

HB

297

<TARGET><BILL>HB 297</BILL><SUBJECT>HB
297</SUBJECT><COMM>HFIN28</COMM></TARGET>

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: HB 297
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB297-DOR-AHFC-2-16-14
Title: HOME ENERGY RATING SYSTEM
Sponsor: PRUITT
Requester: H FIN

Department: Department of Revenue
Appropriation: Alaska Housing Finance Corporation
Allocation: AHFC Operations
OMB Component Number: 110

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues								
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/14

Why this fiscal note differs from previous version:

Initial version.

Prepared By: <u>Les Campbell, Budget Director</u>	Phone: <u>(907)330-8356</u>
Division: <u>Alaska Housing Finance Corporation</u>	Date: <u>02/16/2014 10:00 AM</u>
Approved By: <u>Bryan Butcher, CEO</u>	Date: <u>02/16/14</u>
Agency: <u>Alaska Housing Finance Corporation</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. HB297

Analysis

This bill recognizes Alaska Housing Finance Corporation (AHFC) as the authorizing agency to approve home energy rating systems (HERS) utilized in Alaska.

AHFC currently has its own AKWarm home energy rating system and software that has been in use, and continuously updated, since 1996. It is specifically designed for Alaska and is recognized by the Alaska building, real estate and home loan industries and is directly tied to AHFC programs, including the Home Energy Rebate and Weatherization programs, interest rate reductions for home loans and Alaska Building Energy Efficiency Standards. The software is available to all at no cost.

In the event that another home energy rating system is submitted to AHFC for approval, that software will require review and testing to ensure Alaska's varied and extreme climatic conditions are appropriately addressed and equivalent to AKWarm.

The cost of testing and review is expected to be covered by the requestor and/or U.S. Department of Energy funds. As a result, there is no fiscal impact to AHFC anticipated for this bill.

Regulations will be developed to identify the process for which new software packages will be evaluated, addressing Alaska's unique climatic and geographic diversity. Estimated time to write new regulations, have appropriate hearings, and get AHFC Board of Directors approval will take approximately six months.

CS FOR HOUSE BILL NO. 297(FIN)

**IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-EIGHTH LEGISLATURE - SECOND SESSION**

BY THE HOUSE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES PRUITT, Gara

A BILL

FOR AN ACT ENTITLED

1 **"An Act recognizing the Alaska Housing Finance Corporation as the authorizing agency**
2 **to approve home energy rating systems for the state; and providing for an effective**
3 **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 article 6 to read:

6 **Sec. 18.56.860. Home energy rating systems.** The corporation shall act as the
7 authorizing agency for purposes of approving home energy rating systems used in the
8 state.

9 *** Sec. 2.** This Act takes effect July 1, 2014.

*Adopted
3/6/14*

28-LS1307N
Nauman
3/5/14

CS FOR HOUSE BILL NO. 297(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): REPRESENTATIVES FRUITT, Gara

A BILL

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HOUSE BILL NO. 297

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE PRUITT

Introduced: 2/5/14
Referred:

A BILL

FOR AN ACT ENTITLED

1 **"An Act recognizing the Alaska Housing Finance Corporation as the authorizing agency**
2 **to approve home energy rating systems for the state; and providing for an effective**
3 **date."**

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

5 * **Section 1.** AS 18.56.010 is amended by adding a new subsection to read:

6 (h) The legislature finds that recognizing the corporation as the state's home
7 energy rating system authorizing agency serves a public purpose in benefitting the
8 people of the state. The corporation shall act as the authorizing agency for purposes of
9 approving home energy rating systems used in the state.

10 * **Sec. 2.** This Act takes effect July 1, 2014.



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF
CHIEF COUNSEL

March 26, 2012

Mr. John J. Wagner
Kutak Rock LLP
The Omaha Building
1650 Farnam Street
Omaha, Nebraska 68102-2186

Dear Mr. Wagner:

This letter responds to your letter dated January 16, 2012, on behalf of the Alaska Housing Finance Corporation (AHFC), accompanying an Application for its proprietary software, AkWarm software v.2.1.3.2 (AkWarm), to be included on the list of approved software for purposes of the New Energy Efficient Home Credit under section 45L of the Internal Revenue Code.

Notice 2008-35 (Notice) provides the requirements for software programs to be included on a list of approved software that may be used to calculate energy consumption for purposes of § 45L. Section 5.02(4) of the Notice requires that the software developer declare, under penalties of perjury, either:

- i. That the software program has satisfied all tests required to conform to the software accreditation process prescribed in Residential Energy Services Network Publication (RESNET) No. 05-01 or No. 06-001 (RESNET Publications), or
- ii. That the software program has satisfied all tests necessary to permit a determination that the software program is sufficiently accurate to justify its use in calculating energy consumption for purposes of providing a certification under section 3 of the Notice.

Because the representation submitted was qualified by a discussion of the basis of the representation that had the effect of limiting the representation, the Application was not accepted. Since the § 45L credit only applies to homes acquired before January 1, 2012, we do not anticipate that we will add any additional software to the list of approved software for purposes of § 45L.

The following is provided to you as general information. Section 3.03(3) of the Notice requires calculation of heating and cooling energy consumption in the manner prescribed in section 2.03 of the Notice. Section 2.03 requires that, for purposes of calculating energy savings under section 2.02 of the Notice, heating and cooling energy consumption must be calculated in accordance with the procedures prescribed in

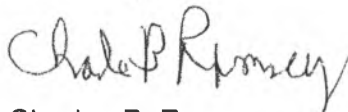
RESNET Publications or in accordance with an equivalent calculation procedure. Under § 4.01(6) of the Notice, an equivalent calculation procedure is a procedure that produces results comparable to the results obtained under the procedures prescribed in RESNET Publications.

The information submitted with your Application on January 16, 2012, does not appear to show that AkWarm meets the requirements of § 5.02(4)(ii) of the Notice. RESNET uses the Home Energy Rating System Building Energy Simulation Test (HERS BESTEST) Tier One to predict building heating and cooling loads. The information submitted indicates that, although heating load results from AkWarm fell within the 90% confidence intervals required by HERS BESTEST standards, only 76% of the cooling load results fell within the 90% confidence intervals required by the HERS standards. Although AkWarm was submitted only for use in Alaska, the requirement that software adequately predict cooling loads applies to all applications for the list of approved software. Thus, because the cooling load results from AkWarm are not comparable to those of used by RESNET, the information submitted does not show AkWarm produces results comparable to the results obtained under the procedures prescribed in RESNET Publications.

In addition, the information submitted for other parts of the RESNET standards, such as RESNET HVAC tests and duct distribution tests only show that other agencies have approved AkWarm for their purposes or standards. The material does not show that AkWarm produces test results that are comparable to the results obtained under the procedures prescribed in RESNET Publications.

I hope this information is helpful to you. If you have any questions, please call me or Jennifer Bernardini at 202-622-3110.

Sincerely,



Charles B. Ramsey
Chief, Branch 6
(Passthroughs & Special Industries)

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WICHITA

2012 JAN 17 AM 10:20

JOHN J. WAGNER
john.wagner@kutakrock.com

January 16, 2012

VIA FEDERAL EXPRESS

Ms. Jennifer Bernardini
Internal Revenue Service
Office of Associate Chief Counsel
(Passthroughs & Special Industries)
CC: PSI: BO6, Room 4315
1111 Constitution Avenue, N.W.
Washington, D.C. 20224

Re: I.R.S. Notice 2008-35 – Approval of Software to Provide Certification of §45L
Energy Efficient Home Credit

Dear Ms. Bernardini:

Pursuant to I.R.S. Notice 2008-35, the Alaska Housing Finance Corporation (“AHFC”) previously submitted an application to the Internal Revenue Service requesting approval of its energy consumption calculation software, AkWarm, as a software program that may be used to calculate energy consumption for the purpose of providing the certification required under §45L of the Internal Revenue Code of 1986, as amended.

Notice 2008-35 requires that heating and cooling energy consumption be calculated in accordance with the procedures prescribed in Residential Energy Services Network (RESNET) Publication No. 05-001 or No. 06-001 or in accordance with an equivalent calculation procedure.

We are requesting that the enclosed comprehensive application be considered for approval by virtue of demonstrating that the heating and cooling energy consumption is calculated in accordance with “an equivalent calculation procedure” pursuant to Section 2.03 of the Notice, as supported by a declaration specified in Section 5.02(4)(ii), all as hereinafter detailed. AHFC is seeking approval for AkWarm only for use in Alaska.

AHFC submitted a package on June 22, 2010 which included the AkWarm software program, the AkWarm Evaluation Study by the Boulder Energy Associations, the Analysis of AkWarm Home Energy Rating Software Energy Predictions by the Alaska Building Science Network and a declaration by the developer of AkWarm. AHFC submitted an additional

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package on September 17, 2010 which included an explanation of AkWarm's equivalent calculation procedure comparing AkWarm's formula for the computation of energy savings to the formula cited in RESNET Publication No. 06-001, the AkWarm programming code that implements the formula for the computation of energy savings, the AkWarm programming code that demonstrates AkWarm configures the reference home and qualifying home based upon the 2004 Supplement to the International Energy Conservation Code and the AkWarm Technical Manual.

AHFC is hereby resubmitting its application which includes: (i) the name, address and telephone number of the developer (see Exhibit A), (ii) the name of the software program (AkWarm), (iii) the test results and test runs demonstrating heating and energy consumption calculation in accordance with an equivalent calculation procedure and the software program with which the results and runs were performed (hereinafter detailed), and (iv) a declaration by the developer of the software program, made under penalties of perjury, that the software program "[h]as satisfied all tests necessary to permit a determination that the software program is sufficiently accurate to justify its use in calculating energy consumption for purposes of providing a certification under section 3 of th[e] notice" (see Exhibit A).

An equivalent calculation procedure is defined in Notice 2008-35 as "a procedure that produces results comparable to the results obtained under the procedures prescribed in Residential Energy Services Network (RESNET) Publication No. 05-001 (Nov. 17, 2005) or No. 06-001 (June 1, 2006)." RESNET Publication No. 06-001 contemplates a series of tests including HERS BESTEST Tier One, auto-generation of the reference home, RESNET HVAC tests and duct distribution tests. The following details how AkWarm produces comparable results. (The AkWarm programming code and the HERS BESTEST Validation are also included on the enclosed diskette.)

Heating and Cooling Loads

The Home Energy Rating System Building Energy Simulation Test (HERS BESTEST) determines the ability of the software to predict building heating and cooling loads. The Cold Climate Housing Research Center ran AkWarm for the thirty test cases in the HERS BESTEST Tier One (see Exhibit B). All AkWarm heating load results fell within the ninety percent confidence intervals required by HERS standards. Sixteen of the twenty-one AkWarm cooling load results fell within the ninety percent confidence intervals required by HERS standards. The five cooling test failures are associated with cases that address south-side opaque overhangs and glazing orientation. AkWarm does not model overhangs because they have little effect during the heating season in Alaska when sun angles are very low. Additionally, AkWarm includes shading from external buildings and trees and only requires the user to separate windows into south-facing and non-south facing categories which likely explains the glazing orientation tests. It should be noted that AkWarm was developed specifically to deal with climate and building conditions in Alaska, which are very different from the test case cities. Cooling loads in Alaskan

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residences are usually more than 200 times smaller than heating loads, and very few Alaskan residences even have cooling systems. Note that AHFC is seeking approval for AkWarm only for use in Alaska.

We note that similar software programs appearing on the list of approved software programs that may be used to calculate energy consumption maintained by the Internal Revenue Service have also experienced some HERS BESTEST failures.

Reference Home and Qualifying Home Configuration.

The reference home tests verify the ability of the software to automatically generate the tax credit reference home. AkWarm configures the reference home and the qualifying home based upon the 2004 Supplement to the International Energy Conservation Code (the "2004 Supplement") as required by Section 45L of the Internal Revenue Code, as described in Exhibit C and the AkWarm programming code that implements the configuration (see Exhibit E). RESNET Publication No. 06-001 bases its rule set for the configuration of the reference home and the qualifying home upon the 2004 Supplement.

RESNET HVAC and Duct Distribution

The RESNET HVAC tests assess the consistency with which the software treats furnaces, air conditioners and air source heat pumps and the duct distribution tests measure the accuracy of air distribution system loss calculations. The HVAC tests require the software support compressor based air conditioning systems, oil, propane or natural gas forced air furnaces, electric resistance forced air furnaces and air source heat pumps. The duct distribution tests require that duct insulation, air leakage and location are accounted for in the software. The Department of Energy Approvals (see Exhibit F), including a letter from Simonson Management Services, addresses the accuracy of AkWarm's coverage of heating systems and accounting of duct leakage. Additionally, the previously submitted Boulder Energy Associates Study demonstrates that AkWarm has compared favorably in the past with the DOE-2 building energy analysis program that predicts the energy use and cost for all types of buildings.

We note that the Notice does not require the submission of a software program and test results/runs which are the same as those of RESNET, but that the proposed software program "has satisfied all tests necessary to permit a determination that the software program is sufficiently accurate to justify its use in calculating energy consumption for purposes of providing a certification under Section 3 of this notice." AHFC believes it has submitted sufficient information to comply with Notice 2008-35 and to demonstrate that the AkWarm software program calculates heating and cooling energy consumption in accordance with an equivalent calculation procedure.

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On that basis we request your approval of the AkWarm software program. If you have questions or desire additional information, please contact me; if the questions or desired additional information are technical in nature, please contact John Anderson, AHFC Weatherization Program Officer, (907) 330-8155 or if by e-mail at janderson@ahfc.us.

AHFC is also pleased to note that the United States Department of Energy has again named AkWarm as complying with DOE's Weatherization Assistance Program for another 5-year period.

Sincerely,



John J. Wagner

Enclosures

cc: Mr. Daniel Fauske, AHFC
Mr. Robert Brean, AHFC
Mr. Mike Buller, AHFC (with enclosures)
Mr. Scott Waterman, AHFC
Mr. John Anderson, AHFC (with enclosures)
Mr. Alan Mitchell, Analysis North



Alaska Housing Finance Corporation: Energy Raters as of February 19, 2014

Listed alphabetically by CITY

Raters shown in **BLUE ITALICS** perform energy ratings STATEWIDE

To obtain an energy rating for use in the Energy Rebate Program for existing homes, sign up to be dispatched to a rater by calling: 1-877-AKREBATE (877-257-3228) or visit the website at www.akrebate.com. You may use this list to contact a rater directly for all other programs or purposes.

FIRST NAME	LAST NAME	PHONE	COMPANY	E-MAIL	CITY	ZIP CODE
Jesse	Bennett	726-0696	Jesse Bennett Unlimited	energyratemyhouse@gmail.com	Anchorage	99508
Brendan	Bonnett	242-5475	Borealis Design Build	brendan@borealisdb.com	Anchorage	99508
<i>Bill</i>	<i>Fischer</i>	<i>884-0112</i>	<i>Energy Smart Alaska</i>	<i>bill@energysmartalaska.com</i>	<i>Anchorage</i>	<i>99524</i>
James	Foss	522-2378	Best Inspection, Inc.	Jim@InspectBest.com	Anchorage	99507
<i>Fred</i>	<i>Giddings</i>	<i>301-9856</i>	<i>Measured Heat Loss, LLC</i>	<i>measuredheatloss@live.com</i>	<i>Anchorage</i>	<i>99508</i>
Mark	Houston	244-4250	The Comforts of Home, LLC	mark@tcohlhc.com	Anchorage	99524
Matt	Oster	563-1119	Red Edge Design LLC	rededgedesignllc@gmail.com	Anchorage	99508
Randy	Walling	790-3058	Walling Construction	randywalling@alaska.net	Auke Bay	99821
<i>Linda</i>	<i>Frank</i>	<i>240-8585</i>	<i>Horizons LLC</i>	<i>horizons@mtaonline.net</i>	<i>Eagle River</i>	<i>99577</i>
Todd	Hoener	388-9960	Stellar Energy	tmhoener@gmail.com	Ester	99725
John	Collette	479-0706	AlaskaWorks Engineering	gnordic@acsalaska.net	Fairbanks	99709
Terry	Duszynski	479-3324	Westlake, Inc dba Duszynski & Ass	tduszy907@gmail.com	Fairbanks	99708
Bryan	Duszynski	388-3321	Stoke Energy Services	doesntski@gmail.com	Fairbanks	99709
Kerry	Hafele	388-5444	Hafele Energy Ratings	hafele@gci.net	Fairbanks	99708
Evangelina	Hammond	479-4790	Denali Contract Services	ehammond@denalicontract.com	Fairbanks	99708
Dan	Spillane	452-8368	Arctic Technical Services	akspillane@gmail.com	Fairbanks	99707
Paul	Woodman	488-9832	Positive Energy	woodmaninthewoods@hotmail.com	Fairbanks	99712
Ted	Veal	235-7461	Ted Veal	tveal@xyz.net	Homer	99603
Daymond	Geary	321-2955		greeninspect@gmail.com	Juneau	
<i>Robert</i>	<i>Moss</i>	<i>283-0629</i>	<i>Wisdom and Associates, Inc.</i>	<i>robert@akinspections.com</i>	<i>Kenai</i>	<i>99611</i>
Todd	Russell	283-0629	Wisdom & Associates	todd@akinspections.com	Kenai	99611
Steven	Wisdom	235-6045	Wisdom & Associates	wisdom@alaska.com	Kenai	99611
Scott	Cragun	225-5129	Home Tech LLC	hometech@kpunet.net	Ketchikan	99901
Jerrold	Friend	539-1975	Friend Contractors LLC	jfriend@alaska.net	Kodiak	99615
Danny	DeBoer	232-1101	DeBoer Inspections	danny@deboerinspections.com	Palmer	99645
<i>Emmett</i>	<i>Leffel</i>	<i>745-4332</i>	<i>Alaska Thermal Imaging</i>	<i>akthermalimaging@yahoo.com</i>	<i>Palmer</i>	<i>99645</i>
David	Owens	746-5471		oweninsp@mtaonline.net	Palmer	99645
Guy	Stone	746-5471	Owens Inspection Servises LLC	quystone@owensinspection.com	Palmer	99645
Eric	Grundberg	518-4158	High tide energy	eric_grundberg@hotmail.com	Petersburg	99833
Jerry	Herring	260-5311	Central Alaska Engineering	jherring@akengineer.com	Soldotna	99669
Dave	Harrell	355-8968	Harrell Construction Services	northernbuilder@yahoo.com	Talkeetna	99676
Jarrett	Humphreys	940-5580	Wolf Solar Electric LLC	sales@wolfsolarelectric.com	Tok	99780
Jordan	Agen	373-5792	Flawless Construction, Inc.	jordan@flawlessco.com	Wasilla	99654
Jeff	Jenkins	373-3740	Alaska Professional Energy Ratings	akproenergy@mtaonline.net	Wasilla	99687
Jon	Schultz	243-0352		ahis@gci.net		

Alaska State Legislature

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Representative Lance Pruitt
House Majority Leader

Sponsor Statement

HB 297 HOME ENERGY RATING SYSTEM

Non-governmental third parties are currently attempting to get themselves identified in federal legislation as the Home Energy Rating System verifying agency. The third parties would therefore control state policy on this issue. Based on the investment that Alaska has made through the Alaska Housing Finance Corporation (AHFC) in developing its own Home Energy Rating System, it seems appropriate that Alaska should run the program, not a non-governmental third party.

HB 297 authorizes the Alaska Housing Finance Corporation (AHFC) to act as the authorizing agency relative to approving any Home Energy Rating System (HERS) to be utilized in the state. This will enable AHFC to ensure that any HERS utilized in Alaska is appropriate for Alaska climates. In addition, AHFC would be able to verify appropriate software for national recognition. The HERS is directly related to measuring a home's ability to meet the Building Energy Efficiency Standards (BEES), which are required by state law.

LEGISLATIVE REQUEST: AHFC requests legislative support for establishing AHFC as the agency for approving Home Energy Rating Systems (HERS) utilized in the state of Alaska (SOA).

STATEMENT OF NEED:

- Non-governmental third parties are working toward identifying themselves in federal legislation as the official HERS verifying agency. If federally enacted, these Outside entities would control HERS state policy and compete for federal funds available to Alaska and other states.
- If AHFC is established as the authorizing agency, it will ensure that Alaska's varied and extreme weather conditions are appropriately addressed prior to any HERS approval and implementation. HERS testing will be required.
- Based on the investment that the SOA has made through AHFC in developing its own highly successful HERS, *AkWarm*, AHFC requests SOA identify AHFC in statute as the official HERS approving agency in Alaska.

BACKGROUND:

- HERS *AkWarm* software has been independently tested and approved by the U.S. Department of Energy. It has been in use and continually updated by AHFC since 1996.
- AHFC has considerable experience in the development, implementation and certification of HERS.
- AHFC is the only state agency actively involved in the development of its own HERS. *AkWarm* is specifically designed for Alaska conditions. It is well recognized by the building, real estate and home-loan industries and directly tied to the following AHFC programs:
 - ✓ Alaska Building Energy Efficiency Standard (BEES): AHFC home loans are required by A.S. 46.11.040 to meet BEES. These loans are verified by *AkWarm*.
 - ✓ Home Energy Rebate Program and Weatherization programs: These show an average projected energy reduction of 30 percent and require *AkWarm*.
 - ✓ The Energy-Efficiency Interest-Rate Reduction loan program. This program incentivizes the construction and purchase of homes exceeding minimum energy standards and requires *AkWarm*.

CONTACT:

Stacy Schubert, 301-4556, sschubert@ahfc.us Cary Bolling: 350-2479, cbolling@ahfc.us

