

SB

31

26-LS0217N

Kane

3/6/09

CS FOR SENATE BILL NO. 31(ENE)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY THE SENATE SPECIAL COMMITTEE ON ENERGY

Offered:

Referred:

Sponsor(s): SENATORS MCGUIRE, Ellis, Thomas

A BILL**FOR AN ACT ENTITLED**

1 "An Act relating to an alternative energy production tax credit that may be claimed or
2 applied against tax due under the Alaska Net Income Tax Act; and providing for an
3 effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1.** AS 43.20.021(d) is amended to read:

6 (d) Where a credit allowed under the Internal Revenue Code is also allowed in
7 computing Alaska income tax, it is limited to 18 percent for corporations of the
8 amount of credit determined for federal income tax purposes that [WHICH] is
9 attributable to Alaska. This limitation does not apply to a special industrial incentive
10 tax credit under AS 43.20.042 or to an alternative energy production tax credit
11 under AS 43.98.040.

12 * **Sec. 2.** AS 43.98 is amended by adding a new section to read:

13 **Sec. 43.98.040. Alternative energy production tax credit.** (a) An energy
14 producer that produces alternative energy may claim an alternative energy production

1 tax credit in the amount of 2.1 cents for each kilowatt-hour of alternative energy
2 produced or sold for each of the first four tax years after the date the system used to
3 produce alternative energy is placed into service if

4 (1) the alternative energy produced supplies all or part of the energy
5 required by commercial units owned or used by the energy producer; or

6 (2) the energy producer sells all or part of the energy produced.

7 (b) A tax credit under this section may be claimed only for

8 (1) an alternative energy system placed into service on or after
9 January 1, 2010; or

10 (2) an expansion of an alternative energy system if the expansion is
11 made on or after January 1, 2010.

12 (c) An unused tax credit under this section may be carried forward and applied
13 against the tax liability of the energy producer.

14 (d) A tax credit provided under (a) of this section may be sold, assigned,
15 exchanged, conveyed, or otherwise transferred, in whole or in part.

16 (e) A taxpayer acquiring a tax credit under (a) or (d) of this section may use
17 the tax credit or a portion of the tax credit to offset taxes imposed under AS 43.20.011.
18 Any portion of the credit not used may be used at a later time or transferred under (d)
19 of this section. A tax credit under this section may not exceed 20 percent of the energy
20 producer's capital investment for the system used to produce alternative energy.

21 (f) An energy producer that claims a tax credit under this section and that
22 wishes to transfer the unused tax credit to a taxpayer under (d) of this section may
23 apply to the department for a transferable tax credit certificate. An application under
24 this subsection must be in a form prescribed by the department and must include
25 supporting information and documentation that the department reasonably requires.
26 The department shall grant or deny an application, or grant an application as to a lesser
27 amount than that claimed and deny it as to the excess, not later than 120 days after it
28 receives the application.

29 (g) A taxpayer acquiring a tax credit under (a) or (d) of this section may not
30 use the tax credit or a portion of the tax credit to offset taxes imposed by AS 43.20.011
31 in the same year the taxpayer uses a federal alternative energy credit under 26 U.S.C.

1 45, authorized by AS 43.20.021, to offset taxes imposed by AS 43.20.011.

2 (h) The department shall

3 (1) prescribe an application form for a tax credit under this section; and

4 (2) adopt regulations necessary for the administration of this section.

5 (i) In this section,

6 (1) "alternative energy" means geothermal, solar, hydroelectric, wind,
7 biomass, hydrokinetic or tidal, and wave energy;

8 (2) "energy producer" means an electric utility or independent power
9 producer holding a certificate of public convenience and necessity under AS 42.05.

10 * Sec. 3. The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 EXHAUSTION OF UNUSED ALTERNATIVE ENERGY PRODUCTION TAX
13 CREDITS. Notwithstanding the repeal of AS 43.98.040, an unused portion of a tax credit
14 acquired under AS 43.98.040(a) or (d) may be carried forward until exhausted, except that the
15 unused portion of the tax credit may not be carried forward to tax years beginning after
16 December 31, 2028.

17 * Sec. 4. AS 43.98.040 is repealed January 1, 2025.

18 * Sec. 5. This Act takes effect January 1, 2010.

26-LS0217D
Kane
3/13/09

CS FOR SENATE BILL NO. 31()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY

**Offered:
Referred:**

Sponsor(s): SENATORS MCGUIRE, Ellis, Thomas

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to a renewable energy production tax credit that may be claimed or**
2 **applied against tax due under the Alaska Net Income Tax Act; and providing for an**
3 **effective date."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 *** Section 1.** AS 43.20.021(d) is amended to read:

6 (d) Where a credit allowed under the Internal Revenue Code is also allowed in
7 computing Alaska income tax, it is limited to 18 percent for corporations of the
8 amount of credit determined for federal income tax purposes **that** [WHICH] is
9 attributable to Alaska. This limitation does not apply to a special industrial incentive
10 tax credit under AS 43.20.042 **or to a renewable energy production tax credit**
11 **under AS 43.20.046.**

12 *** Sec. 2.** AS 43.20 is amended by adding a new section to article 1 to read:

13 **Sec. 43.20.046. Renewable energy production tax credit.** (a) An energy
14 producer that produces renewable energy may claim a renewable energy production

1 tax credit in the amount of 15 percent of the retail rate for each kilowatt-hour of
 2 electricity charged by the energy producer, as determined by the Regulatory
 3 Commission of Alaska; however, a tax credit may not be less than 2.1 cents for each
 4 kilowatt-hour of renewable energy produced or more than five cents for each kilowatt-
 5 hour of renewable energy produced.

6 (b) An energy producer may claim a renewable energy tax credit under this
 7 section for each kilowatt-hour of renewable energy produced or sold for each of the
 8 first five tax years after the date the capital investment used to produce renewable
 9 energy is placed into service if the energy producer sells all or part of the energy
 10 produced.

11 (c) A renewable energy tax credit under this section may be claimed only for a
 12 capital investment

13 (1) to produce renewable energy that is placed into service on or after
 14 ~~January 1, 2010~~^{JULY 09}; or

15 (2) to expand production of renewable energy if the investment for
 16 production expansion is made on or after ~~January 1, 2010~~^{JULY 09}.

17 (d) An unused renewable energy tax credit under this section may be carried
 18 forward and applied against the tax liability of the energy producer.

19 (e) A renewable energy tax credit provided under this section may be sold,
 20 assigned, exchanged, conveyed, or otherwise transferred, in whole or in part.

21 (f) A taxpayer acquiring a renewable energy tax credit under (a) or (e) of this
 22 section may use the tax credit or a portion of the tax credit to offset taxes imposed
 23 under this chapter. Any portion of the credit not used may be used at a later time or
 24 transferred under (e) of this section.

25 (g) A renewable energy tax credit acquired under (a) or (e) of this section,
 26 when combined with any state aid that the energy producer receives for the capital
 27 investment made to produce renewable energy for which the credit is acquired, may
 28 not exceed 10 percent of the energy producer's capital investment for production of
 29 renewable energy, aggregated over the five years within which the credit is allowed to
 30 be claimed under (b) of this section.

31 (h) An energy producer that claims a renewable energy tax credit under this

1 section and that wishes to transfer the unused tax credit to a taxpayer under (e) of this
2 section may apply to the department for a transferable tax credit certificate. An
3 application under this subsection must be in a form prescribed by the department and
4 must include supporting information and documentation that the department
5 reasonably requires. The department shall grant or deny the tax credit certificate, or
6 grant the tax credit certificate as to a lesser amount than that for which application is
7 made and deny it as to the excess, not later than 120 days after it receives the
8 application.

9 (i) An energy producer that uses a renewable energy production tax credit to
10 offset the tax imposed by this chapter or transfers the credit under (e) of this section
11 may not also claim the federal renewable energy credit under 26 U.S.C. 45, authorized
12 by AS 43.20.021, for a capital investment associated with the production or expansion
13 of renewable energy that generated the credit under this section.

14 (j) The department shall

- 15 (1) prescribe an application form for a tax credit under this section; and
16 (2) adopt regulations necessary for the administration of this section.

17 (k) In this section,

18 (1) "capital investment" means an expenditure made

19 (A) as a cash expenditure or binding payment agreement for
20 real property or tangible personal property used in this state in the production
21 of renewable energy; and

22 (B) for an asset first placed in service for the production of
23 renewable energy in the state during or before the tax year in which the credit
24 is claimed; in this subparagraph, "placed in service for the production of
25 renewable energy in the state" means that the first use of the capital investment
26 is in this state; if the property on which the claim of the credit is based has
27 been used elsewhere in the tax year of acquisition and is brought to this state
28 during that year or a subsequent year, the property does not qualify as a capital
29 investment;

30 (2) "energy producer" means

31 (A) an electric utility or independent power producer holding a

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certificate of public convenience and necessity under AS 42.05; or

(B) an independent power producer producing more than 100 kilowatts of electricity from renewable energy;

(3) "renewable energy" means geothermal, solar, hydroelectric, wind, biomass, hydrokinetic or tidal, and wave energy.

* Sec. 3. AS 43.20.046 is repealed January 1, 2025.

* Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to read:

EXHAUSTION OF UNUSED RENEWABLE ENERGY PRODUCTION TAX CREDITS. Notwithstanding the repeal of AS 43.20.046 by sec. 3 of this Act, an unused portion of a tax credit acquired under AS 43.20.046(a) or (e), enacted by sec. 2 of this Act, may be carried forward until exhausted, except that the unused portion of the tax credit may not be carried forward to tax years beginning after December 31, 2025.

* Sec. 5. This Act takes effect January 1, 2010.

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSB 31 (ENE)
() Publish Date: _____

Identifier (File Name): CSSB31(ENE)-DOR-TAX-03-02-09 Dept. Affected: Revenue 04
Title: Alternative Energy Production Tax Credit RDU: Taxation and Treasury
Component: Taxation and Treasury
Sponsor: Senators McGuire, Ellis, Thomas
Requester: (S) Energy Component No.: 2476

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required		Information				
	FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
OPERATING EXPENDITURES							
Personal Services	108.9	0.0	108.9	108.9	108.9	108.9	108.9
Travel	2.0	0.0	2.0	2.0	2.0	2.0	2.0
Contractual	34.9	0.0	4.9	4.9	4.9	4.9	4.9
Supplies	0.5	0.0	0.5	0.5	0.5	0.5	0.5
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	146.3	0.0	116.3	116.3	116.3	116.3	116.3

CAPITAL EXPENDITURES	0	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	*	0.0	*	*	*	*	*
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	146.3	0.0	116.3	116.3	116.3	116.3	116.3
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	146.3	0.0	116.3	116.3	116.3	116.3	116.3

Estimate of any current year (FY2009) cost: 0

POSITIONS

Full-time	1.00	0	1.00	1.00	1.00	1.00	1.00
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

See Attached.

Prepared by: Dan Stickel, Economist Phone (907) 465-3279
Division: Tax Division Date/Time: _____
Approved by: _____ Date: _____
Agency: _____

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

BILL NO. CSSB 31 (ENE)

ANALYSIS CONTINUATION

Bill Language:

This bill will create a tax credit for electricity production from new alternative energy projects in the state. The amount of the credit will be 2.1 cents for each kilowatt hour of alternative energy produced or sold in "each of the first four years after the date the system used to produce alternative energy is placed into service," up to a limit of 20 percent of capital costs. The tax credit would be applicable only to the Alaska Corporate Net Income Tax. Unused tax credits could be carried forward or transferred.

For purposes of this bill, "alternative energy" means geothermal, solar, hydroelectric, wind, biomass, hydrokinetic or tidal, and wave energy. The credit could be claimed by an "electric utility holding a certificate of public convenience and necessity under AS 42.05 or an independent power producer." The term "independent power producer" would need to be defined in regulation and could potentially include any entity that chooses to implement an eligible alternative energy project.

The effective date of the bill is January 1, 2010. There bill includes a sunset date of January 1, 2025.

Revenues:

Revenues from this bill are indeterminate because we do not know the size or number of projects that would qualify for the credit. According to the US Department of Energy, Alaska currently produces 1.3 billion kilowatt hours of alternative energy annually (hydroelectric, biomass, solar and wind power; there is currently no commercial geothermal electric generation). For each 10 percent increase in alternative energy production, tax revenue to the state would be reduced by \$2.7 million per year for four years.

Some examples of credits generated by possible projects include the following (These examples are for illustrative purposes only. They are based on publicly available information and typical capacity utilization rates):

- A 14-megawatt hydroelectric project such as the Lake Dorothy project near Juneau could be eligible for a \$1.5 million annual credit (assuming the project operates at 60% of capacity). Over four years, this credit would amount to about 9.7% of the estimated \$64 million capital cost.
- A 30-megawatt wind farm such as the Fire Island project near Anchorage could be eligible for a \$1.7 million annual credit (assuming the project operates at 30% of capacity). Over four years, this credit would amount to about 12.3% of the estimated \$54 million capital cost.
- A 1.2-megawatt wind farm such as the Nome wind farm could be eligible for a \$66,000 annual credit (assuming the project operates at 30% of capacity). Over four years, this credit would amount to about 4.8% of the estimated \$5.5 million capital cost.

Many smaller projects would likely also qualify for the credit. Based on our analysis of the sample projects listed above, we believe that for most projects, the total credit over four years would amount to less than 20 percent of capital expenditures.

We anticipate that this credit will mostly be used by corporations that acquire the credit through the transferability provision. The transferability provision will be used because many power producers are owned by municipalities, non-profits or S-corporations and therefore are not subject to the corporate income tax. Also, independent power producers, once defined in regulation, could potentially include individuals, sole proprietorships, LLC's, S-corporations, non-profits and other entities that are not subject to the corporate income tax.

Expenditures:

This bill would require the Department of Revenue to administer a new tax credit program, including the review and approval of credit applications and issuance and tracking of credit certificates. This new credit program will likely involve a large number of projects and millions of dollars in credits claimed annually.

The Department is requesting a Corporate Income Tax Auditor III position (Range 22) to audit the tax credits and manage the approval, issuance and tracking of the credits. There will also be \$30,000 in one-time startup expenses: \$20,000 for enhancements to our tax examination system, and \$10,000 for an education and public outreach program.

ALASKA STATE LEGISLATURE

Session

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Co-Chair

Senate Resources Committee

Chair

Senate Special Committee on Energy
Senate Special Committee on World Trade,
Technology & Innovation

Member

Senate Judiciary Committee
Joint Armed Services Committee

SENATOR LESIL MCGUIRE

SPONSOR STATEMENT

SB 31: Alternative Energy Production Tax Credit

SB 31 encourages the development of Alaska's vast renewable energy resources by offering power producers and utilities a valuable production tax credit for each kilowatt-hour of electricity they produce from geothermal, wind, hydro, tidal, wave, biomass, in-river, or solar energy.

In its simplest terms, a tax credit is a direct reduction in the amount of taxes owed. The production tax credit created by SB 31 rewards power producers in the state of Alaska for producing electricity from alternative energy sources by offering to directly reduce the amount of state corporate income tax they owe. In Alaska, the corporate income tax rate is graduated from 1% to 9.4% in increments of \$10,000 of taxable income. The 9.4% maximum rate applies to taxable income of \$90,000 and over.

SB 31 offers a production tax credit in the amount of 2.1 cents per kilowatt-hour (kWh), which matches the rate of the federal Renewable Electricity Production Tax Credit. What this means is that the state will directly reduce the amount of corporate tax owed by 2.1 cents for each kWh of energy produced. By way of example, a 400 kWh plant similar to the Chena Hot Springs Geothermal project, operating at the 75% capacity typical for a geothermal plant, could claim just over \$55,000 in credits per year ($400 \text{ kW} \times \$0.021 \times 8760 \text{ kWh/year} \times 75\% = \$55,188/\text{year}$); a 30 MW project similar to the Fire Island Wind Project, assuming the typical wind farm capacity of 30%, would be eligible for \$1.7 million in credits annually. The credit can only be claimed for each of the first four years after a power plant is placed into service and is capped at 20% of the capital investment of a power project.

However, the dominant model for energy production in Alaska is not the privately owned power producer that pays corporate tax, but rather the publically owned cooperatives and municipal utilities that are tax exempt. To level the playing field and to ensure that all power producers in the state can benefit from the tax credit, SB 31 proposes a transferable tax credit. A transferable tax credit can be sold or traded on an open market to other corporate entities that are required to pay the state corporate income tax.

Because the production tax credit can only be claimed by a power producer that has made a significant investment in infrastructure and is already producing electricity, SB 31 allows a way to incentivize alternative energy development without requiring hefty state appropriations to unproven projects and technologies.

In energy plans across the nation, production incentives are playing an increasingly important role in encouraging the development of renewable energy resources. Twenty-five states offer some sort of renewable energy corporate tax incentive and five states and the federal government offer a production tax credit similar to the one proposed by SB 31.

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Joint Armed Services Committee

SENATOR LESIL MCGUIRE

SUMMARY OF CHANGES

SB 31 Version M to Version N

- (1) Page 1**
Revisor's changes: changed Section 2 to Section 1, renumbered accordingly, and changed "which" to "that" in line 8.
- (2) Page 2, line 8-11:**
Added a clause that would limit eligibility for the PTC to only projects or expansions to projects placed into service on or after January 1, 2010.
- (3) Page 3, line 8-9:**
Changed the definition of "energy producer" to require independent power producers to hold an RCA issued certificate of public convenience and necessity in order to be eligible for the tax credit.

ALASKA STATE LEGISLATURE



SENATOR LESIL McGUIRE
SENATOR BILL WIELECHOWSKI
Co-Chairs, Senate Resources Committee

MEMORANDUM

Memorandum

To: Brian Kane, Leg. Legal
From: Shalon Szymanski, Committee Aide
Senate Resources Committee
Date: March 13, 2009
Re: Final CS Request

Please create a Final Committee Substitute (SRES) for work order # 26-LS0217D,
mirroring the CS but also including:

-1 attached amendment

SB 31 did move out of committee today with no changes to the CS and we would like to
have it read across on the floor Monday.

Thank you!

AMENDMENT #1

TO: CS SB 31
OFFERED BY: Senator Stevens

Page 2, Line 14 and Line 16:

Delete:
 "January 1, 2010"

Insert:
 "*July 1, 2009*"

ALASKA STATE LEGISLATURE

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Joint Armed Services Committee

SENATOR LESIL MCGUIRE

SUMMARY OF CHANGES

CS for SB 31 - Version D

(1) Section 2(a)

Changed the amount of the PTC to a graduated system that ties the tax credit to the retail cost of power for a community. The amount of the tax credit is equal to 15% of the retail electricity rate for a given community. The tax credit amount is a minimum of 2.1 cents/kWh and a maximum of 5 cents/kWh.

Reason:

As suggested by Chris Rose during Monday's hearing, this seemed to be a more equitable and sensible way to incentivize renewable energy development in communities where it is needed the most. This change ties the amount of the PTC to the cost of power rather than power plant capacities or community populations, which were also explored. Has the advantages of a tiered system but without the arbitrary thresholds.

(2) Section 2(a)(2) removed

Removed language that allowed power producers to claim the tax credit if they used the electricity they produced for their own commercial purposes.

Reason:

Part of the intent of this bill has become to encourage the production and distribution of electricity to communities that need it the most. This (1) ensures that the power being incentivized by the tax credit makes it onto the grid and into the homes of Alaskans, and (2) addresses the industry concern of power producers claiming the tax credit by selling electricity to themselves.

(3) Section 2(b)

Changed the number of years that the credit could be claimed from four to five years.

Reason:

Industry experts suggested extending to as much as ten years, but cursory analysis quickly showed that this would add up to huge subsidies over a ten year period. Half that - five years - seemed a reasonable compromise.

(4) Section 2(g)

Capped the aggregate amount of tax credit plus state grants that can be claimed to 10% of the capital cost of a given project.

Reason:

Prevents over-subsidization of projects that are eligible for both the PTC and Renewable Energy Fund grants. As pointed out by Sen. French, giving a tax credit to a project that has already been subsidized through the renewable energy fund may "over-stimulate" that project.

(5) Section 2(k)(2)

Changed the definition of "energy producer" so that independent power producers are not required to obtain a certificate of public convenience and necessity from the RCA. Limited the eligibility of projects to power plants with a production capacity of 100 kW or more.

As per Sen. Huggins' concern, the certificate may be an unnecessary burden to both the producer and the RCA. Limiting eligibility to 100 kWh or more addresses the problem of "back-door net-metering" as brought up by Chris Rose of REAP.

(6) Section 2(k)(3) and all sections

Changed all occurrences of "alternative energy" to "renewable energy".

Alternative energy and renewable energy are often used interchangeably, but there is an important distinction. The types of energy that are eligible for the PTC program under SB 31 (geothermal, solar, hydroelectric, wind, biomass, hydrokinetic, tidal, and wave energy) are all renewables, not alternatives. The nomenclature was changed to reflect that.

(6) All sections

Moved the tax credit language from 43.98 (Revenue and Taxation: Miscellaneous Provisions) to 43.20 (Revenue and Taxation: Alaska Net Income Tax).

Reason:

Language change recommended by the Tax Division. Ensures that the credit is applicable only against the corporate income tax and not any other state taxes.



Alaska Power Association
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907-561-6103
Fax: 907-561-5547
www.alaskapower.org

February 10, 2009

Senator Lesil McGuire
Chair, Senate Special Committee on Energy

Re: Committee Substitute of SB 31, Alternative Energy Production Tax Credits

Dear Honorable Chair McGuire:

Alaska Power Association (APA) is the statewide trade association for the electric utilities that supply power to more than a half-million Alaskans in communities from Barrow to Unalaska and down the Inside Passage.

APA strongly supports the development of alternative energy projects. State financial assistance and incentives will play a critical role in getting these projects off the drawing board. The Committee Substitute for Senate Bill 31 would help encourage the construction of alternative energy projects through the use of tax credits. It is for these reasons that Alaska Power Association supports the Committee Substitute for Senate Bill 31.

I would like to offer the following suggested changes:

APA suggests defining the time during which a renewable energy producer could claim a credit as 48 months instead of four (4) years. Under the existing bill, if a utility or independent power producer started producing power in August, it could only claim a few months worth of production for that year. By counting months instead of years, the bill would allow for a full four (4) years of production to be claimed over a five-year period. The change could be made by amending subsection (b) to read as follows:

(b) An energy producer may claim a tax credit under this section in the amount of .35 cents for each kilowatt-hour of alternative energy produced or sold. A tax credit may be claimed for each of the first ~~four years~~ **forty-eight months** after the date the system used to produce alternative energy is placed into service.

APA also suggests amending subsection (e) to clarify that it is referring to the credits described in subsection (d). The clarified language would read as follows:

(e) A taxpayer acquiring a ~~transferable~~ tax credit **under (d) of this section** may use the tax credit or a portion of the tax credit to offset taxes imposed under AS 43.20 (Alaska Net Income Tax Act). Any portion of the credit not used may be used at a later time or transferred under (d) of this section.

APA comments on draft CS SB 31, page 1

APA believes that this minor change to section (b) and the clarification to subsection (e) are consistent with the intent behind Committee Substitute for SB 31.

If you have any questions regarding this letter, please contact me at 907-771-5703 or mleland@alaskapower.org. I will be traveling to an out-of-state meeting the day of the first hearing on this bill. As a result, I regret that I will not be able to testify at the hearing.

Thank you for your work on this and other issues of importance to the Alaska electric utility industry.

Sincerely,

A handwritten signature in black ink, appearing to read 'Marilyn Leland', written in a cursive style.

Marilyn Leland
Executive Director



Alaska Conservation Alliance

Uniting for Alaska's Future

February 12, 2009

The Honorable Lesil McGuire
Alaska State Senate
Alaska State Capitol
Juneau, Alaska 99801-1182

Dear Senator Lesil McGuire,

On behalf of the 40 conservation groups and the 38,000 Alaskans that are represented by the Alaska Conservation Alliance, I am pleased to acknowledge our strong support for SB 31 to establish an Alternative Energy Production Tax Credit. This credit will give Alaskan communities, utilities and entrepreneurs the incentive needed to develop clean, stably priced clean energy sources.

As you are well aware, Alaska is at an energy crossroads. Much of the state's aging electricity generation infrastructure will have to be replaced in the next decade. With power plant life spans of 20 to 100 years, decisions made today about electric power technology will affect generations of Alaskans to come. A decision now to base Alaska's energy infrastructure solely on fossil fuels will result in decades of energy price volatility. Additionally, it is commonly accepted that a carbon cap and trade system to limit the greenhouse gas emissions of fossil fuels, further increasing the costs associated with fossil fuels, will soon likely be implemented. An alternative energy production tax credit gives rural and urban communities incentive to tap a fuel-free, zero-carbon energy source that will stabilize Alaska's future energy costs.

Investing in clean energy production and research can help Alaska become an exporter of clean energy technologies to the world in addition to supplying Alaskans with clean and stably priced energy. Through incentives similar to the Geothermal Tax Credit, Germany built an \$8.7 billion renewable energy industry, creating 170,000 jobs.

The Alaska Conservation Alliance would like to thank you for this opportunity to voice our support for SB 31 and we encourage passage of this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Kate Troll".

Kate Troll
Executive Director

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February 18, 2009

Senator Lesil McGuire
State Capital, Room 125
Juneau, Alaska

Dear Senator McGuire:

The efforts you are making towards building Alaska's clean, renewable energy infrastructure is commendable. Our survival as a civilization in the North is dependent on our ability to have affordable and dependable energy available to homes and businesses. As we have seen over the last few years we cannot rely on the stability of fossil fuel prices and need to further develop energy resources that are sustainable and secure. The work you are doing in the Senate Energy Committee shows your commitment to the future of our state's communities and economy.

Specifically, I would like to commend you and Senator Ellis on the development of Senate Bill 31, which if adopted would greatly encourage investment in renewable energy projects and an incentive to get the projects online rapidly. The approach of offering transferable tax credits is the perfect solution for small power producers who won't see significant net income in the first four years of operation. It is also helpful that the tax credits can be assigned, exchanged, or transferred in whole or part; this allows the small producer to have a more favorable revenue outlook when planning a new project.

Many other states have enacted similar legislation. The New Mexico Renewable Energy Production Tax Credit provides a tax credit against the corporate income tax. North Dakota allows any taxpayer -- an individual or corporation -- to claim an income tax credit for the cost of equipment and installation of a system that uses geothermal, solar, biomass, or wind energy. All or part of the unused credit may be sold, assigned or otherwise transferred by the taxpayer under certain limitations.

I am strongly in support of SB 31 and look forward to how it can encourage the development of renewable energy. In Alaska, we can be smokestack free by 2023. What we need is vision, passion, and the cooperation of multiple stakeholders. Any movement towards a sustainable Alaska is a step in the right direction. SB 31 will help accomplish our common goals.

Sincerely,

Bernie Karl
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