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ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE
January 25, 2017
1:09 p.m.

MEMBERS PRESENT

Representative Andy Josephson, Co-Chair
Representative Geran Tarr, Co-Chair
Representative Dean Westlake, Vice Chair
Representative Harriet Drummond
Representative Justin Parish
Representative Chris Birch
Representative DeLena Johnson
Representative George Rauscher
Representative David Talerico

MEMBERS ABSENT

Representative Chris Tuck (alternate)

COMMITTEE CALENDAR

OVERVIEW: UPDATE ON THE ALASKA LNG PROJECT

- HEARD

PRESENTATION(S): ALASKA ENERGY AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY & ECONOMIC DEVELOPMENT

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

GENE THERRIAULT, Government Relations
Alaska Gasline Development Corporation
Department of Commerce, Community & Economic Development
Anchorage, Alaska
POSITION STATEMENT: Prior to the update on the Alaska LNG Project, offered to provide fiscal notes attached to related legislation for clarification.

LEIZA WILCOX, Vice President
Commercial and Economics
Alaska Gasline Development Corporation
Department of Commerce, Community & Economic Development
Anchorage, Alaska

POSITION STATEMENT: Continued the PowerPoint presentation begun at the meeting of 1/23/17, entitled, "Alaska Moving Forward: Alaska LNG Project Update," dated 1/23/17, and answered questions.

FRITZ KRUSEN, Vice President
Alaska LNG
Alaska Gasline Development Corporation
Department of Commerce, Community & Economic Development
Anchorage, Alaska
POSITION STATEMENT: Answered questions during the PowerPoint presentation entitled, "Alaska Moving Forward: Alaska LNG Project Update," dated 1/23/17.

KATIE CONWAY, Government Relations Manager
Alaska Energy Authority
Department of Commerce, Community & Economic Development
Anchorage, Alaska
POSITION STATEMENT: Provided a PowerPoint presentation entitled, "Alaska Affordable Energy Strategy" dated 1/25/17, and answered questions.

CADY LISTER, Chief Economist
Alaska Energy Authority
Department of Commerce, Community & Economic Development
Anchorage, Alaska
POSITION STATEMENT: Participated in the PowerPoint presentation entitled, "Alaska Affordable Energy Strategy" dated 1/25/17, and answered questions.

NEIL MCMAHON, Program Manager for Energy Planning
Alaska Energy Authority
Department of Commerce, Community & Economic Development
Anchorage, Alaska
POSITION STATEMENT: Answered a question during the PowerPoint presentation entitled, "Alaska Affordable Energy Strategy" dated 1/25/17.

ACTION NARRATIVE

1:09:23 PM

CO-CHAIR GERAN TARR called the House Resources Standing Committee meeting to order at 1:09 p.m. Representatives Tarr, Birch, Drummond, Johnson, Parish, Rauscher, Talerico, Westlake, and Josephson were present at the call to order.

CO-CHAIR TARR provided background information on documents that the committee previously received, and on previous related legislation.

1:11:34 PM

GENE THERRIAULT, Government Relations, Alaska Gasline

Development Corporation (AGDC), Department of Commerce, Community & Economic Development (DCCED), offered to provide - for the committee's clarification - fiscal notes attached to related legislation.

^OVERVIEW: UPDATE ON THE ALASKA LNG PROJECT

OVERVIEW: UPDATE ON THE ALASKA LNG PROJECT

1:12:16 PM

CO-CHAIR TARR announced that the first order of business would be the continuation of an overview begun at the meeting of 1/23/17 by the Alaska Gasline Development Corporation on the status of the Alaska LNG Project.

1:12:37 PM

LEIZA WILCOX, Vice President, Commercial and Economics, AGDC, DCCED, continued her presentation from the meeting of 1/23/17. She informed the committee that the objectives of AGDC are as follows (slide 22):

- operate as a public corporation of the state that is responsible to its board which sets policy for its shareholders who are the residents of Alaska
- make decisions, based upon business principles, for a public corporation operating in the world of private enterprise and guided by expertise in this regard
- ensure transparency with the legislature, the public, and in the market so that all parties receive balanced information about the project for the future
- maintain a cooperative relationship with producers, in that the producers are prospective customers and possible partners in the project
- engage major vendors more strategically, recognizing that the project is potentially risky, but that vendors in the emerging LNG market have opportunities for success
- structure for third party finance, as part of the commercial management of the corporation, by securing long-term commitments and low-cost financing that will result in lower costs to construct the project
- maintain the 2023-2025 project in-service window because it is important for vendors and potential customers to be aware of the project's target date
- expand the availability of natural gas to instate customers

1:19:17 PM

REPRESENTATIVE TALERICO recalled previous discussion about how state ownership of the pipeline would allow the avoidance of certain tax liabilities - which would result in cost savings - and also about third-party financing of the project. He remarked:

> ... I would consider it ownership when I would invest in one of these [projects] and until my promissory note, so to speak, was, was fully paid back, ... part of my risk would be to always have ownership in that line. ... Is there any of that line that will get skewed with third-party financing, and the ability to relieve that tax liability, if we have an enormous amount of partners that have the investment in this? ... [It] probably depends on the structure of how that financing is put together. ... If there's risk that we do an enormous amount of third party financing, [and] couple all these people together, and ... we actually don't have the opportunity, until we have full ownership of that line, to be relieved of that liability ....

REPRESENTATIVE TALERICO was unsure that the state can move forward when bringing in third-party financing.

MS. WILCOX advised there is a tradeoff between arms-length financing and AGDC will be working on the financing structure to show how risk affects the project; the engineering of the project has progressed so that there is a good definition of the project, but the financial structuring work is critical and requires specialized knowledge.

REPRESENTATIVE PARISH understood that AGDC will take out approximately $45 billion in loans, and asked whether AGDC or the state carries the liability in the case of default.

MS. WILCOX responded that AGDC does not intend to assign liability for the project to the state. She opined that under the previous project structure, the state was a participant and "the state essentially carried the risk for it in some form. ... Our goal is to create a, a structure where there's no more exposure than, than existed under, under the previous {project] and hopefully less ... through the making of these capacity contracts, but I don't have a full answer to your question at the moment."

1:25:08 PM

MS. WILCOX stated that in 2017, AGDC will focus on the commercial area of engaging potential LNG and infrastructure customers. Infrastructure customers are those who could take capacity on the project and sign agreements upon which financing can be based. The first step is a marketing exercise to engage interest from a broader market than did the previous structure. The exercise would require building relationships and educating parties on the project as it stands today. Satellite offices in Houston and Tokyo were opened to consolidate work and facilitate meetings with AGDC's part-time expert help. Furthermore, AGDC will continue to work on transition agreements for access to the site, which is owned by ExxonMobil Corporation, BP, and

ConocoPhillips Alaska, Inc. She advised that the previous project did not focus on contact with the broader market thus there is a need to augment contract staff in the commercial and finance areas. In early March, potential interested parties whom she characterized as "more serious prospects from the customer and investor community," will be invited to see Alaska, Prudhoe Bay sites, and existing facilities during the Alaska LNG Summit event. Also in 2017, AGDC - working with BP - is on track to secure a financial advisor that will scrutinize contracts, risk, the costs of capital and debt, and a financing plan. The focus on "regulatory" is to establish a project web site and prepare to file a Federal Energy Regulatory Commission (FERC) Section 3 application (slide 23).

1:31:23 PM

REPRESENTATIVE JOHNSON requested an updated organization chart and more information on operating costs at the Houston office.

MS. WILCOX offered to provide the requested information.

REPRESENTATIVE BIRCH asked to review a spreadsheet on staffing and monthly payroll costs in the Houston and Tokyo offices.

REPRESENTATIVE RAUSCHER asked whether the legislature will be invited to the Alaska LNG Summit event.

MS. WILCOX said, "I would say not the entire legislature." She explained the event is for the benefit of customers and is in response to the business culture that seeks substantive project focus information, rather than a promotional event. However, there will be representation from the "federal delegation," Native corporations, and key leadership.

MS. WILCOX returned to the presentation, noting AGDC's primary objective is to establish a commercial structure that will ultimately secure capacity reservations to underpin the financing of the construction and operation of the project. She pointed out that although an equity alignment structure was the previous choice for advancing the project, that is not the only option, and AGDC has made an adjustment [to the tolling structure] for the market and for the participants (slide 24). She directed attention to a chart which illustrated three options as to who could be holding capacity contracts that will underpin the financing (slide 25). Capacity contracts can be held by:

- a producer that will sell its own LNG
- a third party buyer of LNG that reserves capacity
- a [merchant] party that is buying gas upstream and selling it in the market

MS. WILCOX explained that the third option requires contracts "that match on both ends, in order to make them financeable, so that will take some careful orchestration."

1:37:41 PM

CO-CHAIR JOSEPHSON surmised the first model is Senate Bill 138 [passed in the 28th Alaska State Legislature].

MS. WILCOX said not exactly, because in Senate Bill 138, the producer was not the toller, but the owner of capacity; a toller does not bring capital to the project, unless it is also an investor, but it reserves a block of capacity - for a period of time - that it will take or pay.

CO-CHAIR JOSEPHSON understood that with equal shares, there would be no payments on tolling on tariff. However, the state in the first model is a producer, or acting as a producer, and held one-quarter share.

MS. WILCOX said correct.

CO-CHAIR JOSEPHSON remarked:

> In the second model, the merchant you called the buyer ... would be the ultimate purchaser serving to also act as a toller to own part of the carrying capacity.

MS. WILCOX stated the merchant may not be the ultimate buyer, and may sell to buyers in the market, but would hold ownership of "the gas between wellhead and the jetty." She then turned to investment and stated that in order to bring investment into the project, there must be interest in the tolling model from customers and tollers. However, said interest does not need to be final or unconditional in order to advance the project through the next stage-gate (slide 26).

REPRESENTATIVE BIRCH observed that the project will provide "a stable infrastructure investment" and pointed out that a level of taxation is a component of stability. He asked whether AGDC has a mechanism for providing a stable infrastructure investment that includes property and state tax structure.

MS. WILCOX advised that AGDC is not a taxing entity, thus must work with the Department of Revenue and the legislature. In a tolling structure as related to taxes, AGDC will serve as a pass-through entity; however, AGDC recognizes that there will be impacts on communities, and communities and the state will need to be fairly compensated.

REPRESENTATIVE BIRCH questioned how AGDC will provide stability, in light of the recent unstable taxing environment, that will be sufficient to attract capital.

MS. WILCOX acknowledged that a tolling model does not solve all the problems of tax stability; a tolling model can bring stable investment, cheaper capital, and parties from outside the market. In fact, the question of tax stability is a separate issue for those who will pay tolls. In conclusion, she informed the committee that the Houston-based LNG team consists of experts with broad connections and experience in the LNG market who are serving as part-time consulting contractors to AGDC, and who are managed by Mr. Mitchell. In Tokyo, AGDC is represented by Mr. Shiratori (slide 27).

1:46:21 PM

FRITZ KRUSEN, Vice President, Alaska LNG, AGDC, DCCED, in response to an earlier question, said the Houston office in calendar year 2017 will cost $160,000; Mr. Mitchell will be working fulltime and others will be working part-time, and the current estimate of costs is $1 million, which will be updated when possible. He stated his personal high regard for the team.

CO-CHAIR TARR and Co-Chair Josephson requested AGDC provide fiscal notes, additional financial records, and a history of spending over the last four years.

^PRESENTATION: ALASKA ENERGY AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY & ECONOMIC DEVELOPMENT

PRESENTATION: ALASKA ENERGY AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY & ECONOMIC DEVELOPMENT

1:50:06 PM

CO-CHAIR TARR announced that the final order of business would be a report from the Alaska Energy Authority. She reminded the committee that the aforementioned report is mandated in Section 75, Senate Bill 138 [passed in the 28th Alaska State Legislature].

1:51:20 PM

KATIE CONWAY, Government Relations Manager, Alaska Energy Authority (AEA), Department of Commerce, Community & Economic Development (DCCED), reminded the committee AEA is a public corporation of the state working to reduce the cost of energy in Alaska. She provided the first section of a PowerPoint presentation entitled, "Alaska Affordable Energy Strategy," and also referred to a document entitled, "Alaska Affordable Energy Strategy: A Framework for Consumer Energy Sustainability Outside of the Railbelt," found in the committee packet. Ms. Conway informed the committee that the lights are on in small, isolated, and remote communities far from the Railbelt. The energy systems generating power in small communities are complicated and require maintenance; in fact, unlike the Railbelt, energy systems that are not connected to a grid have no backup. Affordable energy is a fundamental need and not a luxury (slide 2). In much of Alaska, energy infrastructure consists of bulk fuel tank farms, power generation facilities, and electrical distribution systems which much be maintained at a yearly capital cost of over $30 million, not including the operational costs for personnel or fuel (slides 3 and 4). In the last 15 years, over $1 billion have been invested in energy projects throughout non-Railbelt Alaska, three-quarters of which were federal funds. Although the need to invest continues, the availability of public funding is decreasing, and communities still need to provide safe, reliable, and affordable energy (slide 5). Ms. Conway stated that state government must provide a framework to maximize federal dollars, encourage private sector investment, prepare communities to utilize debt financing, ensure proper project selection, provide technical assistance, and consumer protection; therefore, the Alaska Affordable Energy Strategy (AkAES) is a framework for changing the way the state provides critical energy programs. Through its recommendations, AkAES is a strategic plan to improve the methods by which the state works with non-Railbelt communities and utilities to identify, evaluate, develop, and maintain cost-effective energy solutions (slide 6).

1:57:15 PM

MS. CONWAY continued, noting that in 2014, AEA was originally tasked to develop a plan for cost-effective energy outside the scope of the proposed natural gas pipeline; however, AkAES has grown to include other areas and is now independent of the gas pipeline. The agency determined that only the Railbelt would benefit from the gas pipeline, thus the AkAES study area includes "everywhere else." Also, AkAES considered existing energy policies and goals (slide 7). She stressed the following key points:

- the study area includes everything but the Railbelt
- the study was a research-based project conducted over two years
- the study did not develop a list of recommended capital projects, but focused on improving the decision-making process and expanding options for financing energy projects
- the final recommendations are a web of related factors.

MS. CONWAY noted that although the recommendations target non-Railbelt Alaska, there are statewide benefits to saving state funds (slide 8). The study found a wide range of power systems, from small villages reliant upon diesel fuel to larger cities generating renewable energy. The median community size in the study is 300 people, and 76 percent of the communities in the study are not connected by road or by the Alaska Marine Highway System. The median electric rate is $0.62 per kilowatt hour before [adjustments to the cost of power in rural areas by the Power Cost Equalization (PCE) program], and the median heating oil cost is $4.55 per gallon. She pointed out that a one gallon equivalent of natural gas in Southcentral costs less than $1 (slide 9). Ms. Conway said AkAES seeks to ensure that energy funds are spent at their highest value by the following actions (slide 10):

- improving project selection, ensuring that the most cost-effective projects are completed first
- diversifying financing options removing certain difficulties
- strengthening accountability and maximizing the useful life of assets

MS. CONWAY informed the committee that AEA studied over 150 reports generated within and outside Alaska, and analyzed over 3,000 energy infrastructure projects submitted by Alaska agencies. The project also incorporated the [Regional Energy Planning program through AEA] and engaged stakeholders. Finally, AkAES commissioned studies on end-use efficiency, liquefied natural gas, fuel delivery and storage, utility management, and barriers to private investment in rural Alaska (slide 11). The study information has been incorporated into the Alaska Affordable Energy Model that compares energy structure options and that can be used to make informed decisions. She concluded that "affordable" is interchangeable with "cost-effective," and although AEA found that it is difficult to lower costs, there are opportunities for improving cost-effectiveness, such as energy efficiency for both residential and non-residential buildings and facilities. Further, AEA found through AkAES that given the variability of conditions and circumstances, there are no one-size-fits-all solutions (slide 13).

2:03:56 PM

CADY LISTER, Chief Economist, AEA, DCCED, continued the presentation, noting that the recommendations proposed by AkAES are built on stakeholder engagement, collaboration, and comprehensive research, and are organized into four pillars: identification, project financing, accountability and sustainability, and funding programs, all of which support the goal of safe, reliable, stable and affordable energy. Further, the study identified that solutions must include direct financing from grants and loans, technical assistance, and requirements such as mandates, standards, and regulations (slide 14). Ms. Lister said that research identified areas where barriers led to higher cost energy, such as the expectation of federal and state grants. Informing utilities and communities how to access debt financing will reduce the need for state grants. State and federal funding has also led to projects that were driven by available funding, rather than by the community's needs. Furthermore, with insufficient maintenance the expected performance or economic life of a project is compromised, as would an insufficient level of technical expertise (slides 15 and 16). Ms. Lister said each of the proposed recommendations may not be applicable in every community but, collectively, the recommendations offer solutions for the study area.

2:08:07 PM

REPRESENTATIVE WESTLAKE spoke of his experience with AEA and the challenges of energy systems in rural Alaska. He questioned what communities have been contacted about AEA specifically implementing the recommendations. He remarked:

> Some places have ... worked with AEA [and] have decided maybe a better venue is going through Department of Energy, [or] Tribal energy ... where they really feel that there's a disconnect between the state services that they do have, versus just going one to one with the federal dollars that AEA does hold.

MS. LISTER expressed her belief that there are few energy systems in Alaska that have been not been impacted by AEA, including in Juneau and in the Northwest Arctic Borough. She said AEA values federal investment and seeks greater collaboration in the future.

REPRESENTATIVE BIRCH asked what efforts AEA has made to standardize equipment and to make equipment less complicated in rural Alaska.

MS. CONWAY said the presentation underway is introducing a new way for AEA, state agencies, and regional partners to proceed. She offered to discuss AEA's ongoing programs in detail at a future point in time.

REPRESENTATIVE RAUSCHER would also like to hear further details on ongoing programs.

2:13:16 PM

MS. LISTER, in response to Representative Westlake, said AEA's mission is to reduce the cost of energy in Alaska. She returned to the presentation, stating that current state energy goals include energy efficiency, renewable energy targets, the use of instate gas, the use of the [Power Project Loan Fund program through AEA], and leadership in renewable and alternative energy; AEA recommends that the state energy policy be amended to include a goal to ensure safety, stability, reliability, and affordability in all communities by 2030. Of the aforementioned four pillars, the first pillar is the identification of cost-effective projects by improving access to community-level data that will inform good decision-making. Data is currently available on community goals and consumer, utility, and environmental needs. The collection and sharing of data is facilitated by the [Alaska Energy Data Gateway, Institute of Social and Economic Research, University of Alaska Anchorage] and the [Alaska Retrofit Information System, Department of Transportation & Public Facilities], reporting to PCE and the

Renewable Energy Fund, and the Alaska Affordable Energy Model developed by AkAES. Further, the recommendation urges the collection and updating of related data by codifying existing agencies' work. In addition, for communities seeking assistance, the state will help identify, plan, and finance energy projects and program, beginning with high-cost PCE communities. Ms. Lister advised that the forgoing recommendation aligns with House Bill 306 [passed in the 26th Alaska State Legislature] (slides 17-20). Recommendation A-3 is to establish a building energy code for residential and non-residential new construction and major renovation; building to an efficient energy standard is cost-effective, saves energy, and saves money (slide 21). Moving to the second pillar, she said financing cost-effective projects includes five recommendations working toward improved access to financing tools for communities. Recommendation B-1 relates to the Bulk Fuel Revolving Loan program, DCCED, which offers communities financing to purchase large quantities of fuel; it is recommended that the same mechanism should be available to purchase non-petroleum fuels, such as cordwood or pellets (slides 22 and 23). As AkAES found that many communities are in a position to assume more debt for projects, Recommendation B-2 is to create easier ways for utilities and communities to access financing. She cited a successful renewable energy project that was financed by a combination of grants, loans, bonds, and local matching funds, although the financing arrangements were very complex. To make securing existing financing options easier for utilities and communities, Recommendation B-2 creates a financing "one-stop-shop": the Community Energy Fund for Alaska (CEFA)(slide 24).

2:20:26 PM

MS. LISTER informed the committee that CEFA would organize financing that is available to utilities, municipalities, boroughs, cities, Tribes, and non-residential facilities to be used for generation, distribution, transmission, and demand-side energy efficiency projects. She stressed how access to financing saves money. Recommendation B-3 creates a loan program with refund provisions that reward project performance; for example, portions of a loan would be refunded if the project lasts for a long time and is maintained throughout its economic life (slide 25). Recommendation B-4 is to statutorily allow voluntary on-bill financing and Commercial Property Assessed Clean Energy (C-PACE), which is a financing mechanism described by forthcoming proposed legislation. She further explained the benefits of C-PACE and on-bill financing (slide 26). Recommendation B-5 is to stabilize state funding for the low-income residential weatherization program, and to modify home energy rebate rules to expand access to residential efficiency services. The recommendation seeks $10 million per year for the weatherization program because residential weatherization maintains the best return on investment for energy savings to consumers. Further, she explained the benefits of expanding the dormant home energy rebate program (slide 27). The third pillar is accountability and sustainability, and has six recommendations focused on a system that encourages the operational life of energy systems, and that improves the ability of entities to access debt financing (slide 28). Recommendation C-1 is to strengthen business and financial management assistance for PCE-eligible utilities; for example, reducing non-fuel costs through more efficient business operations. Studies have shown that some PCE communities are paying almost one-half of their total cost per kilowatt hour for administration (slide 29). Recommendation C-2, [draw on the state's partnerships with regional and statewide entities to more cost effectively provide needed assistance] builds off of the successes of existing regional activity. Ms. Lister pointed out that regional entities are more aware of a community's needs and are quicker to respond than is the state. The Tanana Chiefs Conference and the Alaska Native Tribal Health Consortium are examples of regional organizations that could provide services such as the management of utility financing, accounting, utility cooperatives, maintenance, and emergency response (slide 30). Recommendation C-3, [develop a cost-effective regulatory system to ensure PCE-eligible electric utilities continue to meet standards to be fit, willing, and able], would ensure that the standards a community once met to obtain a Certificate of Public Convenience and Necessity (CPCN) are maintained. A community that continues to meet these standards would ensure that its assets are maintained, minimize its fuel cost, and retain its access to financing (slide 31).

2:29:37 PM

MS. LISTER continued to Recommendation C-4, [require large non-residential buildings that receive PCE to have an energy audit and perform cost-effective retrofits] that would help ensure that assets are maintained and ensure the financial and managerial health of utilities by having an energy audit and performing retrofits within ten years (slide 32). She advised that currently the Regulatory Commission of Alaska (RCA) determines the eligibility of new infrastructure after it is built, which is a barrier to private investment. Recommendation C-5 [empower RCA to have siting authority over generation and transmission facilities for regulated utilities in study area] would reduce uncertainty and provide consumer protection (slide 33). Recommendation C-6, to enact a 1 percent per year fuel reduction target for electric utilities until cost-effective gains have been realized, is designed to provide a requirement for utilities to perform continuous quality improvements such as reducing fuel consumption, lowering line loss, and improving efficiency. She pointed out that the recommendation is not that utilities proceed with projects that would increase costs to consumers (slide 34). The fourth pillar of funding programs was specified by the AkAES enabling legislation, and requires both a plan for potential revenue sources for programs recommended by the study, and a means for directly underwriting energy costs (slide 35). Thus, Recommendation D-1 is to use the Affordable Energy Fund - funded by 20 percent of royalties from a future gas pipeline - and used for areas of the state not served by said pipeline (slide 36). As this fund will not be available for at least one decade, alternative funding sources are needed, and Recommendation D-2 is to pay for PCE administrative expenses and fund-specific energy programs with PCE funds. She acknowledged the importance of maintaining the Power Cost Equalization Endowment Fund and said the recommendation is to increase the allocation from earnings to administer the PCE program, which is currently subsidized with general funds (slide 38). Ms. Lister referred to energy policy reports that identified per-unit energy surcharges as a means to fund cost-effective projects [reports not provided]. Based on these reports and methods commonly used in the Lower 48, Recommendation D-3 is [to support community energy projects and programs, establish a universal service charge] (slide 39). Recommendation D-4 is to continue the Power Cost Equalization program and to revive the Alaska Heating Assistance Program. The PCE program is the largest and most broad-based source of energy funding in the study area. Further, the need for PCE will not be eliminated by AkAES, and the benefits from the PCE endowment fund are extremely important to rural Alaska (slide 40). Finally, for the committee's consideration, Ms. Lister stated that a state entity with the authority to consolidate and manage consumer energy to the extent that is reasonable, would increase the efficiency of delivering state energy programs to communities (slide 41). She cautioned against spreading implementation of the foregoing recommendations throughout departments and agencies, with the exception of tasks directed to RCA.

2:38:13 PM

MS. LISTER presented the following conclusions (slide 42):

- lights and heat must remain on which requires investment in energy infrastructure
- the state's budgetary challenges require more affordable community energy systems strengthened through policy, regulatory, and statutory change
- AkAES provides guidance for said change

CO-CHAIR JOSEPHSON referred to Recommendation C-4 - enhancing existing buildings with energy audits - and asked whether the recommendation includes new construction.

MS. LISTER responded that there is a recommendation to establish a building energy code for residential and non-residential buildings.

REPRESENTATIVE BIRCH requested a summary of the total cost of the PCE program, including how many communities benefit, the cost per resident, and an aggregated cost of the program by community.

MS. CONWAY stated she will provide the requested information.

CO-CHAIR TARR questioned whether the annual report on PCE is available online.

MS. LISTER said historic information is posted online.

MS. CONWAY added that the current fiscal year annual report is due to be posted online the second week in February.

MS. LISTER, in response to Representative Rauscher, said the report would be on PCE-eligible communities.

CO-CHAIR TARR asked for a glossary of AEA programs.

MS. LISTER offered to provide relevant information.

REPRESENTATIVE PARISH asked the presenters to provide a copy of their script. He then asked whether pellets and firewood would be subject to the aforementioned [Recommendation D-3] universal service charge.

2:43:22 PM

NEIL MCMAHON, Program Manager for Energy Planning, AEA, said there has been no policy decision on whether firewood would be included, and asked the legislators for guidance.

REPRESENTATIVE PARISH said he would prefer not.

CO-CHAIR TARR pointed out that some of the recommendations are items of interest to legislators who may wish to provide guidance on specific recommendations.

REPRESENTATIVE TALERICO advised that his constituents would not support Recommendation A-3, which is to establish residential and non-residential building energy codes. He also expressed his interest in expanding the ability to purchase non-diesel fuels through the Bulk Fuel Revolving Loan program, such as coal, peat, and biomass; in fact, there is a need to define non-diesel fuels. In regards to Recommendation B-3, he opined that a successful project is its own reward, and cautioned about only rewarding good behavior.

MS. LISTER, in response to Representative Westlake, explained that Recommendation D-2 is specifically addressed to the funding of the Circuit Rider program, which enables communities to contact AEA when problems with a diesel powerhouse arise. The program can also provide onsite operator training. Another program brings rural powerhouse operators to Seward for training.

MS. CONWAY added that the related programs are Circuit Rider, [Power Plant] Operator Training, and Community Assistance.

MS. LISTER addressed the payment of direct PCE administrative expenses, explaining that general funds have been subsidizing the costs of administering the PCE program along with the portion that is taken from earnings to pay AEA and RCA for their administrative costs. However, general funds are becoming less available, and the full cost of administering the program is approximately $600,000.

2:50:12 PM

REPRESENTATIVE WESTLAKE questioned why AEA "sees this as a subsidy." He asked whether AEA works with the Alaska Housing Finance Corporation and the Alaska Industrial Development and Export Authority in order to streamline processes.

MS. CONWAY responded that there was an administrative order to explore [related] options that has not been finalized, thus she could not comment at this time.

2:53:42 PM

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:53 p.m.