

**HB**

**312**

<TARGET><BILL>HB 312</BILL><SUBJECT>HB  
312</SUBJECT><COMM>HFIN27</COMM></TARGET>



# FISCAL NOTE

STATE OF ALASKA cost # codes  
 2012 LEGISLATIVE SESSION

Bill Version CSHB 312(CRA)  
 Fiscal Note Number 1  
 Publish Date 2/22/12 (H)

Identifier (file name) HB312-DOR-AHFC-02-10-12 Dept. Affected Revenue  
 Title Natural Gas Conversion Program/Fund Appropriation Alaska Housing Finance Corp.  
 Allocation AHFC Operations  
 Sponsor Representative Tammie Wilson  
 Requester (H) CRA OMB Component Number 110

**Expenditures/Revenues** (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
<b>OPERATING EXPENDITURES</b>	<b>FY13</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
<b>TOTAL</b>		<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	***	***	***	***	***	***	***
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Estimated SUPPLEMENTAL (FY12) operating costs \_\_\_\_\_ (separate supplemental appropriation required)  
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs \_\_\_\_\_ (separate capital appropriation required)  
 (discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version.

Prepared by Cary Bolling, Officer Governmental Relations & Public Affairs  
 Division Alaska Housing Finance Corporation  
 Approved by Dan Fauske, CEO  
Alaska Housing Finance Corporation

Phone 907-350-2479  
 Date/Time 10:00am; 2/10/2012  
 Date 10:00am; 2/10/2012

FISCAL NOTE #1

STATE OF ALASKA  
2012 LEGISLATIVE SESSION

BILL NO. CSHB 312(CRA)

**Analysis**

This legislation will amend A.S. 18.56 to establish a loan program and fund for homeowners to convert an oil, coal, wood or other non-natural gas-fired heating device so the home is primarily heated by a natural gas-fired heating device. An energy audit is required to estimate costs. Loans will have an interest rate of one percent, a ten year term and may not exceed \$7500.00.

Indeterminate fiscal note . Should there be an appropriation, currently estimated administrative costs would be one percent of fund amount.

**CS FOR HOUSE BILL NO. 312(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): REPRESENTATIVES TAMMIE WILSON, Miller, Dick, Olson, Thompson, Kawasaki, Guttenberg, Neuman, Gardner, Peggy Wilson, Edgmon, Austerman, Holmes, Doogan, Muñoz

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act creating a low-interest loan program for homeowners who convert their homes  
2 to natural gas-fired, propane-fired, biomass, or electric heating or district heat; and  
3 providing for an effective date."

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

5 \* **Section 1.** AS 18.56 is amended by adding a new section to read:

6 **Article 6A. Home Heating Conversion Loan Program.**

7 **Sec. 18.56.870. Home heating conversion loan program.** (a) The corporation  
8 shall establish a program under which the owner of a home that is eligible under (c) of  
9 this section may apply for a loan to convert a home that uses an oil, coal, or wood  
10 heating device so that the home becomes heated primarily by a natural gas-fired,  
11 propane-fired, biomass, or electric heating device or district heat.

12 (b) To qualify for a loan under the program established in (a) of this section,  
13 the homeowner shall obtain an inspection performed by an energy rater approved  
14 under regulations adopted by the corporation or by a registered mechanical contractor.

1 The cost of the inspection shall be borne by the homeowner. The energy rater or  
2 contractor shall, under regulations adopted by the corporation,

3 (1) perform an on-site inspection of the home;

4 (2) determine if converting to a natural gas-fired, propane-fired,  
5 biomass, or electric heating device or district heat as the primary heating method for  
6 the home would increase the energy efficiency of the home; and

7 (3) provide the homeowner with an estimate of the cost savings and  
8 change in the energy efficiency of the home as a result of converting to a natural gas-  
9 fired, propane-fired, biomass, or electric heating device or district heat as the primary  
10 heating method for the home.

11 (c) For purposes of this section, a home is eligible if it is a substantially  
12 complete owner-occupied, single-family dwelling or duplex used as a permanent  
13 residence by the loan applicant, as determined by the corporation, and is located in the  
14 state. Not more than 25 percent of the gross floor area of the building for which a loan  
15 is received may be devoted to commercial use. An eligible home does not include a  
16 home

17 (1) that is to be destroyed, abandoned, or converted to another purpose  
18 within 12 months after an inspection performed under (b) of this section;

19 (2) to which the energy source fueling or powering the new heating  
20 method is not available; or

21 (3) for which a loan was previously received under this program.

22 (d) Loans made under this program

23 (1) shall have an interest rate of one percent;

24 (2) shall be repaid over a term of 10 years;

25 (3) may not be subject to income limitations;

26 (4) may not exceed, for a home, the lesser of

27 (A) the cost of the new natural gas-fired, propane-fired,  
28 biomass, or electric heating device or district heat equipment that will be used  
29 as the primary heating method for the home; or

30 (B) \$7,500.

31 (e) Repayments of principal on a loan made under this section shall be used by

1 the corporation for the purposes of providing loans under this section or paying the  
2 administrative costs related to providing loans under this section. Interest paid on  
3 loans made under this section shall be deposited in the general fund and may be  
4 appropriated for the loan program under this section or for any other public purpose.

5 (f) In making loans under this section, the corporation is exempt from the  
6 requirements of AS 46.11.050(b).

7 \* **Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).

27-LS1301\E  
Nauman  
4/4/12

*Adopted  
4/5/12*

**CS FOR HOUSE BILL NO. 312(FIN)**

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# Alaska State Legislature House of Representatives

Representative Tammie Wilson

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## CS for House Bill 312 (FIN)

"An Act creating a low-interest loan program for homeowners who convert their homes to natural gas-fired, propane-fired, biomass, or electric heating or district heat; and providing for an effective date."

Committee Substitute for House Bill 312 (FIN) will create a low-interest loan program, providing Alaskans an affordable avenue for converting their oil, coal, or wood heating appliance to a natural gas-fired, propane-fired, biomass, electric heat or district heat heating appliance.

The loan program established under CSHB 312 (FIN) will be overseen by the Alaska Housing Finance Corporation, allowing qualified applicants, regardless of income level, to receive up to a \$7,500 loan for a new heating appliance, or heat exchanger in the case of district heat, at an interest rate of 1% over a 10 year term.

Once CSHB 312 (FIN) is funded by the legislature, communities across the state will have the option to convert their oil, coal or wood heating appliance to a cheaper and cleaner heating method.

An additional benefit of CSHB 312 (FIN) will be the effects of the program on a community's air quality. Currently, the U.S. Environmental Protection Agency has declared the Fairbanks North Star Borough a PM 2.5 nonattainment area. This designation has serious economic development impacts. One example of such impacts is the potential loss of Federal highway monies. The FNSB will be able to apply the loan program of CSHB 312 (FIN) towards their required EPA state implementation plan to mitigate the existing air quality concerns.

I urge your support of CSHB 312 (FIN) to help provide Alaska's homes and families with cleaner and affordable heating options.

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House of Representatives  
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CS for House Bill 312 (CRA):

"An Act creating a low-interest loan program for homeowners who convert their homes to natural gas-fired, propane-fired, biomass, or electric heating or district heat; and creating the home heating conversion loan fund."

Committee Substitute for House Bill 312 (CRA) will create a low interest loan program, providing Alaskans an affordable avenue for converting their oil, coal, or wood heating appliance to a natural gas-fired, propane-fired, or biomass furnace. It will also allow homeowners to convert to either electric heating or district heat.

The loan program established under CSHB 312 (CRA) will be overseen by the Alaska Housing Finance Corporation, allowing qualified applicants, regardless of income level, to receive up to a \$7,500 loan for a new heating appliance, or heat exchanger in the case of district heat, at an interest rate of 1% over a 10 year term.

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## CSHB 312 (CRA) Sectional Analysis

**Section 1.** Amends AS 18.56 creating a new section “Article 6A. Home Heating Conversion Loan Program” with new sections 18.56.870, 18.56.873, and 18.56.875.

**Sec. 18.56.870.** Titled “Home heating conversion loan program”. Creates a new home heating conversion loan program under the Alaska Housing Finance Corporation (AHFC). Qualified applicants can apply for a low interest loan to convert a home that uses an oil, coal, or wood heating device to convert to a device that uses natural gas, propane, biomass, electric heat or district heat. To qualify for a loan, the homeowner will need an energy audit performed by an approved rater, to be paid for by the homeowner. Defines an eligible home as substantially complete, owner-occupied, single-family dwelling or duplex used as a permanent residence of the loan applicant. Not more than 25 percent of the home may be used for commercial purposes. An eligible home does not include a home that has been destroyed, abandoned, or converted to another form of heat 12 months after an energy audit has been performed, to a home which natural gas is not available, and to a home that has already received a loan under this program.

**Sec. 18.56.873.** Titled “Home heating conversion loan fund”. Establishes the home heating conversion loan fund administered by AHFC. Money will be appropriated to the fund by the Legislature. Loans made under the conversion program will have an interest rate of 1 percent, term of 10 years, not subject to income limitations, and may not exceed the cost of conversion to a natural gas heating device or \$7,500. Provides the loan fund may be used for making loans to eligible homeowners, cover costs of administering the loan, and cover costs of administering and enforcing loan terms.

**Sec. 18.56.875.** Titled “Energy audit exemption”. Exempts AHFC from requirements of AS 46.11.050(b) when making loans under AS 18.56.870 and 18.56.873.



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## CSHB 312 (CRA) Explanation of Change

**Section 1.** Changes title of AS 18.56 to “Home Heating Conversion Loan Program”.

**Sec. 18.56.870.** Changes title to “Home heating conversion loan program”. Adds propane-fired and biomass devices, as well as electric and district heat to eligible forms of heat which a homeowner can obtain a loan for the conversion of their heating device.

**Sec. 18.56.873.** Changes title to “Home heating conversion loan fund”. Includes propane-fired and biomass devices and electric and district heat devices.

**Sec. 18.56.875.** No change.



## FY13 Legislative Request

**Legislative Request By: Fairbanks North Star Borough**



**Request Title: Legislation to Finance Fuel Conversions to a Natural Gas Distribution System in the Fairbanks North Star Borough**

### **Brief Description of Request:**

The FNSB requests that legislative action be taken in the 2012 session to establish a low interest fuel conversion loan program that would enable Borough residents to take advantage of lower cost, liquefied natural gas energy that is projected to be made available through the Golden Valley Electric Association-Flint Hills Resources (GVEA-FHR) Liquefied Natural Gas Trucking Project by the end of 2014.

### **Please provide a detailed description and justification:**

#### **Legislation to Finance Fuel Conversions to a Natural Gas Distribution System in the Fairbanks North Star Borough**

The Golden Valley Electric Association-Flint Hills Resources (GVEA-FHR) Liquefied Natural Gas Trucking Project is moving forward to meet their March 2012 project commitments, with possible availability of liquefied natural gas to Borough residents by the end of 2014. The FNSB requests that legislative action be taken to establish a low interest fuel conversion loan program that will enable Borough residents to finance converting or replacing their home's oil fired furnaces to natural gas quickly and at a reasonable rate.

By establishing a low interest fuel conversion loan program in the 2012 legislative session, the legislature would ensure FNSB residents are poised to take advantage the lower cost, more efficient liquefied natural gas as soon as it is made available through the GVEA-FHR Trucking Project in late 2014. A fuel conversion loan program could be similar to the AHFC home energy rebate program using auditors to evaluate residential oil fired heating devices (appliances) to be replaced or converted and estimate the cost to the homeowner. By establishing a low interest fuel conversion loan program, the legislature will have a financing method in place that could be applied as other heating alternatives become available.

The previously funded Natural Gas Distribution Study will determine borough-wide gas distribution systems and associated funding costs and evaluate the extent natural gas delivery would impact the attainment model for reducing local PM 2.5 emissions.

**Has the project gone through a public review process at the local level and is it a community priority by resolution or other official action by the governing body?**

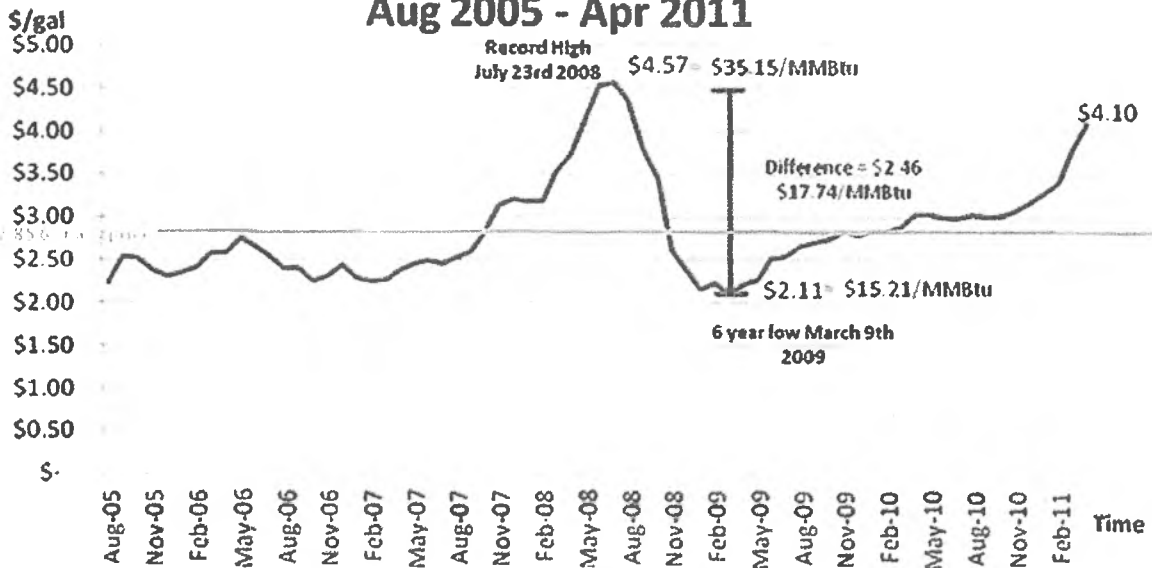
YES X NO \_\_\_\_\_

**Grant Recipient Contact Information:** See Contact Information page/section of this book.

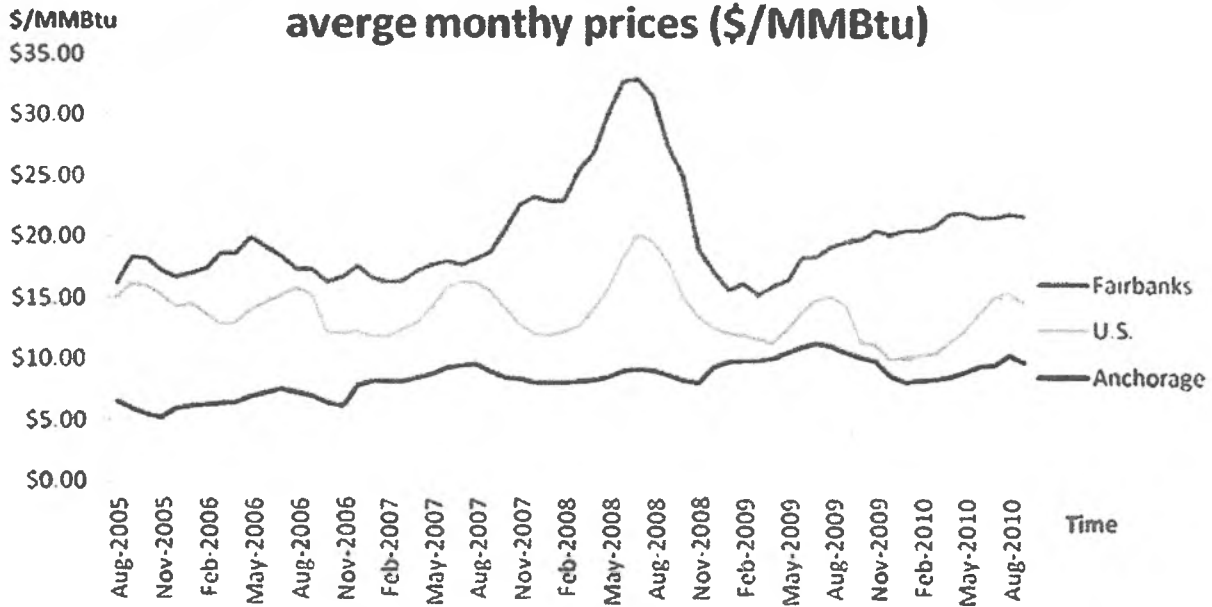
**You must provide documentation. (ie. Copy of resolution and/or appropriate letter(s) of support) See Resolution page/section of this book.**

**If your project request has not gone through a public and/or governing or appropriate review process for your community or school district then it may not make it through the Legislative process of approval.**

## Monthly Average Home Heating Fuel Price FNSB Aug 2005 - Apr 2011



## Anch (nat gas), FBKS(heating fuel), U.S. (nat gas) average monthly prices (\$/MMBtu)



Source: Data obtained from Energy Information Administration 2011

## Cost of Living

### RESIDENTIAL HEATING FUEL COMPARISON

Fairbanks, Alaska  
November 2011

Fuel (see notes below)	Avg Price	Per Unit	Gross Heat (BTU)	Heater Efficiency	\$/100,000 BTU's of Useful Heat	Useful BTU's per \$1.00
Electricity (100% eff.)	\$0.1976	/kWh	3,413	100%	\$5.790	17,272
District Hot Water Heat	\$17.9300	/mmbtu	1,000,000	100%	\$1.793	55,772
District Steam Heat	\$10.5000	/1,000 lb	1,066,000	100%	\$0.985	101,524
Fuel oil #2 (85% eff.)	\$3.8525	/gal	135,000	85%	\$3.357	29,786
Natural gas (85% eff.)	\$23.3500	/mcf	1,010,000	85%	\$2.720	36,767
Propane (85% eff.)	\$4.0700	/gal	91,333	85%	\$5.243	19,074
Wood, pellet (85% eff.)	\$295.0000	/ton	16,000,000	85%	\$2.169	46,102
Wood, birch (70% eff.)	\$250.0000	/cord	20,500,000	70%	\$1.742	57,400
Wood, spruce (70% eff.)	\$250.0000	/cord	15,000,000	70%	\$2.381	42,000
Coal, stoker	\$110.0000	/ton	15,200,000	55%	\$1.316	76,000
Electricity (distributed): PRICE includes rate, customer charge, RCA charge, cost of fuel adjustment charge.				0.293 watt hours = (1) BTU	\$0.198	per kWh
Hot water				per million BTUs	\$17.930	hot water
Steam				per 1,000 lbs p/month	\$10.500	steam heat
Wood, according to a table on the energy content of Interior Alaska trees prepared by George Sampson, a former Institute of Northern Forestry research forester: Paper birch provides 25.4 million BTU per cord; tamarack provides 24.8 million BTU per cord.				varies p/ton, p/cord	\$250.000	per cord of wood
Fuel oil (common: "60% #2, 40% #1 blend" or "-15, #2") (delivered by truck)				135,000 BTU/gal	\$3.853	per gal
Natural gas (liquefied, trucked to Fairbanks, delivered by pipeline). NOTE: an average home in Fairbanks may use 250 CCF or 25,000 cubic feet (cf) of gas in a typical January, when natural gas is used for heating only. PRICE includes rate, customer charge, RCA.				1,010 BTU/cf	\$2.335	per 100 cubic feet (CCF)
Propane (delivered by truck to homes)				91,333 BTU/gal	\$4.070	per gal
Coal, delivered to downtown				avg: \$90/ton		

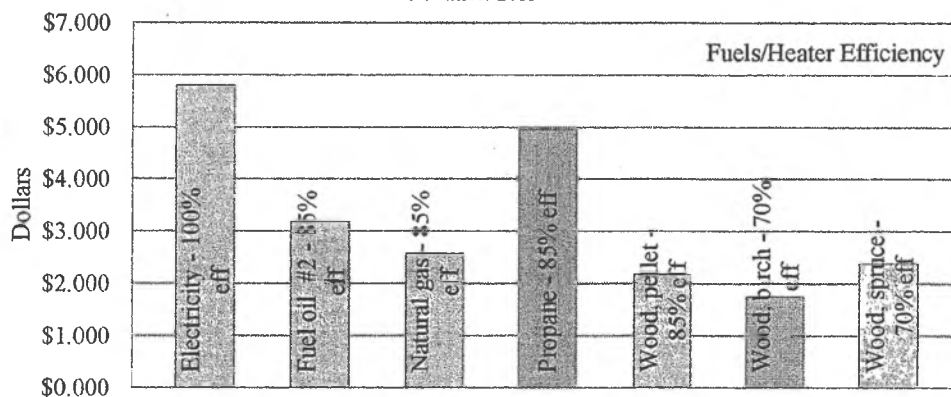
SOURCE: Golden Valley Electric Association, Inc. (GVEA), LEED Accredited Professional Energy End Use Specialist and SNAP Program Tech, Todd Hoener, *Heating Fuel Comparison, November 2011*, personal communication, 2011.

NOTE: A British Thermal Unit (BTU) is the amount of heat energy needed to raise the temperature of one pound of water by one degree F. This is the standard measurement used to state the amount of energy that a fuel has as well as the amount of output of any heat generating device.

A common index of the cost of heat is "dollars per 100,000 BTUs of useful heat." In order to calculate useful heat (heat actually delivered to

### COMPARISON PRICE PER 100,000 BTUs OF USEFUL HEAT

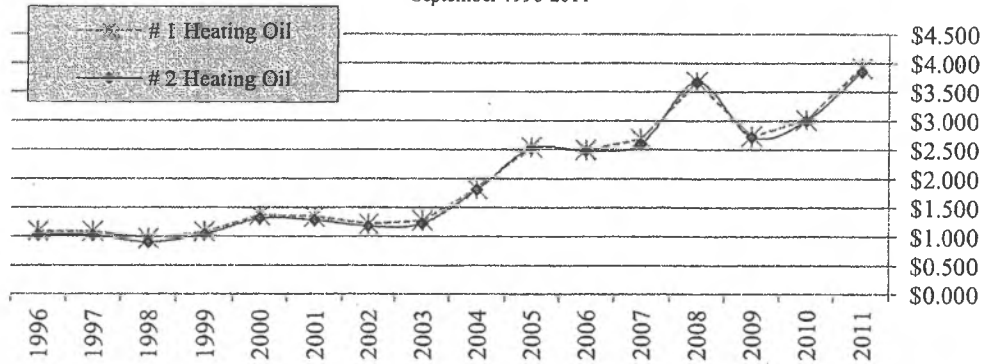
Fairbanks, Alaska  
November 2011



## Cost of Living

### AVERAGE HEATING OIL PRICES

Fairbanks North Star Borough  
September 1996-2011



### HEATING OIL PRICES

Fairbanks North Star Borough  
September 1986-2011

	#1 Fuel Oil		#2 Fuel Oil	
	Average	Range (\$)	Average	Range (\$)
1986	\$0.778	(0.750-0.795)	\$0.728	(0.715-0.755)
1987	\$0.918	(0.918-0.970)	\$0.875	(0.815-0.920)
1988	\$0.880	(0.800-0.922)	\$0.847	(0.770-0.895)
1989	\$0.957	(0.900-0.992)	\$0.911	(0.860-0.952)
1990	\$1.179	(1.110-1.222)	\$1.140	(1.070-1.200)
1991	\$0.927	(0.880-0.977)	\$0.901	(0.850-0.940)
1992	\$0.975	(0.915-1.037)	\$0.941	(0.895-0.980)
1993	\$0.999	(0.975-1.045)	\$0.939	(0.918-0.970)
1994	\$0.961	(0.930-1.015)	\$0.903	(0.880-0.945)
1995	\$0.955	(0.900-1.040)	\$0.888	(0.830-0.960)
1996	\$1.088	(1.040-1.155)	\$1.023	(0.970-1.068)
1997	\$1.087	(1.050-1.120)	\$1.019	(0.970-1.060)
1998	\$0.964	(0.940-1.000)	\$0.900	(0.880-0.930)
1999	\$1.075	(1.030-1.120)	\$1.035	(1.000-1.050)
2000	\$1.372	(1.330-1.400)	\$1.312	(1.270-1.360)
2001	\$1.343	(1.300-1.380)	\$1.283	(1.260-1.310)
2002	\$1.212	(1.175-1.310)	\$1.175	(1.110-1.280)
2003	\$1.273	(1.220-1.320)	\$1.224	(1.200-1.260)
2004	\$1.824	(1.770-1.870)	\$1.809	(1.770-1.840)
2005	\$2.544	(2.500-2.610)	\$2.523	(2.480-2.560)
2006	\$2.494	(2.390-2.580)	\$2.479	(2.380-2.550)
2007	\$2.683	(2.640-2.730)	\$2.598	(2.540-2.640)
2008	\$3.670	(3.610-3.790)	\$3.670	(3.630-3.770)
2009	\$2.731	(2.680-2.750)	\$2.722	(2.690-2.740)
2010	\$3.020	(2.980-3.060)	\$3.000	(2.960-3.060)
2011	\$3.922	(3.890-3.950)	\$3.852	(3.820-3.880)

**SOURCE:** Fairbanks North Star Borough, Community Research Center surveys, 1986-2011.

**NOTE:** Discounts of several cents per gallon may be available from retailers depending on method and timing of payment. Prices based on automatic delivery of 500 gallons of heating oil, without early payment discount.



## CITY OF FAIRBANKS

Jerry Cleworth, Mayor

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February 17, 2012

Representative Tammie Wilson  
Alaska State Legislature  
State Capitol, Room 415  
Juneau, AK 99801-1182

Re: HB312

Dear Representative Wilson:

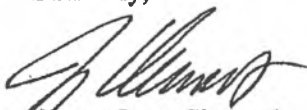
Thank you for introducing HB312. This is a proactive method for helping individuals make changes that would improve the air quality.

Many residents are quite knowledgeable about the air quality problems that face our area, but simply do not have resources that could exact a change. This provides a tool that can be utilized and encourages them to take that important first step. It is a method that assists them rather than simply putting the whole onus on them.

This Bill offers important planning for the eventual transition in our community towards natural gas. Development of that infrastructure needs to start now and this goes hand-in-hand with the gas distribution study the Fairbanks North Star Borough is currently working on.

Please let me know if I can be of further help.

Sincerely,



Mayor Jerry Cleworth



Representative Tammie Wilson

State Capital Room 415

Juneau, Alaska 99801

Dear Representative Wilson:

I am writing to express my appreciation for your work in introducing HB 312, that would create a low interest loan program to encourage and assist homeowners in converting from more expensive, less efficient home heating systems to other means of heat, including natural gas, propane and where available, District Heat.

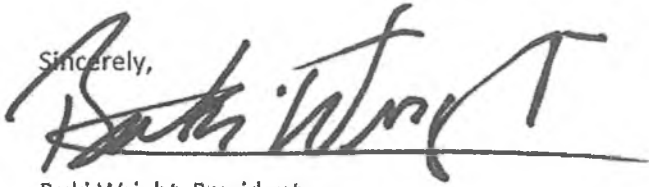
As you know, Aurora Energy sells heat and electricity from its Chena Power Plant in downtown Fairbanks. The coal-fired cogeneration plant produces steam, which is then used to generate electricity and to power Aurora's three hot water and one steam heat systems providing clean, hassle-free, reliable, inexpensive heat throughout the core area of Fairbanks. In fact, a home connected to the Aurora District Heat system produces virtually zero emissions, because the heat source is at the power plant, where the plant operations and emissions are constantly monitored and fully regulated. When a new home is added to the system, the oil or gas boiler or furnace at that location is taken out of service, thus eliminating that emission source, and in the case of oil heat, eliminating the need for an oil storage tank on the property.

Additionally, for well over ten years, Aurora Energy's hot water and steam District Heat have been the lowest cost heat alternative available, lower than either oil heat or natural gas heat. The impediment to more residences connecting to the Aurora system has been the relatively high cost of connecting to the system. Since the heat is generated at the power plant, the heat is distributed to customers through pipes in the streets. It can be costly to connect, and for smaller residences, the cost is sometimes prohibitive, compared to the savings brought about by the conversion. The loan program envisioned by HB 312 can be a tremendous help to those small homeowners and others.

As long as District Heat is treated on an equivalent basis with other alternative heat sources eligible for the loan program, Aurora Energy supports the concept of the loan program. We look forward to working with you to ensure a solid bill that will provide much needed help to the homeowners in Alaska, while continuing to improve the quality of the air we all breathe.

Thank you again for your work in this vital area.

Sincerely,

A handwritten signature in black ink, appearing to read "Buki Wright". The signature is written in a cursive style with a long horizontal line extending from the end of the name.

Buki Wright, President

Aurora Energy, LLC.

March 11, 2011



**sierra  
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**Memo to:** Honorable Luke Hopkins, Mayor  
Fairbanks North Star Borough

**From:** Bob Dulla and Frank Di Genova

**Subject:** Emission Reduction Benefits of Natural Gas Displacing Conventional Heating Fuels in Fairbanks

For a variety of reasons, including poor dispersion, low temperatures, and limited fuel mix, Fairbanks has poor wintertime air quality and frequently exceeds the National Ambient Air Quality Standard for PM<sub>2.5</sub>. A recent inventory of emissions shows that space heating, and particularly heating with wood, is responsible for the vast majority (74%) of the direct wintertime PM<sub>2.5</sub> emissions (and an even higher percentage of nuisance smoke complaints). By contrast, oil burning provides roughly the same amount of heating as wood (BTU basis) but contributes only about 1% of direct PM<sub>2.5</sub> emissions. However, distillate oil burning for space heating contributes about 42% of (gaseous) sulfur dioxide emissions, and these and other gaseous emissions can convert in the atmosphere to secondary PM<sub>2.5</sub>, adding significantly to the total PM<sub>2.5</sub> burden. Displacement of wood burning and, to a lesser extent, displacing of oil burning, with much cleaner natural gas can significantly reduce these direct and indirect PM<sub>2.5</sub> emissions.

Based on EPA emission factor data, switching from a conventional wood stove to natural gas reduces direct PM emissions by 99.7%, and switching from residential distillate oil burning to natural gas reduces direct PM by 38.6%. In addition, the fuel oil to gas switch reduces emissions of (gaseous) sulfur dioxide by 99.7%.

According to the 2000 Census, there are 25,583 households in the Fairbanks PM<sub>2.5</sub> nonattainment area. Shifting 12,000 homes to natural gas would largely eliminate directly emitted PM from almost 50% of the homes in the nonattainment area and substantially reduce the secondary PM burden as well. No other option has been identified to date that can produce reductions of this magnitude and significantly move the Borough towards attainment in a cost effective manner.

cc. Glenn Miller  
Jim Conner

[print](#)

## **Fairbanks North Star Borough to pursue money for gas distribution network**

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by Jeff Richardson/jrichardson@newsminer.com

01.16.12 - 11:35 pm

**FAIRBANKS** — The Fairbanks North Star Borough hopes to pursue state funding for a local natural gas distribution network in the months ahead, part of a push for infrastructure that officials view as a key step toward lowering energy costs in the Interior.

Ammunition for the lobbying effort could come from a state-funded \$430,000 study on the feasibility of such a system. A preliminary draft of the report is due by the end of January, providing ample time for the borough to pursue funding during the legislative session.

Jim Dodson, executive director of the Fairbanks Economic Development Corp., said it's crucial to learn more about how natural gas could be distributed to Fairbanks homes.

State and local officials have spent years working to develop a plan to pipe or truck stranded natural gas from the North Slope oil fields. But even if a gas line materialized in the borough tomorrow, Dodson said, the community couldn't take advantage of the resource.

"Fairbanks today is simply not in a position to utilize natural gas if we were to get it," said Dodson, who is chairman of a committee formed by FEDC to administer the state grant.

The borough signed a contract on Dec. 28 with Northern Economics to conduct the gas distribution feasibility study. A preliminary report is expected within a few weeks, with a final version expected by June.

Rough cost estimates for building a gas distribution system in the Fairbanks area likely will be \$30 million or more, Dodson said, and he said help potentially could come from the state in the form of grants or low-interest loans.

Dodson said Fairbanks is one of the few communities in the state that doesn't get a state subsidy to help lower energy costs. Anchorage and other parts of Southcentral get help from the state for parts of their gas distribution network. Most rural areas, meanwhile, are eligible for the state's Power Cost Equalization program, which reduces electric rates.

Steve Haagenson, a committee member and the former director of the Alaska Energy Authority, said the study should be viewed as "a business planning tool" in an area where economic growth has been stifled by high energy costs.

"The time to sit and pontificate about options is coming to an end," he said.

Borough Mayor Luke Hopkins said progress toward a gas delivery system could buy Fairbanks time as it struggles with a looming federal mandate to improve air quality. The borough needs to get Environmental Protection Agency approval for a clean air plan by December, and Hopkins said the EPA likely would accept progress toward more natural gas use as a sign of improvement.

The study will look at how a system could be expanded, including to parts of the borough that wouldn't be part of an urban gas grid. It also will consider whether it would be most feasible to fund a distribution system with money from public sources, private industry or a combination of both.

The immediate demand for gas in Fairbanks is about 8 billion cubic feet per year, divided between Golden Valley Electric Association, the Flint Hills Resources oil refinery and about 1,100 businesses and homes supplied by Fairbanks Natural Gas.

Dodson said the appetite for gas would need to grow considerably to make most delivery options viable.

“What this gives us is an opportunity to look at the options,” he said.

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