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Testimony of  
Hannah  
Gustafson,  
Renewable Energy  
Alaska Project

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Testimony of Hannah Gustafson of the Renewable Energy Alaska Project to the  
House Special Committee on Energy  
Thursday, 10 February 2011

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Thank you Mr. Chair. For the record my name is Hannah Gustafson and I am the Deputy Director of Renewable Energy Alaska Project (REAP).

REAP is a coalition of over 70 Alaska electric utilities, businesses, consumer groups, conservation groups, Alaska Native organizations and local, state and federal entities that share the goals of increasing the production of renewable energy and promoting energy efficiency in Alaska.

REAP would like to thank both Co-Chairs and other members of the Committee for this opportunity to testify on SB 220 today.

The work of the legislature last year to pass House Bill 306 provided a landmark from which Alaska can move forward. This state is blessed with some of the best renewable and non-renewable energy resources in the world. Renewable energy, in particular, provides a hedge against the inevitable rise in fossil fuel prices that we will see in the coming decades. HB 306 has set ambitious, but attainable, goals for the state and SB 220 contains the beginning steps to meet those goals. Though it has been less than a year since its passage, REAP appreciates the fact that this Committee is committed to tracking the progress of this legislation.

I am going to focus my testimony today in two areas: First I'll talk about some of the specific provisions contained in SB 220 and then I'll end my testimony by mentioning some of the issues that REAP hopes this committee will consider as this legislative session progresses.

REAP was a great proponent of the Emerging Energy Technology Fund (EETF) that was created last year with the passage of SB 220. Because the Renewable Energy Grant Fund was NOT designed to fund immature or emerging technologies REAP and many other entities including the Denali Commission, the Alaska Center for Energy and Power and the National Renewable Energy Laboratory recognized that Alaska needed a program to take advantage of the many excellent opportunities to develop emerging technologies that utilize Alaska's biomass, river current, tidal and wave resources. Grants from the Emerging Energy Technology Fund will help demonstration projects leverage private and federal monies to accelerate technology innovation in Alaska while at the same time providing ways to sustainably provide energy to the state's communities. There is actually a meeting in Juneau next Monday, February 14<sup>th</sup> with presentation from the 11 recipients funded by the Denali Commission for emerging technologies in what is considered round zero of the program, you are all encouraged to attend. The AEA administered EETF that was a part of SB 220 is moving forward with an RFA that is currently on the street, as was mentioned by Ms. Holdmann and Ms. Enkvist, and REAP is hopeful that the legislature will commit funding to the program again this year.

REAP would like to thank the legislature for its commitment to energy efficiency measures and programs over the last several years. Since the appropriation of \$360 million for home weatherization and rebate programs in 2008, this body has clearly recognized that efficiency measures result in much quicker paybacks than investments in generation resources. The legislature added to the state's energy efficiency commitment last year with the passage of SB 220. Sections 9 and 42 created the new \$250 million revolving loan program for retrofitting public buildings that will help the state meet the mandate established in section 17. This mandate calls for the state to retrofit 25% of its buildings by 2020. REAP is currently working closely with AHFC to educate public building owners about the program which is important both because it will bring energy savings to the state, and because it is an innovative way to leverage state funds that the State could potentially use to finance other energy infrastructure projects.

Sections 20-28 of SB 220 deal with energy efficiency loans for commercial businesses and to date, no funds have been appropriated for this program. This is an important program that still needs attention and I was pleased to learn in Tuesday's presentation by Sara Fisher-Goad that AEA is working with the Department of Commerce to address this area.

That brings me to the last point regarding SB 220 that I would like to briefly address. There are several provisions in the bill that call for state agencies to collect data and/or provide technical assistance. These include Section 11, which requires the Office of Management and Budget to work with various agencies to collect and store energy consumption data, Section 16 which asks DOT to consider converting its fleet to alternative fueled vehicles, Section 43 which requires the Department of Revenue to make recommendations on the feasibility of a municipal energy improvements program and section 40, which requires the Governor's office to submit a report to the legislature that describes current energy programs and make recommendations on how best to structure and coordinate those programs. All of these efforts are important and I was pleased to hear status updates from the various agencies during Tuesday's committee meeting.

At this time REAP would like to make a few comments on the Governor's report that was released this past week. The report describes the state's various energy programs and makes the recommendation that an "Energy Policy Coordinator" or EPC in the Governor's office be the coordinator and mediator between various state agencies and corporations that deal with energy issues. It appears from the report that the EPC will make further recommendations about administrative structure. REAP believes such a coordinator is definitely needed. However, the consistency in application that the State of Alaska needs over the long term will require that whatever structure is deemed best be institutionalized so that it outlives individual administrations. Accordingly, REAP believes it may be beneficial for this Committee to hold informational hearings on administrative approaches that are being successfully applied in other states.

I'd like to end my testimony by mentioning some areas that REAP hopes this Committee will consider over the course of this legislative session.

Number #1, all of these energy programs and initiatives, including the ones already contained in SB 220, need adequate personnel and funding to succeed. That is why Section 40 of the bill, which refers to the Governor's report on administrative structure, is so important. If we are to meet our goals we need a long-term structure that will allow Alaska's programs to function both efficiently and without duplication of effort. Energy is the lifeblood of any economy, and designing and building a sustainable energy infrastructure that will allow Alaska to be competitive in this 21st century economy is a task that will require energy planning and implementation institutions that are fully supported by the state. If anything, we have too many energy choices in this state. A well-oiled energy administrative structure can help us understand those choices in context, and then execute on the decisions that are made.

Number #2, and related to #1, we need to develop a strategic energy focus so we can meet our goals and play to our strengths. For example, with limited resources, programs like the Renewable Energy Grant Fund may benefit from developing a strategic focus for making grants. One idea that has been discussed among the Advisory Committee is developing an RFP to develop state-of-the-art projects designed for rural applications and then asking applicants to compete for grant funds to build them. Using some of the grant money in this fashion would drive technology innovation and improvement.

Another such way to drive innovation that has been discussed is for the state to develop a production-based tax credit for renewable energy where the more energy a project generates the more the developer is rewarded with a credit on its taxes.

Finally #3, the state is going to have to keep investing money. The dollars invested in residential energy efficiency programs over the last three years are already paying dividends and more should be invested. If Alaska becomes the most energy efficient state in the nation it will in the process become one of the most attractive places for companies to invest.

The money invested through the Renewable Energy Grant Fund is also beginning to pay dividends as projects leverage private and federal dollars, get built and come on line. The Alaska Energy Authority is tracking the number of gallons of diesel that each of the projects is predicted to save over their lifetimes, and even using today's cost of fuel, those projects are projected to save communities far more in fuel costs than the state has invested.

The state should also consider developing a concurrent loan program for renewable energy projects. Indeed, HB 306 names the Power Project Loan fund as the vehicle to finance projects but that fund must be further capitalized. Particularly for large Railbelt utilities who have not seen as much of the Renewable Energy Grant Funds because of the Railbelt's comparatively lower electricity prices, low cost or zero interest loans for projects would be nearly as valuable as grants. The availability of loans and other financing mechanisms is going to be absolutely necessary to develop large-scale hydro and other large-scale renewable energy projects. The bonding mechanism that has

allowed AHFC to set up a \$250 million revolving loan fund for energy efficiency retrofits for public buildings is one that could be examined for financing other projects.

The State also needs to continue to fund energy innovation programs like the Emerging Energy Technology Fund. There is literally a race around the world to find more sustainable energy systems and Alaska can use its unique situation to become a leader in such innovation. There is nowhere else in the nation that has the combination of high energy prices and abundant natural energy resources like Alaska. That combination means that while we demonstrate new technologies here we can also likely save our communities money at the same time. This program also importantly applies to heating and transportation innovations, the other two vital and often overlooked components of our energy needs.

Overall, there is a huge demand from communities across the state to diversify their energy portfolios and state assistance is going to play a very valuable role in making this happen. Energy is arguably the most important infrastructure investment we can make because without it our schools and other public infrastructure cannot function.

That concludes my testimony. Thanks again to this Committee for its efforts to help make sustainable energy for Alaskans a reality, and thanks again for the opportunity to testify today.