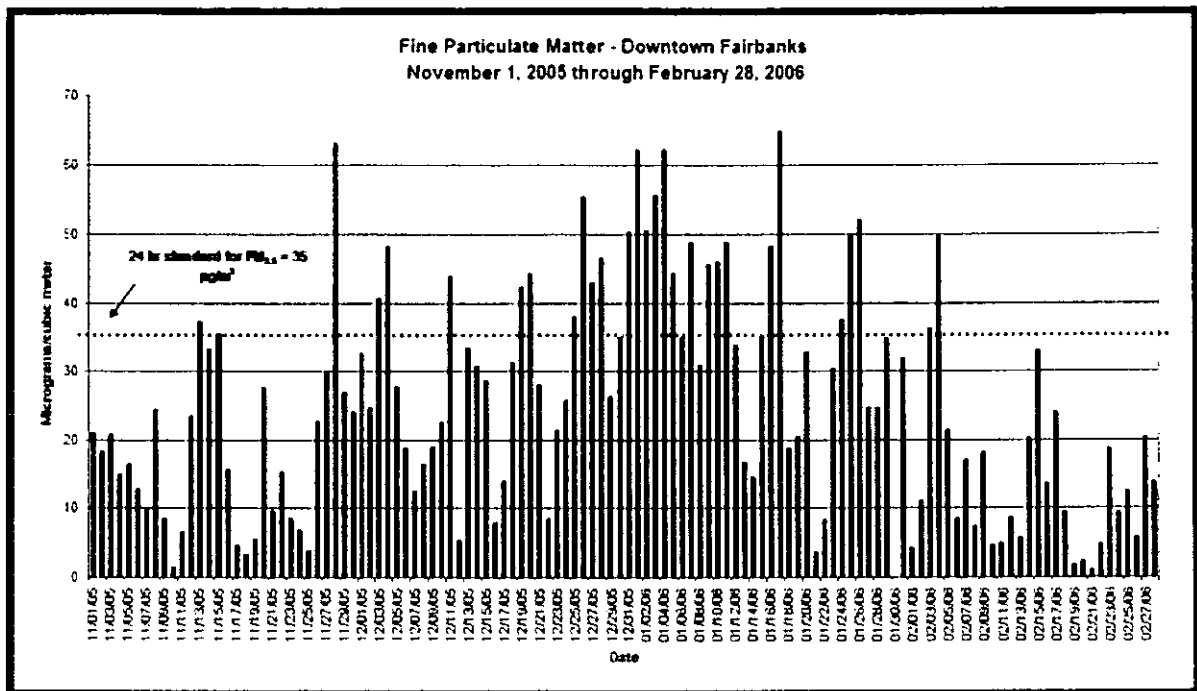
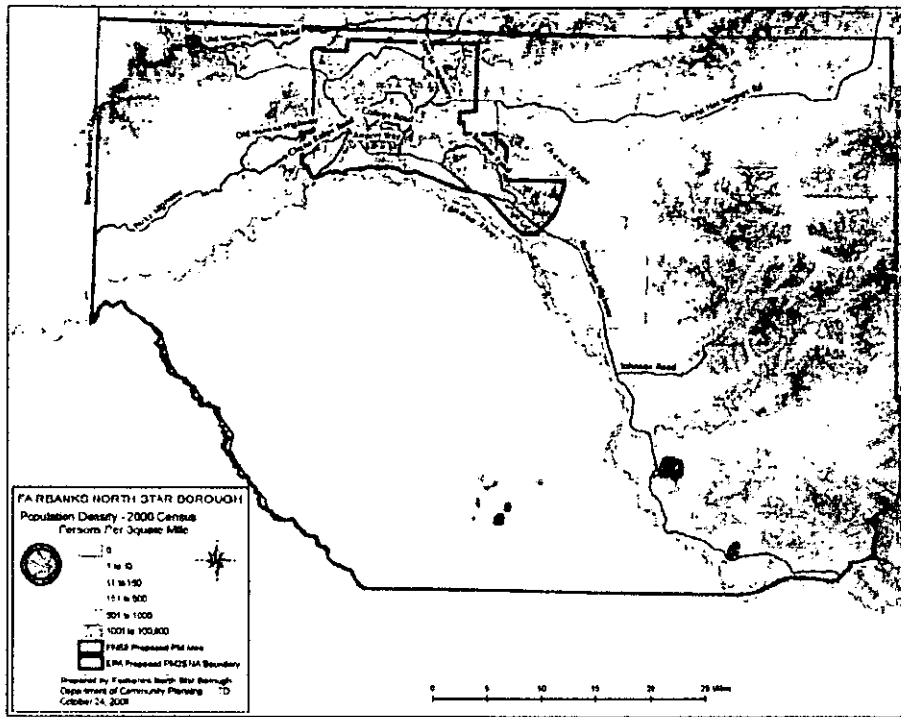


Figure 4-3: Fairbanks Daily PM 2.5 Levels (Winter 2005-2006)



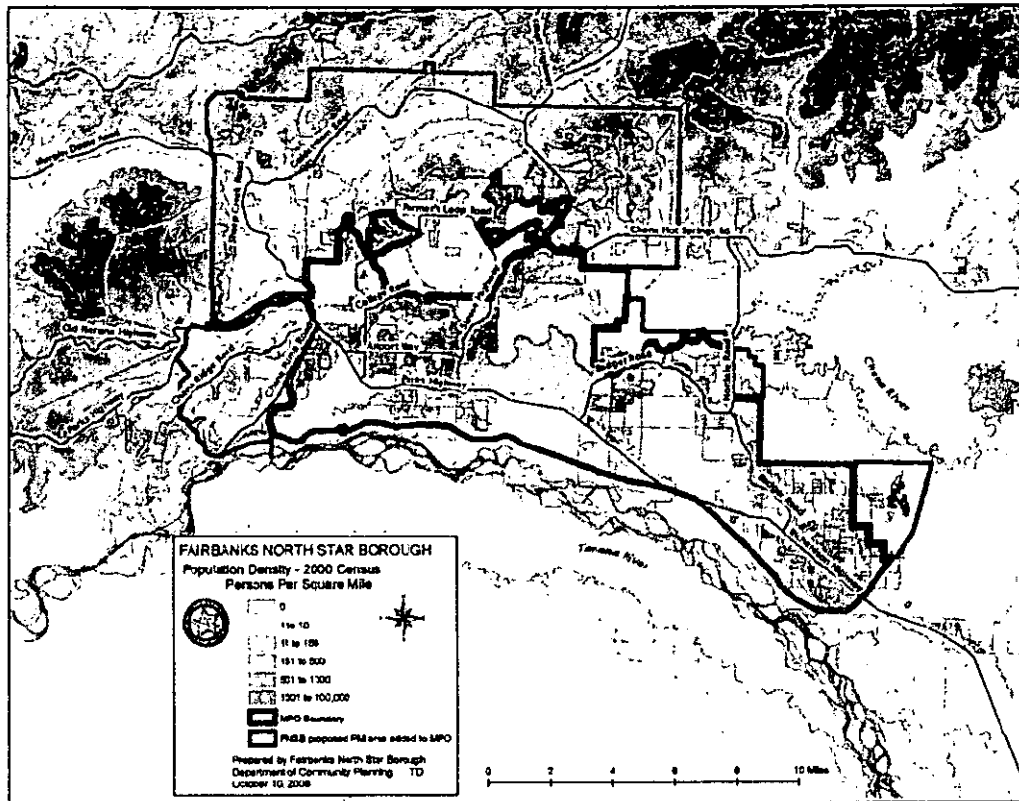
In August 2008, EPA sent a letter notifying the State of its intent to designate a portion of the Fairbanks North Star Borough (FNSB) as non-attainment and to modify Alaska's recommended FNSB non-attainment boundary. EPA encouraged the State to submit any additional information that EPA should consider concerning the FNSB PM 2.5 non-attainment boundary before October 20, 2008. Figure 4-4 shows EPA's proposed boundary. It encompasses a large area of the borough that has few or no people, such as the Tanana Flats. EPA plans to publish a notice in the Federal Register to solicit public comments on its decision and make final designation decisions for the 2006 PM 2.5 (24-hour) standard by December 18, 2008.

Figure 4-4: EPA's Proposed PM 2.5 Non-Attainment Boundary



In October 2008, the FNSB proposed a smaller PM 2.5 (24-hour) non-attainment boundary to EPA that is shown in Figure 4-5. An EPA decision on the non-attainment boundary is pending.

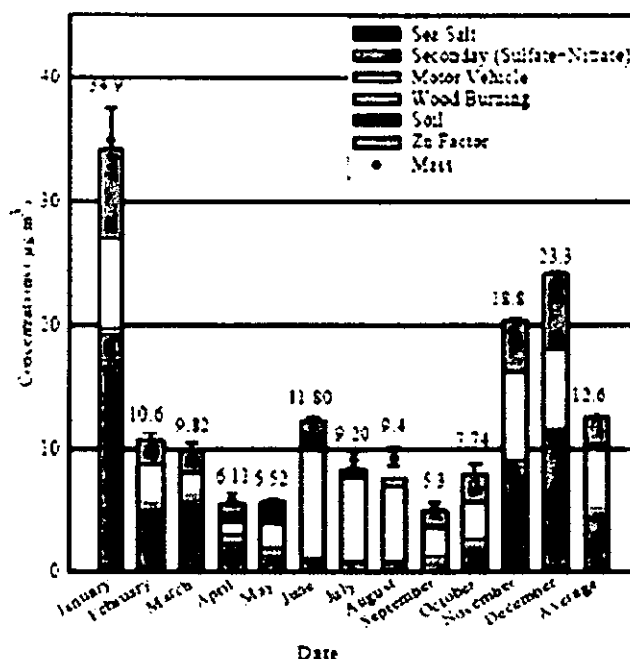
Figure 4-5: FNSB's Adjusted PM 2.5 Non-Attainment Boundary



4.2 PM 2.5 Particle Analysis

ADEC and FNSB have analyzed the samples collected in the ambient air monitors and identified possible sources of the PM 2.5 particles. They found that the winter samples contained about 40 to 55 percent of the fine PM 2.5 particles made of secondary sulfate and nitrate aerosols. Most of the remaining aerosol was contributed equally from wood burning emissions and an unknown zinc-related factor. Trace amounts were also identified as sea salt, motor vehicle emissions, and soil. Figure 4-6 summarizes these results.

Figure 4-6: PM 2.5 Particle Analysis Results



Sulfite and Nitrate Aerosols: The source of the sulfur and nitrate aerosols is most likely burning fuels that contain sulfur. Fairbanks vehicles burn significant amounts of gasoline and diesel fuel; however, the sulfur content of both fuels has been reduced dramatically in recent years. Low-sulfur diesel fuel contains 0.007 percent sulfur by weight. The sulfur content of fuel oil used for building heating contains about 0.22 percent sulfur. Although there are numerous sources in Fairbanks that burn fuel containing sulfur, the distillate fuel oils used in space heating could be a dominant source of the atmospheric sulfite and nitrate aerosols in Fairbanks during the winter.

Wood Burning Emissions: Heating fuel oil prices in Alaska have increased significantly during the past four years, and data from ADEC-sponsored building heating surveys show that more households and businesses have installed supplemental wood-burning heaters. The EPA estimates that wood stoves emit more pollutants than oil-fired furnaces—generally 30 to 250 times more particulates on a heat-equivalent basis.

Zinc-based Emissions: The source of the zinc found in the Fairbanks PM 2.5 particles is unknown at this time. Possible sources include burning of waste lubricating oils, motor vehicles burning lube oil, or distant sources of zinc mining and ore handling. Zinc is widely used as an additive in lubricating oils for diesel engines and, in lower concentrations, for gasoline-powered engines.

4.2.1 Expanded PM 2.5 Sampling Program

Starting in 2007, the FNSB expanded monitoring to determine the extent of the elevated PM 2.5 emissions. This effort continued last winter (2007-08) with three new fixed monitoring sites, a relocatable trailer, and a mobile monitor. One of the fixed sites was placed in the Hamilton Acres area to characterize the PM 2.5 in a neighborhood setting. The FNSB placed another fixed site downtown near the State Office Building, to support those monitors with new types of monitors

that will help differentiate the sources of the PM downtown such as mobile sources. The third fixed site is on south Peger Road and monitors the roadway contributions and the effect of mobile sources such as cars and commercial vehicles.

The trailer was placed in eleven different locations in and around the Fairbanks and North Pole areas, including varying altitudes to better assess the spatial extent and inversion/particulate layer height for PM 2.5 particles.

The mobile monitor drove extensively through neighborhoods and industrial areas throughout the Fairbanks and North Pole area as well as Goldstream Valley. FNSB is using these data to assess the spatial extent as well as the local effects of hot spots (outdoor wood boilers [OWBs], poorly running woodstoves, and high-emitting vehicles).

During 2008, the FNSB Air Quality Department refined and expanded its studies further with a new fixed site in North Pole and the addition of new "speciation" monitors that provide data on the chemical types within the collected PM particles. These new instruments will help apportion the source mixture of the PM and indicate the best way to reduce and maintain PM emissions in the future. The FNSB has also expanded its meteorological monitoring to help assess any transport of PM from outside the downtown area. New meteorological measuring equipment has been set up at the South Peger and Hamilton Acres sites, and will soon operate at the North Pole site.

These new "speciation" monitors will provide data to be input into the EPA's UNMIX model as well as a Chemical Mass Balance model to help differentiate between mobile source contributions and space heating. In addition to those analyses, the information from those monitors will be analyzed for key tracers of wood burning. This should allow us to separate the wood burning sources from the rest of the sources.

A better understanding of the Fairbanks basin microclimate and the meteorological patterns that cause severe inversions is necessary so we can prevent exceedances of the PM 2.5 by applying cost-effective emission reduction practices.

4.3 PM 2.5 Standard Non-Compliance Consequences

Areas that EPA classifies as non-attainment are subject to a Federal measure known as "transportation conformity." It requires local transportation and air quality officials to coordinate planning to ensure transportation projects (road construction, etc.) do not hinder an area's ability to achieve and maintain clean air standards. Non-attainment areas also become subject to "new source review" requirements, which is a Federal permitting program designed to ensure that pollution from new and modified industrial facilities does not impede progress toward clean air.

Some of the potential negative consequences for the Fairbanks North Star Borough of not meeting and maintaining EPA's PM 2.5 (24-hour) standard could include the following:

- Unhealthy air quality during winter inversion periods leading to increased health care costs for residents, also deterring future population growth in the Fairbanks area and discouraging new businesses from locating in the Interior
- Loss of Federal highway funds along with other Federal funding streams

- Denials on submitted projects to Federal review due to continuation of non-attainment days after program implementation
- Reduced military staffing at Fort Wainwright and Eielson Air Force Base

4.3.1 Fairbanks PM 2.5 Implementation Plan

The FNSB, City of Fairbanks, City of North Pole, ADEC, and Alaska Department of Transportation and Public Facilities (DOT&PF) are working together to develop an implementation plan that will achieve and maintain the current EPA standards by reducing PM 2.5 air pollutant emissions by 2014. Population growth and increased fuel combustion in the Fairbanks area are most likely responsible for the area's PM 2.5 violations during winter months.

Following are some possible methods of reducing PM 2.5 (24-hour) levels during peak winter inversion periods:

Reduce Open Burn Periods: The FNSB currently bans open burning from November 1 through the last day of February in areas designated as Urban, Urban Preferred Commercial, Light or Heavy Industrial, or Perimeter area, with campfires as an exception. The length of the winter ban could increase and the affected area could be expanded to encompass the PM 2.5 boundary.

Reduce Distillate Fuel Emissions: The following could reduce particulate emissions from existing fuel oil-fired heating systems:

- Switch to a lower-sulfur fuel for all oil-fired building heating systems in the Fairbanks urban areas.
- Introduce annually required inspections and tune-ups on oil-fired furnaces similar to the I/M program to ensure optimum burning efficiency and low particulate emissions.
- Collaborate with other non-attainment northern tier communities across the U.S. to pursue subsidies, exceptions, waivers, retrofits, new regulatory requirements for manufacturers, etc., from Federal agencies. For example, as part of the process of reaching attainment for carbon monoxide (CO) standards in Alaska, Alaskan research conducted in the early 1980s documented that motor vehicle emissions reductions for CO were not achieved at cold temperatures because EPA tested vehicle emissions at room temperature ranges only. Efforts by Alaska and other local and state governments were successful in getting Congress to require EPA to test vehicular emissions at 20 degrees F to make sure auto manufacturers were improving combustion efficiency and the performance of pollution control devices to reduce CO emissions during cold starts. A similar effort could determine if the full benefits of the motor vehicle pollution control program are accrued at low temperatures for PM 2.5. Control of poorly tuned or broken vehicles may be necessary to address the hydrocarbon emissions that increase dramatically with low temperatures.

Reduce Wood Stove Emissions: Investigate methods of improving or restricting wood stove operation during winter inversion periods. EPA has published information on the efficiency and PM 2.5 emission rates of various wood stoves, summarized in the following two tables:

Table 4-1: Efficiencies by Stove Type

Appliance Type	Efficiency
Conventional Cordwood Stove	54%
Non-catalytic Cordwood Stove	63%
Catalytic Cordwood Stove	63%
Pellet Stove	78%

Table 4-2: Cordwood and Pellet Stove PM 2.5 Emission Factors

	Conventional Woodstove (lb/ton)	Catalytic Certified Woodstove (lb/ton)	Non-catalytic Certified Woodstove (lb/ton)	Pellet Stove	
				Exempt (lb/ton)	Certified (lb/ton)
AP-42 Emission Factors	30.6	16.2	14.6	8.8	4.2

According to EPA, certified pellet stoves had the highest fuel efficiency and the lowest PM 2.5 emission rates. Conventional wood stoves were much less efficient with the highest PM 2.5 emission rates.

Following are potential wood stove strategies that could help reduce their PM 2.5 emissions:

Restrict Wood Stoves: Restrict the installation and use of wood-burning or waste-oil heating appliances during winter inversions. This would require more information to quantify their contribution to PM 2.5 emissions in the Fairbanks and surrounding area during winter.

Wood Stove Buy-Out: Rapidly develop a trade-out of older wood stoves through a locally bonded, State, or Federally funded program that provides affordable upgrading for residents who own older or unapproved new simple wood heaters or the non-EPA approved wood boilers. Through local education, it would create an incentive to trade out rather than not comply. A successful trade-out program in Libby, Montana, could be used as a model.

Retrofit Wood Stoves: Investigate possible improvements in modes of operation or equipment modifications that could retrofit existing wood stoves to produce fewer PM 2.5 emissions.

Encourage Dry Wood Use: Discourage late season harvesting of green standing trees. Wet wood burns inefficiently and could increase particulate emissions. The FNSB could work with the State to provide residents access to supplies of dry seasoned firewood.

Reduce Waste Oil Heater Emissions: Consider restricting the use of waste oil burners during winter inversions. More information will be needed to verify that burning waste oil is the actual source of zinc-based PM 2.5 emissions in the area during the winter. Investigate whether using micron filtration can remove zinc compounds and unwanted impurities from waste oils before they are burned in the heaters.

Expand District Heating: Aurora Energy provides district heat to downtown Fairbanks through buried steam and hot water heating systems from its power plant. Expanding the existing district steam and hot water heating systems could replace individual oil-fired furnaces throughout the downtown area and surrounding subdivisions and lower PM 2.5 emission levels.

Expand Natural Gas Use: Switch existing residential and commercial oil-fired building heaters in the urban area to natural gas to reduce PM 2.5 emission levels. Fairbanks Natural Gas (FNG) has been expanding its buried distribution system and is providing heat to many Fairbanks-area buildings.

In the short term (2008-2010), we expect that implementing a combination of the methods listed above will help the Fairbanks region move toward achieving the new EPA PM 2.5 (24-hour) emission standard. We also believe that switching existing building heaters to natural gas and expanding district heat would provide the FNSB a long term solution for achieving and maintaining its air quality in compliance with EPA's PM 2.5 standards.

5. Alternatives for Energy

Though this Report's primary focus is on the use of in-state natural gas, a brief review of other alternative energy sources is appropriate. Alternative energy options are likely to be considered by individual homeowners. The most obvious is residential space heating with wood or coal stoves, which has already increased substantially in Fairbanks. These are, however, causing increased PM 2.5 air pollution problems and will require replacement of inefficient units or improvement of smoke emissions if they are to address one problem without exacerbating the other. They also cannot be considered a 50-year solution until forestry and horticultural techniques are devised and implemented on a commercial scale that might ensure sustainable cultivation of dedicated biomass-for-energy crops.

Solar panels (both photo-voltaic and solar-hydrionic) for Interior Alaska are in the trial stage at homes, businesses, and the Cold Climate Housing Research Center. The cost of solar panel production must drop by a factor of at least five to be economically competitive with other potential energy sources.

Increased wind power may be a good prospect in some areas, if priced competitively, but cannot replace more than 20 percent of total electrical needs because of base load requirements and the unpredictability of wind. In some Alaska locations, wind-generated electricity can help heat homes and reduce overall diesel fuel usage but, like solar, we cannot rely on it as a sole solution.

Because of the above constraints, the introduction of alternative energy options will be incremental and evolutionary, and will not solve the energy shortages of Alaskans in the near to medium term (2014-2034). We believe from the 100-year perspective, however, electricity from hydroelectric, geothermal, and possibly nuclear reactors will heat residences and commercial buildings, and power transport vehicles. Other alternatives may also contribute, depending on the economics, but remain outside the bounds of this analysis.

In this section we discuss four major energy alternative scenarios (here defined as energy sources other than those predominating in a particular locality, such as Cook Inlet gas in Southcentral or oil in the Interior), which assumes that Alaska natural gas is not made available

- 1) Can you give an example of what kind of program might be established?

One likely example that would be considered is a wood stove change-out program. This would allow the FNSB to provide credits to people who replace old style (higher polluting) wood stoves with EPA certified wood stoves (that have catalytic converters to re-burn combustion gases). It would likely be administered by the FNSB Air Quality staff.

- 2) How much do the wood boilers cost? Can they be converted to meet EPA standards?

Wood Boilers cost 8,000 – 12,000. Right now there is no “conversion” mechanism. We’re working to see if one can be developed – but there would be no way to predict success in the near future of developing a conversion unit. If there was an identified conversion method that consumed exhaust gases – that would be another likely example.

- 3) How many households are there in FNSB? About 30,000

- a. How many use wood boilers? Estimate is about 1,000 (Cold Climate Housing Research currently researching this)
- b. How many use non-EPA approved wood stoves? Estimate is about 5-6000 woodstoves total, with an estimate of 20%-33% non-EPA. (Also on CCHRC task list)

- 4) Brief history of increased EPA Standards & why?

This provides great background on fine particulate matter.
http://www.dec.state.ak.us/air/anpms/pm/pm_bckgrd.htm

This provides specific information on Fairbanks and PM 2.5.
http://www.dec.state.ak.us/air/anpms/pm/pm2-5_fbks.htm

- 5) Economic study / impact of increased EPA standards on Fairbanks/Interior - evidence of impact?

None currently exist.

- 6) EPA Timeline for compliance? 3 years to have a Mitigation plan approved and in place.

- 7) FNSB efforts toward compliance – examples (in addition to this legislation)

\$2M research effort across winters on 2008-9 and 2009-10 to characterize and identify contributing sources and control measures to work into a program.

- 8) Other Allies in support of the bill: I understand Juneau is in the same situation. Anywhere else in Alaska?

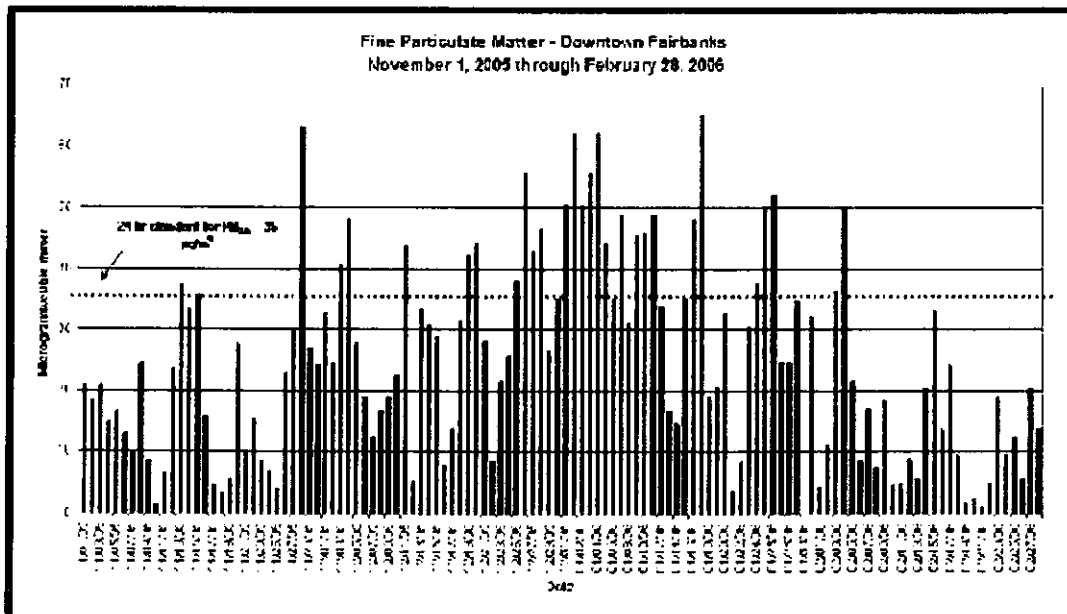
State DEC , City & Borough of Juneau are the main two on AQ.

PM2.5 and Fairbanks

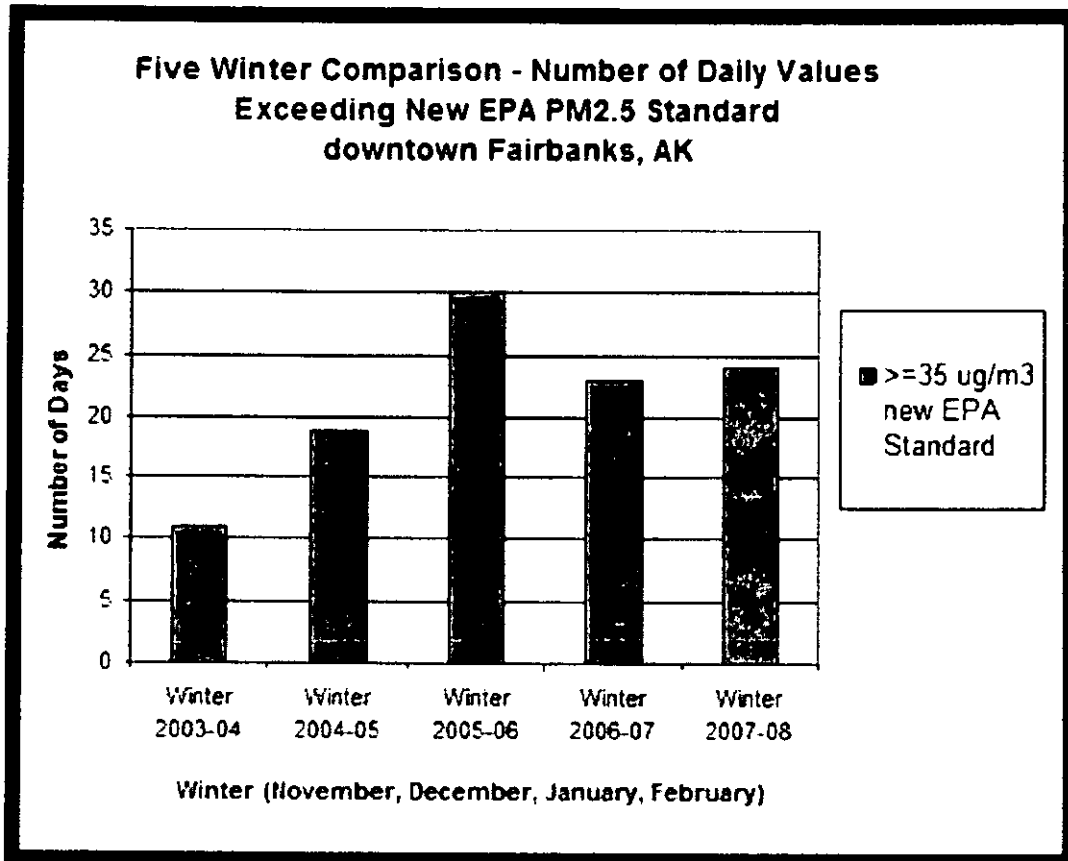
Fairbanks already has years of experience with programs associated with being in nonattainment for carbon monoxide. The reasons for Fairbanks problems with PM 2.5 may be similar. Surrounded by hills on three sides, Fairbanks is susceptible to temperature inversions which trap a layer of cold air close to the ground. Even relatively small amounts of pollution can be trapped for days, even weeks, at a time. This leads to episodes of poor air quality. Cold weather (below -10 or -15F) also seems to increase the PM2.5 levels. Fine particulates are products of combustion - burning more fuel, be it fuel oil or wood, when it is colder produces more PM2.5.

Fairbanks can be pro-active during the non-attainment process. The community can conduct studies, determine how to decrease the PM2.5 levels, and work to come into compliance prior to the attainment deadline. Should Fairbanks come into compliance, the community would not have to add control measures. This would avoid the need for the PM conformity process for federal projects.

The graph below shows the number of times PM2.5 levels in Fairbanks exceeded the September 2006 revised EPA particulate matter standard during the winter of 2005-2006. Fairbanks will likely exceed the PM2.5 standard in the years to come. Population growth, and a likely increase in use of woodstoves, seem responsible for the increasing number of PM2.5 violations.



The following chart shows the number of days the September 2006 PM2.5 Standard was exceeded in Fairbanks over the past five calendar years.



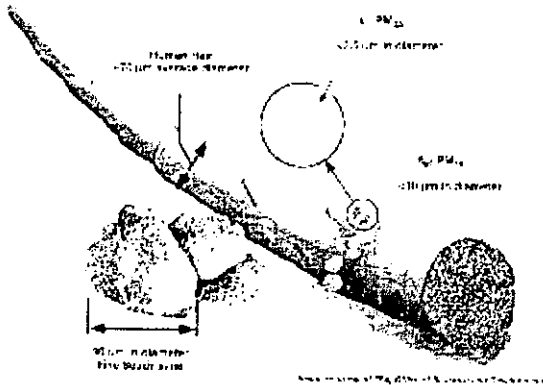
Particulate Matter - Background Information

According to the Environmental Protection Agency (EPA), Particulate Matter (PM) is a "mixture of extremely small particles and liquid droplets."

Air quality professionals pay attention to particulate matter because these very small particles can cause health problems when inhaled. Specifically, particles less than 10 micrometers in diameter can pass the nose and throat and enter the lungs. A micrometer is one millionth of a meter.

Size is important to understand because the EPA classifies particulate matter as two types based on size. Alaska has problems with both types of particulate matter.

- **Coarse Particulate Matter (PM₁₀)** is less than 10 micrometers in diameter. It primarily comes from road dust, agriculture dust, river beds, construction sites, mining operations, and similar activities. Most people in Alaska experience PM₁₀ as dust.
- **Fine Particulate Matter (PM_{2.5})** is less than 2.5 micrometers in diameter. PM_{2.5} is a product of combustion, primarily caused by burning fuels. Examples of PM_{2.5} sources include power plants, vehicles, wood burning stoves, and wildland fires.



A single human hair is approximately 70 micrometers or seven of the largest PM₁₀ particles in diameter. A single human hair is almost 30 times larger than the largest fine particle, PM_{2.5}.

Air pollution standards are given as a mass of material in a volume of air: micrograms per cubic meter ($\mu\text{g}/\text{m}^3$). A microgram is one millionth of a gram. A paper clip weighs about a gram. Imagine chopping the paperclip into a million equally sized pieces. One of those pieces would weigh about a microgram. A cubic meter (approximately 39" X 39" X 39") describes a volume of air that is about the size of a washing machine. If you place one of the million pieces of the paper clip in the space occupied by the washing machine, you would have 1 $\mu\text{g}/\text{m}^3$.

NEW PARTICULATE MATTER REGULATIONS

The EPA recently updated the national standards for Particulate Matter. For PM₁₀, the EPA retained the current 24 hour PM₁₀ standard of 150 $\mu\text{g}/\text{m}^3$ and eliminated the annual PM₁₀ standard. The EPA increased the stringency of the PM_{2.5} standard by lowering the previous 24 hour standard of 65 $\mu\text{g}/\text{m}^3$ to 35 $\mu\text{g}/\text{m}^3$. EPA left the annual PM_{2.5} standard of 15 $\mu\text{g}/\text{m}^3$ in place.

CONTROLLING PARTICULATE MATTER

Violations of air quality standards mean the state government and impacted communities must work together to formulate a plan to reduce particulate emissions.

PM10 - The state may recommend EPA designate areas violating the PM10 standard as "nonattainment." If EPA agrees, a process of planning and rulemaking begins for transportation related problems; these areas gain access to federal highway funds dedicated to air quality improvement. A second option might be for state and impacted communities to sign a "Memorandum of Agreement" with EPA for a pollution reduction plan. A Memorandum Of Agreement (MOA) avoids the stigma of being in "nonattainment" and provides some flexibility and timeliness in formulating a pollutant reduction plan, but does not allow special access to the air quality transportation funds.

PM2.5 - With the new PM2.5 standard, the EPA expects and is looking for states to designate communities in violation of the standard as nonattainment areas. The state may recommend designating the Fairbanks North Star Borough as a nonattainment area for PM2.5.

What does "nonattainment" status mean?

The state may recommend either a community or a region as a PM non-attainment area. Exactly how the state will group or classify portions of Alaska is still being discussed.

If the state submits an area as "nonattainment" for PM, the EPA has 18 months to approve or disapprove the request. The state begins forming plans to reduce PM levels. This is done in close cooperation with local and regional governments as pollution controls are generally enacted at a local level. If EPA approves the state's request for designating an area as "nonattainment," the state has 18 months to submit an "attainment" plan which includes all the controls and programs agreed to by the state and local governments. Two 18 month periods means it can take 3 years from submittal of the state recommendation to when controls are put into place. The state and local governments then have five years to bring nonattainment areas into attainment.

Next Steps

The state is in the early stages of planning a strategy to comply with EPA's new PM rules. The state will work with communities to determine the most effective controls. At this point, the state does not know how the areas will be designated, or what the controls might be. As the state works with communities and is given permission from communities to publicize information on PM levels and control strategies, the state will post updates on this website.



Fairbanks North Star Borough

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February 9, 2009

The Honorable Donald Olson, Chair
Senate Community & Regional Affairs Committee
State Capitol
Juneau, Alaska 99811

Dear Senator Olson:

The Fairbanks North Star Borough appreciates Senator Joe Paskvan's effort to address a very serious issue facing our community by introducing SB 93. This letter is being offered in support of the change to Alaska Statutes, Title 29 proposed by SB 93, "An Act relating to a municipal property tax credit for an improvement that aids in improving air quality." This bill, if enacted by the legislature, will provide tools to local municipalities that can be used to create incentives for individuals to take actions that will improve local air quality and reduce fuel consumption. Local taxation policy and discretion is governed by Title 29 of the Alaska Statutes. Tax exemptions and tax credits are only permitted within the authority of this section of state law.

The proposed legislation expands the discretion of local municipalities in a manner that allows, by ordinance, creation of programs that will offer tax credits for actions that the local governing body determines will improve air quality. The language proposed requires that eligibility, conditions, and other criteria for the tax credits be established by ordinance.

Example of how this proposed legislation might be used by a municipality include:

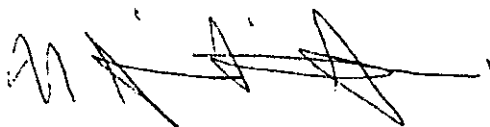
- Incentives to residents to exchange old-style wood stoves for EPA certified wood stoves. Data show that EPA certified wood stoves reduce fine particulate emissions by approximately 67% over non-EPA stoves. It is clearly in the interest of any community with air quality nonattainment issues to have citizens who choose to heat with wood do so in the most environmentally friendly way possible.
- Incentives to residences or commercial businesses to improve the energy efficiency of their property. Reduced fuel consumption would lead to reduced emissions from area heating or electric generation. Incentives could be based on calculated BTU savings, MW reductions, etc.
- Incentives to convert from carbon based energy consumption to alternative energy generation. This could involve tax credits for construction and use of a solar array or wind turbine to power/heat residential or commercial facilities.

Letter to the Honorable Donald Olson
February 9, 2009
Page 2

As the Fairbanks North Star Borough and the State of Alaska look to find solutions that will help the borough and the state come into compliance with the clean air act, there exists a clear lack of ability to provide incentives at the local level. Compliance efforts will ask individuals to take and pay for actions to benefit the air quality of the entire community. Enactment of this bill will allow local municipalities the ability to lessen the individual cost of action through creation of a tax credit program not presently allowed by state law.

The Fairbanks North Star Borough Assembly passed a resolution including this item as an FNSB legislative priority for 2009 on December 11, 2008. We support this bill and urge its passage as drafted and introduced on February 4, 2009.

Thank you.

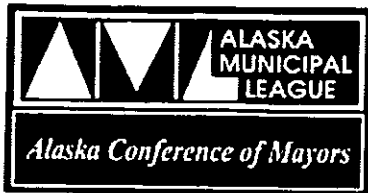
A handwritten signature in black ink, appearing to be 'J. Whitaker', with a long horizontal line extending to the right.

Jim Whitaker, Mayor

A handwritten signature in black ink, appearing to be 'N. Winters', with a long horizontal line extending to the right.

Nadine Winters, Presiding Officer

JW:csm



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**ALASKA MUNICIPAL LEAGUE
BOARD OF DIRECTORS**

RESOLUTION #BOD2009-02

**A RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE BOARD OF DIRECTORS
ADVOCATING FOR AMENDING TITLE 29 TO ALLOW LOCAL GOVERNMENT OPTION
TO CONSIDER PROPERTY TAX CREDITS FOR IMPROVEMENTS TO AIR QUALITY
CONDITIONS AND FUEL CONSUMPTION**

WHEREAS, Alaska Municipal League Board of Directors supports the issue of local governments being able to develop local responses to Alaska's energy solutions; and

WHEREAS, municipalities should have the ability to adopt local incentives to encourage individuals to make their homes and businesses more energy efficient thereby improving local air quality; and

WHEREAS, local taxation policy determined by Title 29 currently allows a property tax credit only for river bank habitat protection; and

WHEREAS, by providing for an optional tax credit, local municipalities will be able to consider providing property tax credits for actions, such as reducing fuel consumption, that councils or assemblies determine will improve air quality; and

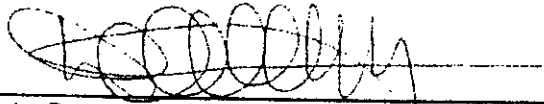
WHEREAS, the Alaska Municipal League Board of Directors believes it is in the best interest of Alaska to allow local government to encourage its citizens to make improvements to their home and businesses that positively impact the community's air quality and to heat their homes and businesses in the most environmentally responsible way possible.

NOW, THEREFORE BE IT RESOLVED that the Alaska Municipal League Board of Directors supports an amendment to Title 29 that provides local municipalities with the ability to provide tax incentives for residences or commercial businesses to improve the energy efficiency of their property, convert from carbon based energy consumption to alternative energy generation or to take other steps that positively impact their community's air quality; and

NOW, THEREFORE BE IT RESOLVED that the Alaska Municipal League Board of Directors supports legislation authorizing an air quality improvement tax credit that allows specific eligibility, conditions, and other criteria for the tax credits to be established by local ordinance so that governments will have flexibility in crafting appropriate tax incentives that meet their individual community's needs.

PASSED AND APPROVED by the Alaska Municipal League Board of Directors on this 30th day of January, 2009.

Signed:



Denise Michels, President, Alaska Municipal League

Attest:



Kathie Wasserman, Executive Director, Alaska Municipal League